

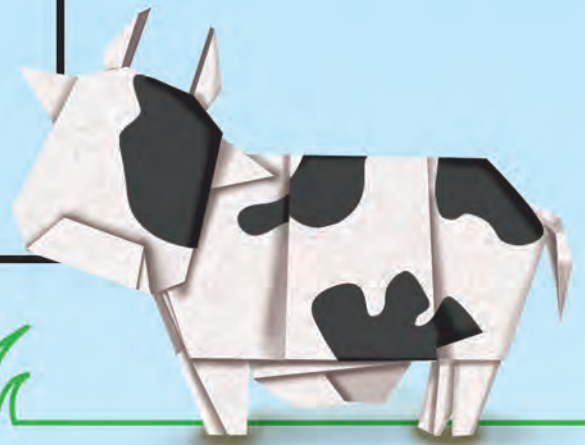
雅士利®

Yashili International Holdings Ltd
雅士利國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)
Stock Code 股份代號：01230



年 ANNUAL 報 REPORT 2016



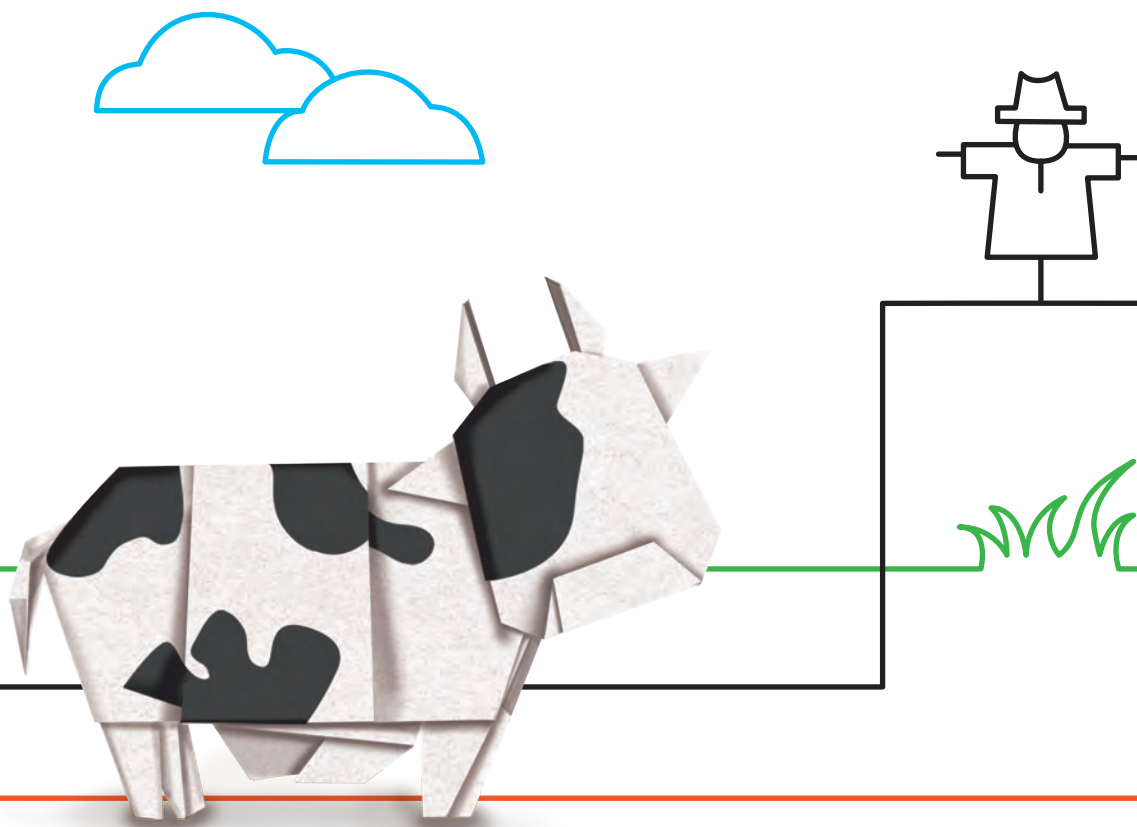
**YASHILI INTERNATIONAL HOLDINGS LTD
(THE “COMPANY” OR “YASHILI”) (STOCK CODE: 01230)
and its subsidiaries (collectively the “Group”)**

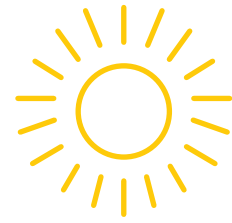
as a whole is a domestically leading professional infant formula producer with international presence that produces and sells premium infant formula and nutrition food in China.

The Group has factories in Guangdong, Shanghai, Shanxi, Inner Mongolia, Heilongjiang, New Zealand, etc. It sells infant formula products through widely recognized brands such as Yashily, Mengniu, Dumex, Arla and Scient, as well as various nutrition food including adult milk powder and dissolvable products.

**雅士利國際控股有限公司（「本公司」或「雅士利」）
（股份代號：01230）及其子公司（統稱「本集團」）**
於中國生產及銷售優質嬰幼兒配方奶粉及營養食品，
是中國領先的國際化專業嬰配奶粉生產商。

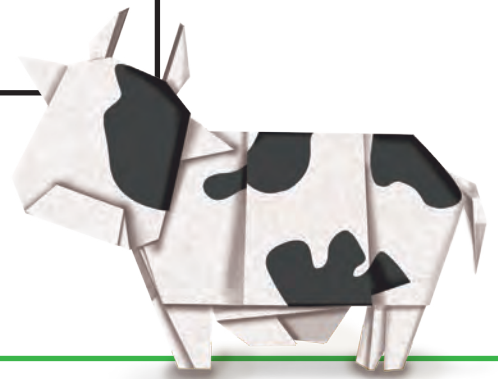
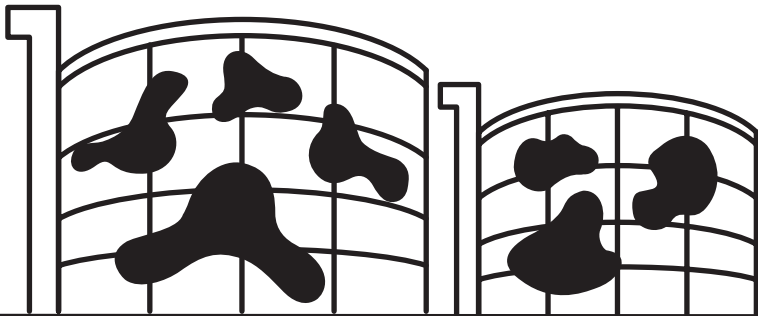
本集團在廣東、上海、山西、內蒙古、黑龍江、新西蘭等地
擁有工廠，通過雅士利、蒙牛、多美滋、Arla 及施恩等
廣受認可品牌銷售嬰配奶粉產品，並出售包括
成人奶粉及沖調產品在內的多種營養食品。

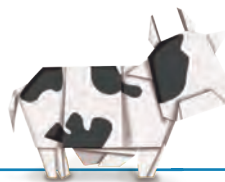




Corporate Information	02	公司資料
Letter to Shareholders	07	致股東的信
Selected Financial Data	11	挑選的財務數據
Management's Discussion and Analysis	14	管理層討論與分析
Corporate Governance Report	45	企業管治報告
Directors and Management Biographies	67	董事及管理層履歷
Report of the Directors	74	董事會報告
Independent Auditor's Report	102	獨立核數師報告
Consolidated Statement of Profit or Loss	109	合併損益表
Consolidated Statement of Comprehensive Income	110	合併全面收益表
Consolidated Statement of Financial Position	111	合併財務狀況表
Consolidated Statement of Changes in Equity	113	合併權益變動表
Consolidated Statement of Cash Flows	114	合併現金流量表
Notes to Consolidated Financial Statements	116	合併財務報表附註
Five-Year Financial Summary	219	五年財務概要

CONTENTS 目錄





CORPORATE INFORMATION As at 29 March 2017

公司資料 於2017年3月29日

Board of Directors

Non-executive directors

Mr. Jeffrey, Minfang Lu (*Chairman*)⁽¹⁾
Mr. Qin Peng
Mr. Zhang Ping
Mr. Huang Xiaojun⁽²⁾

Executive directors

Mr. Chopin Zhang (*Chief Executive Officer*)⁽³⁾
Mr. Hua Li (*Chief Operating Officer*)⁽⁴⁾

Independent non-executive directors

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

Nomination Committee

Mr. Jeffrey, Minfang Lu (*Chairman*)⁽¹⁾
Mr. Mok Wai Bun Ben
Mr. Cheng Shoutai

Remuneration Committee

Mr. Mok Wai Bun Ben (*Chairman*)
Mr. Jeffrey, Minfang Lu⁽¹⁾
Mr. Qin Peng
Mr. Cheng Shoutai
Mr. Lee Kong Wai Conway

Audit Committee

Mr. Lee Kong Wai Conway (*Chairman*)
Mr. Mok Wai Bun Ben
Mr. Zhang Ping

董事會

非執行董事

盧敏放先生(主席)⁽¹⁾
秦鵬先生
張平先生
黃曉軍先生⁽²⁾

執行董事

張平(Chopin Zhang)先生(行政總裁)⁽³⁾
華力先生(首席運營官)⁽⁴⁾

獨立非執行董事

莫衛斌先生
程守太先生
李港衛先生

提名委員會

盧敏放先生(主席)⁽¹⁾
莫衛斌先生
程守太先生

薪酬委員會

莫衛斌先生(主席)
盧敏放先生⁽¹⁾
秦鵬先生
程守太先生
李港衛先生

審核委員會

李港衛先生(主席)
莫衛斌先生
張平先生

CORPORATE INFORMATION (CONTINUED)

公司資料(續)

Authorized Representatives

Mr. Chopin Zhang
Mr. Hua Li⁽⁴⁾

Joint Company Secretary

Mr. Li Yuejin⁽⁵⁾
Ms. Ho Siu Pik

Principal Place of Business in the PRC

9/F Nova Tower
No. 185 Yuexiu Road South
Yuexiu District, Guangzhou City
Guangdong Province, 510057
The People's Republic of China (the "PRC")

Principal Place of Business in Hong Kong

Suites 801-2, 8th Floor
COFCO Tower
262 Gloucester Road
Causeway Bay
Hong Kong

Registered Address of the Company

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

授權代表

張平 (Chopin Zhang) 先生
華力先生⁽⁴⁾

聯席公司秘書

李躍進先生⁽⁵⁾
何小碧女士

中國主要營業地點

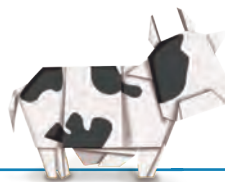
中華人民共和國(「中國」)
廣東省
廣州市越秀區越秀南路185號
創舉商務大廈9樓
(郵編：510057)

香港主要營業地點

香港
銅鑼灣
告士打道262號
中糧大廈
8樓801-2室

公司註冊地址

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



CORPORATE INFORMATION (CONTINUED)

公司資料(續)

Hong Kong Branch Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

香港股份過戶登記分處

香港中央證券登記有限公司
香港
灣仔
皇后大道東183號
合和中心17樓
1712-1716號舖

Investor Relations Department

Office of the Board

投資者關係部門

董事會辦公室

Investor Enquiry Hotline

+86-20-37795190
+852-2845-1230

投資者諮詢熱線

+86-20-37795190
+852-2845-1230

Investor Enquiry Email Address

ir@yashili.cn

投資者諮詢郵箱

ir@yashili.cn

Stock Code

Hong Kong Stock Exchange 01230

股份代碼

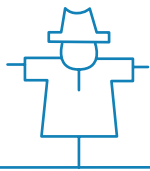
香港聯合交易所01230

Company's Website

www.yashili.hk

公司網站

www.yashili.hk



CORPORATE INFORMATION (CONTINUED)

公司資料(續)

Principal Bankers

Industrial and Commercial Bank of China (Asia) Limited
Australia and New Zealand Banking Group Limited Hong Kong Branch
Bank of China, Guangdong Pilot Free Trade Zone Nansha Branch
Industrial Bank Co., Limited, Hong Kong Branch

Legal Advisers

As to Hong Kong law
Sullivan & Cromwell (Hong Kong) LLP

As to Cayman law
Conyers, Dill & Pearman

Auditors

Ernst & Young, Certified Public Accountants

主要往來銀行

中國工商銀行(亞洲)有限公司
澳大利亞和新西蘭銀行集團有限公司
香港分行
中國銀行廣東自貿試驗區南沙分行
興業銀行股份有限公司香港分行

法律顧問

香港法律
蘇利文•克倫威爾律師事務所(香港)有限
法律責任合夥

開曼法律
康德明律師事務所

核數師

安永會計師事務所，執業會計師

Notes:

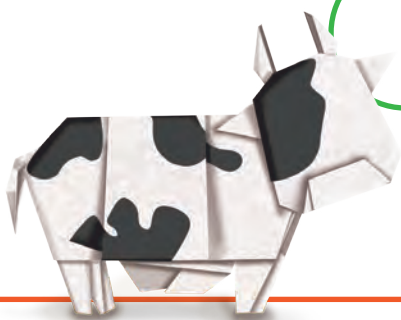
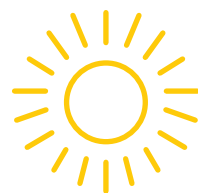
- (1) Appointed as the Chairman of the Board, the Chairman of the Nomination Committee, a member of the Remuneration Committee and re-designated as a non-executive director and ceased to be the Chief Executive Officer with effect from 15 September 2016
- (2) Appointed on 29 January 2016
- (3) Appointed on 1 January 2017
- (4) Appointed as an executive director and authorized representative on 25 August 2016 and as Chief Operating Officer on 1 January 2017
- (5) Appointed on 11 October 2016

附註：

- (1) 自2016年9月15日起，獲委任為董事會主席、提名委員會主席、薪酬委員會成員及調任為非執行董事並不再擔任行政總裁
- (2) 於2016年1月29日獲委任
- (3) 於2017年1月1日獲委任
- (4) 於2016年8月25日獲委任為執行董事及授權代表及於2017年1月1日獲委任為首席運營官
- (5) 於2016年10月11日獲委任

GOOD & HEALTHY LIFE

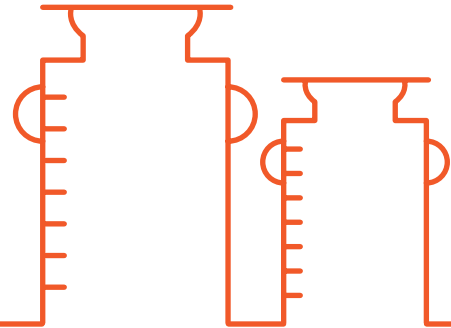
健康 優質生活



LETTER TO SHAREHOLDERS 致股東的信



主席
Chairman



Dear Shareholders,

On behalf of the board of directors (the “Board”) of Yashili International Holdings Ltd, I hereby present the Annual Report of the Group for the year ended 31 December 2016 to all shareholders of the Company (the “Shareholders”).

During the year, Yashili continued to receive strong support from shareholders Mengniu and Danone. In addition to the resulting advantages in procurement price negotiation and resource coordination, Yashili leveraged on the strategic partnership between Mengniu and Arla Foods to become the sole milk powder platform in China to cooperate with Arla Foods. Yashili introduced from Arla Foods the world’s top organic infant formula series “Baby & Me”, successfully expanding to the high-end market. Meanwhile, at the production side, the New Zealand factory of Yashili signed a strategic cooperation supply agreement with Danone to further improve capacity utilization rate and reduce fixed production costs, so as to enhance the synergy between the Group and Danone Group. The Group also signed a research and development support and service agreement for the transitional period with Danone Group to gain access to Danone’s research data, thus further consolidating its R&D strength.

尊敬的各位股東：

本人謹代表雅士利國際控股有限公司董事會（「董事會」），在此向本公司全體股東（「股東」）提呈本集團截至2016年12月31日止年度之年報。

年內，雅士利繼續獲得股東蒙牛及達能的大力支持。除在採購議價談判及資源協同等方面享有優勢，依托蒙牛與Arla Foods的戰略合作夥伴關係，雅士利成為Arla Foods在中國唯一奶粉合作平台，雅士利更從Arla Foods引入全球頂級有機嬰幼兒配方系列「寶貝與我」，成功拓展超高端品類市場；同時，在生產端，雅士利新西蘭工廠與達能方簽訂戰略合作供應協議，進一步提升產能利用率，降低固定生產成本，增強本集團與達能集團之間協同效益；本集團與達能集團簽訂的過渡時期研發支援及服務協議，使本集團獲得達能方研究數據共享，進一步夯實研發實力。



LETTER TO SHAREHOLDERS (CONTINUED)

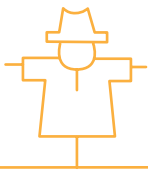
致股東的信(續)

In 2016, Yashili kept moving forward in consolidation and transformation. By acquiring Oushi Mengniu (Inner Mongolia) Dairy Products Co., Ltd. (“Oushi Mengniu”) and Dumex Baby Co., Ltd. (“Dumex China”) in December 2015 and May 2016, respectively, Yashili opened a new chapter for multi-brand operation, marking a milestone for the Group’s consolidation and transformation. The Group’s supply chain and back-office were fully integrated and streamlined in structure and reporting line respectively to greatly enhance the operational efficiency of the Group and provide better support for the frontline by putting an end to the transitional period. On this basis, the original marketing and sales structure of the Group consisting of different sales divisions is restructured into “four CBUs plus one project department”, setting finer positioning and clearer objectives of the sales teams. With gradual implementation of the new marketing and sales structure and the innovative business partner mechanism, the sales teams are motivated to remodel business and redevelop business channels.

Yashili keeps seeking improvements in brand upgrading, channel transformation, product development, quality management and system support. Taking advantage of its New Zealand factory coming into operation, the Group has fully integrated its online and offline resources to vigorously build up a “professional, international, high-quality” brand image of Yashili. In addition, Oushi Mengniu has enjoyed steady growth and the organic brand Reeborne remains booming. The Dumex brand was reshaped with increased awareness of its image highlighting body defenses. As part of the strategic cooperation between the Group and Arla Foods, The super-premium organic product series “Baby & Me” has enjoyed rapid growth and furthered expansion into the first-tier market. Concerted efforts were made to rebuild the Scient brand, resulting in greater proportion of high-end products in sales. The Group’s channel transformation was implemented smoothly and, with an incentive mechanism, certain brands achieved their objectives of expanding the mother-and-baby store channel and the e-commerce channel. By virtue of high-quality milk sources and the high-standard factory in New Zealand, the Group has developed multiple brands and series of infant formula and exported them to China. Moreover, the Group optimized the portfolio and the nutritional structure of products while actively preparing for recipe registration in a drive to take the lead to obtain product registration codes. Built on high quality, the Group always keeps in mind that quality is the lifeblood of an enterprise. As such, it spares no effort to ensure consumer confidence, considers it its responsibility to earn consumer trust, and upholds the mission to produce trustworthy products for consumers. As for management system support, the SAP project was launched during the year and became operational on the first working day of 2017, creating a uniform work platform of the Group and marking further digitization of Yashili.

2016年，雅士利整合、變革腳步繼續向前。繼2015年12月和2016年5月分別完成收購內蒙古歐世蒙牛乳製品有限責任公司(「歐世蒙牛」)及多美滋嬰幼兒食品有限公司(「多美滋中國」)，雅士利開啟了多品牌運營新篇章，集團整合變革拉開大幕。本集團供應鏈及後台進行了架構及彙報線梳理，形成全面整合，極大提升組織運行效率，結束了過渡期運行，為前臺提供更好支持。在此基礎上，曾經以銷售事業部劃分的集團營銷架構改制為「4個CBU+1個項目部」形式，銷售團隊定位更加細分專注，目標更加明確。配合新的營銷架構，創新的業務合夥人機制逐步實施，激發銷售團隊投身業務重塑和渠道再造。

雅士利在品牌升級、渠道轉型、產品研發、質量管理及系統支持方面不斷完善。本集團全面整合線上及線下資源，以新西蘭工廠投產為契機，傾力打造雅士利「專業化、國際化、高品質」品牌形象。此外，歐世蒙牛穩步成長，有機瑞哺恩持續發力。多美滋品牌重塑，抵抗力形象得到深化。本集團與Arla Foods的戰略合作有機超高端產品「寶貝與我」獲得快速培育，助力拓展一線市場。施恩品牌二次創業，上下齊心，高端品項銷售佔比提升。本集團渠道轉型有序推進，激勵配合機制，部分品牌達成母嬰及電商拓展目標。憑藉新西蘭優質奶源和新西蘭高標準工廠，本集團開發了原裝進口的多品牌多系列嬰幼兒配方奶粉，同時優化產品營養結構和梳理產品組合，積極準備配方註冊，力爭首批獲得產品註冊號。立足於高品質，本集團全力保障消費者信心，以消費者信任為責任，以做消費者信得過產品為宗旨，始終不忘質量是企業生命之源。管理系統支持方面，年內SAP項目啟動並於2017年首個工作日隆重上線運行，統一了本集團工作平台，雅士利數字化更進一步。



LETTER TO SHAREHOLDERS (CONTINUED)

致股東的信(續)

Over the past year, the fierce competition in infant formula industry went unabated. The *Administrative Measures for the Registration of Recipes of Infant Formula Milk Powder Products* ("Recipe Registration Requirement") caused pressure on the industry to sort out recipes and de-stock infant formula products and flooded the distribution channels with wait-and-see sentiment. During the year, the nationwide two-child policy generated little demographic dividend and had limited effect in boosting the market size. International imported brands and cross-border e-commerce products continued to challenge domestic brands. At the critical stage of transformation, the Group's brand channel transformation and internal consolidation incurred additional costs. The Group's operating results and financial performance for 2016 suggest a considerable room for improvement and growth in the future.

On the first working day of 2017, the new president of Yashili — Mr. Chopin Zhang took office. With over 30 years' experience in production and supply chain management and extensive management experience in the food industry, he is the best person to coordinate the Company's internal and external resources. Internally, he is capable of promoting frontline sales through integration, and externally, he can effectively coordinate with business partners such as Danone Group and Arla Foods. The Board believes that Mr. Chopin Zhang has the capabilities to shoulder the key mission of revitalizing Yashili.

In 2017, Yashili rings out the old year and ushers in a new page. The new leader, new organizational structure, new sales incentive mechanism and new management system will surely lead to the rebirth of Yashili. Recipe Registration Requirement will continue to promote industry concentration and substantially reduce the number of recipes and brands owned by enterprises while guiding dairy companies to focus more on operation quality of brands and products. Industry-leading dairy companies are expected to solidify their positions in the industry reshuffle driven by the new policy and become more competitive in seizing market share. The Group, with desirable market opportunities and development space under the new policy, is no exception. The nationwide two-child policy is soon to create visible demographic dividend for the industry and lay a foundation for the long-term stability of infant formula market demands. The Group is expected to leverage its nationwide and well-penetrated distribution network to benefit from the demographic dividend resulting from population growth and, in particular, to enjoy growth in third- and lower-tier markets.

過去一年，嬰幼兒配方奶粉行業的激烈競爭沒有放緩。《嬰幼兒配方乳粉產品配方註冊管理辦法》(「配方註冊制」)引發乳製品配方梳理及行業去庫存壓力，觀望情緒籠罩流通渠道。全面二胎政策年內影響有限，人口福利尚未釋放，市場規模增量有限。國際進口品牌及海外跨境電商產品延續對國產品牌衝擊。處於變革關鍵階段的本集團，品牌渠道轉型及內部整合帶來了更多成本費用。本集團在2016年的經營業績和財務數據表現意味著未來公司仍有很大的改善和上升空間。

2017年首個工作日，雅士利迎來新任總裁張平(Chopin Zhang)先生。彼在生產及供應鏈管理領域擁有逾30年經驗，在食品行業具有豐富管理經驗，是協調本公司內外部資源的最佳人選，彼在內部能通過整合有效支持前端銷售，於外部可以與達能集團及Arla Foods等合作夥伴進行良好對接。董事會相信張平(Chopin Zhang)先生能夠肩負起振興雅士利的重要使命。

2017年，雅士利辭舊迎新、承前啟後。新的領導、新的組織架構、新的銷售激勵機制、新的管理系統，必將帶來全新的雅士利。配方註冊制將繼續敦促行業集中，在大幅削減企業配方及品牌數量的同時，引導乳製品企業更加專注品牌及產品運營質量，行業領先乳製品企業有望在新政推動的行業洗牌中更好企穩，成為市場份額更有力競爭者，本集團在新政下的市場機遇與發展空間可期。全面二胎政策將為行業開始帶來可見人口增長紅利，為嬰幼兒配方奶粉市場需求長期穩定創造條件基礎，本集團憑藉遍佈全國及深度下沉的渠道網絡，預期將受惠於人口增長帶來的紅利尤其是來自三線及以下市場的增量。



LETTER TO SHAREHOLDERS (CONTINUED) 致股東的信(續)

Looking ahead, the Group will continue to partner with large resource platforms such as COFCO, Mengniu, Danone and Arla Foods to strengthen business cooperation and strategic alliance with other parties, and expand in a more pragmatic, sound and thorough manner to build up a complete value chain in the dairy industry, so as to realize its operating goals and strategic plans and achieve better operating results and market performance in return for the ongoing supports and cares from consumers, various social sectors and investors. Yashili is dedicated to pooling the best resources from around the world to improve the nutrition and health of Chinese mothers and babies in a mission to empower China's next generation to thrive in the world.

In 2017, Yashili is bound to reorganize its resources and regenerate to shine!

Jeffrey, Minfang Lu
Chairman

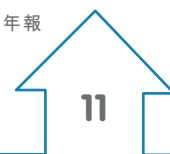
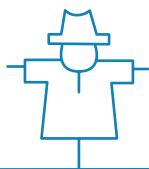
Hong Kong, 29 March 2017

放眼未來，本集團將繼續聯合中糧、蒙牛、達能和Arla Foods等大資源平台，加強各方業務對接和戰略聯盟，打造乳業全生態鏈，本著更務實、更扎實、更細緻的態度努力開拓，實現經營目標及戰略規劃，以更佳的經營業績和更好的市場表現來回報給予本集團持續支持和關注的消費者、社會各界以及廣大投資者。雅士利，彙聚全球最好資源，專注改善中國母嬰營養健康狀況，助力中國下一代引領世界！

2017年，雅士利聚勢重整、亮劍重生！

盧敏放
主席

香港，2017年3月29日

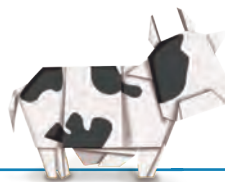


SELECTED FINANCIAL DATA

挑選的財務數據

Year ended 31 December 截至12月31日止年度

		2016	2015	Percentage change 變動比例
(All amounts in Renminbi ("RMB") million unless otherwise stated)	(除特別列明外，所有金額以 人民幣(「人民幣」) 百萬元列示)			
Key results	主要業績			
Revenue	營業額	2,203.3	2,761.6	-20.2%
Gross profit	毛利	1,037.3	1,402.3	-26.0%
Operating profit	經營溢利	-444.0	-40.3	1001.7%
Earnings before interest, tax, depreciation and amortization (EBITDA)	息稅折舊攤銷前利潤	-274.3	117.2	-334.0%
Profit attributable to equity holders of the Company	本公司股權持有人應佔溢利	-320.2	118.3	-370.7%
Net operating cash flow (Note 1)	經營現金流量淨額(附註1)	-477.2	80.0	-696.5%
Basic earnings per share (RMB cents) (Note 2)	每股基本盈利(人民幣分) (附註2)	-6.7	2.6	-357.7%
Net asset value per share (RMB) (Note 3)	每股淨資產(人民幣元) (附註3)	1.2	1.3	-7.7%
Proposed final dividend	建議末期股息	—	35.5	-100%
Dividend payout ratio	股息分派比率	—	30.0%	
Key performance ratios	主要業績比率			
<i>Profitability ratios</i>	<i>盈利比率</i>			
Gross profit margin	毛利率	47.1%	50.8%	
Operating profit margin	經營溢利率	-20.2%	-1.5%	
Net profit margin	純利率	-14.5%	4.3%	
Margin of profit attributable to equity holders	股權持有人應佔溢利率	-14.5%	4.3%	
Return on net assets	淨資產回報率	-5.6%	2.0%	
Net profit to total assets (Note 10)	淨利潤總資產率(附註10)	-4.0%	1.5%	
<i>Asset ratios</i>	<i>資產比率</i>			
Current ratio (Note 4)	流動比率(附註4)	1.8	3.0	
Inventory turnover days (Note 5)	存貨周轉天數(附註5)	194	172	
Trade receivable turnover days (Note 6)	貿易應收款周轉天數(附註6)	27	9	
Trade payable turnover days (Note 7)	貿易應付款周轉天數(附註7)	74	73	
Debt to equity ratio (Note 8)	負債對權益比率(附註8)	39.7%	28.1%	
Gearing ratio (Note 9)	資產負債比率(附註9)	14.3%	6.0%	



SELECTED FINANCIAL DATA (CONTINUED)

挑選的財務數據(續)

Year ended 31 December 截至12月31日止年度

Notes:

1. Cash inflow generated from operating activities for the year less cash outflow generated from operating activities for the year.
2. Profit attributable to equity holders of the Company for the year divided by the weighted average number of ordinary shares in issue for the year.
3. Net assets at year end divided by the number of ordinary shares in issue for the year.
4. Total current assets at year end divided by total current liabilities at year end.
5. Inventory balances at year end divided by cost of sales for the year and multiplied by 365 days.
6. Balances of trade and bills receivables at year end divided by turnover for the year and multiplied by 365 days.
7. Balances of trade and bills payables at year end divided by cost of sales for the year and multiplied by 365 days.
8. Total liabilities at year end divided by total equity attributable to equity holders of the Company at year end.
9. Total interest-bearing bank loans at year end divided by total assets at year end.
10. Profit for the year divided by total assets at year end.

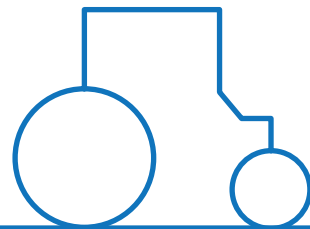
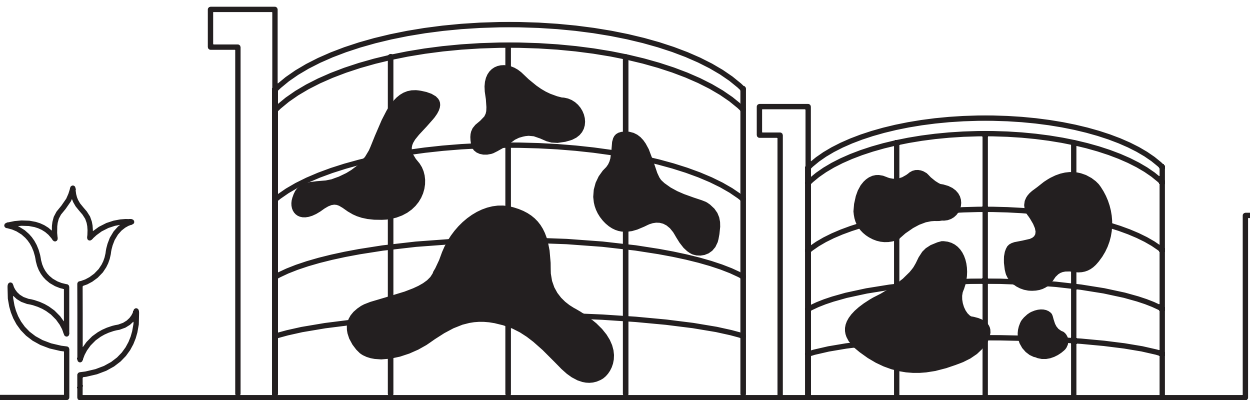
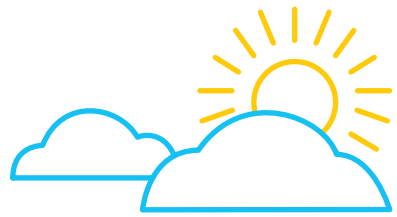
附註：

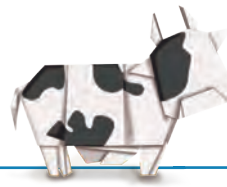
1. 年內經營活動產生之現金流入減年內經營活動產生之現金流出。
2. 年內本公司股權持有人應佔溢利除以年內已發行普通股之加權平均數。
3. 年末淨資產除以年內已發行普通股股數。
4. 年末流動資產總額除以年末流動負債總額。
5. 年末存貨結餘除以年內銷售成本，再乘以365天。
6. 年末貿易應收款及票據結餘除以年內營業額，再乘以365天。
7. 年末貿易應付款及票據結餘除以年內銷售成本，再乘以365天。
8. 年末負債總額除以年末本公司總股權持有人應佔股權。
9. 年末計息銀行貸款總額除以年末資產總額。
10. 年度溢利除以年末資產總額。



PRODUCT INNOVATION

產品 創新





MANAGEMENT'S DISCUSSION AND ANALYSIS 管理層討論與分析

Industry Review

Year 2016 witnessed frequent “black swan” events in global economy and heightened economic risks. International political volatilities posed great challenges to economic globalization and increased economic uncertainties.

Faced with complex international situation and increasing downward pressure on the economy, China maintained overall stable economic growth with certain progress and sound results, setting off to a good start for the 13th Five-Year Plan. According to the preliminary statistics published by the National Bureau of Statistics of China, the gross domestic products (GDP) for the year reached RMB74.4127 trillion, representing an increase of 6.7% from the previous year based on comparable prices. Despite the slowdown in economic growth, such growth still meets the expectation of the Chinese government and is greatly ahead of global growth. The annual national disposable income per capita was RMB23,821, representing a nominal growth of 8.4% from last year and a real growth of 6.3% after excluding price factors. The annual national per capita consumption expenditure amounted to RMB17,111, representing a nominal growth of 8.9% and a real growth of 6.8% after excluding price factors.

On 15 March 2016, Recipe Registration Requirement was considered and approved at the executive meeting of China Food and Drug Administration and came into effect on 1 October 2016. Recipe Registration Requirement requires that each enterprise, in principle, shall not have more than three product series or nine product recipes, and when enterprises apply for recipe registration, product claims related to the product recipe in the product label and the instruction manual will also be reviewed, in order to ensure the authenticity, accuracy and scientificity of the labels and instructions of infant formula milk powder and to prevent enterprises from over-advertising and misleading consumers via labels and instructions. By 1 January 2018 which is the deadline for registering the existing products and brands, over 70% of the nearly 2,000 brands owned by more than 100 domestic infant formula producers are expected to be phased out by the new policy. With regards to population policy, the demographic dividend from the nationwide two-child policy was insignificant in the first year of the policy and is expected to become more visible in 2017, which will boost the domestic demands for infant formula and present new development opportunities for relevant enterprises and markets.

行業回顧

2016年，全球經濟「黑天鵝」事件頻出，經濟風險加大。國際政治震蕩，經濟全球化受到極大挑戰，經濟形勢不確定性增加。

面對錯綜複雜的國際形勢和不斷加大的經濟下行壓力，中國經濟保持了總體平穩、穩中有進、穩中有好的發展態勢，實現了「十三五」的良好開局。根據中國國家統計局公佈的初步核算數據顯示，全年國內生產總值人民幣744,127億元，按可比價格計算，比上年增長6.7%，經濟增速放緩，但仍然符合中國政府的目標預期，且極大地領先於世界水平。全年全國居民人均可支配收入人民幣23,821元，比上年名義增長8.4%，扣除價格因素實際增長6.3%。全國居民人均消費支出人民幣17,111元，名義增長8.9%，扣除價格因素，實際增長6.8%。

2016年3月15日，配方註冊制經國家食品藥品監督管理總局局務會議審議通過，自2016年10月1日起施行。配方註冊制對企業申請的配方數量做出限制，每個企業原則上不得超過3個配方系列9種產品配方，並且對產品配方註冊時，要對標籤、說明書與配方相關的聲稱內容一併審查，為確保嬰幼兒配方乳粉標籤、說明書真實準確、科學規範，避免企業通過標籤、說明書誇大宣傳、誤導消費者。2018年1月1日是現有產品和現有品牌的註冊期限，國內逾百家嬰幼兒配方乳粉生產企業近2,000個品牌中，70%以上將會被新政肅清。人口政策方面，人口紅利在全面二胎政策開放的首年尚未有效釋放，經過一年的過渡，有望於2017年體現，積極促進國內嬰幼兒配方奶粉行業需求，企業及市場迎來發展新機遇。

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

管理層討論與分析(續)

In 2016, the domestic infant formula market size remained basically flat as compared to last year, with declined sales and increased prices. The mother-and-baby store channel maintained strong growth in sales volume and price and was the largest market channel with over 50% market share. The Internet continued to affect consumers' behavior and buying habits. The growth in the e-commerce channel had slowed down, with ups and downs in the development of overseas online shopping, overseas intermediate purchase and cross-border e-commerce which thrived in the first half of the year and underwent inspection and standardization under national policy regulation in the second half of the year. The modern trade channel continued to shrink at an accelerating pace, forcing domestic brands relying on this channel to speed up channel reform under huge competition pressure.

Business Review

In 2013, Mengniu Group entered into strategic cooperation with the Group by way of a general offer, thereby becoming the Group's controlling shareholder. In 2014, the Group, China Mengniu International Company Limited ("Mengniu International") and Danone Asia Baby Nutrition Pte. Ltd. ("Danone Asia") entered into a share subscription agreement. As the deal closed in February 2015, Danone Asia officially became Yashili's second largest shareholder. In December 2015, the Group completed the acquisition of Oushi Mengniu, a subsidiary of Mengniu Group, and officially became the sole milk powder business platform within Mengniu Group. In May 2016, the Group completed the acquisition of Dumex China, a subsidiary of Danone Group, initially completing its brand consolidation and domestic capacity expansion.

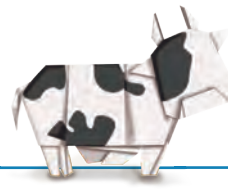
The Group is committed to developing reliable nutrition products for consumers, including the branded product series for promoting healthy growth of infants such as Yashily, Reeborne, Dumex, Arla and Scient, as well as those designed to meet the nutritional needs of adults such as Youyi, Huanqing and Zhengwei. The Group's business model incorporates such key factors as premium imported dairy raw materials, premium imported original infant formula, self-developed recipes, advanced manufacturing system and professional marketing teams with sufficient knowledge on local consumer markets, which enables us to offer trustworthy products to consumers.

2016年國內嬰幼兒配方奶粉市場規模相比去年基本持平，量跌價升。母嬰渠道保持較強增速，渠道銷售量價齊升，為市場佔比最大渠道，市場份額超過一半；互聯網繼續影響消費者的消費行為和購買習慣，電商渠道增速有所放緩，海淘、海外代購及跨境電商的發展先揚後抑，上半年蓬勃發展，下半年受國家政策調控影響，進入盤整和規範期；商超渠道繼續萎縮，並有加速下滑趨勢，導致依賴於該渠道的國產品牌承受較大競爭壓力而加速深化渠道改革。

業務回顧

2013年，蒙牛集團以全面股權要約收購形式實現了與本集團戰略合作，成為本集團控股股東。2014年，本集團、中國蒙牛國際有限公司（「蒙牛國際」）與Danone Asia Baby Nutrition Pte. Ltd.（「達能亞洲」）簽署股份認購協議並於2015年2月完成交割，達能亞洲正式成為本集團第二大股東。2015年12月，本集團完成對蒙牛集團旗下歐世蒙牛的全資收購，正式成為蒙牛集團旗下唯一奶粉業務平台。2016年5月，本集團完成對達能集團旗下多美滋中國的全資收購，初步完成品牌整合及國內產能新佈局。

本集團致力於開發值得消費者信賴的營養產品，包括促進嬰幼兒健康成長的雅士利、瑞哺恩、多美滋、Arla、施恩等品牌產品系列，以及滿足成人營養需要的優怡、煥輕、正味等品牌產品系列。本集團的業務模式結合了進口優質乳品原材料、進口優質原裝嬰幼兒配方奶粉產品、自主研發配方、先進的生產系統及熟悉本地消費市場的專業營銷團隊等幾大因素，為廣大消費者提供具有信心保證的產品。



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

管理層討論與分析(續)

Introduction of Product Categories

Infant formula products

The infant milk formula products developed by the Group are mainly aimed at satisfying the health and nutritional needs of infants and toddlers during daily feeding, and can serve as a major source of nutrition for infants and toddlers supplementary to breast milk. All of the Group's branded infant milk formula products are produced mainly using premium imported raw materials. The Group is striving to develop infant formula with the most ideal nutrition composition to well cater to the needs of infants and toddlers during different stages of growth and development. The Group has established different infant milk formula product lines targeting customers at different consumption levels. The originally canned and packaged imported organic "Baby & Me" introduced by the Group through partnership with Arla Foods is originated from Denmark and targets the ultra-high-end market; the upgraded "Diamor" and "Precinutri" of Dumex are mainly aimed at creating integrated solutions for babies; Yashily's "Super α -Golden" and "Ambery Golden" are positioned to provide basic nutrition; Mengniu's "Reeborne" as an emerging brand of the Group is primarily positioned at professional infant formula milk powder; Scient's "Golden" and "Ordinary Pack" mainly focus on mid-end consumer groups; Yashily's "Newwit" and Arla's "Milex" mainly target mid- and low-end consumer groups.

Tailored infant formula products

The accelerating modernization and industrialization process, and the changing environment, lifestyles and diets in China pose increasing health challenges to Chinese infants and toddlers. As an infant nutrition expert, the Group not only endeavors to satisfy the nutritional needs of infants and toddlers, but also has professional formula products under Dumex to meet the special nutritional needs of special infants and toddlers. At present, the Group has three series of professional formula products under Dumex:

- Products for Allergy: this category includes products for prevention of allergy (HA) and treatment of allergy (PEPTI). HA products can effectively guard infants and toddlers exposing to high risk of allergy against such risk through semi-hydrolyzing techniques. PEPTI products serve as an effective remedy to the allergy to protein in food of infants and toddlers through deeply hydrolyzing techniques.
- Products for Digestion: this category includes lactose-free formula (LF) which would effectively avoid the vicious circle of diarrhoea due to hypolactasia.
- Products for Under-weight Newborn: this category includes formula for low-birth-weight (LBW) newborn babies which would cater to their needs for catching up with standards of growth.

分類產品介紹

嬰幼兒配方奶粉

本集團開發的嬰幼兒配方奶粉產品主要滿足嬰幼兒日常喂哺的健康營養需求，可輔助母乳作為嬰幼兒的主要營養來源。本集團所有品牌嬰幼兒配方奶粉產品均主要使用優質進口原料，尋求開發營養組合最理想的配方奶粉，以切合嬰幼兒成長及發育的不同階段需要。本集團已設立針對不同消費水平分布的目標客戶的嬰幼兒配方奶粉產品線。本集團與Arla Foods合作的原罐原裝進口有機「寶貝與我」，源自丹麥，定位超高端市場；多美滋「致粹」、「精確盈養」經過升級後則主要致力於打造系統的兒科解決方案；雅士利「超級 α -金裝」、「金裝安貝慧」定位於基礎營養；蒙牛「瑞哺恩」作為本集團新興品牌，主要打造成為專業的嬰兒有機配方奶粉。施恩「金裝」、「普裝」主要針對中端消費群；雅士利「能慧」、Arla「美力滋」主要針對中低端消費群。

嬰幼兒特殊配方奶粉

隨著中國加速的現代化、工業化建設的發展，環境、生活方式、飲食的變化，使中國嬰幼兒面臨日益增加的健康挑戰。本集團作為嬰幼兒營養專家，除了滿足嬰幼兒營養需求外，旗下多美滋更有專業配方系列產品，滿足特殊嬰幼兒的特殊營養需求。目前本集團多美滋旗下有三大系列專業配方產品：

- 過敏系列產品：目前包括過敏預防產品(HA)和過敏治療產品(PEPTI)。HA產品通過部分水解工藝，有效預防過敏高風險嬰兒的過敏風險；PEPTI產品，通過深度水解工藝，有效治療嬰兒食物蛋白過敏。
- 消化系列產品：目前包括無乳糖配方產品(LF)，可以有效避免乳糖不耐受引起的腹瀉惡性循環。
- 低體重兒系列產品：目前包括低出生體重兒配方產品(LBW)，滿足低出生體重兒追趕式生長的需求。

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

管理層討論與分析 (續)

Nutrition food

The Group also produces and sells various types of nutrition food, including: nutritional milk powder for adult family members — adult milk powder under the Mengniu brand and adult milk powder under the Youyi brand; high-end functional milk powder for mid- and old-age people — milk powder for the elderly under the Huanqing brand; nutritional milk powder for children — Future Star Kid Milk Powder; healthy and delicious dissolvable products — cereal under the Zhengwei brand; and infant complementary food — nutritional rice cereal for infants and toddlers under the Yashily brand. Such a portfolio comprises products with differentiated nutritional mixes designed for consumers with special needs as well as those suitable for general consumers.

Brand Strategies

In 2016, the Group followed the strategy of consolidating the Yashily brand, vigorously building the Reeborne brand and quickly cultivating the Arla product series to build up its business model and brand network featuring product differentiation, and continuously increased its brand exposure and influence to the full realization of brand upgrading and remodeling.

In 2016, Yashily's originally packaged and canned products imported from New Zealand went on sale in China on a large scale. After that, the Group organized new product promotion meetings in key markets across the country in May and June to carry out intense publicity and create hot topics. The Group combined the resources of such media as television, new media and print media to promote new products. As for the online front, the Group became the sponsor of China's first star variety show for protection of intangible culture — "The Splendid Chinese Dialects" on Changjiang New Satellite TV (a combination of local channels of five provinces including Hunan Economic TV (湖南經視), Hubei Integrated TV (湖北綜合), Henan Metro TV (河南都市), Anhui Economic TV (安徽經視) and Jiangxi Public TV (江西公共)). Furthermore, the Group partnered with iQiyi PPS, Sohu and Mango TV to broadcast the show online, creating a multi-channel and multi-website promotion platform with unprecedented coverage. In April 2016, the overseas version of infant formula products manufactured in Yashily's factory in New Zealand also went on sale in the New Zealand market and entered New Zealand's three major supermarket chains, achieving simultaneous launch of the product at home and abroad and attracting great attention from domestic and foreign media. Yashily exclusively sponsored a solo concert performed by Lang Lang in Auckland as a charity bazaar fundraiser for "HeartKids", thereby enhancing its brand awareness and reputation.

營養食品

本集團亦生產銷售多種營養食品，包括：大眾型全家營養奶粉—蒙牛品牌成人奶粉、優怡品牌成人奶粉；中老年高端功能性奶粉—煥輕品牌中老年奶粉；兒童配方的營養奶粉—未來星兒童成長奶粉；健康美味的沖調產品—正味品牌麥片；嬰幼兒輔食—雅士利品牌嬰幼兒營養米粉等。形成了專為具有特殊需要的消費者而設的不同營養組合產品以及適合一般人士的產品組合。

品牌策略

2016年，本集團以穩固雅士利品牌、強力打造瑞哺恩品牌、快速培育Arla系為策略，完成差異化的業務模式和品牌佈局，持續擴大本集團的品牌傳播聲量和品牌影響力，全面實現品牌的升級與重塑。

2016年，雅士利新西蘭原裝原罐進口產品在國內大規模上市後，本集團5-6月在全國重點市場舉辦新品推薦會，集中火力宣傳，引爆輿論熱點。本集團同時集中電視、新媒體、平面媒體等多方資源，聚焦產品宣傳，助力新品上市。線上方面，本集團冠名全國首檔保護非物質文化明星動員節目—《多彩中國話》，聯合「長江新衛視」(湖南經視、湖北綜合、河南都市、安徽經視、江西公共五省地面頻道群聯盟)重磅出擊。此外，本集團攜手愛奇藝PPS、搜狐、芒果TV，網絡播出該節目，多台大網立體平台聚合力量空前。雅士利新西蘭工廠原裝原罐生產的海外版奶粉也在2016年4月登陸新西蘭市場，進駐新西蘭三大主流超市系統，實現國內外市場同步上市，引起了國內外媒體的高度關注。雅士利獨家冠名郎朗奧克蘭獨奏音樂會，並為「HeartKids」舉行兒童慈善義賣籌款活動，提升了品牌知名度和美譽度。



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

管理層討論與分析(續)

Year 2016 saw high-speed growth of Reeborne which was promoted with the “pure, organic and natural” brand proposition to rapidly enhance its brand awareness and reputation. Thanks to the combination of online and offline promotion, its annual target for 2016 was exceeded with a growth of 422%. As to promotion, a total of 619 promotion activities for Reeborne were carried out to effectively enhance consumer experience and attract new consumers. Since April 2016, Reeborne’s annual theme event “Reeborne Organic Infant-Raising Forum” was held in eight cities, attracting audience from more than 30 surrounding counties and towns. The forums imparted professional infant-raising knowledge to consumers and educated them on organic products like Reeborne’s, laying a foundation for the annual organic promotion of Reeborne. As to publicity, Reeborne made full use of online resources and carried out in-depth cooperation with Baidu to gain access to highly targeted consumers leveraging big data. As such, Reeborne was exposed to tens of millions of viewers and earned recognition from numerous mothers, and also won good reputation in major mother- and infant-focused vertical media such as Mama.cn (媽媽網) and lamabang.com (辣媽幫). Reeborne organic milk powder successively won the Country Award of World Tour 2016 in France, the Gold Award of Monthly Quality Inspection issued by China Dairy Industry Association, the Award of the Most Trustworthy Organic Milk Powder Among Mothers, etc. In addition, Oushi Mengniu’s two Golden series and its Beauty Series as the tactical products of Oushi Mengniu achieved their targets for the year and contributed to the Company’s profit by dint of the brand awareness and distribution channels of Mengniu.

For the strategic high-end product of Arla “Baby & Me”, the Group increased its brand exposure through new product launch and medical channel launch, and engaged the internationally renowned visual artist Ms. Chen Man (陳漫) as the brand spokesperson to star in viral videos and pictures for broadcasting in key cities, thus enabling consumers to have a taste of the utmost pureness of Arla “Baby & Me” from Denmark.

2016年是瑞哺恩高速成長的一年，以「純淨有機·天然保護」的品牌主張進行傳播，迅速提升品牌知名度和口碑，同時線上和線下結合推廣，2016年超額達成任務，增長率達422%。在推廣方面，瑞哺恩共計開展619場活動，有效提升消費體驗及新客拉動，瑞哺恩年度主題活動「瑞哺恩有機育嬰大講堂」自2016年4月開始走過8個城市，輻射周邊30多個縣城鄉鎮，每場給消費者帶去專業的育嬰知識和對有機及瑞哺恩有機產品的教育服務，為瑞哺恩有機年內推廣奠定了基礎；在傳播方面，瑞哺恩充分利用線上資源，與百度深度合作，深挖大數據獲取精準目標人群，曝光量超過千萬，獲得眾多媽媽認可，同時於各大垂直母嬰媒體獲優秀口碑，如媽媽網、辣媽幫等，瑞哺恩有機奶粉先後獲得了法國2016年世界之旅(World Tour 2016)國別獎、中國乳業協會「月月檢質量金獎」、「口碑王媽媽最信任有機奶粉獎」等大獎。此外，歐世雙金、美系列產品作為歐世蒙牛的戰術型產品，依托蒙牛母品牌紅利及渠道推力，年內達成任務，為公司貢獻利潤。

針對戰略高端產品Arla「寶貝與我」，本集團通過新品渠道上市會及醫務渠道上市會，強化品牌曝光，並簽約具有國際影響力視覺藝術家陳漫女士，作為品牌代言人拍攝病毒視頻和平面大片，在重點城市集中進行投放，讓消費者體驗來自丹麥Arla「寶貝與我」的極致純淨。

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

管理層討論與分析 (續)

Product R&D

In 2016, by virtue of the high-quality milk sources and the high-standard factory in New Zealand, the Group's R&D Center developed multiple brands and series of infant formula exported to China to enrich and strengthen the Group's product lines, thus providing strong product support for market development and competition. The R&D Center also upgraded the nutrition and packages of the existing Youyi dissolvable milk powder, Future Star Kid products, Mengniu's ordinary multi-dimensional and student milk powder products in order to meet the appetites of consumers for product nutrition and lead the trend in packaging. In a continued effort to expand organic product lines, the Group's Oushi Mengniu started preparation for developing originally packaged imported organic infant formula milk powder which will go on sale soon, added to the existing domestic organic infant formula "Reeborne".

In response to the Recipe Registration Requirement imposed by the state, the Group's R&D Center, Brand Operation and Management Center and Sales Management Center jointly discussed product portfolio, optimized product nutrition structure, planned for the Group's long-term strategic products, prepared formula development test reports in accordance with the Recipe Registration Requirement and submitted required materials to relevant authority, in an attempt to be among the first batch of enterprises to obtain registration codes of infant formula products in China. In the process of preparing recipe registration materials, the Group acted in strict compliance with the administrative measures to make each label as a brief description simply for consumers' selection of products without sending any clear or implied message about disease prevention and treatment, intelligence boosting, body defense enhancement and intestinal protection, so as to provide consumers with scientific and nutritional infant formula milk powder in the principle of integrity, reliability, pragmatism and innovation.

In terms of basic research on nutrition, the Group has long been committed to researching and analyzing the macro-nutrient composition of breast milk, and had completed a test analysis of the macro-nutrient, fatty acid spectrum and amino acid spectrum of breast milk from three domestic cities, thereby providing support for future infant formula development with basic nutrition data. In addition, the Group worked with well-known domestic and foreign nutritionists to conduct multi-center clinical studies on newly-developed domestic infant formula and originally packaged imported infant formula, so as to demonstrate the benefits of the newly-developed products for infants' growth and nutritional needs with clinical laboratory science.

產品研發

2016年，憑藉新西蘭優質奶源和新西蘭高標準工廠，本集團研發中心開發了的多品牌多系列嬰幼兒配方奶粉，豐富和強化了本集團的產品線，為市場開拓和競爭提供強有力的產品支持。研發中心同時對現有優怡系列調製乳粉、兒童未來星產品、蒙牛普多維和學生奶粉產品進行了營養升級，並升級改進產品包裝形式，既滿足目前消費者對產品營養的追求，同時力求在包裝形式上引領新時代。本集團旗下歐世蒙牛繼續拓展有機產品線，除現有國產有機嬰幼兒配方奶粉「瑞哺恩」外，原裝進口的有機嬰幼兒配方奶粉開發也進入了實質的準備階段，將儘快推向市場。

針對目前國家實施的配方註冊制，本集團研發中心與品牌運營管理中心、銷售管理中心共同探討產品佈局，優化產品營養結構，規劃集團公司長期戰略型產品，並按照配方註冊制要求準備配方研製試報告，向相關政府機構提交材料，力爭成為全國第一批獲得嬰幼兒配方產品註冊號的企業之一。本集團在配方註冊資料準備過程中嚴格按照管理辦法執行操作，標籤力求做到只作為消費者用來選擇產品的一個簡要說明，不誤導消費者，不涉及疾病預防、治療、明示或暗示益智、增加抵抗力、保護腸道等語言，秉承誠信、可靠、務實、創新的原則為消費者提供科學、營養的嬰幼兒配方乳粉。

營養基礎研究方面，本集團一直致力於探究母乳宏量營養成分的組成分析，完成了國內三個城市母乳樣本中宏量營養素、脂肪酸譜和氨基酸譜測試分析，為今後嬰幼兒配方奶粉的開發提供基礎營養數據支持；此外，本集團與國內外知名營養學家合作，對新開發的國產嬰幼兒配方奶粉和原裝進口的嬰幼兒配方奶粉分別進行多中心的臨床研究，通過臨床實驗科學的反映新開發的產品對嬰幼兒的生長和營養需求的有利作用。



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

管理層討論與分析 (續)

Sales Channels

In 2016, the Group rapidly increased the contribution of the mother-and-baby store channel by advancing the “all staff engaging in mother-and-baby store channel” program. As for the Yashily brand, a KMBS team was established before May to target medium and large mother-and-baby chain stores across the nation primarily with the originally canned and packaged products from New Zealand. From June to December, the Group's products reached another 4,716 mother-and-baby chain stores. Respecting the law of the market, the Group resolutely transferred the mother-and-baby-store-specific products out of the distributor channel to clear the obstacles for operation of the mother-and-baby-store CBUs. As for the Mengniu brand, its product sales mainly focused on the mother-and-baby store channel. The Arla brand enjoyed significantly accelerating expansion into large and medium-sized mother-and-baby chain stores (such as Kidswant). The Dumex brand completed channel consolidation and has been reaching out to third- and fourth-tier cities from first- and second-tier cities.

In the second half of 2016, the Group set up a project department for “directly-managed mother-and-baby store channel” to engage partners in opening individual mother-and-baby stores and small chain stores where the partners enjoy direct supply of goods from the Company and desirable commission. Through such entrepreneurial directly-managed mother-and-baby store channel, the potential of teams was unleashed while promoting channel transformation. The operation of the project department also accumulated experience for the establishment and operation of the mother-and-baby-store CBUs.

During the year, the Group's online sales grew steadily. The Group has three product lines, namely high-end infant formula, basic infant formula, and adult milk powder and dissolvable products. The Group conducts fine operation for them according to different online traffic and repetitive purchase characteristics. To this end, the Group intensified strategic cooperation on high-end infant formula with national e-commerce platforms to increase online brand exposure; strengthened the operation of self-run stores for basic infant formula to manage traffic in a more refined way; and focused the sale of adult milk powder and dissolvable products on Tmall Supermarket and JD.com to seek breakthroughs, quickly leveraging on the mass traffic of comprehensive e-commerce platforms.

銷售渠道

2016年，本集團通過推動「全員母嬰」工程，迅速提高母嬰渠道佔比。雅士利品牌，5月前KMBS團隊組建完畢，主攻全國大中型母嬰連鎖，主銷新西蘭原罐原裝進口產品，6-12月拓展母嬰連鎖門店4,716家。尊重市場規律，母嬰專銷類產品果斷從經銷商渠道切出，為母嬰CBU的運轉掃清障礙。蒙牛品牌產品銷售主要以母嬰渠道為主。Arla品牌在大中型母嬰連鎖(如孩子王)拓展方面顯著加快。多美滋品牌則主要完成渠道盤整，從一二線市場向三四線市場下沉。

2016年下半年，本集團組建的「母嬰直營」項目部，開拓空白單體母嬰和小型連鎖，由本公司直接供貨，合夥人享受高額提成。通過母嬰直營創業機制，在推動渠道轉型的同時，激活團隊潛能。項目部運轉也為母嬰CBU的設立及運行機制積累了經驗。

年內，本集團線上銷售規模穩步增長。本集團細分高端嬰兒粉、基礎嬰兒粉、成人粉與沖調類三條產品線，根據線上不同的流量及複購特徵精細化運營，高端嬰兒粉強化全國性電商平台的戰略合作，加強品牌線上曝光度；基礎嬰兒粉加強自營店鋪運營，精細化運營流量；成人粉與沖調類主攻天貓超市和京東自營，利用電商綜合平台大流量優勢實現快速突破。

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

管理層討論與分析(續)

In 2016, Scient's business was consolidated into Oushi Mengniu and then optimized in all aspects such as sales, marketing, production, logistics, human resources and finance, resulting in reduced costs, improved quality, timely delivery, shorter product sales cycle, effective cost control, overcoming of such difficulties as production halt of its original factory and sluggish distribution, cease of performance decline, and realization of profit after suffering losses.

For management optimization, the Group rationalized marketing-related mechanisms and procedures and established the matrix of powers and responsibilities to achieve strict and effective management; set up a strong inspection system to inspect and review market costs in an effort to improve cost efficiency; and cracked down on goods fleeing and price undercutting to maintain market order. The Group built up a membership management system connecting with SAP and Outworker Assistant (外勤助手) to achieve information-based management on all procedures, from purchase, production, warehousing, delivery, entry into store, sales to conversion of consumers' bonus points and interaction with consumers. This system is able to achieve such integrated functions as comprehensive budget management, targeted use of expenses, efficient business operation, purchase-sales-inventory management, anti-goods-fleeing management and instant interaction with consumers. Moreover, the membership management system also achieves order processing and settlement functions for directly-managed mother-and-baby stores.

In order to fully motivate the teams, in the fourth quarter of 2016, the original marketing organizational structure consisting of brand divisions was restructured into a system mainly comprising CBUs set up by channel and product category, where the mother-and-baby-store CBU is in charge of the strategic objective of brand upgrading and channel transformation; the modern trade CBU strives to tackle the problem of "channel, product category and price declines"; the high-end mother-and-baby-store CBU is positioned to make Dumex become one of the top four foreign brands again and help Arla stand out among a long list of brands; the innovation CBU is to expand community marketing, integrate internal market resources and develop TP business to capture new consumers based on the existing e-commerce network; and the Scient Project Department was established for new business development jointly by the brand business, distributors and sales teams.

2016年施恩業務併入歐世蒙牛後，從銷售、市場、生產、物流、人力資源、財務等方面全面優化，成本下降、質量提高、供貨及時、貨齡改善、有效控制成本，銷售克服原工廠停產、經銷商觀望等困難，止滑企穩，實現扭虧為盈。

管理優化方面，梳理營銷相關制度流程、制定權責矩陣，實現嚴格管理與高效管理。建立強有力的巡查體系，對市場費用巡查檢核，提高費用使用效率；查處竄貨砸價，維護市場秩序。打造會員管理系統，並與SAP、外勤助手打通，從採購、生產、入庫、出庫、進店、動銷，一直到消費者積分兌換、互動，達到全流程信息化管理，實現全面預算管理、費用精準投放、業務高效運轉、進銷存管理、防竄管理、消費者實時互動等綜合功能。會員管理系統還實現了母嬰直營門店的訂單及結算功能。

為全面激活團隊，2016年四季度，組織架構從原有的品牌事業部轉變為以渠道和品類切割為主的CBU架構，其中母嬰CBU承載了品牌升級和渠道轉型的戰略目標；商超CBU著力改變「下滑渠道、下滑品類、下滑價格帶」問題；高端母嬰CBU立足於使多美滋重回外資四大品牌之列、Arla成為品牌金字塔上的皇冠；創新CBU則以原有電商為基礎，拓展社群營銷、整合內部市場資源、發展TP業務以抓取新客等；組建由品牌商、渠道商、銷售團隊合夥創業的施恩項目部。



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

管理層討論與分析 (續)

Quality Control

Quality is the lifeblood of an enterprise and the only way for an enterprise to capture the market. The Group is dedicated to building up a comprehensive quality management system covering the entire value chain from supplier quality management to consumer services.

The Group strictly follows the following principles in quality management of all products covering raw materials to finished products: (1) select suppliers with stringent standards, and review and examine them regularly each year, so as to eliminate those suppliers that do not meet the requirements of the Group and ensure the implementation of product source management philosophy of the Group. In 2016, the review process for all suppliers had been unified to ensure the review of suppliers is complete and comprehensive; (2) purchase domestic and overseas premium raw and auxiliary materials, and examine and control the raw materials strictly in accordance with the requirements of corporate internal control standards which are more stringent than the national standards, in order to ensure 100% of the raw materials used by factories meet the requirements. In 2016, the standards on various raw materials were unified and certain requirements regarding hygiene indicators and pollutant indicators were added; (3) employ comprehensive and reasonable nutrition-safe recipes and internationally advanced production equipment for production; (4) implement stringent process quality control to ensure that each process meets the requirements of standard parameters; (5) maintain a system for rigorous inspection of finished products before delivery, which is to inspect each batch of products and only allow those verified as qualified to be delivered, so as to ensure that all the products delivering out of factories 100% meet the relevant requirements; (6) continuously absorb outstanding talents to carry out efficient production and quality management, and constantly organize training on professional knowledge for internal production and quality management executives to acquire up-to-date knowledge.

質量管理

質量是企業的生命之源，質量是企業佔領市場的唯一出路。本集團一直致力於建立起一套從供應商質量管理至消費者服務的整條價值鏈的全面質量管理系統。

本集團堅持每個產品從原料到成品的質量管理要嚴格按照以下原則進行：(一)嚴格對供應商進行篩選，同時每年定期對供應商進行評價和考核，及時淘汰不再繼續滿足本集團要求的供應商，確保了本集團產品最源頭管理的理念實施；2016年已經開始對各供應商的審核流程進行統一，確保供應商審核的完整和全面；(二)採購國內外優質的原輔材料，並嚴格按照嚴於國家標準的企業內控標準的要求對原料進行檢測控制，確保進廠的原料100%符合要求；2016年對各種原料進行標準統一，增加了一部分衛生指標和污染物指標的要求；(三)採用全面合理的營養安全配方並採用國際先進生產設備進行生產；(四)嚴格的過程質量管理，確保每一個工序符合標準參數要求；(五)嚴謹的產品出廠檢測制度，產品批批檢測合格後才能發貨，確保了所有出廠的產品100%符合相關要求；(六)持續吸納優秀人才進行高效生產和質量管理，同時對內部的生產和質量管理人員進行持續的專業知識的培訓學習，不斷掌握最新的知識。

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

管理層討論與分析(續)

The Group centers on Yashili's Central Laboratory to coordinate with the laboratories at subsidiaries in strictly implementing the system for inspecting each batch of products before delivery. In 2001, the Central Laboratory obtained the ISO17025 Certification accredited by the state, which currently has 103 parameters and 107 examination methods in the fields of dairy products and beverages having been accredited, covering indicators on three major nutrients, vitamins and minerals as well as health indicators. The Group has invested heavily in quality management hardware. Each year the laboratories will from time to time purchase a variety of advanced examination and analysis equipment, including ultra-high-performance liquid mass spectrometer, gas mass spectrometry high-performance liquid chromatography, atomic absorption spectrometer and gas chromatography. Each batch of milk powder is subject to multi-tier examination and inspection by 70 parameters to ensure product safety, and production is carried out in strict compliance with international standards to guarantee product quality.

In 2016, the Group's factories passed the supervisory accreditation or re-assessment of such management systems as ISO9001, ISO14001, HACCP and CMS. These well-established management systems provide a solid guarantee for the Group to produce high-quality products.

In 2016, the Horinger factory, the Shanghai factory and the Chaozhou factory continued to upgrade their infrastructure.

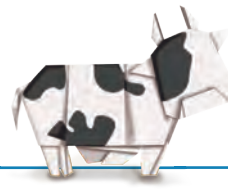
In 2016, in various strict risk monitoring processes performed by the state, the products of Yashily, Mengniu, Dumex and Scient brands are 100% qualified after analysis, strengthening consumer confidence in using the Group's products.

本集團以雅士利中心實驗室為核心，協同各子公司實驗室嚴格執行產品批批出廠自檢制度。中心實驗室於2001年獲得ISO17025國家認可證書，現已有103個參數，107項檢測方法在乳製品及飲料領域中被認可，覆蓋包括三大營養成分指標、維生素、礦物質和衛生指標等。本集團在質量管理硬件方面投入巨大。各實驗室每年會不定期購買各種先進檢測分析設備包括超高效液相質譜聯用儀、氣相質譜聯用儀、高效液相色譜儀、原子吸收儀光譜儀、氣相色譜儀等。每批奶粉進行70多項指標的檢驗，層層篩查，確保安全，嚴格按照國際標準來指導產品的生產，確保產品質量。

2016年，本集團各工廠順利通過包括ISO9001、ISO14001、HACCP、CMS等管理體系的監督審核或複評審，該等良好管理體系為本集團生產優秀品質的產品提供了堅實保障。

2016年，和林工廠、上海工廠及潮州工廠持續對基礎設施進行升級改造。

2016年，在國家嚴格的各類風險監測過程中，雅士利、蒙牛、多美滋、施恩品牌產品全部檢測結果100%合格，加強了消費者使用本集團產品的信心。



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

管理層討論與分析(續)

With respect to the legal aspect in 2016, the Group collected and identified more than 200 sets of applicable laws and regulations, of which the major ones were the Food Safety Law of the People's Republic of China, the Advertising Law of the People's Republic of China, the Measures Governing the Licensing of Food Production, the Measures Governing the Licensing of Food Businesses and the Measures Governing Food Recall. On the basis of these laws and regulations as well as industry norms and standards, the Group compiled an operation guide book in conjunction with major responsible departments to provide a basis and a regulatory standard for the work of the Group and to enable the Group to implement these guides in the course of business operation. No irregularities were reported in the Company's production and operation. As to environmental protection, the Group was conscious of complying with China's environmental laws and regulations for carrying out pollution prevention and control. It stepped up environmental publicity, raised environmental awareness among staff and carried out environmental protection by means of various initiatives: (1) it vigorously promoted the new environmental laws and regulations in the wide-coverage "Yashili Newsletter", "Publicity Column" and so on; (2) it carried out more training on environmental education resources and initiated the build-up of "green enterprises and green factories"; (3) it conducted strong and effective environmental monitoring and surveillance so that the discharge of waste water, waste gas, noise, malodor and oily fumes reached the set standards; the management of hazardous wastes and chemicals was reinforced by transferring hazardous wastes to another location for treatment lawfully and rationally, building a chemicals warehouse and carrying out a drill once a year on "how to handle the leakage of chemicals from warehouse"; a sewage treatment station was built in the plant area for the effective control of sewage discharge; (4) it proactively responded to China's energy conservation and emission reduction policies by optimizing energy efficiency in production and operation processes, raising energy utilization efficiency while effectively controlling greenhouse gas emissions; the water conservation system was improved and water conservation indicators were refined. By means of water usage supervision and technological innovation, the management of water resources was optimized in three dimensional areas, namely improvement at source, recycling and wastewater reuse, to advance water conservation initiatives; (5) it strengthened internal inspection by comprehensively carrying out a major inspection of the plant area; a major inspection of the workshop environment; an environmental special inspection of solid waste gas, hazardous waste and chemicals; and an inspection of the surrounding environment of the plant area to make sure that the discharge of pollutants reached the set standards and that there was a good environment in the residential area; and by stepping up pest disinfection, control and prevention in plant area and at workshops to make sure that the environment of the plant area was hygienic and clean.

2016年，法規方面，本集團搜集並識別超過200部相關適用法律法規，其中主要有《中華人民共和國食品安全法》、《中華人民共和國廣告法》、《食品生產許可管理辦法》、《食品經營許可管理辦法》、《食品召回管理辦法》等。本集團在上述法律法規、行業規範和標準的基礎上，聯合主要責任部門編製作業指導書，使集團工作有依據性、規範性，並在企業經營過程中得以貫徹落實。本公司的生產經營行為未出現違規現象。環境保護方面，本集團自覺遵守國家環保法律法規，落實污染防治，通過多重措施加強環保宣傳、提高全員環保意識和落實環境保護：(一)利用覆蓋面廣的「雅士利報」、「宣傳欄」等大力宣傳新的環保法規政策；(二)積極開展環境教育資源培訓，倡導建設「綠色企業、綠色工廠」；(三)開展扎實有效的環境監察、監測工作，廢水、廢氣、噪聲、惡臭、油煙等全部達標排放；強化對危險廢物、化學品的管理：對危險廢物進行合法合理的轉移處理，建立化學品倉庫，每年一次對「倉庫化學品外泄處理」進行有效的演練；建立廠區污水處理站，有效控制污水排放；(四)積極響應國家節能減排政策，優化生產和運營過程能效，提高能源使用效率的同時有效控制溫室氣排放；完善節水制度，細化節水指標，通過用水監管和技術創新，從源頭改善、循環使用和廢水回用三個方面優化水資源管理，推進節水措施；(五)加強內部檢查：全面開展廠區、車間環境大檢查；開展固體廢氣物、危險廢物、化學物品的環境專項檢查；開展廠區周邊環境檢查，確保排污達標排放和居民區良好的環境；加強廠區、車間「四害」消殺防治工作，確保廠區環境衛生清潔。

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

管理層討論與分析 (續)

Resource Integration

In terms of capacity planning, the Group transferred part of its product series to the New Zealand factory in accordance with the requirements of the Recipe Registration Requirement that one factory can only have three product series at most, and actively searched for overseas OEMs to outsource the production of tactical products, so as to secure profit streams. Meanwhile, in response to the requirement of the Recipe Registration Requirement on recipe differences, the Group allocated the recipes to various factories in a rational manner, and made relevant applications for such recipes in a tactical fashion. The Group's supply chain management center carried out its work according to the arrangements of the project team to guarantee project progress.

In terms of factory operation, the supply chain management center rationally used and allocated the Group's internal resources to avoid waste and loss of resources based on the production arrangements, developed uniform performance measurement standards covering the Horinger factory and the Shanghai factory, and regularly monitored the factories for horizontal and vertical comparison of various factories in their operation performance and seeking improvements. Through exchange of needed resources and improvement of safety, quality and other systems, the Group reduced its operating costs and improved its operational efficiency.

In terms of procurement integration, the Group drew on its strength to gradually shift to centralized procurement in a hope to greatly reduce the overall supply chain procurement costs. According to the integration needs, the Group unified the specifications of raw materials to concentrate its purchasing demands. In respect of the procurement system and process, the Group set up a uniform bidding system and a supplier performance assessment indicator system, laying a solid foundation for selection and management of suppliers. In respect of procurement strategy, while optimizing the procedures of overseas procurement, the Group developed three procurement approaches, i.e. centralized procurement through Mengniu Group, centralized procurement through Yashili Group and self-procurement by companies themselves, and set up a contract framework and a standard contract template, thereby standardizing the management and operation of procurement contracts. As to supplier bidding planning, the procurement by companies themselves was shifted to centralized procurement, and improvement plans were made to unify supply strategy and planning. In addition, the procurement organizational structure was shifted to one that features specialized procurement by product category, i.e. procurement of raw materials and imported finished products, procurement of packaging materials, comprehensive procurement and procurement of fixed assets and spare parts. With specialized functional division, the procurement teams performed their respective duties to improve their professional procurement skills, efficiency and service levels.

資源整合

產能規劃方面，本集團按照配方註冊制一個工廠不超過三個系列的要求，將部分系列產品轉移到新西蘭工廠生產，並積極尋找海外代加工工廠，以轉移戰術性產品生產，保證利潤來源。同時，應配方註冊制中對配方差異的要求，將配方合理分配給各工廠，並有策略性、有針對性地申請。本集團供應鏈管理中心根據項目組安排，開展相應工作，確保項目進度。

工廠運營方面，供應鏈管理中心根據生產排布，合理使用、調撥本集團內部資源，避免資源浪費和損失，在囊括了和林工廠及上海工廠基礎上，制定了統一的衡量標準，並定期跟蹤，以橫、縱向比較各工廠運營狀況並改善。通過互通有無，促進安全、質量等體系的完善，降低運營成本、提高運營效率。

採購整合方面，借助本集團優勢，逐步轉向集中採購，以期大幅度降低供應鏈整體採購成本。在整合需求上，統一原輔料規格，集中集團採購需求量；在採購制度和流程上，統一了集團招投標制度，建立了供應商績效考核指標體系，為供應商選擇和管理打下了堅實基礎；在採購戰略上，分為依托蒙牛集團集採，雅士利集團集採，各公司自採三個方向，同時兼顧優化海外採購的流程，構建了合同架構和標準合同模板，從而統一了採購合同的管理和運作；在供應商採招計劃上，將各公司採購向集中採購轉變，並制定了提升和改進計劃，以統一供應規劃和策略。此外，採購組織架構按品類向專業採購轉變，分為原材料和進口成品採購，包材採購，市場綜合採購，固定資產備品備件與綜合採購。採購組織各司其職，專業分工，以提高採購專業技能，效率和服務水平。



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

管理層討論與分析(續)

In terms of planning and logistics, according to the business needs and structure setting, the Group optimized the organizational structures of planning and logistics and improved work procedures and communication mechanism, thus achieving rapid response and improving working efficiency and service level. The Group also introduced the supplier assessment system, developed a universal logistics KPI evaluation system, and unified the standard operation procedures, operation manual and quality standards of all logistics centers, realizing standardized management and operation of the Group's logistics centers and enhancing the synergy of various warehouses. In respect of planning, the planning management department was restructured to one aligned with the sales business, with its business processes, staffing, communication platforms established in coordination with the CBUs. As to business integration of the planning department, sales forecast, production progress tracking and customer orders were fit into the whole business system to satisfy the needs of sales business integration to the fullest extent from the business perspective, and to guarantee a clearly-established and sound product supply chain. In respect of logistics, the existing logistics structures of subordinate companies were consolidated into a unified logistics organization of the Company. As to business integration of the logistics department, uniform measurements were employed for such data languages as freight, KPIs and warehousing costs to achieve performance measurement of all elements under the same platform.

Management System

The management of the Group has developed the business strategy of marketing model transformation and supply chain integration, and a comprehensive IT system is the foundation for realizing the strategy. Guided by the IT department of the headquarter of Mengniu Group, Yashili developed a three-year roadmap for information construction, which is to fully introduce Mengniu's standard business information system through unified planning and step-by-step implementation.

計劃及物流方面，根據業務需求及架構設置，優化計劃及物流的組織架構，改善工作流程和溝通機制，從而達到快速反應、提高效率和服務水平的目的。引入供應商評價體系，統一物流KPI評價體系，整合與統一各物流中心標準操作流程、作業手冊與質量標準，實現集團各物流中心的標準化管理與運作，提升各倉庫的協同效應。計劃方面：計劃管理部經過架構的整合，達到了與銷售業務整合匹配的計劃組織結構，完善了與各CBU組織相互匹配的業務流程、人員配備、溝通平台的搭建；計劃部業務整合，實現了從銷售預測、生產進度跟蹤、客服訂單銜接整個系統的順暢，從業務角度最大的支持了銷售業務整合的需求，使產品供給鏈條清晰穩健。物流方面，通過原有各公司物流架構的整合，確定了公司統一的物流組織；物流部業務整合，實現了數據語言的統一衡量，從運費核算統一標準、KPI指標的統一標準、倉儲費用衡量統一標準等，實現了在同一平台下衡量各自的業績。

管理系統

本集團管理層制定了營銷模式轉型和供應鏈整合的業務戰略，而全面的IT系統是戰略實現的支撐基礎。在蒙牛集團總部IT的指導支持下，雅士利編製了三年期的信息化建設路線圖，通過統一規劃、分步實施，完整導入蒙牛集團標準業務信息系統環境。

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

管理層討論與分析(續)

In July 2016, Yashili launched the SAP ERP system implementation project to build a new central information system for the Group's business operation. The project was carried out by a team of nearly 100 people, including Yashili's management, business process leaders, key users, Mengniu Group and Yashili's IT and implementation partners, and January 2017 was set as the target deadline for the new system to come into operation. The project will achieve for the Group the integration of such functional modules as SAP ERP sales and distribution, production planning and implementation, material management, quality management, financial and management accounting, and unify the management data standards, operational procedures and management policies of various business units, so as to ultimately achieve efficient integrated operation of the Group's production, supply, sales and finance.

After the project commences operation, Yashili will continue to introduce new systems in the coming years to create an information system environment with a full range of business support systems, including SAP CRM-TPM, SAP BI, SFA, quality traceability system (Phase II) and Call Center.

雅士利於2016年7月啟動了SAP ERP系統實施項目，以建設集團業務運營的核心信息系統新平台。項目由包括雅士利管理層、業務流程負責人、關鍵用戶、蒙牛集團和雅士利IT及實施合作夥伴在內的近100人項目組執行並將2017年1月設定為新系統上線的目標期限。項目將為集團實施包括SAP ERP銷售與分銷、生產計劃與執行、物料管理、質量管理、財務和管理會計等集成一體化的功能模塊組合，通過統一各業務單元管理數據標準、操作流程和管理政策，最終實現集團產、供、銷和財務業務的完整一體化高效運做。

項目上線後，雅士利將繼續於後續年度內實施新系統以形成完整的業務支撐信息系統環境，包括營銷費用管理系統(SAP CRM-TPM)、商務智能系統(SAP BI)、銷售執行系統(SFA)、質量追溯系統(二期)、消費者服務中心系統(Call Center)等。

Financial Review

Revenue

For the year ended 31 December 2016, the Group's revenue amounted to RMB2,203.3 million (2015: RMB2,761.6 million), representing a 20.2% decrease compared to last year.

財務回顧

收入

截至2016年12月31日止年度，本集團之收入達人民幣2,203.3百萬元(2015年：人民幣2,761.6百萬元)，較去年下降20.2%。

By product category	按產品類別劃分	2016 RMB million 人民幣百萬元	2015 RMB million 人民幣百萬元	Percentage change 變動比例
Infant milk formula products	嬰幼兒配方奶粉產品	1,462.4	1,991.9	-26.6%
Nutrition food products	營養食品	668.2	757.0	-11.7%
Others	其他	72.7	12.7	472.4%
Total	總計	2,203.3	2,761.6	-20.2%



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

管理層討論與分析(續)

As of 31 December 2016, sales revenue from infant milk formula products amounted to RMB1,462.4 million (2015: RMB1,991.9 million), representing a decrease of 26.6% from last year. Sales revenue from nutrition food products amounted to RMB668.2 million (2015: RMB757.0 million), representing a decrease of 11.7% from last year. Sales revenue from other products amounted to RMB72.7 million (2015: RMB12.7 million), representing an increase of 472.4% from last year, which was mainly derived from the base powder sold by the subsidiary Yashili New Zealand Dairy Co., Ltd. ("Yashili New Zealand") to Danone.

The decrease in the Group's sales revenue was mainly due to: (1) the accelerated shrinking of the modern and traditional channels compromised the Group's existing competitive advantages in these channels; (2) during the year, the Group continued to deal with the sales model transformation of the mother-and-baby store channel and the e-commerce channel whereby the implementation and effect of the new marketing strategies require time and cost input; (3) the Group stepped up its promotion efforts in the year to cope with the intensified market competition; and (4) the Group was proactively consolidating its product lines in response to the impact brought by the registration law on infant formula, and such consolidation affected the sales of some products to a certain extent.

During the first half of the year, the Group introduced an experienced marketing management team which accelerated the integration process and adopted proactive initiatives, including reinforcement of internal marketing management, optimization of sales model, channels transformation and continuous focus on targeted products. At the same time, the Group also achieved progress in the integration of back office management and supply chain of the Group. It is anticipated that the effectiveness and benefits of such integration will be gradually realized during the next two years.

Gross profit

For the year ended 31 December 2016, the Group recorded a gross profit of RMB1,037.3 million (2015: RMB1,402.3 million), representing a decrease of 26.0% from last year. The gross profit margin was 47.1%, representing a decrease of 3.7%, which was due to more gift products offered during the year.

截至2016年12月31日，嬰幼兒配方奶粉產品實現銷售收入人民幣1,462.4百萬元(2015年：人民幣1,991.9百萬元)，較上年減少26.6%，而營養品實現銷售收入人民幣668.2百萬元(2015年：人民幣757.0百萬元)，較上年減少11.7%，其他產品實現銷售收入人民幣72.7百萬元(2015年：人民幣12.7百萬元)，較上年增加472.4%，主要是子公司雅士利新西蘭乳業有限公司(「新西蘭乳業」)銷售基粉給達能產生。

本集團銷售收入下降主要是由於：(一)現代和傳統渠道的加速萎縮削弱了本集團原本在該渠道的競爭優勢；(二)本集團今年持續應對母嬰及電商渠道的銷售模式轉型，新的營銷策略的執行和效果需要時間以及成本費用的投入；(三)本集團今年加大促銷力度以應對激烈的市場競爭；及(四)本集團正在積極整合產品線應對嬰幼兒奶粉配方註冊法案帶來的影響，而整合會在一定程度上影響部分產品的銷售達成。

本集團上半年已引進經驗豐富的營銷管理團隊，團隊正加緊融合，並採取積極行動，包括營銷內部管理強化，銷售模式優化、渠道轉型深入、產品不斷聚焦；同時本集團後台管理、供應鏈的整合也取得新進展，整合產生的效益預計將在明後兩年逐步體現。

毛利

截至2016年12月31日止年度，本集團錄得毛利為人民幣1,037.3百萬元(2015年：人民幣1,402.3百萬元)，較去年下降26.0%。毛利率為47.1%，毛利率下降3.7%。下降原因在於今年加大本品搭贈力度。

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

管理層討論與分析(續)

Selling and distribution expenses

For the year ended 31 December 2016, the Group generated selling and distribution expenses of RMB1,171.0 million (2015: RMB1,320.3 million), representing a decrease of 11.3% from last year.

The Group's selling and distribution expense as a percentage of revenue increased to 53.1% (2015: 47.8%), representing an increase of 5.3% from last year. The increase was mainly due to the decrease in sales revenue which is not matched by a parallel decrease in relatively fixed expenses including staff cost and market expenses.

Administrative expenses

For the year ended 31 December 2016, administrative expenses amounted to RMB389.6 million (2015: RMB207.9 million), representing an increase of 87.4% from last year, mainly attributable to the inclusion of the costs arising from underutilized production capacity of our plants in New Zealand and Shanxi during the year as well as employee layoff compensation paid by the Company.

Net finance income

For the year ended 31 December 2016, net finance income amounted to RMB111.4 million (2015: RMB163.1 million). The decrease in net finance income of 31.7% was mainly attributable to the acquisition of Dumex China in June and the decrease in overall interest rate during the year.

Income tax expense/(credit)

For the year ended 31 December 2016, the income tax credit of the Group amounted to RMB12.4 million (2015: Income tax expenses amounted to RMB4.5 million) and the effective income tax rate was 3.7% (2015: 3.7%). The decrease in income tax expenses was mainly attributable to the Group's tax loss for the current period.

銷售及經銷開支

截至2016年12月31日止年度，本集團產生銷售及經銷開支為人民幣1,171.0百萬元(2015年：人民幣1,320.3百萬元)，較去年下降了11.3%。

本集團銷售及經銷開支佔收入比例增加至53.1%(2015年：47.8%)，較去年上升了5.3%；上升的主要因為銷售收入下降，但人工成本、市場費用等相對固定費用未能同比下降。

行政開支

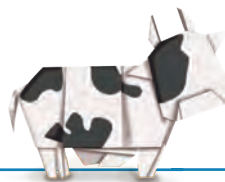
截至2016年12月31日止年度，行政開支為人民幣389.6百萬元(2015年：人民幣207.9百萬元)，較去年上升了87.4%，主要由新西蘭、山西之工廠今年產能利用率不足而產生的費用放在管理費用核算及公司裁員賠償金所致。

淨財務收入

截至2016年12月31日止年度，財務收入淨額為人民幣111.4百萬元(2015年：人民幣163.1百萬元)。財務收入淨額下降31.7%，主要由於今年6月收購多美滋中國以及今年整體利息率下降。

所得稅開支／(抵減)

截至2016年12月31日止年度，本集團的所得稅抵減為人民幣12.4百萬元(2015年：所得稅開支人民幣4.5百萬元)，實際所得稅率為3.7%(2015年：3.7%)。所得稅費用下降的原因主要是本集團本期為稅務虧損。



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

管理層討論與分析 (續)

Inventory

As at 31 December 2016, the balance of inventory of the Group amounted to RMB619.9 million (31 December 2015: RMB641.0 million), and the decrease in inventory was mainly attributable to the decrease in the price of raw milk powder and the Group's strategic reduction of raw material stockpile.

Other financial assets

As at 31 December 2016, other financial assets included wealth management products of RMB477.0 million, which were principal guaranteed and with anticipated annualized yields of 3.1% to 4.0% (31 December 2015: 2.6% to 4.0%).

Trade and bills receivables

As at 31 December 2016, the Group's trade and bills receivables amounted to RMB161.4 million (31 December 2015: RMB71.8 million). The increase in the balance was mainly due to the increase in direct sales stores in malls and supermarkets and the corresponding increase in the credit limit granted. In 2016, the trade receivables turnover days were 27 days (2015: 9 days), representing an increase of 18 days as compared to 2015, mainly attributable to the contribution of higher turnover days of Dumex China acquired in June to the Group's turnover days for the current period.

Contingent liabilities

As at 31 December 2016, the Group had no material contingent liabilities (31 December 2015: nil).

Capital commitment

As at 31 December 2016, the Group's total future capital commitment was RMB36.3 million (31 December 2015: RMB21.5 million) which is mainly related to the infant formula registration rectification project and milk powder production equipment.

存貨

於2016年12月31日，本集團存貨餘額為人民幣619.9百萬元(2015年12月31日：人民幣641.0百萬元)，減少主要是因為原料粉價格下降以及本集團策略性調減原材料庫存量。

其他金融資產

於2016年12月31日，其他金融資產包含穩健型保本理財產品人民幣477.0百萬元，預期年化收益率為3.1%至4.0%(2015年12月31日：2.6%至4.0%)。

貿易應收款及票據

於2016年12月31日，本集團貿易應收款及應收票據金額為人民幣161.4百萬元(2015年12月31日：人民幣71.8百萬元)，餘額增加主要是因為直營商超門店增加，相應給予的信限額增加。於2016年，貿易應收款周轉天數為27天(2015年：9天)，周轉天數較2015年增加18天，原因在於6月併入的多美滋中國周轉天數較高而拉高本期集團周轉天數。

或然負債

於2016年12月31日，本集團並無重大或然負債(2015年12月31日：無)。

資本承擔

於2016年12月31日，本集團未來資本承擔總額為人民幣36.3百萬元(2015年12月31日：人民幣21.5百萬元)，主要為嬰配註冊整改項目及奶粉生產設備。

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

管理層討論與分析 (續)

Provision for doubtful debts

As at 31 December 2016, the Group had provision for doubtful debts of RMB0.7 million (2015: RMB0.4 million). The provision was made for impaired receivables relating to customers that were in default or delinquency of payments. The Group does not hold any collateral or other credit enhancements over such amounts. The Group regularly reviewed aging of receivables and considered making provision based on a number of factors such as whether the debtors encounter significant financial difficulties, the probability that the debtor will file for bankruptcy or be subject to financial reorganization, and the possibility of default or delinquent payments.

Provision for impairment and disposal losses of inventories

As at 31 December 2016, the Group's balance of provision for impairment of inventories was RMB31.4 million (2015: nil). In addition, the Group also recorded losses on disposal of inventory of RMB56.1 million (2015: RMB15.0 million) which were primarily due to the disposal of deteriorated inventory and disposal of unused packaging materials.

Pledge of assets

As at 31 December 2016, bank deposits with an aggregate value of approximately RMB803.1 million (31 December 2015: RMB595.0 million) were pledged by the Group to secure certain borrowings and issuance of letter of credit.

Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Group amounted to RMB-320.2 million, a 370.7% decrease compared to the preceding year. The decrease was mainly due to the drop in sales revenue and the increase in proportion of selling and distribution expenses.

呆賬撥備

於2016年12月31日，本集團的呆賬撥備為人民幣0.7百萬元(2015年：人民幣0.4百萬元)。該等撥備是與拖欠付款的客戶有關的減值應收款而作出的撥備。本集團並無就該等金額持有任何抵押品或其他信貸增級。本集團定期審閱應收款的賬齡，並考慮根據若干因素計提撥備，例如債務人是否出現重大財務困難、債務人申請破產或進行財務重組的概率，以及拖欠付款的可能性。

存貨減值撥備和報廢虧損

於2016年12月31日，本集團的存貨減值撥備餘額為人民幣31.4百萬元(2015年：無)。此外，本集團亦錄得存貨報廢虧損人民幣56.1百萬元(2015年：人民幣15.0百萬元)。主要由於報廢受損的存貨以及處置不使用的包裝物料。

已抵押資產

於2016年12月31日，本集團已抵押之銀行存款合共約人民幣803.1百萬元(2015年12月31日：人民幣595.0百萬元)；以獲得若干借款及開具信用證。

本公司股權持有人應佔溢利

本集團股權持有人應佔溢利為人民幣-320.2百萬元，較去年下降370.7%。主要由於銷售收入下降、銷售及經銷成本佔比上升。



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

管理層討論與分析(續)

Liquidity and capital resources

As at 31 December 2016, the Group's liquidity, including cash and cash equivalents, pledged deposits to be released within one year, long-term fixed bank deposits and investment deposits, amounted to RMB3,302.9 million in total (31 December 2015: RMB4,311.9 million), representing a decrease of 23.4%. The decrease was mainly due to the payment of consideration for the acquisition of Dumex China during the year.

Operating activities

For the year ended 31 December 2016, the Group's net cash inflow generated from operating activities was RMB-477.2 million (2015: RMB80.0 million). The decrease in net cash inflow generated from operating activities was mainly attributed to the significant decrease in revenue during the period.

Investing activities

For the year ended 31 December 2016, net cash outflow used in investing activities amounted to RMB366.9 million (2015: RMB1,726.7 million). The decrease in cash outflow used in investing activities was mainly attributable to the recovery of investing bank deposits upon maturity.

Financing activities

For the year ended 31 December 2016, net cash inflow generated from financing activities amounted to RMB94.6 million (2015: RMB2,711.7 million), mainly attributable to the RMB3,468.6 million received from the issuance and allotment of subscription shares to Danone Asia and repayments of interest-bearing bank loans of RMB1,009.5 million in 2015.

流動資金及資本資源

於2016年12月31日，本集團的流動資金包括現金及現金等價物，一年內解除限制的受限銀行存款、長期定期銀行存款及投資存款合計人民幣3,302.9百萬元(2015年12月31日：人民幣4,311.9百萬元)，下降23.4%。下降的原因主要是今年支付多美滋中國收購款項。

經營活動

截至2016年12月31日止年度，本集團的經營活動現金淨流入人民幣-477.2百萬元(2015年：人民幣80.0百萬元)。經營現金淨流入減少主要由於本期收入大幅度下降。

投資活動

截至2016年12月31日止年度，投資活動所用現金淨流出為人民幣366.9百萬元(2015年：人民幣1,726.7百萬元)，投資活動現金流出減少主要由於投資銀行存款到期收回。

融資活動

截至2016年12月31日止年度，融資活動所產生現金流入淨額為人民幣94.6百萬元(2015年：人民幣2,711.7百萬元)，主要是2015年向達能亞洲發行及分配認購股份取得人民幣3,468.6百萬元以及償還計息銀行貸款支出人民幣1,009.5百萬元。

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

管理層討論與分析 (續)

Loans and borrowings

As at 31 December 2016, the Group's loans and borrowings amounted to RMB1,143.1 million (31 December 2015: RMB461.7 million). The annualised interest rate for comprehensive borrowings was 2.19% (31 December 2015: LIBOR+0.9%), including borrowings denominated in US dollar and Hong Kong dollar with annualised interest rate at LIBOR+0.9% and HIBOR+0.9% respectively, borrowings denominated in RMB with interest rate at 3.915% and subsidized borrowings denominated in RMB with interest rate at 1.47%. The above loans shall be repayable on demand upon maturity. As at 31 December 2016, the Group's gearing ratio, which is calculated by total interest-bearing bank loan at year end divided by total assets at year end, was 14.3% (31 December 2015: 6.0%).

Use of net proceeds from Initial Public Offering

The Company's net proceeds from Initial Public Offering amounted to approximately RMB1,965.8 million after deduction of relevant expenses. The Company had applied these net proceeds as disclosed in the section "Future Plans and Use of Proceeds" in the prospectus dated 30 October 2010. Therefore, the use of net proceeds as of 31 December 2016 is set out as below:

貸款及借款

於2016年12月31日，本集團貸款及借款為人民幣1,143.1百萬元(2015年12月31日：人民幣461.7百萬元)；綜合借款的年化利率為2.19%，其中包含美元及港幣借款的年化利率分別為LIBOR+0.9%及HIBOR+0.9%，人民幣借款利率為3.915%以及貼息人民幣借款利率1.47%，(2015年12月31日：LIBOR+0.9%)，以上貸款需按要求到期償還。於2016年12月31日，本集團資產負債比率為14.3%(2015年12月31日：6.0%)，資產負債比率為年末計息銀行貸款總額除以年末資產總額。

首次公開招股所得款項淨額用途

本公司於扣除有關開支後的首次公開發售所得款項淨額約為人民幣1,965.8百萬元。本公司已按照2010年10月30日的招股章程「未來計劃及所得款項用途」一節所披露的方式運用這些款項淨額。因此，截至2016年12月31日所得款項淨額用途如下：

Item	項目	Available at	Utilised during	Unutilised as
		the end of	the year ended	at
		2015	31 December	31 December
		於2015年底	截至2016年	於2016年
		可動用	12月31日	12月31日
		RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元
Expansion of production capacity for infant formula and nutrition food products	用於擴大嬰幼兒配方奶粉及營養食品之產能	161,434	11,163	150,271
Enhancement to the Group's research and development capabilities	提高本集團的研發能力	26,351	11,995	14,356
Total	總計	187,785	23,158	164,627



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

管理層討論與分析(續)

Human Resources

As at 31 December 2016, the Group had a total of 3,711 full-time employees (31 December 2015: 4,641). The total staff cost for the year was approximately RMB560.1 million (2015: RMB442.6 million).

In 2016, the human resources management center closely centered around the five-year strategic plan and the must-win battles for 2016 to carry out work in the following aspects:

In terms of organizational changes, in early 2016, the Company restructured the "sales divisional structure" into 3+1 "marketing divisional structure". Afterwards, in order to promote product upgrading and channel transformation and to motivate the teams via mechanism, the Group began to explore the CBU business model based on product channels and product categories, and introduced the marketing structure consisting of four CBUs by the end of 2016 to provide a strong organizational guarantee for quickly responding to market changes. In order to increase organizational synergy and achieve economy of scale, in the middle of 2016, the Company integrated the production, procurement, planning, logistics and quality functions of Yashili, Oushi Mengniu and Dumex China to realize whole supply chain management. At the end of the year, the Group optimized the organization and staffing of the functional back-offices of the above three companies, and initially completed the integration of their background functions.

In terms of talent management, in order to guarantee talent supply after the integration and the Group's sound development in the future, the Company actively carried out a series of talent and organizational development projects, such as identifying high-potential personnel through talent filtration, and developed a program for succession of key positions, thus providing support for future business development with talent reserves. While vigorously attracting new talent for the marketing team through campus recruitment, the Group organized a series of online and offline training programs such as mother-and-baby-store training camp and shopping guide training, laying a sound foundation for the organization capacity of the Group especially the marketing team.

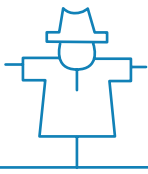
人力資源

於2016年12月31日，本集團共有3,711名(2015年12月31日：4,641名)全職僱員。僱員本年總成本約為人民幣560.1百萬元(2015：人民幣442.6百萬元)。

2016年，緊緊圍繞五年戰略規劃與2016年必贏之戰，人力資源管理中心圍繞以下項目開展工作：

組織變革方面，在2016年年初，本公司進行了3+1營銷事業部的架構調整，將「銷售事業部」轉型為「營銷事業部」。緊接其後，為促進產品升級與渠道轉型，更有效地從機制上激勵團隊，本集團開始摸索建立基於產品渠道和產品類型的CBU經營模式，並在2016年末推進實施了四大CBU營銷架構，為公司迅速應對市場變化提供了強有力組織保障。為加強組織協同和發揮規模效應，2016年年中，公司整合了雅士利、歐世蒙牛和多美滋中國三家公司的生產、採購、計劃、物流和質量等職能，實現了供應鏈全鏈條管理。年末，本集團對三家公司的職能後臺進行了組織及人員梳理，初步完成後台職能的整合。

人才管理方面，為保障整合後的人才供給及本集團未來組織的健康發展，本公司積極推進一系列人才與組織發展項目，如通過人才盤點識別出集團高潛力人才，並建立了關鍵崗位繼任者計劃，為本公司未來業務的開展提供了人才儲備的支持；通過積極開展校園招聘為營銷團隊注入新鮮的血液，同時，也開展了母嬰特訓營、導購培訓等一系列線上線下培訓，為集團特別是營銷團隊組織能力提升奠定了良好基礎。



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

管理層討論與分析 (續)

In terms of cultural construction, the Company developed new corporate vision, mission and core values at the beginning of the year. The human resources management center carried out a series of cultural construction activities to promote new corporate culture, including senior management workshops in each quarter, “corporate culture workshops” for all the staff, cross-department trainings and a number of corporate cultural activities centering around the four values of “Integrity, Innovation, Passion and Openness”. These activities effectively created cultural cohesion of personnel.

In terms of construction of human resource basis, the human resources management center gradually integrated the human resources management systems of Yashili, Oushi Mengniu and Dumex China, basically standardized labor contract management, human resources outsourcing management, position ranking system, salary system and welfare system, and conducted effective collaboration and resource sharing in recruitment and training. The new human resources information system is also under construction. A well-established and uniform human resources management system promotes internal fairness to a certain extent, and more importantly, promotes the Company's consolidation and integration.

Social Responsibility

In 2016, the Group made persistent efforts in social welfare activities and extensively spread the care of “Firefly Campaign”.

On Mother's Day in May, the Group carried out the “Riding with Care on Mothers' Day” activity in Guangzhou to satisfy many mothers' travel needs by escorting them home for free from four hospitals, namely Guangzhou Women and Children's Medical Center, Guangzhou Children's Hospital, Guangzhou Woman and Baby Hospital and Guangdong Woman and Child Health Institute. The activity lasted for 8 hours and offered a total of 281 trips to shuttle mother home, sending more than 1,000 mothers the warmest festival greetings.

In June, as sponsor of Lang Lang's solo recital in New Zealand, Yashili donated 100 concert tickets to “HeartKids” for fundraising charity sale. In addition, Yashili donated at least 200 cans of Yashily “Super α -Golden” milk powder to the families of “HeartKids” on a monthly basis to satisfy the milk powder needs of families with children diagnosed with congenital heart disease.

文化建設方面，本公司在年初制定了新的企業願景、使命和核心價值觀。人力資源管理中心開展了一系列文化建設活動，對新企業文化進行宣導。包括每個季度的高管工作坊、全員的「企業文化工作坊」、跨部門協作的培訓以及多個圍繞「誠信」、「創新」、「激情」、「開放」四個價值觀所策劃的企業文化活動等。通過這些活動，有效凝聚了人心，形成了文化的向心力。

人力資源基礎建設方面，人力資源管理中心對雅士利、歐世蒙牛和多美滋中國的人力資源管理制度進行了逐步整合，已基本完成勞動合同管理、人力外包管理、職級體系、薪酬制度、福利制度等方面統一，並在招聘和培訓等方面進行了有效協同及資源共享。此外，新的人力資源信息化系統建設也在進行中。完善和統一的人力資源管理制度在一定程度上促進了內部的公平，更重要的是促進了本公司的整合和融合。

社會責任

2016年，本集團在社會公益活動中再接再厲，將「螢火蟲行動」的愛心擴大傳播。

5月份母親節，本集團於廣州舉辦「愛載母親節」活動，在廣州市婦女兒童醫療中心、廣州兒童醫院、廣州市婦嬰醫院、廣東省婦幼保健院四家醫院滿足廣大媽媽的乘車需求，免費護送其回家。當天活動共持續了8個小時，共接送了281車次的媽媽回家，為超過1,000名媽媽送去最溫暖的節日問候。

6月份，雅士利作為郎朗新西蘭獨奏會的贊助商，捐贈了演奏會門票100張，為「HeartKids」提供慈善義賣籌款。另外還每月向「HeartKids」的受助家庭無償捐贈不少於200罐雅士利「超級 α -金裝」奶粉，支持那些有先天性心臟病患兒家庭的奶粉需求。



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

管理層討論與分析(續)

In September, Yashili donated food to children in an effort to contribute to “Droplets New Special Foundation”. In the same month, “Droplets” turned to Yashili for help, stating that the children covered by their programs were in urgent need of food and they hoped that Yashili could offer help to them. Yashili, who has long been an enthusiastic public-welfare contributor, took immediate action to satisfy the foundation’s urgent needs by allocating 46 cartons of milk powder (276 cans) thereto.

In November, Yashili New Zealand received the title of “Charity Ambassador” at the first anniversary of its opening. On 5 November, Yashili New Zealand was granted the honorary title of “Charity Ambassador of the Year” at the “Loving Heart” charity dinner which was hosted by Skykiwi.com, the biggest Chinese website of New Zealand, and co-hosted by the charity HeartKids and the Vision magazine. More than 300 guests were present to show support for the event, including Zhan Yuhui, consul of overseas Chinese affairs to Chinese Consulate General in Auckland, Zhang Yu, news consul to Chinese Consulate General in Auckland, Dr. Yang Jian, a member of the NZ National Party, Melissa Lee, a member of the NZ National Party, and David Seymour, the leader of ACT New Zealand.

Besides, the Group cooperated with Information Times (信息時報) to launch the project of “Pay Attention to Troubled Children at the Frontline” in an effort to show care for abandoned babies and those in lack of breast milk. The Group intended to donate milk powder after discovering and confirming their needs, so as to help them overcome difficulties and offer prompt and timely care.

The Group worked with Chinese Red Cross Foundation to carry out free distribution of over 12,000 cartons of infant formula (worth more than RMB3 million) to the impoverished families in such places as Sishui and Qufu of Shandong, which basically covered the locals precisely targeted by national poverty relief programs and helped the infants of over 2,000 poor families in 48 townships, thereby providing strong guarantee for the healthy growth of infants from local poor families.

While vigorously developing domestic dairy business, Yashili has never forgotten to give back to society as it plays an active role in public welfare undertakings in a drive to carry forward the spirit of China’s dairy industry.

9月份，雅士利助力「小水滴新生專項基金」為孩子送口糧。同月，雅士利收到了來自「小水滴」求助，據聞那裏的孩子極需口糧，希望雅士利能夠為他們提供幫助。一向熱衷於公益事業的雅士利立馬行動，先後調配了46箱奶粉(276罐)前往，解基金會的燃眉之急。

11月份，新西蘭乳業開業一周年榮獲「慈善大使」。11月5日，新西蘭乳業在新西蘭最大中文網站天維網主辦、慈善組織HeartKids和《視野》雜誌協辦的「Loving Heart」慈善晚宴上喜獲「年度慈善大使」榮譽稱號。中國駐奧克蘭總領館僑務領事湛玉會、中國駐奧克蘭總領館新聞領事張宇、國家黨議員楊健博士、國家黨議員Melissa Lee以及行動黨黨魁David Seymour等300餘位嘉賓到場支持。

此外，本集團與信息時報攜手啟動「第一線關注困境兒童」項目，關注棄嬰、缺母乳群體兒童，擬在發現並確認其情況後捐贈奶粉，幫助他們渡過難關，給予最迅速及時的關愛。

本集團聯同中國紅十字基金會將價值超過人民幣300萬元的12,000餘箱嬰幼兒配方奶粉在山東泗水、曲阜等地向貧困家庭免費發放，基本覆蓋當地國家精準扶貧對象，幫助48個鄉鎮地區超過2,000戶貧困家庭的嬰幼兒，為當地的貧困家庭的嬰幼兒健康成長提供有力保障。

發揚中國乳業精神，在大力發展國產乳業的同時不忘回饋社會，雅士利積極投身公益事業，不忘初心。

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

管理層討論與分析(續)

Public Relations and Crisis Management

The Group maintains active and effective publicity means and communicates relevant information to external parties in an open and transparent manner. The Group also maintains good communication with all publicity departments and institutions, publishes the Company's latest information on a timely basis, and takes an active part in various social welfare and charitable activities.

The Group has developed a complete set of crisis management systems and response mechanisms, and addresses complaints from consumers and issues of the media's concern via its crisis management center in a timely and accurate manner. Meanwhile, the Group is highly concerned with potential problems reflected by the market, and provides good services for consumers in advance to prevent the occurrence of crisis. The Group has established a news center to pay close attention to the trends and news of the industry and monitor public opinions, in order to make timely response to any incidents in the industry. The Group eliminates negative impacts and maintains a good reputation in the industry through effective communication and disclosure of information to the public and the media.

Investor Relations

The Group believes that effective communication with shareholders, investors and prospective investors is essential for enhancing investor relations and enabling investors to understand the business performance and strategies of the Group. The Group conducts communication and exchanges with investors through various channels and means such as on-site receptions, telephone conferences, non-deal roadshows and investment summits of securities companies.

To facilitate effective communication, the Group has set up a website (www.yashili.hk) to post the latest information on its financial information, corporate governance practices and other data available for public inspection.

公共關係及危機處理

本集團保持積極有效的宣傳方式，公開透明地向外界傳達相關資訊並與各宣傳部門、機構保持良好地溝通關係，及時更新並發佈公司最新資訊，積極參與各項公益事業和慈善活動。

本集團內部制定了一套完整的危機管理系統及應對機制，並通過本集團危機處理中心，及時、準確地處理消費者的投訴及媒體關注的問題；同時，本集團高度重視市場反映可能問題，提前為消費者提供良好服務，預防危機事件的發生。本集團設立新聞中心，高度關注行業動向及新聞事件，對輿情進行監控，對行業事件及時做出反應。通過與公眾及媒體有效溝通，公佈信息，消除負面影響，樹立在行業中良好地位。

投資者關係

本集團認為，與股東、投資者及潛在投資者進行有效溝通，乃提升投資者關係及讓投資者瞭解本集團業務表現及策略的要素。本集團通過現場接待、電話會議、非交易路演及參加券商投資峰會等多種渠道和方式與投資者進行溝通和交流。

為促進有效溝通，本集團設有網站(www.yashili.hk)，刊載有關本集團財務資料、企業管治常規及其他數據的最新情況，以供公眾查閱。



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

管理層討論與分析(續)

Future Prospect

Policy Implications

Recipe Registration Requirement officially came into force on 1 October 2016, which will have profound impacts on the industry. Recipe Registration Requirement requires that each enterprise, in principle, must not have more than three product series or nine product recipes. This policy is not to simply require enterprises to reduce their number of recipes, but rather to drive them to invest more in research and development and enhance hardware and software management as well as recipe management, and to steer dairy companies to focus more on quality of brand and product operation, so as to benefit consumers by allowing them to make informed shopping decisions. The implementation of the Recipe Registration Requirement will heighten the entry barrier of infant formula industry, which in turn will greatly clear away the chaos in recipes and brands, increase brand and industry concentration, and lead to healthier market competition environment. Large enterprises with national presence are likely to benefit more from it and become stronger competitors in market shares, while small enterprises and small brands will be phased out more rapidly. Year 2017 is expected to be the turning point for the infant formula industry.

On 8 April 2016, a policy on import of cross-border e-commerce retail goods was issued. China offered a one-year grace period commencing from 11 May 2016 for the relevant regulatory requirements on import of cross-border e-commerce retail goods, which means that cosmetics, infant formula, medical equipment and special food (including health food, formula food for special medical use, etc.) will not be subject to the first import license approval, registration or filing requirements until 11 May 2017. In November 2016, the Ministry of Commerce issued an announcement to extend the grace period to the end of 2017. In the long run, the new policy will further standardize the cross-border e-commerce industry and is expected to drive the industry to develop in a healthier and more orderly manner.

In 2016, the first year of full implementation of China's nationwide two-child policy, the number of newborns during the year as high as 17.5 million is still insufficient to restore the population pyramid. Official statistics show that the number of newborns in 2016 increased by 5.7%, creating a favorable footing for stabilizing market demands for infant formula milk powder. As the nationwide two-child policy plays its role over time, the third- and fourth-tier cities and townships with relatively low life stress are likely to create a baby boom and boost local milk powder demands, which will then shore up the sales of domestic milk powder brands with competitive strength in the modern trade channel in these areas.

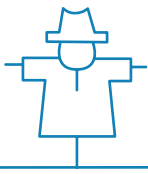
未來展望

政策影響

配方註冊制已於2016年10月1日正式施行，其落地將對行業產生深遠影響。配方註冊制要求每個企業原則上不得超過3個配方系列9種產品配方，此政策並非簡單要求企業減少配方數量，而是推動企業增加研發投入，加強硬件軟件管理，加強配方管理，引導乳製品企業更加專注品牌及產品運營質量，讓消費者看得清楚，買得明白，真正獲得實惠。配方註冊制的落地實施將提高嬰幼兒配方奶粉行業准入門檻，配方、品牌亂象將有較大改善，品牌與行業集中度進一步提升，市場競爭環境更加趨於良性，全國佈局的規模化企業有望從中受益，成為市場份額更有力的競爭者，而小企業、小品牌加速出局。2017年料將成為嬰幼兒配方奶粉行業拐點。

於2016年4月8日，跨境電商零售進口政策出台；2016年5月11日起，我國對跨境電商零售進口有關監管要求給予一年的過渡期，即在2017年5月11日之前，暫不執行化妝品、嬰幼兒配方奶粉、醫療器械、特殊食品(包括保健食品、特殊醫學用途配方食品等)的首次進口許可批件、註冊或備案要求；2016年11月，商務部發文將上述過渡期進一步延長至2017年底。長遠來看，新政是對跨境電商行業的進一步規範，料將會助推整個行業朝向更加健康、有序的方向發展。

2016年是中國全面實施全面二胎政策的第一年，雖然年內新生兒數量達到1,750萬，但依然不足以修復人口金字塔。官方數據顯示，2016年新生兒數量同比增加5.7%，這為嬰幼兒配方奶粉市場需求穩定創造了條件。全面二胎政策料將逐漸發揮效應，生活壓力較輕的三四線城市及鄉鎮地區有望釋放一定出生人口，提振當地奶粉需求，繼而推動在該類地區商超渠道享有競爭優勢的本土奶粉品牌的銷售。



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

管理層討論與分析(續)

Industry Trend

China's infant formula market takes on an increasingly consolidated trend, featuring coexistence of domestic and overseas brands, integration of online and offline channels, and a growing fleet of high-end products and normalized prices. The entire infant formula industry is in a critical period for reform and transformation.

With the implementation of Recipe Registration Requirement going further in 2017, recipe approval and licensing will rapidly increase the industry concentration and phase out a large number of unqualified brands, thus quickly purging the industry. Those brands failing in recipe registration will go for clearance sale, but distributors will choose brands for partnership more prudently. Those brands that have national or even global presence, sound brand strategy planning and channel strategy planning in advance will enjoy more competitive advantages.

International brands are extending business channels to wider areas while leveraging the advantages of their strong brands. Domestic brands are drawing on their well-established channels, coupled with brand promotion that well serves the national conditions, to gradually enhance their brand images and consumer loyalty. The e-commerce channel is still dominated by international brands, but such brands are undermined by market disorder due to the lack of online and offline price control. Domestic brands are still in the exploratory stage and need more efforts in exploring the online and offline combination model for brand promotion.

The price increase of International raw milk powder will lead to general price increases by enterprises. However, the hiking channel costs and brand promotion costs will continue to squeeze profit margin of enterprises. With the need for differentiated competition being further highlighted, high-end functional products, organic infant formula and infant formula containing pure goat milk protein will become new favorites of the market because of their technical barriers and resource scarcity.

行業趨勢

中國嬰幼兒配方奶粉市場呈加速整合趨勢，國產品牌與國外品牌共存，線上與線下渠道融合，產品高端化與價格回歸並行，整個嬰幼兒奶粉行業處於變革、轉型的關鍵期。

2017年，隨著配方註冊制的深入實施，配方審批發證將迅速提高行業集中度，大量不具備資質的品牌將被淘汰出局，行業呈快速淨化趨勢。未能通過配方註冊的品牌上半年料將出現清倉甩貨，但是渠道商將會更加審慎地選擇合作品牌。整體上提前做好全球全國基地佈局、做好品牌戰略規劃、做好渠道策略規劃的品牌將具備更多競爭優勢。

國際品牌在依托強大品牌優勢的同時，也在渠道下沉方面不斷強化；國產品牌則借助扎實的渠道功底，加上符合國情的品牌推廣服務，逐步提升品牌形象並增強客戶黏性。電商渠道仍然以國際品牌為主導，但是由於線上線下缺乏價格管控，市場秩序混亂逐漸導致其品牌受損；國產品牌仍處於摸索階段，在解決品牌推廣服務方面，需要更多地探索與線下結合的模式。

國際原料奶粉價格上漲，將導致奶粉企業普遍提價。但是與日俱增的渠道費用和品牌推廣費用仍會壓縮企業的盈利空間。差異化競爭的必要性將進一步凸顯，高端功能性產品、有機嬰兒配方奶粉、純羊乳蛋白嬰幼兒配方奶粉將以其技術壁壘和資源的稀缺性，成為市場的新寵。



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

管理層討論與分析 (續)

Company Strategies

Brand strategies

In 2017, the Group's brand strategies will be further upgraded. The Yashili brand will focus on basic nutrition; Reeborne and Doraler are committed to differentiated competition, with Reeborne going organic while Doraler defining itself as a goat milk powder expert; Dumex is positioned to build up a professional image and dedicated to discovering pediatric solutions; Arla as a strategic brand of shareholders will highlight its privilege of serving royal families. The Group will take 2-3 years to build up its differentiated business model and brand network. While interacting with target consumer groups through new media and offline brand promotion and services, the Group will improve consumer experience and enhance customer loyalty with strong channel-based promotion.

The Group's overall brand strategy for 2017 is based upon Reeborne's model to conduct online brand communication and offline brand promotion to approach mothers and ensure targeted spending of brand costs, so as to generate cost effectiveness and achieve the dual goals for brand growth and corporate profits. Meanwhile, the Group will leverage on Danone, Arla and Yashili New Zealand to further strengthen its international brand image. The Group will continue to carry out the research program on nutritional composition of breast milk from eight major domestic cities, in an attempt to showcase its ongoing effort in Chinese breast milk study via such public welfare activity, and to convey its sense of social responsibility and care for consumers, so as to enhance its brand reputation in an all-round manner.

Product R&D

The key task of the Group's R&D management center is to smooth the recipe registration of infant formula products, i.e. submit the scientific development processes of safe and nutritional infant formula to China Food and Drug Administration and actively coordinate with experts for the review process, in an attempt to be among the first batch of enterprises to obtain registration codes of infant formula products in China. In addition, the R&D management center will continue to uphold the product innovation concept, expand the Group's product lines, and select foreign premium organic raw materials to develop originally packaged imported organic infant formula, organic maternal formula milk powder and organic whole milk powder, in an effort to provide consumers with higher-quality products.

公司策略

品牌策略

2017年，本集團品牌策略再次升級。雅士利品牌側重於基礎營養方向；瑞哺恩和朵拉小羊致力於差異化競爭，瑞哺恩主攻有機、朵拉小羊定義為專業羊奶粉；多美滋定位於專業線，致力於研究兒科解決方案；Arla作為股東戰略品牌，突出皇室御用概念。通過2-3年時間，本集團將完成差異化的業務模式和品牌佈局。本集團將主要通過新媒體和線下品牌推廣和服務，實現與目標消費群體的互動，並借助強大的渠道推力，改善用戶體驗、提升用戶忠誠度。

2017年本集團整體品牌策略將以瑞哺恩模式為藍本，線上傳播和線下推廣貼近媽媽，品牌費用精準投放，以較低的投入帶來更高的產出，實現品牌成長和企業盈利雙重目標。同時依托達能、Arla及新西蘭乳業基地，進一步強化國際化品牌形象；繼續通過中國八大城市母乳營養成分研究項目，以公益活動的形式表達本集團一直致力於中國母乳研究，並傳達本集團的社會責任感以及對消費者的關愛，全面提升品牌美譽度。

產品研發

本集團研發管理中心的重點任務是做好嬰幼兒配方產品的配方註冊，即將科學、安全、營養的嬰幼兒乳粉配方的研製過程上報國家食藥局，積極配合專家的審核，力爭成為全國第一批獲得嬰幼兒配方產品註冊號的企業。此外，研發管理中心繼續保持產品創新理念，拓展集團產品線，選用國外優質的有機原料開發原裝進口版的有機嬰幼兒配方奶粉，以及有機孕產婦配方奶粉和有機全脂奶粉，為消費者提供更高品質的產品。

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

管理層討論與分析 (續)

The official implementation of Recipe Registration Requirement will also speed up the reshuffle of domestic goat milk powder market and offer development opportunities for new brands and well-established brands. The Group will seize such opportunities to develop goat milk infant formula products and enter the goat milk infant formula market, so as to expand its product lines and create new driver for profit growth.

In 2017, the R&D management center will also put a lot of efforts in basic nutrition research and apply for national funding on the key milk powder technology task of the 13th Five-Year Plan to conduct basic research on infant nutrition, so as to provide infant formula products with a more scientific and rational nutrition mix.

Sales channels

In 2017, in response to the industry changes brought by the new policy on milk powder, the Group will leverage on its strength in the established global supply chain and multi-brand network, coupled with its newest CBU business structure, to implement a series of combined strategies in channel building.

The mother-and-baby-store CBU, which assumes the strategic objective of brand upgrading and channel transformation, will distribute products of the tactical brands and strategic brands to mother-and-baby chain stores to achieve rapid and sustained growth. In order to expand the Group's overall market share, the tactical brands shall not compete with each other. Nevertheless, overlapping between the strategic brands and tactical brands is allowed to supplement each other against real competitors.

The modern trade CBU, which is responsible for tackling the long-formed problem of "channel, product category and price decline", will withdraw from the chain stores with negative contribution, retain the KAs with profit contribution, and vigorously expand to single mother-and-baby stores and retail stores, in order to reduce channel costs. Low-margin products will be drawn out of modern trade, and Mengniu's high-margin adult milk powder is proposed to enter modern trade with special shelves and special offer to boost sales. Distribution of adult milk powder and dissolvable products to retail stores will be increased, and there will be foretaste in school districts and order-placing meetings prior to peak seasons. The upgraded products and the introduction of new nutritional products will be able to cover the growing channel costs and promotional costs, thus returning to the leading position in competition.

配方註冊制的正式實施，也將加速國內羊奶粉市場洗牌，騰出一定空間為新進入的品牌和已經做大的品牌提供機會。本集團將抓住此時機，研製羊奶嬰配產品，進入羊奶嬰配市場，拓展集團產品線，為利潤增長創造新機會。

2017年研發管理中心還將大力投入基礎營養研究，申請國家資助的十三五奶粉關鍵技術課題的資助，開展嬰幼兒營養基礎研究，為今後嬰幼兒提供營養更加科學合理的配方產品。

銷售渠道

2017年，本集團將因應奶粉新政帶來的行業變局，利用前期打造的全球供應鏈和多品牌優勢，結合最新的CBU業務架構，在渠道佈局方面實行一系列組合策略。

母嬰CBU承載品牌升級和渠道轉型的戰略目標，以戰術品牌和戰略品牌覆蓋母嬰連鎖，實現快速成長和持續增長。戰術品牌相互之間不得交叉，以擴大集團整體市場份額；戰略品牌和戰術品牌允許交叉，以實現互補、圍敵打援。

商超CBU著力改變長期積累的「下滑渠道、下滑品類、下滑價格帶」問題，逐步退出貢獻為負的連鎖系統，保留有利潤貢獻的KA，大力拓展單體母嬰門店和流通門店，以降低渠道費用。低毛利產品退出商超，毛利較高的蒙牛成人粉議入商超，並以特陳及特價組合提量；流通渠道則加強成人粉和沖調類鋪貨，執行學區試飲和旺季前訂貨會。而升級後的產品以及引入新的營養品將能夠支撐賣場與日俱增的渠道費用和促銷費用，在競爭中重回主導地位。



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

管理層討論與分析 (續)

The high-end mother-and-baby-store CBU is positioned to regain Dumex's leadership as one of the top four foreign brands and help Arla stand out among a long list of brands. This objective primarily relies on the downward development of the sales channels of existing products (from first- and second-tier cities to third- and fourth-tier cities), and requires strengthened control over channels, introduction of system platform, targeted use of costs, improved cost efficiency, and sound anti-goods-fleeing and price-control management. Dumex and Arla will duplicate the superior channel operation capacity of domestic brands, which, coupled with their strong brand influence as foreign brands, can create strong competitive strength.

The innovation CBU is to expand community marketing, integrate internal market resources and develop TP business to capture new consumers based on the existing e-commerce network. On the basis of the booming e-commerce sector, it will explore Internet-based new business models to lay a foundation for developing the Group's future business models.

The Scient Project Department adopts a new model featuring new business development jointly by the brand business, distributors and sales teams. With the Group focusing on brand operation and delegating channel marketing to mother-and-baby chain distributors, it is believed that the dual incentives of operating profit and dividend from shareholding will definitely motivate the distributors to carry out better product operation.

Supply chain

In 2017, while maintaining safety and quality, the Group's supply chain management center will focus on cost reduction, integration of standards and processes, and improvement of efficiency. These goals complement and promote each other.

As for cost reduction, the Group will center on fine management to discover cost mitigants while strictly controlling the budget expenditure. The Group will control costs and reduce spending through cost control, project management improvement and technical improvement.

高端母嬰CBU立足於使多美滋重回外資四大品牌之列、Arla成為品牌金字塔上的皇冠。這一目標首先建立在對現有產品不斷進行渠道下沉(從一二線市場下沉到三四線)，同時渠道管控能力加強，引入系統平台、費用精準投放、費用使用效率提高、防竄控價管理到位，將國產奶粉優秀的渠道經營能力移植到多美滋和Arla，與之作為外資品牌較強的品牌力結合起來，形成競爭優勢。

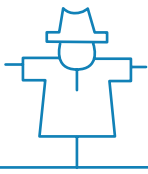
創新CBU則以原有電商為基礎，拓展社群營銷、整合內部市場資源、發展TP業務以抓取新客等。在電商業務已形成蓬勃發展態勢的基礎上，探索基於互聯網的新型業務模式，為打造本集團未來新型業務模式奠定基礎。

施恩項目部採用品牌商、渠道商、銷售團隊合夥創業的新模式，本集團聚焦做品牌，渠道工作交給母嬰連鎖類渠道商，相信以產品經營利潤和品牌參股分紅雙重激勵，必能推動渠道商更好地經營產品。

供應鏈

2017年，本集團供應鏈管理中心除繼續穩安全、升質量外，還將特別注重成本降低、深化標準及流程整合統一，以及提高效率。這幾項目標相輔相成，互為促進。

在降本方面，將以精細化管理為核心，嚴格把控預算支出的同時，深度挖掘可降低成本的項目。從成本管控、項目管理改善、技改等方面減少支出、控制成本。



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

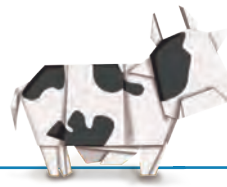
管理層討論與分析(續)

As for procurement, the Group will continue to increase the weight of centralized procurement to reduce purchasing costs. With the SAP system in operation and the procurement bidding system implemented, the procurement management system and process will be improved to enhance effectiveness and efficiency. As to raw material procurement, the Group aims to unify 80% of the specifications. As to procurement of bulk materials, the Group will draw on Mengniu's strength in centralized procurement and monitor market opportunities to lock purchase prices or stock up, in order to avoid the impact of price fluctuations on the costs. As to procurement of key materials, the Group will screen the suppliers and select strategic suppliers, and carry out direct procurement from manufacturers to establish long-term relations with suppliers. As to procurement of packaging materials, the Group will conduct benchmarking within the Group for 90% of the packaging materials and concentrate the demands for materials with uniform specifications to organize procurement bidding, so as to reduce costs and improve efficiency. The dissolvable products will be shifted from self-production to outsourced production to ensure their supply and reduce the complexity of non-strategic product management. As to market procurement, the Group will screen the suppliers considering their prices, services and quality, achieve 100% centralized procurement for Yashili and slash more than 50% of suppliers, in order to realize economy of scale of centralized procurement, motivate suppliers, cut costs, improve services and reduce daily management costs. As to fixed asset procurement and comprehensive procurement, the Group's priority is to set up and promote the working procedures for comprehensive procurement and provide professional supplier sourcing, bidding, price bargaining and contract services for various departments with purchasing needs. The Group will conduct benchmarking to reduce the items to be purchased and screen suppliers to eliminate 30% suppliers, and optimize and share the supplier resources within the Group to reduce purchasing and operating costs.

As for warehousing and logistics, the Group will select appropriate re-distribution centers based on the sales concentration areas to improve the overall distribution efficiency and reduce transportation costs. The logistics service model and the existing carrier network will be optimized to improve the capacity and efficiency of their support for business. The priority of warehousing is inventory control. As for planning, the Group will strengthen sales forecast and coordination between production and sales and set a reasonable safety inventory for both products and raw materials, in order to ensure the stability of inventory turnover days and reduce inventory costs. By working with the procurement department to advance the VMI and JIT projects, the Company's inventory will be converted into suppliers' inventory, thereby reducing the inventory level of raw and auxiliary materials and packaging materials, lowering inventory costs, accelerating inventory turnover, and improving the utilization of funds.

在採購方面，將繼續深化集採，進一步提高集中採購比例，降低採購成本。在SAP上線和採招制度實施基礎上，完善提升採購管理制度和流程，優化改進並提升效率效果。原料採購方面，目標為統一80%的規格；大宗物料利用蒙牛集採優勢，監控市場機會進行價格鎖定或囤貨，以避免價格波動對成本的影響；針對重點物料，進行供應商梳理和戰略供應商的評選，向生產商直採，以建立長期供應商關係。包材採購方面，90%的主要包材將進行集團內部對標，規格統一，集中需求進行採招，降本增效；沖調項目將實現由自製轉向代工，保障供應，降低非戰略產品管理的複雜程度。市場採購方面，將從價格、服務、質量三方面梳理供應商，實現100%雅士利集採，減少供應商數量50%以上，以利用集採規模效應，調動供應商積極性，降低成本，提高服務，減低日常管理成本；固定資產採購及綜合採購方面，重點是建立並推動綜合類泛採購的工作流程，為各需求部門提供專業的供應商尋源，採招，議價及合同服務；通過消減採購品種，對標統一，供應商整合，減少30%供應商，實現集團內供應商資源優化和共享，降低採購及運營成本。

在倉儲物流方面，將根據銷售集中區域，選取合適的再配送中心，提高整體配送效率，降低運輸成本。優化物流服務模式及現有承運商結構，提高對業務支持的能力和效率。倉儲方面注重控制庫存。在計劃方面，通過產銷協同及銷售預測兩方面的強化，制定合理的產品安全庫存及原材料安全庫存，確保存貨周轉天數處於穩定平衡的狀態，降低庫存成本。通過與採購部共同推進VMI、JIT項目，將本公司庫存轉化為供應商庫存，從而降低原輔材料、包裝材料的庫存水平，降低庫存成本，加快存貨周轉，提升資金利用率。



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

管理層討論與分析(續)

Human resources

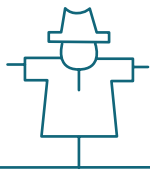
The human resources management center will support the Group to stabilize sales and improve efficiency in the new year in multiple aspects.

- I. Staffing to promote transformation. The Group will actively promote the implementation of the marketing structure consisting of four CBUs, facilitate the sustained and sound operation of the consolidated organizations, strive to supply the right talents for the Group under the new circumstances, increase the input of human resources in key positions and key channels, and employ a distinctive incentive system to promote business growth and reform. Meanwhile, the Group will speed up the training of new personnel, implement a tutor system, gradually improve the high-potential talent development and training program, and promote the construction of learning organizations, so as to guarantee adequate talent reserves in the process of its transformation.
- II. Optimize procedures to increase efficiency. In terms of organizational structure, the Group has initially completed the restructuring of marketing structure, supply chain and functional back-offices. In 2017, the Group will rely on the new organizational structure to constantly conduct benchmarking between internal and external organization, optimize personal allocation, reduce costs, perform downsizing and streamline administration to build capable and efficient teams. Meanwhile, the Group will review and improve the distribution of powers and responsibilities and speed up decentralization to improve the efficiency of business decision-making.
- III. Improve capabilities to support business growth. The Group will hold strategy consensus meetings to strengthen the promotion of strategies and improve the consensus on strategies, so as to unite all personnel for cohesion. In 2017, the human resources management center will focus training and development on fostering high-potential talent, improving the capabilities of marketing teams and training new employees, seeking to promote business development more effectively.
- IV. Strengthen cultural construction to improve cohesion. The cultural construction for 2017 will focus on two important values, i.e. "passion" and "openness". The Group will organize distinctive staff activities on an annual and quarterly basis to better promote its corporate culture's core values, and continuously maintain communication and exchanges with employees to strengthen the cultural characteristics of Yashili Group, in an effort to improve cohesion with culture and build a passionate team of officers and executives. Meanwhile, the Group will set up, improve and implement culture-related rules, and develop uniform culture and awareness, so as to foster corporate culture featuring passion, teamwork and responsibility.

人力資源

人力資源管理中心將從多個方面支撐本集團在新的一年企穩銷售、提升效率。

- 一、促進轉型，配備人員。本集團將積極推動四大CBU營銷架構的落地，推動已整合組織的持續良好運行，致力在新形勢下為本集團配置合適的人才，在關鍵崗位及重點渠道加大人力資源的投入，並通過更富有特色的激勵制度來助力業務並促進變革。同時，對新生力量加快培養、落地導師制，並逐步完善高潛人才的發展與培養計劃，促進建設學習型組織，確保企業轉型過程中有充足的人才保障。
- 二、優化流程，增加效率。從組織架構上，本集團已初步完成營銷、供應鏈和職能後台的整合，2017年將在新的架構基礎上不斷進行內外部對標，梳理人員配置，降低成本，精兵簡政，打造精幹而高效的團隊。同時，在新的架構基礎上梳理和完善新的權責矩陣，加速放權，提升業務決策速度。
- 三、提升能力，助力業務。本集團將利用舉辦戰略共識會等契機加強戰略的宣導，提升戰略共識度，做到上下同欲，凝聚力量。2017年，人力資源管理中心將把培訓與發展的重點聚焦在高潛人才的培養、營銷團隊能力提升和新員工的培訓上，從而更有效促進業務的發展。
- 四、強化文化，凝聚人心。2017年的文化建設將聚焦於「激情」和「開放」兩個重要的價值觀，通過年度常規和季度富有特色的員工活動，加大對企業文化核心價值觀的推廣，並持續推動員工溝通交流，不斷強化雅士利集團的文化特徵，通過文化來凝聚人心，打造富有激情的高管與執行團隊。同時建立並完善與貫徹文化相關的制度，統一文化和認知，形成有激情、團隊協作有擔當的企業文化。



CORPORATE GOVERNANCE REPORT

企業管治報告

Corporate Governance Practices

The Group is dedicated to ensure high standards of corporate governance with an emphasis on a diligent Board, sound internal control, and increasing transparency and accountability to shareholders. The Board acknowledges that good corporate governance practices and procedures are beneficial to the Group and its shareholders.

The Board is of the view that throughout the year ended 31 December 2016, the Company has applied the principles as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), except that certain director of the Company was unable to attend the annual general meeting of the Company held on 3 June 2016 due to other business engagements.

The Company is committed to enhancing its corporate governance practices appropriate to the conduct and the growth of its business and to reviewing such practices from time to time to ensure that they comply with statutory and professional standards and align with the latest development.

The Board of Directors

Responsibilities

The Board is responsible and has general powers for the management and conduct of the Group’s business, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The directors make decisions objectively in the interest of the Company. The Board has delegated to the senior management the authority and responsibility for the daily management and operation of the Group. In addition, the Board has established board committees and has delegated to these board committees various responsibilities as set out in their respective terms of reference.

企業管治常規

本集團致力確保企業管治達致高水平，尤其著重組建勤勉盡職的董事會和完善的內部監控，以提高透明度及對股東之間責性。董事會知悉，良好企業管治常規及程序對本集團及其股東有利。

董事會認為本公司已於截至2016年12月31日止年度整段期間採納香港聯合交易所有限公司（「聯交所」）證券上市規則（「上市規則」）附錄14所載企業管治守則（「企業管治守則」）載列的原則，惟若干本公司董事因須處理其他業務未能出席本公司於2016年6月3日舉行的股東周年大會。

本公司致力提升適合其業務運作及發展的企業管治常規，並不時檢討該等常規，以確保其符合法定及專業標準，並緊貼最新發展。

董事會

責任

董事會負責及擁有一般權力管理及推行本集團業務、策略性決定及表現，並共同負責指示及監督其事務，使本公司邁向成功。董事須客觀地作出符合本公司利益的決定。董事會授予高級管理層權力及責任進行本集團的日常管理及經營。此外，董事會已成立董事委員會並已授予該等董事委員會各項責任，詳情載於其各自的職權範圍。



CORPORATE GOVERNANCE REPORT (CONTINUED)

企業管治報告(續)

All directors carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and the shareholders at all times.

The Company has arranged for appropriate insurance coverage for directors' and officers' liabilities in respect of legal actions against its directors and senior management arising out of corporate activities.

Board Composition

The Board currently comprises nine members, consisting of four non-executive directors, two executive directors and three independent non-executive directors.

During the year ended 31 December 2016 and up to the date of this Annual Report, the Board comprises the following directors:

Non-executive directors

Mr. Jeffrey, Minfang Lu (*Chairman*) (appointed as the Chairman of the Board, re-designated as a non-executive director and ceased to be the Chief Executive Officer with effect from 15 September 2016)

Mr. Qin Peng

Mr. Zhang Ping

Mr. Huang Xiaojun (appointed on 29 January 2016)

Mr. Wu Jingshui (resigned on 29 January 2016)

Ms. Sun Yiping (resigned on 15 September 2016)

Executive directors

Mr. Chopin Zhang (*Chief Executive Officer*)
(appointed on 1 January 2017)

Mr. Hua Li (appointed as an executive director on 25 August 2016 and as Chief Operating Officer on 1 January 2017)

Mr. Li Dongming (*Vice President*) (resigned on 25 August 2016)

Independent non-executive directors

Mr. Mok Wai Bun Ben

Mr. Cheng Shoutai

Mr. Lee Kong Wai Conway

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive directors are expressly identified in all corporate communications pursuant to the Listing Rules.

所有董事均真誠地履行職責、遵守適用法律及法規及於任何時候均以符合本公司及其股東的利益行事。

本公司已就因企業活動而引起針對其董事及高級管理層的法律訴訟產生的法律責任，為董事及高級行政人員安排合適保險。

董事會成員

董事會現由九位成員組成，包括四名非執行董事、兩名執行董事及三名獨立非執行董事。

截至2016年12月31日止年度及截至本年報日期，董事會由下列董事組成：

非執行董事

盧敏放先生(*主席*) (於2016年9月15日獲委任為董事會主席，並調任非執行董事，而不再擔任本公司行政總裁)

秦鵬先生

張平先生

黃曉軍先生 (於2016年1月29日獲委任)

吳景水先生 (於2016年1月29日辭任)

孫伊萍女士 (於2016年9月15日辭任)

執行董事

張平(Chopin Zhang)先生(*行政總裁*)
(於2017年1月1日獲委任)

華力先生 (於2016年8月25日獲委任為執行董事，並於2017年1月1日獲委任為首席運營官)

李東明先生(*副總裁*)

(於2016年8月25日辭任)

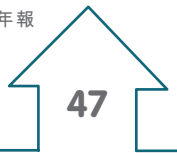
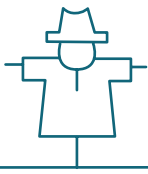
獨立非執行董事

莫衛斌先生

程守太先生

李港衛先生

董事名單(按類別劃分)亦披露於本公司不時根據上市規則發出的所有企業通訊中。根據上市規則，獨立非執行董事於所有企業通訊中會明確識別。



CORPORATE GOVERNANCE REPORT (CONTINUED) 企業管治報告(續)

The biographical information of the directors including relationships among the members of the Board are set out under “Directors and Management Biographies” on pages 67 to 73 of this Annual Report.

All directors, including the non-executive directors and the independent non-executive directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Through active participation at board meetings, taking the lead in managing issues involving potential conflict of interest and serving on board committees, all non-executive directors make various contributions to the effective management of the Company.

The Chairman and Chief Executive Officer (“CEO”)

During the period between 1 January 2016 and 15 September 2016, the positions of the Chairman of the Board and CEO were held by Ms. Sun Yiping and Mr. Jeffrey Minfang Lu respectively. With effect from 15 September 2016, Ms. Sun Yiping resigned as non-executive director and the Chairman of the Board and Mr. Jeffrey, Minfang Lu was appointed as the Chairman of the Board. Immediately following his appointment as the Chairman of the Board, Mr. Jeffrey, Minfang Lu ceased to be the CEO of the Company. Mr. Chopin Zhang was appointed as an executive director and the CEO of the Company with effect from 1 January 2017.

The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The CEO focuses on the Company’s business development and daily management and operations generally. The Board considers that the responsibilities of the Chairman and CEO respectively are clear and distinctive and hence written terms thereof are not necessary.

Independent Non-Executive Directors

During the year ended 31 December 2016, the Board at all times met the qualification of independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise under Rules 3.10 of the Listing Rules.

The Company has received written annual confirmation from each independent non-executive director of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive directors to be independent.

董事的履歷資料(包括董事會成員間的關係)載於本年報第67至73頁的「董事及管理層履歷」內。

所有董事(包括非執行董事及獨立非執行董事)均為董事會帶來廣泛的寶貴營商經驗、知識及專業,令其運作具效率及成效。透過積極參與董事會會議,牽頭處理涉及潛在利益衝突的事務及於董事委員會任職,所有非執行董事對本公司的有效管理作出各種貢獻。

主席及行政總裁(「行政總裁」)

於2016年1月1日至2016年9月15日期間,董事會主席及行政總裁分別由孫伊萍女士及盧敏放先生出任。於2016年9月15日,孫伊萍女士辭任非執行董事及董事會主席職務,盧敏放先生獲委任為董事會主席。緊隨獲委任為董事會主席後,盧先生不再擔任本公司行政總裁。張平(Chopin Zhang)先生於2017年1月1日起獲委任為本公司執行董事兼行政總裁。

主席擔當領導角色及負責董事會有效運作及領導。行政總裁則一般專注於本公司的業務發展、日常管理及營運。董事會認為,主席與行政總裁各自之職責均有明確界定,故毋須編製彼等之書面職權範圍。

獨立非執行董事

截至2016年12月31日止年度,董事會一直符合上市規則第3.10條有關獨立非執行董事資格之規定,至少一名獨立非執行董事具備適當之專業資格或會計或相關財務管理專業知識。

本公司已根據上市規則第3.13條所載的獨立性指引收到各獨立非執行董事有關其獨立性的年度書面確認。本公司認為全體獨立非執行董事均為獨立人士。



CORPORATE GOVERNANCE REPORT (CONTINUED)

企業管治報告 (續)

Non-Executive Directors

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas CG Code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

During the year ended 31 December 2016,

- Mr. Wu Jingshui resigned as a non-executive director on 29 January 2016
- Mr. Huang Xiaojun was appointed as a non-executive director on 29 January 2016
- Ms. Sun Yiping resigned as a non-executive director and the Chairman of the Board with effect from 15 September 2016
- Mr. Jeffrey, Minfang Lu was re-designated as a non-executive director with effect from 15 September 2016

Each of the non-executive directors of the Company is appointed for a specific term of three years and is subject to retirement by rotation every three years.

Induction and Continuous Professional Development of Directors

Every newly appointed director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction includes visits to the Company's key plant sites and meetings with senior management of the Company.

Directors are required to keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

非執行董事

企業管治守則的守則條文第A.4.1條訂明非執行董事應按特定任期獲委任，並須膺選連任，而企業管治守則條文第A.4.2條則列明所有獲委任以填補臨時空缺的董事應在彼等獲委任後的首次股東大會上由股東選任及每名董事(包括按特定任期獲委任者)須最少每三年輪席退任一次。

截至2016年12月31日止年度：

- 吳景水先生於2016年1月29日辭任非執行董事
- 黃曉軍先生於2016年1月29日獲委任為非執行董事
- 孫伊萍女士於2016年9月15日辭任非執行董事及董事會主席
- 盧敏放先生於2016年9月15日調任為非執行董事

各公司非執行董事按三年之特定任期獲委任，並須每三年輪值退任。

董事之就任須知及持續專業發展

每位新獲委任的董事將於其首次獲委任時接受正式、全面及因應個別董事而設計的就任須知，以確保彼適當瞭解本公司業務及營運，以及充分認識到上市規則及相關法定要求下董事須承擔的責任及義務。有關就任須知包括考察本公司的主要廠房場地，並與本公司的高級管理層會面。

董事須掌握最新法規進展及變動以有效履行責任，以及確保彼等在繼續獲得最新資訊及切合所需的情況下對董事會作出貢獻。

CORPORATE GOVERNANCE REPORT (CONTINUED)

企業管治報告(續)

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for directors would be arranged and reading materials on relevant topics will be provided to directors where appropriate. All directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2016, the Company organized a training session conducted by legal adviser of the Company for all directors on directors' fiduciary duties. To summarize, the directors attended the following seminar(s) and training session(s) and/or reviewed the following training materials:

董事應參與合適的持續專業發展，以充實並更新其知識及技能。於適當的情況下，董事將獲安排出席內部舉行的簡報會，並獲發相關主題的閱讀材料。本公司鼓勵全體董事出席相關培訓課程，費用由本公司支付。

截至2016年12月31日止年度，本公司為全體董事安排了一次由本公司法律顧問主持之培訓課程，內容有關董事之受信責任。總括而言，董事已出席下列研討會及培訓課程及／或審閱下列培訓材料：

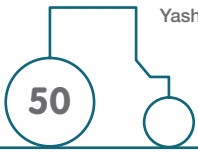
Training topic(s) attended and/or materials reviewed by respective directors

個別董事參與及／或審閱的培訓主題及／或材料

Directors	董事	
Non-executive directors	非執行董事	
Mr. Jeffrey, Minfang Lu ⁽⁵⁾	盧敏放先生 ⁽⁵⁾	[1][2]
Mr. Qin Peng	秦鵬先生	[1]
Mr. Zhang Ping	張平先生	[1]
Mr. Huang Xiaojun ⁽⁶⁾	黃曉軍先生 ⁽⁶⁾	[1]
Mr. Wu Jingshui ⁽⁷⁾	吳景水先生 ⁽⁷⁾	—
Ms. Sun Yiping ⁽⁸⁾	孫伊萍女士 ⁽⁸⁾	—
Executive directors	執行董事	
Mr. Hua Li ⁽⁹⁾	華力先生 ⁽⁹⁾	[1]
Mr. Li Dongming ⁽¹⁰⁾	李東明先生 ⁽¹⁰⁾	[2]
Independent non-executive directors	獨立非執行董事	
Mr. Mok Wai Bun Ben	莫衛斌先生	[1][4]
Mr. Cheng Shoutai	程守太先生	[1]
Mr. Lee Kong Wai Conway	李港衛先生	[1][3]

* In addition, relevant reading materials including directors' manual and seminar handouts have been provided to the directors for their reference.

* 此外，已向董事提供相關閱讀材料，包括董事手冊及課程講義，供彼等參閱。



CORPORATE GOVERNANCE REPORT (CONTINUED)

企業管治報告(續)

Notes:

- (1) Directors' Fiduciary Duties and Obligations
- (2) Fruitful Business Operation Simulation and Leading Successful Change
- (3) New Auditor's Report Standards
- (4) Guideline on the Continuing Obligations of the Issuer and its Directors
- (5) Re-designated as a non-executive director with effect from 15 September 2016
- (6) Appointed on 29 January 2016
- (7) Resigned on 29 January 2016
- (8) Resigned on 15 September 2016
- (9) Appointed on 25 August 2016
- (10) Resigned on 25 August 2016

附註：

- (1) 董事的受信職責及責任
- (2) 企業運「贏」模擬和領導成功的變革
- (3) 新審計報告標準準則
- (4) 有關發行人及其董事之持續責任的指引
- (5) 獲調任非執行董事，於2016年9月15日起生效
- (6) 於2016年1月29日獲委任
- (7) 於2016年1月29日辭任
- (8) 於2016年9月15日辭任
- (9) 於2016年8月25日獲委任
- (10) 於2016年8月25日辭任

Delegation by the Board

The Board reserves for its decision of all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management, material transactions (in particular to those that may involve conflict of interest), financial information, appointment of directors and other significant financial and operational matters.

The daily management, administration and operation of the Company are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed.

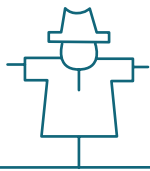
All directors have full and timely access to all relevant information as well as the advice and services of the company secretary, with a view to ensuring that board procedures and all applicable laws and regulations are followed. Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

董事會的授權

董事會保留其在本公司所有重大事宜的決策權，包括審批及監督所有政策事宜、整體策略及預算、內部監控及風險管理、重大交易（尤為可能涉及利益衝突者）、財務資料、委任董事及其他重大財務及營運事宜。

本公司的日常管理、行政及營運由高級管理層負責，並定期檢討所指派的職能及責任。

所有董事均可及時查閱所有相關資料，以及獲公司秘書提供意見與服務，以確保遵守董事會程序及所有適用法律及法規。各董事一般可於適當情況下，向董事會提出要求後徵求獨立專業意見，而費用由本公司承擔。



CORPORATE GOVERNANCE REPORT (CONTINUED) 企業管治報告(續)

Board Committees

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All board committees of the Company are established with defined written terms of reference which are posted on the websites of the Company (www.yashili.hk) and the Stock Exchange (www.hkexnews.hk) and are available to shareholders upon request.

Audit Committee

The Audit Committee was established on 8 October 2010 with revised written terms of reference (adopted on 26 August 2015) in compliance with Rule 3.21 of the Listing Rules. As at 31 December 2016, the Audit Committee comprises two independent non-executive directors, namely Mr. Lee Kong Wai Conway (Chairman) and Mr. Mok Wai Bun Ben and one non-executive director, namely Mr. Zhang Ping (including one independent non-executive director who possesses the appropriate professional qualifications or accounting or related financial management expertise).

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and making arrangements to enable employees of the Company to raise issues in secret about possible improprieties in financial reporting, internal control or other matters of the Company.

During the year ended 31 December 2016, the Audit Committee held three meetings and reviewed the Group's interim and annual financial results and interim and annual reports, significant issues on the financial reporting and compliance procedures, the effectiveness of the risk management and internal control systems and internal audit functions, scope of work and appointment of external auditors, connected transactions and arrangements for employees to raise issues in secret about possible improprieties and re-appointment of the external auditors. One of the meetings was attended by the Audit Committee and the external auditors without the presence of executive directors.

董事委員會

董事會已成立三個委員會，即審核委員會、薪酬委員會及提名委員會，以就個別事宜監察本公司之事務。本公司所有董事委員會均已制訂明確書面職權範圍，並載於本公司網站(www.yashili.hk)及聯交所網站(www.hkexnews.hk)，且股東可要求查閱。

審核委員會

本公司已遵守上市規則第3.21條，於2010年10月8日成立審核委員會，並制訂經修訂書面職權範圍(於2015年8月26日採納)。於2016年12月31日，審核委員會成員包括兩名獨立非執行董事李港衛先生(主席)及莫衛斌先生，以及一名非執行董事張平先生(當中包括一名具備適當專業資格或會計或相關財務管理專業知識的獨立非執行董事)。

審核委員會的主要職責為協助董事會審核財務資料及匯報程序、檢討風險管理及內部監控系統、內部審核職能的有效程度、外聘核數師的工作範圍及委任，以及作出安排讓僱員可暗中提出就本公司在財務報告、內部監控或其他事宜上可能發生的不當行為。

截至2016年12月31日止年度，審核委員會舉行了三次會議及審閱本集團的中期及年度業績以及中期報告及年報、有關財務報告及合規程序的重大事宜、風險管理及內部監控系統及內部審核功能的有效程度、外聘核數師的工作範圍及委任、關連交易、僱員可暗中提出可能發生的不當行為的安排及續聘外聘核數師。其中一次會議是審核委員會與外聘核數師進行，當中執行董事並無列席。



CORPORATE GOVERNANCE REPORT (CONTINUED)

企業管治報告(續)

Remuneration Committee

The Remuneration Committee was established on 8 October 2010. As at 31 December 2016, the Remuneration Committee comprises three independent non-executive directors namely Mr. Mok Wai Bun Ben (Chairman), Mr. Cheng Shoutai and Mr. Lee Kong Wai Conway and two non-executive directors namely Mr. Jeffrey, Minfang Lu (replacing Ms. Sun Yiping since 15 September 2016) and Mr. Qin Peng.

The roles and functions of the Remuneration Committee are set out in its terms of reference. Its main duties are to evaluate and make recommendation to the Board on the overall remuneration policy and structure relating to all directors and senior management of the Group; and establish transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in determining his/her own remuneration.

The Remuneration Committee has reviewed the remuneration policy and structure of the Company, and the remuneration packages as well as the annual bonuses of the executive directors and the senior management during the year ended 31 December 2016. In addition, the Remuneration Committee reviewed the remuneration level of the new directors, namely Mr. Huang Xiaojun, Mr. Hua Li and Mr. Chopin Zhang, who were appointed on 29 January 2016, 25 August 2016 and 1 January 2017 respectively.

The Remuneration Committee held four meetings during the year ended 31 December 2016.

Nomination Committee

The Company established the Nomination Committee on 8 October 2010. The Nomination Committee comprises one non-executive director namely Mr. Jeffrey, Minfang Lu (Chairman) (who replaced Ms. Sun Yiping with effect from 15 September 2016), and two independent non-executive directors, namely Mr. Mok Wai Bun Ben and Mr. Cheng Shoutai.

The roles and functions of the Nomination Committee are set out in its terms of reference. The principal duties of the Nomination Committee include reviewing the board composition, developing and formulating relevant procedures for the nomination and appointment of directors, making recommendations to the board on the appointment and succession planning of directors, and assessing the independence of independent non-executive directors.

薪酬委員會

本公司已於2010年10月8日成立薪酬委員會。於2016年12月31日，薪酬委員會成員包括三名獨立非執行董事，分別為莫衛斌先生(主席)、程守太先生及李港衛先生，以及兩名非執行董事盧敏放先生(自2016年9月15日起接替孫伊萍女士)及秦鵬先生。

薪酬委員會的職務及職能載於其職權範圍內。其主要職責為就與本集團全體董事及高級管理層有關的整體薪酬政策及結構作出評估及向董事會作出建議；以及建立具透明度的程序以制訂有關薪酬政策及結構，確保董事或其任何聯繫人並無參與訂定本身的薪酬。

薪酬委員會已審閱本公司的薪酬政策及結構，以及執行董事及高級管理層於截至2016年12月31日止年度內的薪酬待遇及年終花紅。此外，薪酬委員會已審閱分別於2016年1月29日、2016年8月25日及2017年1月1日獲委任的新任董事黃曉軍先生、華力先生及張平(Chopin Zhang)先生的薪酬水平。

於截至2016年12月31日止年度內，薪酬委員會舉行了四次會議。

提名委員會

本公司已於2010年10月8日成立提名委員會。提名委員會包括一名非執行董事盧敏放先生(主席)(自2016年9月15日起接替孫伊萍女士)，以及兩名獨立非執行董事莫衛斌先生及程守太先生。

提名委員會的職務及職能載於其職權範圍內。提名委員會的主要職責包括檢討董事會的組成、建立及制訂有關提名及委任董事的相關程序、就董事委任及繼任計劃向董事會作出建議，以及評核獨立非執行董事的獨立性。

CORPORATE GOVERNANCE REPORT (CONTINUED)

企業管治報告(續)

In assessing the board composition, the Nomination Committee would take into account various aspects set out in the board diversity policy, including but not limited to business experience, skills, professional knowledge, personal integrity and time commitments, the Company's needs and other relevant statutory requirements and regulations.

During the year ended 31 December 2016 and up to the date of this Annual Report, the Nomination Committee reviewed the structure, size and composition of the Board and the independence of independent non-executive directors and considered the qualifications of retiring directors standing for election at the annual general meeting held on 3 June 2016 and recommended the appointment of Mr. Hua Li and Mr. Chopin Zhang as executive directors.

The Nomination Committee held four meetings during the year ended 31 December 2016.

Board Proceedings

Board practices and conduct of meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to the directors in advance. Notice of regular board meetings is served to all the directors at least 14 days before the meeting. For other board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least three days before each board meeting or committee meeting to keep directors apprised of the latest development and financial position of the Company and to enable them to make decisions. The Board and each director also have separate and independent access to the senior management where necessary.

The senior management normally will attend regular board meetings and where necessary, other board and committee meetings, to advise on business development, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

The Company's memorandum and articles of association contain provisions requiring directors to abstain from voting and not to be counted in the quorum at the meetings for approving transactions in which such directors or any of their associates have a material interest.

於評估董事會組成時，提名委員會考慮董事會成員多元化政策所載之各方面，包括但不限於營商經驗、技能、專業知識、個人操守及投入時間、本公司的需要及其他相關法定要求及規定。

截至2016年12月31日止年度內及截至本年報日期，提名委員會檢討了董事會的架構、人數及組成以及獨立非執行董事的獨立性，並考慮於2016年6月3日所舉行之股東周年大會上候選之退任董事之資格以及建議委任華力先生及張平(Chopin Zhang)先生為執行董事。

截至2016年12月31日止年度，提名委員會舉行了四次會議。

董事會程序

董事會常規及舉行會議

董事一般可預先獲提供全年會議日程及各會議的議程草稿。常規董事會會議通告均於會議舉行前最少14日向全體董事發出，而其他董事會及委員會會議的通告則通常會於合理時間內發出。

董事會會議文件連同所有合適、完整及可靠的資料，均於各董事會會議或委員會會議舉行前最少三天發送予所有董事，以知會董事有關本公司的最新發展及財務狀況，讓彼等可作出決定。董事會及各董事亦可於有需要時個別及獨立與高級管理層接觸。

高級管理層通常會出席常規董事會會議，並於有需要時出席其他董事會及委員會會議，以就本公司業務發展、財務及會計事宜、法定及監管合規情況、企業管治及其他重大事宜提供意見。

本公司的組織章程大綱及細則載有條文，規定倘董事或其任何聯繫人於交易中擁有重大利益，則有關董事須於批准該等交易的會議上放棄投票及不計入法定人數。

CORPORATE GOVERNANCE REPORT (CONTINUED)

企業管治報告(續)

The secretary of the meetings is responsible for taking and keeping minutes of all board meetings and committee meetings. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and final versions are open for director's inspection.

會議秘書負責記錄及存置所有董事會會議及委員會會議的會議紀錄。會議紀錄草稿一般於各會議舉行後的一段合理時間內供董事傳閱，以收集意見，而最終版本將可供董事查閱。

Directors' Attendance Records

The Board held seven meetings during the year ended 31 December 2016. The attendance records of each Director at board meetings, board committee meetings and the general meetings of the Company held during the year ended 31 December 2016 are set out below:

董事出席會議的記錄

截至2016年12月31日止年度，董事會舉行了七次會議。各董事出席本公司於截至2016年12月31日止年度舉行之董事會議、董事委員會會議及股東大會的記錄載列如下：

Number of Attendance in Person/Number of Meeting(s)

親身出席次數/會議次數

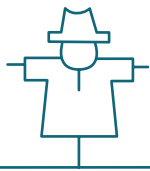
Name of director	董事姓名	Number of Attendance in Person/Number of Meeting(s)					Annual	Extra-ordinary
		Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting ⁽⁷⁾	General Meeting ⁽⁸⁾	
		董事會	審核委員會	薪酬委員會	提名委員會	股東周年大會 ⁽⁷⁾	股東特別大會 ⁽⁸⁾	
Mr. Jeffrey, Minfang Lu ⁽¹⁾	盧敏放先生 ⁽¹⁾	7/7	—	1/1	1/1	1/1	1/2	
Mr. Qin Peng	秦鵬先生	7/7	—	4/4	—	1/1	0/2	
Mr. Zhang Ping	張平先生	7/7	3/3	—	—	1/1	0/2	
Mr. Huang Xiaojun ⁽²⁾	黃曉軍先生 ⁽²⁾	5/6	—	—	—	1/1	0/2	
Mr. Wu Jingshui ⁽³⁾	吳景水先生 ⁽³⁾	0/1	—	—	—	—	—	
Ms. Sun Yiping ⁽⁴⁾	孫伊萍女士 ⁽⁴⁾	5/6	—	3/3	3/3	0/1	0/1	
Mr. Hua Li ⁽⁵⁾	華力先生 ⁽⁵⁾	2/2	—	—	—	—	0/1	
Mr. Li Dongming ⁽⁶⁾	李東明先生 ⁽⁶⁾	4/5	—	—	—	1/1	1/1	
Mr. Mok Wai Bun Ben	莫衛斌先生	7/7	3/3	4/4	4/4	1/1	1/2	
Mr. Cheng Shoutai	程守太先生	6/7	—	2/4	2/4	0/1	0/2	
Mr. Lee Kong Wai Conway	李港衛先生	6/7	3/3	3/4	—	1/1	2/2	

Notes:

附註：

- (1) Appointed as the Chairman of the Nomination Committee and a member of the Remuneration Committee on 15 September 2016. One Remuneration Committee meeting and one Nomination Committee meeting were held on or after 15 September 2016.
- (2) Appointed on 29 January 2016. Six board meetings, an annual general meeting and two extraordinary general meetings were held on or after 29 January 2016.
- (3) Resigned on 29 January 2016. One board meeting was held on or before 29 January 2016.

- (1) 於2016年9月15日獲委任為提名委員會主席及薪酬委員會成員。於2016年9月15日或之後曾舉行一次薪酬委員會會議及一次提名委員會會議。
- (2) 於2016年1月29日獲委任。於2016年1月29日或之後曾舉行六次董事會會議、一次股東周年大會及兩次股東特別大會。
- (3) 於2016年1月29日辭任。於2016年1月29日或之前曾舉行一次董事會會議。



CORPORATE GOVERNANCE REPORT (CONTINUED)

企業管治報告(續)

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|--|---|
| (4) Resigned on 15 September 2016. Six board meetings, three Remuneration Committee meetings, three Nomination Committee meetings, an annual general meeting and one extraordinary general meeting were held on or before 15 September 2016. | (4) 於2016年9月15日辭任。於2016年9月15日或之前曾舉行六次董事會會議、三次薪酬委員會會議、三次提名委員會會議、一次股東周年大會及一次股東特別大會。 |
| (5) Appointed on 25 August 2016. Two board meetings and one extraordinary general meeting were held on or after 25 August 2016. | (5) 於2016年8月25日獲委任。於2016年8月25日或之後曾舉行兩次董事會會議及一次股東特別大會。 |
| (6) Resigned on 25 August 2016. Five board meetings, an annual general meeting and one extraordinary general meeting were held on or before 25 August 2016. | (6) 於2016年8月25日辭任。於2016年8月25日或之前曾舉行五次董事會會議、一次股東周年大會及一次股東特別大會。 |
| (7) The annual general meeting of the Company was held on 3 June 2016. | (7) 本公司股東周年大會於2016年6月3日舉行。 |
| (8) The extraordinary general meetings were held on 19 May 2016 and 14 December 2016 respectively. | (8) 股東特別大會分別於2016年5月19日及2016年12月14日舉行。 |

Apart from regular board meetings, an independent non-executive directors' meeting was also held without the presence of the executive directors on 10 May 2016.

除定期董事會會議外，亦於2016年5月10日舉行了一次獨立非執行董事會議，會上並無執行董事列席。

Model Code for Securities Transactions

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the Group's code of conduct regarding directors' securities transactions. All the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2016.

進行證券交易的標準守則

董事會已採納上市規則附錄10所載之上市發行人董事進行證券交易的標準守則(「標準守則」)作為本集團有關董事進行證券交易的行為標準。全體董事確認於截至2016年12月31日止年度整段期間皆有遵守標準守則。

The Company has also established written guidelines (the "Employees Written Guidelines") on no less exacting terms than the Model Code for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

本公司亦已為可能擁有本公司尚未公佈的內幕消息的僱員制訂進行證券交易的書面指引(「僱員書面指引」)，其條款並不比標準守則寬鬆。本公司並未發現任何僱員不遵守僱員書面指引的事件。

Remuneration of Directors and Senior Management

The Company has established a formal and transparent procedure for formulating policies on remuneration of directors and senior management of the Group. Details of the remuneration of each of the directors for the year ended 31 December 2016 are set out in Note 9 to the consolidated financial statements.

董事及高級管理層的薪酬

本公司已制訂正式且具透明度的程序，以就本集團董事及高級管理層制訂薪酬政策。各董事於截至2016年12月31日止年度內的薪酬詳情載於合併財務報表附註9。



CORPORATE GOVERNANCE REPORT (CONTINUED)

企業管治報告(續)

The details of the five individuals with highest emoluments are set out in Note 9 to the consolidated financial statements.

五名最高薪酬人士的詳情載列於合併財務報表附註9。

The remuneration of the five members of the senior management fell within the following bands:

五名高級管理層的薪酬屬以下範圍：

		Number of Individuals 人數	
		2016	2015
Below RMB1,000,000	人民幣1,000,000元以下	3	2
RMB1,000,000 – RMB2,000,000	人民幣1,000,000元至人民幣2,000,000元	1	3
RMB2,000,000 – RMB3,000,000	人民幣2,000,000元至人民幣3,000,000元	1	0

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

During the year ended 31 December 2016, the Board has reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Employee Written Guidelines, and the Company's compliance with the CG Code and disclosure in this corporate governance report.

企業管治職能

董事會負責履行企業管治守則的守則條文第D.3.1條所載的職能。

截至2016年12月31日止年度，董事會已審閱本公司的企業管治政策及常規、董事及高級管理層之培訓及持續專業發展、本公司政策及常規遵守法律及監管規定的情況、遵守標準守則及僱員書面指引的情況，以及本公司遵守企業管治守則的情況及於本企業管治報告的披露資料。

Accountability and Audit

Directors' responsibilities for financial reporting in respect of financial statements

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2016.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, announcements relating to disclosure of insider information and other disclosures required under the Listing Rules and other statutory and regulatory requirements.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

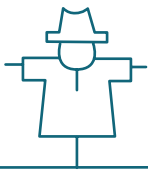
問責性及審核

董事就有關財務報表的財務報告的責任

董事確認負有編製本公司截至2016年12月31日止年度的財務報表之責任。

董事會負責呈報平衡、清晰及容易明白的年報及中期報告評估、有關披露內幕消息的公告及其他根據上市規則及其他法定和監管要求所規定的披露。

管理層已向董事會提供相關所需解釋及資料，讓董事會可以就本公司財務報表作出知情的評估，而有關財務報表已提交董事會審批。



CORPORATE GOVERNANCE REPORT (CONTINUED) 企業管治報告(續)

The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

Risk Management and Internal Control

The Board acknowledges that it is responsible for the risk management and internal control systems, and that it has the responsibility to review their effectiveness on an ongoing basis. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance that there will be no material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems. The Board is the highest decision-making authority for overall corporate risk management, and is mainly responsible for performing the following risk management duties.

During 2016, the Audit Committee reviewed whether or not the risk management and internal control systems of the Company were effective and adequate on behalf of the Board, submitted a report to the Board on a proposed increase in the number of internal audit staff and established a risk control committee composed of the members of the Board and the department heads of the Group pursuant to the guidelines of the Listing Rules. By establishing a comprehensive risk management organizational system, the Group carried out risk management effectively, decision-making clearly, execution, supervision and other risk management responsibilities, having formed a scientific and effective system with division of duties and set up three lines of defense for risk management. The first line of defense consisted of the centres, marketing and sales affairs divisions and factories directly in charge of each of risk management; the second line of defense comprised the risk and internal control management committee and the risk management division of the audit centre in charge of the overall planning and supervising of risk management; and the third line of defense composed of the Audit Committee and the internal audit division of the audit centre in charge of verifying risk management.

董事會並不知悉任何重大不確定因素與導致可能會就本集團有能力持續經營產生重大疑問的事項或情況有關。

風險管理及內部監控

董事會承認其須對風險管理及內部監控系統負責，並有責任持續檢討該等制度的有效性。該等系統旨在管理而非消除未能達成業務目標的風險，而且只能就不會有重大的失實陳述或損失作出合理而非絕對的保證。

董事會有整體責任評估及釐定本公司為達成戰略目標時所願意承擔的風險性質及程度，並設立及維持適切及有效的風險管理及內部監控系統。董事會是公司整體風險管理的最高決策機構，主要履行以下風險管理職責。

審核委員會已於2016年其間代表董事會檢討本公司風險管理及內部監控系統是否有效及足夠，並已向董事會提交報告建議提升內審人員數目，並根據上市規則指引成立風險監控委員會，由董事會人員及集團部門負責人組成。本集團通過建立全面風險管理組織體系，有效實施風險管理工作，明確決策、執行、監督等方面的風險管理職責，形成科學有效的職責分工體系，建立風險管理三道防線，即各中心、營銷事業部及工廠為第一道防線，是風險管理的直接責任者；風險與內控管理委員會以及審計中心風險管理部為第二道防線，是風險管理的統籌策劃和監督者；審核委員會和審計中心內部審計部為第三道防線，是風險管理的驗證者。



CORPORATE GOVERNANCE REPORT (CONTINUED)

企業管治報告 (續)

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems. The Audit Committee is the supervisory and evaluation office of risk and internal control management, which guides and supervises the Group in carrying out risk management. The risk and internal control management committee as a committee established under the Audit Committee is the highest coordination and business affairs office for risk management. The committee is composed of the first officials in charge of various centres, marketing and sales affairs divisions and factories, and chaired by the Chief Executive Officer of the Group. The risk management division is directly under the audit centre of the Group, reporting to the head of the audit centre. As the centralized management department of the Group's risk management, the risk management division is responsible for the Company's day-to-day arrangement, coordination, supervision, analysis and reporting of risk management.

The risk management division has developed a "Risk Management Workflow", which divides the workflow into five major sections, namely (I) risk identification, (II) risk assessment, (III) risk response, (IV) risk monitoring and (V) risk management reporting, and clarifies and unifies the workflow trend of risk management as well as the roles and functions of relevant departments, implementation steps and so on. To regulate the system and set out unified management requirements for workflow execution, the department has specifically set out work requirements for each section of the workflow as follows:

(I) Risk identification

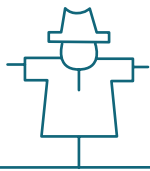
Risk identification is the first step and the basis for risk management. It refers to the process of analyzing and discovering, by the staff in each business area and at each level of the Company, the potential factors that may impact on the achievement of business objectives. The Group may take the initiative to select appropriate, effective ways to cope with and handle risks only if it is able to identify its own risks comprehensively and correctly.

審核委員會協助董事會領導管理層並監督彼等對風險管理及內部監控系統之設計、實施及監控。審核委員會是風險與內控管理工作的監督評價機構，對本集團開展風險管理工作進行指導和監督。風險與內控管理委員會作為審核委員會下設委員會，作為風險管理的最高協調及議事機構。該風險委員會由各中心、營銷事業部及工廠的第一負責人組成，委員會主席由本集團行政總裁擔任。風險管理部直屬集團審計中心，向審計中心負責人彙報。作為本集團風險管理工作的歸口管理部門，風險管理部負責公司日常風險管理組織、協調、監督、分析和報告工作。

風險管理部制定了《風險管理工作流程》，將風險管理流程分為(一)風險識別、(二)風險評估、(三)風險應對、(四)風險監控、(五)風險管理報告五個主要環節，明確和統一了風險管理的流程走向、相關部門的角色職能和實施步驟等。為了系統的規範和統一流程執行中的管理要求，特規定各流程環節中的工作要求，具體如下：

(一) 風險識別

風險識別是風險管理的第一步，也是風險管理的基礎，其是指本公司各業務領域、各層級人員對可能影響企業目標實現的潛在因素進行分析、發現的過程。只有全面、正確地識別出自身所面臨的風險，本集團才能主動選擇適當有效的方法進行應對處理。



CORPORATE GOVERNANCE REPORT (CONTINUED) 企業管治報告(續)

The Group's risk identification is carried out in two main lines. The first one is a routine check on risk identification arranged and initiated by the risk management division once a year, and the second one is a temporary risk identification initiated by each of the centres, marketing and sales affair divisions and factories in line with the management needs. The job requirements for risk identification are as follows:

- (1) Time of risk identification: the Group will initiate routine risk identification for the coming year in the fourth quarter of each year. The risk management division will issue the relevant notice and collect internal and external information (such as changes in China's relevant policies or industry regulatory requirements, Company's strategic and operational objectives for the current period as well as major findings on the risk management and internal audit supervision for the previous year) for the preparation of annual risk alerts;
- (2) Scope of risk identification: there are inherent risks in conducting any business activities: all the centres, marketing and sales affairs divisions and factories are required to organize risk identification on a unified basis according to the required dates of starting and ending the risk identification as notified by the risk management division. Management staff and risk counterpart staff at each level are the main organizers of risk identification and are required to boost the risk management awareness among all staff internally and to comprehensively identify various internal and external risks which impact on the achievement of objectives;
- (3) Areas of risk identification: in commencing a risk identification process, each centre, marketing and sales affairs division and factory are required to sort out and collect risks comprehensively and systematically in line with the Group's risk management framework which consists of seven dimensional areas including strategy, market, finance, operations, law and compliance, quality and food safety as well as sustainable development, taking into account the factors that impact on the achievement of the Company's business objectives;
- (4) Principle of risk identification: it is necessary to follow the three basic principles including comprehensiveness, systematicness and continuity;

本集團風險識別工作分兩條主線開展，一為由風險管理部組織發起的一年一次例行風險識別盤點，二為各中心、營銷事業部及工廠根據管理需要發起的臨時性風險識別。風險識別的工作要求如下：

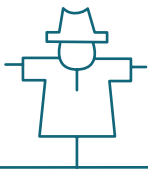
- (1) 風險識別的時限：本集團每年第四季度將例行啟動下年度風險識別工作，由風險管理部下發相關通知，並收集內外部信息(如國家有關政策或行業監管要求的調整、企業當期戰略目標和運營目標、上年度風險管理與內部審計監督重大發現等信息)，編製年度風險提示；
- (2) 風險識別的範圍：任何業務活動開展均存在固有風險，各中心、營銷事業部及工廠需根據風險管理部通知的起止時間要求，統一組織開展風險識別工作。各層級管理人員及風險對接人是風險識別的主要組織者，需在內部倡導全員風險管理的意識，全面識別影響目標達成的內外部各種風險；
- (3) 風險識別的領域：各中心、營銷事業部及工廠在開展風險識別的過程中，需根據本集團風險管理框架，從戰略、市場、財務、運營、法律與合規、質量與食品安全、可持續發展七個維度全面、系統地進行風險梳理和收集，綜合考慮影響本公司業務目標達成的因素；
- (4) 風險識別的原則：需遵循三項基本原則包括全面性、系統性和連續性；



CORPORATE GOVERNANCE REPORT (CONTINUED)

企業管治報告(續)

- (5) Method of risk identification: employ the risk identification methods commonly used by enterprises as well as a variety of ways and methods to collect a wide range of risks associated with the Group's business areas;
- (6) Summarizing and submitting findings on risk identification: risk counterpart staff of each centre, marketing and sales affairs division and factory are required to describe each risk identified strictly in accordance with the Company's common risk language and compile a list of risks identified at the centre/marketing and sales division/factory level which, after being verified and confirmed by the centre, marketing and sales division and factory manager, shall be submitted by the risk counterpart staff of centre, marketing and sales affairs division and factory to the risk management division of the Group's audit centre;
- (7) Organization of risk seminars: specifically for the findings on risk identification submitted by each centre, marketing and sales affairs division and factory, the risk management division is required to sort out the differences regarding the unclearly defined leading role in risk management and incomplete description of risks;
- (8) Establishment and improvement of the risk database: the risk management division is required to establish and improve the risk database of the Group as an essential basis for risk management based on the findings on risk identification submitted by each centre, marketing and sales division and factory annually;
- (9) Other requirements: in addition to the routine risk identification carried out by the Group each year, the centres, marketing and sales affairs divisions and factories are required to carry out temporary risk identification in line with their own internal actual situations. The workflow and methods shall be carried out with reference to the above criteria.
- (5) 風險識別的方法：利用企業常用的風險識別方法及通過多種途徑和方法廣泛收集所屬業務領域的風險；
- (6) 風險識別結果匯總與報送：各中心、營銷事業部及工廠風險對接人需將識別的每項風險嚴格按照本公司統一的風險語言進行描述，形成中心／營銷事業部／工廠層面的風險識別清單，經各中心、營銷事業部及工廠負責人審核確認後，由各中心、營銷事業部及工廠的風險對接人報送本集團審計中心風險管理部；
- (7) 風險研討會的組織：針對各中心、營銷事業部及工廠報送的風險識別結果，風險管理部需對存在風險管理主導職責不清、風險描述不完整等存異內容進行整理；
- (8) 風險數據庫的建立和完善：風險管理部需根據每年度各中心、營銷事業部及工廠報送的風險識別結果，建立和完善本集團風險數據庫，作為風險管理的重要依據；
- (9) 其他要求：在每年本集團例行開展的風險識別之外，各中心、營銷事業部及工廠需根據本中心、營銷事業部及工廠內部的實際情況組織開展臨時的風險識別工作，開展流程和方法參照以上標準執行。



CORPORATE GOVERNANCE REPORT (CONTINUED)

企業管治報告(續)

(II) Risk assessment

Risk assessment refers to the risk assessment conducted on the basis of the possibility of occurrence and the degree of impact of a risk. In particular, possibility refers to the probability of occurrence of a risk, and the degree of impact means the degree of impact of the occurrence of a risk created on the target. The scope of impact covers daily operations, laws and regulations, financial loss, food hygiene and safety, environmental protection, corporate reputation and so on. By comparing various risks, the significant risks are arranged, and the priority to manage these risks in chronological order and the strategies to cope with them are determined initially. The specific job requirements include:

- (1) the cycle of a risk assessment (conduct regularly once a year);
- (2) carry out a risk assessment at different levels;
- (3) assess and identify significant risks at different levels;
- (4) build up a team of risk assessment experts;
- (5) set risk score weight across centres/marketing and sales affairs divisions/factories.

(III) Risk response

Risk response refers to the strategies and plans determined by each level of the management for responding to risks in line with the Company's own conditions and the external environment, with a focus on the management intent determined in the Company's development strategy upon assessment of the relevant risks. Risk response shall take into account the growth objectives and the balance between risk and opportunity, and focus on emphasized management of and response to significant risks at each level. The specific workflow includes:

- (1) to determine the main unit in charge of the Group's significant risks;
- (2) to make preparations for responding and notifying to risk;
- (3) to develop strategies for analyzing and responding to risks;
- (4) to execute and modify measures for responding to risks.

(二) 風險評估

風險評估是指基於風險發生的可能性和影響程度進行評估，其中可能性是指風險發生的概率，影響程度是指風險發生對目標產生的影響程度，影響範圍包括：日常運營、法律法規、財務損失、食品衛生安全、環境保護、公司聲譽等。通過對各項風險進行比較排列出重大風險，並初步確定優先管理順序和應對策略。具體工作要求包括：

- (1) 風險評估的周期(每年例行展開一次)；
- (2) 分層次開展風險評估；
- (3) 分層次評估確定重大風險；
- (4) 風險評估專家團隊建設；
- (5) 跨中心／營銷事業部／工廠風險評分權重的設定。

(三) 風險應對

風險應對是指本公司根據自身條件和外部環境，圍繞本公司發展戰略確定的管理意圖，通過對相關風險進行了評估之後，本公司各級管理層應確定風險應對策略以及應對方案。風險應對需綜合考慮成長目標和風險與機會的平衡，聚焦各層次重大風險進行重點管理和應對。具體工作流程包括：

- (1) 本集團重大風險主負責單位確定；
- (2) 風險應對準備與通知；
- (3) 風險分析與應對策略制定；
- (4) 風險應對措施執行與變更。



CORPORATE GOVERNANCE REPORT (CONTINUED)

企業管治報告 (續)

(IV) Risk monitoring

Risk monitoring is a mechanism or method used by the management to understand and determine whether risk management is functioning continuously and effectively under the changing internal and external environment. It is a continuous process aimed at evaluating the effectiveness of risk control, detecting control deficiencies and making improvement in a timely manner. The specific work requirements are as follows:

- (1) Division of duties in risk monitoring: significant risks at Group level are monitored by the risk management division throughout the process. The risk management division conducts random checks while significant risks of centre/marketing and sales affairs division/factory level are monitored by the risk counterpart staff of the centres/marketing and sales divisions/factories throughout the process;
- (2) Frequency of risk monitoring: significant risks at Group level are monitored quarterly, while significant risks at centre/marketing and sales affairs division/factory level are monitored quarterly or monthly by the centres/marketing and sales affairs divisions/factories on a selective basis;
- (3) Particulars of risk monitoring: risk monitoring covers the implementation and effectiveness of strategies for responding to significant risks at each level as well as the monitoring and early warning of significant risk events and related risk information within the industry.

(V) Risk management reporting

Risk management reporting includes the report submitted to the superior risk management division annually as well as the information and communication details generated in each part of the process of carrying out risk management. The specific requirements for risk management reporting are as follows:

- (1) Risk management reporting to the Audit Committee: report at least once a year, as required by the Audit Committee;
- (2) Reporting to the risk and internal control committee: report at least twice a year, as required by the risk and internal control committee;

(四) 風險監控

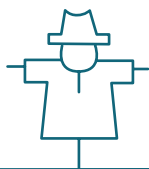
風險監控是指管理層用於瞭解、確認風險管理工作是否在內外部環境的不斷變化過程中持續、有效地發揮作用的機制或方法，是一個旨在評價風險控制的有效性，發現控制缺陷，並及時進行改進的持續過程。具體工作要求如下：

- (1) 風險監控職責分工：本集團層面重大風險由風險管理部全程監控；中心／營銷事業部／工廠層面重大風險由中心／營銷事業部／工廠風險對接人全程監控，風險管理部不定期抽查；
- (2) 風險監控頻次：本集團層面的重大風險監控頻次為季度；中心／營銷事業部／工廠層面的重大風險監控頻次為季度或月度，由各中心／營銷事業部／工廠選擇性執行；
- (3) 風險監控內容：包括各層級重大風險應對策略的執行情況與效果、重大風險事件和行業內相關風險信息的監測預警。

(五) 風險管理報告

風險管理報告包括每年度向上級風險管理部門報送的報告和風險管理工作推進中每個流程環節產生的信息與溝通資料。風險管理報告的具體要求如下：

- (1) 向審核委員會的風險管理報告：根據審核委員會的要求，每年度至少彙報一次；
- (2) 向風險與內控管理委員會的報告：根據風險與內控管理委員會的要求，每年度至少彙報兩次；



CORPORATE GOVERNANCE REPORT (CONTINUED)

企業管治報告(續)

(3) Other risk management forms and reports: while the risk management system and workflow (refers to risk identification, assessment, response and monitoring) are being carried out, the centres/marketing and sales affairs divisions/factories shall, as required by the risk management division, submit all kinds of process management form and information report in a timely and quality manner to ensure that the Group's risk management information is communicated and reported smoothly.

The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2016.

* The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

* Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

(3) 其他風險管理表單與報告：在風險管理體系和流程(指風險識別、評估、應對、監控環節)推進的過程中，各中心／營銷事業部／工廠需根據風險管理部的要求按時保質報送各類過程管理表單和資料，保證集團風險管理工作信息溝通與報告通暢。

管理層已向董事會及審核委員會確認截至2016年12月31日止年度就有關風險管理及內部監控系統的成效。

* 本公司已制訂披露政策，向本公司董事、高級行政人員、高級管理層及相關員工就處理保密資料、監察披露資料及回應查詢提供一般指引。

* 監控程序已經實施，以確保嚴禁未經授權訪問與使用內部信息。

External Auditors and Auditors' Remuneration

The statement of the external auditors of the Company about their reporting responsibilities for the financial statements is set out in the "Independent Auditors' Report" on pages 102 to 108 of this Annual Report.

During the year ended 31 December 2016, the remuneration paid/payable to the Company's auditors, Ernst & Young, Certified Public Accountants, are set out below:

外聘核數師及核數師的薪酬

本公司外聘核數師有關其對財務報表的申報之責任聲明載於本年報第102至108頁的「獨立核數師報告」。

截至2016年12月31日止年度期間，本公司已付／應付本公司核數師安永會計師事務所(註冊會計師)的薪酬載列如下：

Category of services	服務類別	Fee paid/payable
		已付／應付費用 RMB'000 人民幣千元
Annual audit service	年度審核服務	2,260
Interim review services	中期審閱服務	380
Other assurance services	其他鑒證服務	550
		3,190

Other assurance services provided by Ernst & Young during the year ended 31 December 2016 mainly include the special audit in relation to the acquisition of Dumex China.

截至2016年12月31日止年度期間，由安永會計師事務所提供之其他鑒證服務主要包括收購多美滋中國特別審計。



CORPORATE GOVERNANCE REPORT (CONTINUED)

企業管治報告 (續)

Company Secretary

Mr. Li Yuejin and Ms. Ho Siu Pik are the joint company secretaries of the Company following the appointment of Mr. Li Yuejin as the company secretary on 11 October 2016. Ms. Ho Siu Pik is a director of the Corporate Services Department of Tricor Services Limited and is not an employee of the Company, Ms. Ho Siu Pik will contact the management of the Company and report to the board chairman and/or the chief executive through Mr. Li Yuejin, Mr. Eric Fang or Ms. Gigi Zheng of Investment Management Division, when necessary. Both Mr. Li Yuejin and Ms. Ho Siu Pik have confirmed that each of them has taken no less than 15 hours of relevant professional trainings during the year ended 31 December 2016.

Communication with Shareholders and Investor Relations

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The general meetings of the Company provide a platform for communication between the Board and the shareholders. The Chairman of the Board as well as chairmen of the Nomination Committee, Remuneration Committee and Audit Committee or, in their absence, other members of the respective committees, are available to answer shareholders' questions at general meetings.

Code provision E.1.2 of the CG Code stipulates that the chairman of the board of directors should attend the annual general meeting ("AGM"). Ms. Sun Yiping, the former Chairman of the Board of the Company, was unable to attend the AGM of the Company held on 3 June 2016 due to other business engagements. Mr. Mok Wai Bun Ben, an independent non-executive director, chairman of Remuneration Committee and a member of Audit Committee and Nomination Committee, acted as the chairman of the AGM of the Company held on 3 June 2016.

The Company has not made any changes to its memorandum and articles of association in the year of 2016. The Company's memorandum and articles of association is available on the websites of the Company (www.yashili.hk) and the Stock Exchange (www.hkexnews.hk).

公司秘書

李躍進先生於2016年10月11日獲委任為本公司的公司秘書，自此李躍進先生與何小碧女士成為本公司的聯席公司秘書。何小碧女士為卓佳專業商務有限公司企業服務部董事，並非為本公司僱員。何小碧女士將於有需要時透過李躍進先生、投資管理部方紹東先生或鄭孜勤女士與本公司管理層聯繫，並報告董事會主席及／或行政總裁。李躍進先生及何小碧女士兩人已確認，各人於截至2016年12月31日止年度已參與不少於15小時的相關專業培訓。

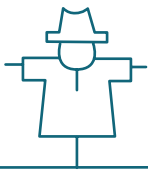
與股東的溝通及投資者關係

本公司認為，與股東進行有效溝通，乃提升投資者關係及讓投資者瞭解本集團業務表現及策略的要素。本公司亦深明透明度及適時披露公司資料的重要性，其將有助股東及投資者作出最佳投資決定。

本公司的股東大會為董事會與股東溝通提供一個平台。董事會主席及提名委員會、薪酬委員會及審核委員會主席(如未能出席，則為各委員會的其他成員)，會於股東大會上回答股東提問。

企業管治守則之守則條文第E.1.2條訂明董事會主席應出席股東周年大會(「股東周年大會」)。本公司董事會前主席孫伊萍女士因須處理其他業務而未能出席本公司於2016年6月3日舉行的股東周年大會。獨立非執行董事、薪酬委員會主席、審核委員會及提名委員會成員莫衛斌先生在本公司於2016年6月3日舉行的股東周年大會上擔任主席並主持會議。

本公司於2016年度並無對其組織章程大綱及細則作出任何改動。本公司的組織章程大綱及細則登載於本公司的網頁(www.yashili.hk)及聯交所的網頁(www.hkexnews.hk)。



CORPORATE GOVERNANCE REPORT (CONTINUED)

企業管治報告(續)

To promote effective communication, the Company maintains a website (www.yashili.hk), where up-to-date information and updates on the Company's financial information, corporate governance practices and other information are available for public access.

Shareholders' Rights

To safeguard shareholders' interests and rights, a separate resolution is proposed for each separate substantial issue at general meetings, including the election of directors.

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

The procedures for shareholders of the Company to propose a person for election as a director are available on the Company's website (www.yashili.hk).

Procedures for Shareholders to Convene an Extraordinary General Meeting and Putting Forward Proposal at General Meeting

Article 58 of the Company's Articles of Association provides that any one or more members of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

為促進有效溝通，本公司設有網站(www.yashili.hk)，刊載有關本公司財務資料、企業管治常規及其他資料的最新情況，以供公眾查閱。

股東權利

為保障股東利益及權利，將於股東大會上就各獨立重大事項(包括選舉董事)提呈獨立決議案。

根據上市規則，所有於股東大會上提呈的決議案將需要以按股數投票方式表決。以按股數投票方式表決的結果將於各股東大會後刊登於本公司及聯交所的網站。

本公司股東提名人士參選董事的程序登載於本公司網站(www.yashili.hk)。

股東召開股東特別大會及於股東大會上提呈建議的程序

本公司組織章程細則第58條規定，任何一位或以上於遞呈要求當日持有不少於附有於本公司股東大會上投票權之本公司繳足股本之十分之一的本公司股東於任何時候均有權透過向本公司董事會或秘書發出書面要求，要求董事會召開股東特別大會，以處理有關要求中指明的任何事項，且該大會應於遞呈該要求後2個月內舉行。倘遞呈後21日內，董事會未能召開該大會，則遞呈要求人士可自行以同樣方式召開大會，而遞呈要求的人士因董事會未有召開大會而合理產生的所有開支應由本公司向要求人作出償付。



CORPORATE GOVERNANCE REPORT (CONTINUED)

企業管治報告 (續)

A shareholder may lodge a notice of his intention to propose any person (other than himself/herself) for election as a director together with a notice signed by the person to be proposed of his/her willingness to be elected to the head office of the Company or at the register of members of the Company for the relevant general meeting provided that the minimum length of the period, during which such notice(s) are given shall be at least 7 days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting.

Other than the above concerning a proposal of a person for election as a director, shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the Company:

Address: 13/F Nova Tower
No. 185 Yuexiu Road South
Yuexiu District, Guangzhou City
Guangdong Province
the PRC

Tel: +86-20-37795190
Fax: +852 2845 1231
Email: ir@yashili.cn
Contact person: Mr. Eric Fang

For the avoidance of doubt, shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

股東可就相關股東大會將提名任何人士(除彼本身外)參選董事的意向的通知以及被提名人士表明願意接受選舉的已簽署通知, 送交本公司總辦事處或本公司股東註冊處。提交通知的期間必須至少7天, 如通知在指定舉行該選舉的股東大會的通告寄發後提交, 提交通知的期間為由指定舉行該選舉的股東大會的通告發送後翌日開始, 至不遲於該股東大會舉行日期前7天結束。

除上文有關提名人士參選董事外, 股東亦可遵照上文所載的程序就於有關書面要求列明的任何事宜召開股東特別大會。

向董事會作出查詢

股東可以書面形式向本公司寄發查詢, 藉以向董事會作出任何查詢。本公司一般不會處理口頭或匿名查詢。

聯絡資料

股東可如上文所述向本公司寄發彼等的查詢或要求:

地址: 中國
廣東省
廣州市越秀區
越秀南路185號
創舉商務大廈13樓

電話: +86-20-37795190
傳真: +852 2845 1231
電郵: ir@yashili.cn
聯絡人: 方紹東先生

為免生疑問, 股東必須將正式簽署之書面要求、通知或聲明或查詢(視情況而定)之正本存放及寄發至上述地址, 並提供彼全名、聯絡資料及身份, 以使其生效。股東資料可能根據法律規定予以披露。

DIRECTORS AND MANAGEMENT BIOGRAPHIES

董事及管理層履歷

Non-Executive Directors

Mr. Jeffrey, Minfang Lu

Aged 48, was appointed as the Chairman of the Board, the Chairman of the Nomination Committee of the Board and a member of the Remuneration Committee of the Board on 15 September 2016, and was redesignated as a non-executive director of the Company. Mr. Lu is also an authorized representative of the Company. Mr. Lu was a director for each of the following subsidiaries of the Company, namely Yashili International Ltd., Yashili International Group Limited, Newou Hong Kong International Co., Limited and Scient International Group Limited from 27 April 2015 to 9 January 2017. Mr. Lu is currently an executive director and the CEO of China Mengniu Dairy Company Limited (a company listed on the main board of Stock Exchange, stock code: 2319 (“Mengniu Dairy”) and a controlling shareholder of the Company). Mr. Lu was the Vice President (Greater China) of Danone Early Life Nutrition Greater China and had been with the Danone Group and Dumex China for over 10 years. During the tenure at the Danone Group, he demonstrated strong strategic business and market planning capabilities. With strong leadership, management skills and in-depth knowledge of markets, Mr. Lu contributed significantly to the success of the Danone Group’s baby nutrition business in China. Prior to joining the Danone Group, Mr. Lu spent 9 years with Johnson & Johnson (China) Company Limited and almost 4 years with General Electric Company (China). Mr. Lu has over 18 years of experience in sales and marketing and has been serving in general manager or executive level roles for over 7 years. He has extensive experience in the management of fast-moving consumer products and dairy companies and has an excellent grasp and the in-depth knowledge of the PRC market. Mr. Lu obtained his Bachelor’s degree from Shanghai Fudan University.

Mr. Qin Peng

Aged 61, was appointed as a non-executive director of the Company and a member of the Remuneration Committee on 27 April 2015 and 5 June 2015 respectively. Mr. Qin has been appointed as the Chairman of China division of the Danone Group since 2007, and has a deep knowledge and understanding of international and Chinese business and culture. Mr. Qin joined the Danone Group in 1983. Mr. Qin was appointed as the vice president of the China Operation division of the Danone Group from 1997 to 2006 and as the vice president of the Corporate Development division of the Danone Group in Asia Pacific from 1995 to 1996. Mr. Qin served as the general manager of Amoy Foods Limited in Hong Kong from 1991 to 1994 and as the general manager of Guangzhou Danone Yoghurt Company Limited from 1988 to 1990. Mr. Qin was engaged in Danone’s marketing and sales operations in France when he joined the Danone Group and has moved to Asia since 1988. Mr. Qin graduated from the Rene Descartes University with a bachelor’s degree and from the Paris Institute of Political Sciences with a master degree.

非執行董事

盧敏放先生

48歲，於2016年9月15日獲委任為本公司董事會主席、董事會提名委員會主席及薪酬委員會成員，並同時調任本公司非執行董事。盧先生亦為本公司之授權代表。盧先生曾於2015年4月27日至2017年1月9日期間擔任本公司以下附屬公司之董事：雅士利國際有限公司、雅士利國際集團有限公司、新歐香港國際有限公司及施恩國際集團有限公司。盧先生目前擔任中國蒙牛乳業有限公司（一間在聯交所主板上市的公司，股份代號：2319〔蒙牛乳業〕及本公司的控股股東）之執行董事及行政總裁。盧先生曾擔任達能早期生命營養品公司大中華區副總裁，曾服務達能集團及多美滋中國超過10年。在任職達能集團期間已展現了非凡的戰略業務和市場規劃能力。盧先生利用其卓越的領導能力和管理技巧，以及對市場的深入瞭解，幫助達能集團在中國的嬰幼兒營養品業務取得了巨大的成功。加入達能集團前，盧先生曾在強生（中國）有限公司任職達9年並在美國通用電氣（中國）服務近4年。盧先生在銷售與市場領域擁有逾18年的經驗，亦擔任總經理或高層管理人員職務超過7年。盧先生具有豐富的快消品和乳業公司管理經驗，對中國市場有充分理解和豐富知識。盧先生於上海復旦大學獲得學士學位。

秦鵬先生

61歲，於2015年4月27日及2015年6月5日分別獲委任為本公司非執行董事及薪酬委員會成員。秦先生自2007年起獲委任為達能集團中國區主席，秦先生對國際及中國的商務及文化皆具有深入的知識和瞭解。秦先生於1983年加入達能集團。秦先生於1997年至2006年獲委任為達能集團中國營運部副總裁，於1995年至1996年獲委任為達能集團亞太區企業發展部副總裁。秦先生於1991年至1994年間出任香港淘化大同食品有限公司總經理，於1988年至1990年間出任廣州達能酸酪有限公司總經理。秦先生加入達能集團後先在達能法國公司從事營銷及銷售工作，自1988年起移駐亞洲。秦先生為法國巴黎第五大學(Rene Descartes University)學士畢業生及巴黎政治學院(Institute of Political Sciences)碩士畢業生。



DIRECTORS AND MANAGEMENT BIOGRAPHIES (CONTINUED)

董事及管理層履歷(續)

Mr. Zhang Ping

Aged 52, was appointed as a non-executive Director of the Company and a member of the Audit Committee on 27 April 2015. He is also a director of Yashili International Group Limited, a subsidiary of the Company, since 27 April 2015. Mr. Zhang joined Mengniu Group in 2014 and is currently the Chief Financial Officer of Mengniu Dairy. He has over 24 years of experience in the industry of fast-moving consumer goods, specializing in the management of operation, finance and audit as well as risk control. Mr. Zhang successively worked as the manager of internal audit and system development, finance director in Swire Beverages Co., Ltd., general manager of its bottler manufacturing company and chief executive officer in Coca-Cola Bottler Manufacturing Holdings Limited. Mr. Zhang graduated from Beijing Information Science and Technology University with a Master degree in management engineering.

Mr. Zhang has also been a non-executive director of China Modern Dairy Holdings Ltd. (stock code: 1117) since 22 March 2016.

Mr. Huang Xiaojun

Aged 41, was appointed as a non-executive director of the Company on 29 January 2016. Mr. Huang was also appointed as a director of Yashili International Group Limited, a subsidiary of the Company, on 29 January 2016. Mr. Huang received his Bachelor's degree from Fudan University, majoring in International Economic Law, and his LL.M. degrees from Hitotsubashi University in Japan and Columbia University Law School in the United States. From 1997 to 1999, he worked in the legal department of a Chinese local governmental authority, responsible for reviewing administrative punishment documentation and other legal matters. From 2001 to 2002, he served in the legal department of the headquarters of Minolta Co., Ltd. in Osaka. He worked in Orrick, Herrington & Sutcliffe's Beijing, New York and Tokyo offices from 2002 to 2010, mainly focusing on M&A, IPO, VC/PE investment, foreign direct investment, employment and other corporate matters. From 2010 to 2014, Mr. Huang worked in Broad & Bright Law Firm and AllBright Law Offices as partner providing long-term services to clients such as Siemens. In November 2014, Mr. Huang joined Inner Mongolia Mengniu Dairy (Group) Company Limited ("Inner Mongolia Mengniu") as senior legal director. Mr. Huang speaks Chinese, English and Japanese.

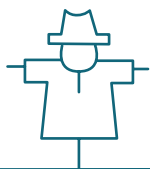
張平先生

52歲，於2015年4月27日獲委任為本公司非執行董事及審核委員會成員。自2015年4月27日起，彼亦出任本公司附屬公司雅士利國際集團有限公司之董事。張先生於2014年加入蒙牛集團，現任蒙牛乳業首席財務官。彼於快速消費品行業累積超過24年經驗，專責營運、財務及審計之管理以及風險監控。張先生曾就職於太古飲料公司，歷任內審及系統發展經理、財務總監、裝瓶廠總經理，及可口可樂裝瓶商生產控股有限公司首席執行官。張先生於北京信息科技大學管理工程學專業畢業，取得研究生學歷。

張先生亦於2016年3月22日起出任中國現代牧業控股有限公司(股份代號：1117)之非執行董事。

黃曉軍先生

41歲，於2016年1月29日獲委任為本公司非執行董事。黃先生亦於2016年1月29日獲委任為本公司附屬公司雅士利國際集團有限公司之董事。黃先生於復旦大學獲得學士學位，主修國際經濟法，於日本一橋大學獲得法學碩士學位，於美國哥倫比亞大學法學院獲得法學碩士學位。1997年至1999年在一家中國地方政府機構從事行政處罰審查和依法行政工作。2001年至2002年在日本美能達株式會社大阪總部從事法務工作。2002至2010年，分別在美國奧睿律師事務所的北京、紐約和東京辦公室工作，主要從事企業併購重組、上市、風險／私募投資、外商投資、僱用與勞動法、以及其他一般公司法務。2010年至2014年，黃先生在世澤律師事務所、錦天城律師事務所任合夥人，為西門子等客戶提供長期法律服務。黃先生於2014年11月加入內蒙古蒙牛乳業(集團)股份有限公司(「內蒙蒙牛」)並擔任其高級法務總監。黃先生可以中文、英文、日文為工作語言。



DIRECTORS AND MANAGEMENT BIOGRAPHIES (CONTINUED)

董事及管理層履歷(續)

Executive Directors

Mr. Chopin Zhang

Aged 52, was appointed as the CEO and an executive director of the Company on 1 January 2017. Mr. Zhang is also a director for each of the following subsidiaries of the Company, namely Yashili International Ltd., Yashili International Group Limited, Newou Hong Kong International Co., Limited and Scient International Group Limited since 10 January 2017. Mr. Zhang has over 30 years' experience in production and supply chain management and has extensive management experience in the food and beverage industry. Mr. Zhang served as the chief executive officer of Food Union (China) Co., Ltd. from August 2015 to December 2016 and devoted to the establishment and development of Food Union's business in China. Food Union is a global manufacturer of dairy products and ice cream. Prior to joining Food Union, Mr. Zhang served as the operation director of Dumex China from March 2010 to July 2015 and was responsible for the operation, supply chain and procurement of Dumex China, and has made important contribution to the development of Dumex China's business. Prior to joining Dumex China, Mr. Zhang held positions in a number of famous multinational corporations, including serving as the supply chain director (Greater China) of Starbucks and the General Manager of Starbucks China Trading Company, and holding various positions with Owens Corning (a global leader in the development and production of construction materials and fiberglass composites), Nike (leading global sports brand), Johnson & Johnson (the world's leading manufacturer of medical devices, pharmaceutical and consumer healthcare products) and American Standard (the world's leading manufacturer of bath and kitchen products), specializing in production and supply chain consolidation and management. Mr. Zhang obtained his Bachelor's degree in mechanical engineering from Shanghai Medical Instruments College and his Master degree of Business Administration from Maastricht School of Management in the Netherlands.

Mr. Hua Li

Aged 40, was appointed as an executive director and the authorized representative of the Company on 25 August 2016. He is also a director for each of the following subsidiaries of the Company, namely Yashili International Ltd., Yashili International Group Limited, Newou Hong Kong International Co., Limited and Scient International Group Limited since 25 August 2016. With effect from 1 January 2017, he was appointed as the Chief Operating Officer of the Company. Mr. Hua received his Bachelor's degree from Sichuan Economic Management Institute (now renamed as Xihua University), majored in Marketing. From August 1997, he served as the manager of the Chengdu Branch of Shanghai McCormick Foods Co., Ltd. From September 2002 to August 2004, he served as the manager of

執行董事

張平(Chopin Zhang)先生

52歲，於2017年1月1日起獲委任為本公司行政總裁及執行董事。自2017年1月10日起，彼亦出任為本公司以下附屬公司之董事：雅士利國際有限公司、雅士利國際集團有限公司、新歐香港國際有限公司及施恩國際集團有限公司。張先生在生產及供應鏈管理領域擁有逾30年經驗，在食品及飲料行業具有豐富管理經驗。張先生於2015年8月至2016年12月期間擔任富友聯合食品(中國)有限公司首席執行官，專注於建立和發展富友聯合食品的中國業務。富友聯合食品是一家全球性的乳製品及冰淇淋製造商。加入富友聯合食品前，張先生曾於2010年3月至2015年7月期間擔任多美滋中國運營總監，負責多美滋中國的運營、供應鏈及採購，為多美滋中國業務的發展作出了重要貢獻。加入多美滋中國前，張先生曾任職於多家知名跨國企業，包括擔任星巴克大中華區供應鏈總監、星巴克中國貿易公司總經理，及於歐文斯科寧(全球建築材料和玻璃纖維複合材料研發及生產領域領先者)、Nike(全球著名體育運動品牌)、強生公司(全球領先的醫療器材、藥品及消費者護理產品生產商)及美標(全球領先的衛浴及廚房用品生產商)擔任多項職務，專注於生產及供應鏈整合及管理。張先生於上海醫療器械學院取得機械工程專業本科學位，及於荷蘭馬斯特里赫特管理學院獲工商管理碩士學位。

華力先生

40歲，於2016年8月25日獲委任為本公司執行董事兼授權代表。自2016年8月25日起，彼亦出任為本公司以下附屬公司之董事：雅士利國際有限公司、雅士利國際集團有限公司、新歐香港國際有限公司及施恩國際集團有限公司。於2017年1月1日起，彼獲委任為本公司首席運營官。華先生畢業於四川經濟管理學院(現更名為西華大學)市場營銷專業，獲頒學士學位。1997年8月起任上海味好美食品有限公司成都分公司經理。2002年9月至2004年8月，任新希望乳業控股有限公



DIRECTORS AND MANAGEMENT BIOGRAPHIES (CONTINUED)

董事及管理層履歷(續)

the marketing department of New Hope Dairy Holdings Co., Ltd., and was re-designated as the marketing director of Suzhou Tianxiang Dairy Co., Ltd. in August 2003. From August 2004 to January 2007, he served as the regional marketing manager of the liquid milk department and the national supervising manager of the marketing department of Inner Mongolia Yili Industrial Group Co., Ltd.. From January 2007 to October 2008, he served as the director of the marketing department of Suzhou Su Ayi Foods Co., Ltd.. From November 2008 to September 2013, he served as a deputy general manager of the milk powder business department of Yashili International Group Limited. From September 2013, he served as the general manager of the milk powder segment of Mengniu Dairy (i.e. Oushi Mengniu). From 1 January 2016, he has been serving as the general manager of the sales department of the Company as well as the general manager of the sales departments of Oushi Mengniu and Scient. He has been serving as the Vice President of the Company responsible for sales and marketing from 24 August 2016 till now.

司市場部經理；於2003年8月調任蘇州天香乳業有限公司出任營銷總監。2004年8月至2007年1月，任內蒙古伊利實業集團股份有限公司液態奶事業部大區市場經理及市場處全國督導經理。2007年1月至2008年10月，任蘇州市蘇阿姨食品有限責任公司營銷中心總監。2008年11月至2013年9月，出任雅士利國際集團有限公司奶粉事業部副總經理。2013年9月起出任蒙牛乳業奶粉事業部(即歐世蒙牛)總經理。2016年1月1日起，出任本公司銷售事業部總經理，同時兼任歐世蒙牛及施恩銷售事業部總經理。2016年8月24日起至今，擔任本公司分管營銷的副總裁。

Independent Non-Executive Directors

Mr. Mok Wai Bun Ben

Aged 68, was appointed as an independent non-executive director of the Company, the chairman of the Remuneration Committee, and a member of each of the Nomination Committee and the Audit Committee on 15 November 2013. Mr. Mok was appointed as an executive director of Max Sun Enterprises Ltd. in Hong Kong since 2013 and served as a senior consultant for COFCO Coca-Cola Beverages Limited in 2012. Mr. Mok had served as a general manager of Beijing Coca-Cola Beverage Co., Ltd. from 2002 to 2011. From 1993 to 2001, he was a general manager of Hangzhou BC Foods Company Limited and Nanjing BC Foods Company Limited. Mr. Mok also served as the general manager of Swire Beverages Limited responsible for overseeing bottling plant of Swire Beverages Limited in China. Mr. Mok was awarded a Bachelor's degree of Economics from McGill University, Canada in 1975.

獨立非執行董事

莫衛斌先生

68歲，於2013年11月15日獲委任為本公司獨立非執行董事、薪酬委員會主席、提名委員會及審核委員會成員。莫先生自2013年起獲委任為香港明新企業有限公司執行董事，於2012年擔任中糧可口可樂飲料有限公司高級顧問。莫先生於2002年至2011年期間擔任北京可口可樂飲料有限公司的總經理。於1993年至2001年期間擔任杭州中萃食品有限公司及南京中萃食品有限公司的總經理。莫先生亦曾任職於太古飲料有限公司總經理，負責監督太古飲料有限公司在中國的裝瓶廠管理。莫先生於1975年獲得加拿大麥基爾大學(McGill University)經濟學學士學位。

DIRECTORS AND MANAGEMENT BIOGRAPHIES (CONTINUED)

董事及管理層履歷(續)

Mr. Cheng Shoutai

Aged 50, was appointed as an independent non-executive director of the Company, and a member of each of the Remuneration Committee and the Nomination Committee on 15 November 2013. Mr. Cheng is a qualified lawyer of the People's Republic of China, the chief partner and director of Tahota Law Firm, a law firm based in China. Mr. Cheng also serves as a director of the All China Lawyers Association (中華全國律師協會理事), an arbitrator of the China International Economic and Trade Arbitration Commission (CIETAC) (中國國際經濟貿易仲裁委員會仲裁員), a vice president of Sichuan Province Lawyers Association (四川省律師協會副會長) and a legal advisor of the People's Government of Sichuan Province. Mr. Cheng holds a Doctorate's degree in civil and commercial law from Southwestern University of Finance and Economics. Mr. Cheng is honored with the titles of National Outstanding Lawyer, Chambers Asia-Pacific Asia's Leading Lawyer for Business (錢伯斯亞太地區傑出商務律師), Top Ten Influential Lawyers of Asia Legal Business (ALB) (亞洲法律雜誌). He has been nominated for the Best Managing Partners of the Year of ALB for two times and was one of the Fangyuan Top Ten Elite Lawyers of the Year as well as the First Session of Top Ten Outstanding Lawyers Graduated from Southwest University of Political Science and Law.

Mr. Lee Kong Wai Conway

Aged 62, was appointed as an independent non-executive director of the Company, the chairman of the Audit Committee and a member of the Remuneration Committee on 27 November 2013. Mr. Lee has over 30 years of experience in public accounting and auditing, corporate finance, merger and acquisition and initial public offerings. Mr. Lee served at Ernst & Young from September 1980 to September 2009. Mr. Lee was a partner of Ernst & Young and held key leadership positions in the development of Ernst & Young in China. Mr. Lee is a member of the Institute of Chartered Accountants in England and Wales, the Institute of Chartered Accountants in Australia and New Zealand, the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Macau Society of Certified Practising Accountants respectively. Since 2007, Mr. Lee has been a member of Chinese People's Political Consultative Conference of Hunan Province.

Mr. Lee is an independent non-executive director of Chaowei Power Holdings Limited (stock code: 951), China Modern Dairy Holdings Ltd. (stock code: 1117), China Greenland Rundong Auto Group Limited (stock code: 1365), GCL New Energy Holdings Limited (stock code: 451), GOME Electrical Appliances Holdings Limited (stock code: 493), NVC Lighting

程守太先生

50歲，於2013年11月15日獲委任為本公司獨立非執行董事、薪酬委員會及提名委員會成員。程先生為中華人民共和國合資格律師，現任位於中國的律師事務所泰和泰律師事務所首席合夥人及主任。程先生亦分別擔任中華全國律師協會理事、中國國際經濟貿易仲裁委員會(CIETAC)仲裁員、四川省律師協會副會長、四川省人民政府法律顧問。程先生獲得西南財經大學民商法博士學位。程先生榮獲全國優秀律師，錢伯斯亞太地區傑出商務律師(Chambers Asia-Pacific Asia's Leading Lawyer for Business)，亞洲法律雜誌(ALB)中國最具影響力的十佳律師，彼兩次榮獲亞洲法律雜誌(ALB)年度最佳管理合夥人大獎提名，方圓律政年度十大精英律師，西南政法大學首屆十大傑出律師校友。

李港衛先生

62歲，自2013年11月27日獲委任為本公司之獨立非執行董事、審核委員會主席及薪酬委員會成員。李先生於執業會計及審核、公司財務、合併及收購以及首次公開發售方面積逾30年經驗。李先生於1980年9月至2009年9月任職於安永會計師事務所，李先生曾擔任安永會計師事務所的合夥人，並在安永會計師事務所中國業務的發展中擔任主要領導職務。李先生分別為英格蘭及威爾斯特許會計師公會會員、澳洲及新西蘭特許會計師公會會員、英國特許會計師公會會員、香港會計師公會會員及澳門註冊會計師公會會員。自2007年起，李先生一直獲委任為中國人民政治協商會議湖南省委員。

李先生現為超威動力控股有限公司(股份代號：951)、中國現代牧業控股有限公司(股份代號：1117)、中國綠地潤東汽車集團有限公司(股份代號：1365)、協鑫新能源控股有限公司(股份代號：451)、國美電器控股有限公司(股份代號：493)、雷士照明控股有限公司



DIRECTORS AND MANAGEMENT BIOGRAPHIES (CONTINUED)

董事及管理層履歷(續)

Holding Limited (stock code: 2222), Tibet Water Resources Ltd. (formerly known as Tibet 5100 Water Resources Holdings Ltd.) (stock code: 1115), West China Cement Limited (stock code: 2233) and WH Group Limited (stock code: 288) (the above companies are all listed on the Main Board of the Stock Exchange). From July 2014 to September 2015, Mr. Lee also served as a non-executive director of China Environmental Technology and Bioenergy Holdings Limited (formerly known as Merry Garden Holdings Limited) (a company listed on the Main Board of the Stock Exchange, stock code: 1237). From November 2011 to May 2016, Mr. Lee was also an independent non-executive director of CITIC Securities Company Limited (a company listed on the Stock Exchange (stock code: 6030) as well as the Shanghai Stock Exchange (stock code: 600030)). Mr. Lee was an independent non-executive director of China Taiping Insurance Holdings Company Limited (a company listed on the Main Board of the Stock Exchange, stock code: 966) from October 2009 to August 2013. Mr. Lee was an independent non-executive director of Sino Vanadium Inc. (a company which was delisted on the TSX Venture Exchange in December 2011, stock code: SVX) from September 2009 to December 2011.

Mr. Lee graduated from Kingston University (formerly known as Kingston Polytechnic) in London with a Bachelor's degree in Arts in July 1980 and further obtained his postgraduate diploma in business from Curtin University of Technology in Australia in February 1988.

Senior Management

Ms. Wen Jieping

Aged 40, is the chief financial officer and the general manager of the financial management center of the Company. Ms. Wen joined the Group in May 2011 and is primarily responsible for the internal financial control and overseas investment projects. Prior to this, Ms. Wen was the department head and a senior manager of the audit department of KPMG (Guangzhou office). She obtained her dual Bachelor's degree in International Commerce English and Accounting from Guangdong University of Foreign Studies and her Executive Master of Business Administration degree from Sun Yat-sen University. Ms. Wen is a member of the Chinese Institute of Certified Public Accountants.

(股份代號：2222)、西藏水資源有限公司(前稱西藏5100水資源控股有限公司)(股份代號：1115)、中國西部水泥有限公司(股份代號：2233)及萬洲國際有限公司(股份代號：288)(上述均為在聯交所主板上市的公司)之獨立非執行董事。由2014年7月至2015年9月，李先生亦曾為中科生物控股有限公司(前稱美麗家園控股有限公司，一間在聯交所主板上市的公司，股份代號：1237)的非執行董事。由2011年11月至2016年5月，李先生亦出任中信證券股份有限公司(一間在聯交所(股份代號：6030)及上海證券交易所(股份代號：600030)上市的公司)之獨立非執行董事。由2009年10月至2013年8月，李先生曾為中國太平保險控股有限公司(一間在聯交所主板上市的公司，股份代號：966)之獨立非執行董事。由2009年9月至2011年12月，李先生曾為Sino Vanadium Inc. (一間已於2011年12月從多倫多證券交易所創業板(股份代號：SVX)除牌的公司)之獨立非執行董事。

李先生於1980年7月畢業於倫敦金斯頓大學(前稱為金斯頓理工學院)，獲得文學學士學位，並於1988年2月獲頒發澳洲科廷科技大學的商學深造文憑。

高級管理層

溫潔平女士

40歲，為本公司首席財務官、財務管理中心總經理。溫女士於2011年5月加入本公司，主要負責內部財務監控及境外投資項目工作。在此之前，溫女士為畢馬威華振會計師事務所(廣州分所)審計部部門主管、高級經理。溫女士獲廣東外語外貿大學國際商務英語及會計學專業雙學士學位和中山大學高層管理人員工商管理碩士學位(EMBA)。溫女士為中國註冊會計師協會會員。

DIRECTORS AND MANAGEMENT BIOGRAPHIES (CONTINUED)

董事及管理層履歷(續)

Ms. Ho Siu Pik

Ms. Ho Siu Pik was appointed as the joint company secretary of the Company on 20 June 2012. Following the resignation of Mr. Wu Xiaonan as the joint company secretary, Ms. Ho has become the sole company secretary of the Company since 25 March 2014. Ms. Ho, is a director, Corporate Services of Tricor Services Limited ("Tricor"), a global professional services provider specializing in integrated Business, Corporate and Investor Services. Ms. Ho has over 20 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Ho is a Chartered Secretary and a Fellow member of both The Hong Kong Institute of Chartered Secretaries ("HKICS") and The Institute of Chartered Secretaries and Administrators in the United Kingdom. Ms. Ho is a holder of the Practitioner's Endorsement from HKICS.

Mr. Li Yuejin

Aged 30, was appointed as the joint company secretary of the Company on 11 October 2016. Mr. Li graduated from Norwegian University of Science and Technology (NTNU) with a Master of Science degree. Prior to joining the Company, Mr. Li had worked in the Norwegian Academy of Science (Det Kongelige Norske Videnskabers Selskab), Alliance PKU Management Consultants Ltd. (北大縱橫管理諮詢集團), and had held various positions including junior researcher, senior advisory consultant and project manager. Mr. Li joined the Group in 2014 and has served as strategic manager and deputy investment director of Yashili International Baby Nourishment Co., Ltd. (雅士利國際嬰幼兒營養品有限公司), an indirect wholly-owned subsidiary of the Company. Mr. Li is currently the secretary of the Board and is the person-in-charge of the Company's Department of Strategic Investment, responsible for matters such as Board and general meeting affairs, investor relations, information disclosure, governance framework and asset restructuring as well as equity investment. Over the years, Mr. Li has been closely involved in various transactions of the Company, thereby acquiring a sound understanding of the Listing Rules and other laws and regulations applicable to the Company and also gaining rich experience in related areas.

何小碧女士

何小碧女士於2012年6月20日獲委任為本公司聯席公司秘書。於吳曉南先生辭任聯席公司秘書後，何女士自2014年3月25日起成為本公司唯一公司秘書。何女士現為卓佳專業商務有限公司(「卓佳」)企業服務部董事。卓佳是全球性的專業服務公司，為客戶提供商務、企業及投資者綜合服務。何女士於企業服務範疇擁有逾20年經驗，一直為香港上市公司，以及跨國公司、私人公司及離岸公司提供專業的企業服務。何女士為特許秘書，以及香港特許秘書公會(「HKICS」)及英國特許秘書及行政人員公會的資深會員。何女士亦持有由HKICS發出的執業者認可證明。

李躍進先生

30歲，於2016年10月11日獲委任為本公司聯席公司秘書。李先生畢業於挪威科技大學，獲理學碩士學位。在加入本公司前，李先生曾供職於挪威皇家科學院、北大縱橫管理諮詢集團，擔任初級研究員、高級諮詢顧問及項目經理等職位。李先生於2014年加入本集團，並擔任雅士利國際嬰幼兒營養品有限公司(本公司之間接全資附屬公司)戰略經理及投資副總監。李先生現為本公司董事會秘書及戰略投資部負責人，負責董事會及股東會事務、投資者關係、信息披露、治理架構和資產重組以及股權投資管理等工作。在過去多年，李先生深入參與了本公司的多項交易，因此李先生對上市規則及其他適用於本公司的法律法規有良好理解，並有相關領域經驗。



REPORT OF THE DIRECTORS 董事會報告

The Directors have pleasure in presenting their report together with the audited consolidated financial statements for the year ended 31 December 2016.

董事欣然提呈彼等的報告，連同截至2016年12月31日止年度的經審核合併財務報表。

Business Review and Performance

A review of the business of the Group and a discussion and analysis of the Group's performance during the year under review and a discussion on the Group's future business development and outlook of the Company's business, possible risks and uncertainties that the Group may be facing and important events affecting the Company occurred during the year ended 31 December 2016 are provided in the "Management's Discussion and Analysis" on pages 14 to 44 of this annual report. An account of the Company's relationships with its key stakeholders is included in the paragraphs headed "Emolument Policy", "Retirement Benefits Schemes" and "Major Customers and Suppliers" of this Directors' Report.

業務回顧及表現

本集團業務回顧及本集團於回顧年度表現的討論與分析，以及本集團未來業務發展及本公司業務前景的討論、本集團可能面臨的風險及不確定因素及截至2016年12月31日止年度所發生影響本公司的重要事件，載列於本年報第14至44頁「管理層討論與分析」內。本公司與其主要持份者關係的說明載於本董事會報告「薪酬政策」、「退休福利計劃」及「主要客戶及供應商」的段落內。

An analysis of the Group's performance during the year ended 31 December 2016 using financial performance indicators is provided in the section headed "Management's Discussion and Analysis" on pages 14 to 44 of this annual report.

於截至2016年12月31日止年度，本集團採用財務表現指標進行的表現分析載列於本年報第14至44頁「管理層討論與分析」一節。

In addition, more details regarding the Group's performance by reference to environmental and social related policies, as well as compliance with relevant laws and regulations which have a significant impact on the Company will be provided in the "Environmental, Social and Governance Report" which will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.yashili.hk) and a printed copy of the same will be despatched to the shareholders of the Company upon request.

此外，更多有關參考環境及社會相關主要表現政策的本集團表現的詳情，以及對本公司有重大影響的有關法律及法規的遵守情況，將於稍後載於「環境、社會及管治報告」並於聯交所網站(www.hkexnews.hk)及本公司網站(www.yashili.hk)發放，股東亦可向本公司要求印刷本。

Principal Activities

The principal activity of the Company is investment holding. Details of the principal activities of its subsidiaries are set out in note 1 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year under review.

主要業務

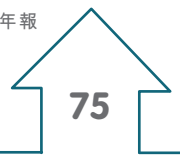
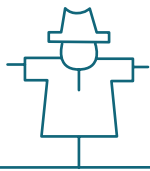
本公司的主要業務為投資控股。有關其子公司主要業務的詳情載於合併財務報表附註1。於回顧年度，本集團的主要業務性質並無重大變動。

Financial Statements

The profit of the Group for the year ended 31 December 2016 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 109 to 218 of this Annual Report.

財務報表

本集團截至2016年12月31日止年度的溢利以及本公司及本集團於該日的財務狀況載於本年報第109至218頁的合併財務報表。



REPORT OF THE DIRECTORS (CONTINUED)

董事會報告(續)

Final Dividends

The Board did not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: RMB0.75 cent per share).

Reserves

Details of movements in reserves of the Group during the year under review are set out in the consolidated statement of changes in equity.

Distributable Reserves of the Company

As at 31 December 2016, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately RMB5,301.3 million, which may be distributed provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

Charitable Donations

Donations made by the Group during the year under review amounted to approximately RMB4.46 million.

Property, Plant and Equipment

During the year ended 31 December 2016, the Group held property, plant and equipment of approximately RMB1,788.66 million. Movements in property, plant and equipment of the Group for the year ended 31 December 2016 are set out in note 13 to the consolidated financial statements.

Share Capital

Details of the movements in share capital of the Company during the year ended 31 December 2016 are set out in note 30 to the consolidated financial statements.

末期股息

董事會不建議就截至2016年12月31日止年度派發末期股息(2015年：每股人民幣0.75分)。

儲備

本集團於回顧年度的儲備的變動詳情載於合併權益變動表。

本公司的可供分派儲備

於2016年12月31日，本公司根據開曼群島第22章(1961年第三號法例，經綜合及修訂)公司法計算的可供分派儲備約為人民幣5,301.3百萬元，其可供分派，惟緊隨建議分派股息日期後，本公司須能繳清其於日常業務過程中到期的債務。

慈善捐贈

本集團於回顧年度作出價值約人民幣4.46百萬元的捐贈。

物業、廠房及設備

於截至2016年12月31日止年度，本集團持有物業、廠房及設備約人民幣1,788.66百萬元。本集團截至2016年12月31日止年度的物業、廠房及設備的變動載於合併財務報表附註13。

股本

本公司於截至2016年12月31日止年度股本的變動詳情載於合併財務報表附註30。



REPORT OF THE DIRECTORS (CONTINUED)

董事會報告(續)

Directors

The Directors of the Company during the year ended 31 December 2016 and during the period from the end of the year of 2016 to the date of this annual report were:

Non-executive directors:

Mr. Jeffrey, Minfang Lu (*Chairman*)⁽¹⁾
 Ms. Sun Yiping⁽²⁾
 Mr. Qin Peng
 Mr. Zhang Ping
 Mr. Huang Xiaojun⁽³⁾
 Mr. Wu Jingshui⁽⁴⁾

Executive directors:

Mr. Jeffrey, Minfang Lu⁽¹⁾
 Mr. Li Dongming⁽⁵⁾
 Mr. Chopin Zhang (*Chief Executive Officer*)⁽⁶⁾
 Mr. Hua Li⁽⁷⁾

Independent non-executive directors:

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

Notes:

- (1) Ceased as the Chief Executive Officer, appointed as the Chairman of the Board, the Chairman of the Nomination Committee, a member of the Remuneration Committee and re-designated as a non-executive director on 15 September 2016.
- (2) Resigned on 15 September 2016.
- (3) Appointed on 29 January 2016.
- (4) Resigned on 29 January 2016.
- (5) Resigned on 25 August 2016.
- (6) Appointed on 1 January 2017.
- (7) Appointed on 25 August 2016.

董事

本公司於截至2016年12月31日止年度及2016年年末至本年報日期期間的董事為：

非執行董事：

盧敏放先生(主席)⁽¹⁾
 孫伊萍女士⁽²⁾
 秦鵬先生
 張平先生
 黃曉軍先生⁽³⁾
 吳景水先生⁽⁴⁾

執行董事：

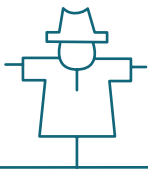
盧敏放先生⁽¹⁾
 李東明先生⁽⁵⁾
 張平(Chopin Zhang)先生(行政總裁)⁽⁶⁾
 華力先生⁽⁷⁾

獨立非執行董事：

莫衛斌先生
 程守太先生
 李港衛先生

附註：

- (1) 於2016年9月15日不再擔任行政總裁，獲委任為董事會主席、提名委員會主席、薪酬委員會成員及調任為非執行董事。
- (2) 於2016年9月15日辭任。
- (3) 於2016年1月29日獲委任。
- (4) 於2016年1月29日辭任。
- (5) 於2016年8月25日辭任。
- (6) 於2017年1月1日獲委任。
- (7) 於2016年8月25日獲委任。



REPORT OF THE DIRECTORS (CONTINUED)

董事會報告(續)

Pursuant to Article 83 of the Articles of Association adopted by the Company on 8 October 2010, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his/her appointment and be subject to re-election at such meeting, and any Director appointed by the Board as an addition to the existing Board shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election at such meeting.

Each of Mr. Chopin Zhang and Mr. Hua Li, being a Director appointed by the Board after the last annual general meeting, shall retire at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

The Company has received annual confirmations of independence from each of the existing independent non-executive directors in accordance with Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive directors are independent in accordance with the Listing Rules.

Directors' and Senior Management's Biographies

Biographical details of the Directors and senior management are set out on pages 67 to 73 of this Annual Report.

Directors' Interests in Transactions, Arrangements or Contracts

Save as disclosed below, there was no transaction, arrangement or contract of significance to which the Company, its holding company or any of its subsidiaries was a party, and in which a director of the Company had a material interest, whether directly or indirectly, subsisting during or at the end of the year ended 31 December 2016.

根據本公司於2010年10月8日採納的組織章程細則第83條，任何獲董事會委任以填補臨時空缺之董事僅任職至其獲委任後的首個股東大會為止，屆時彼等可於該大會上膺選連任，而任何獲董事會委任成為現行董事會新增成員之董事僅任職至本公司下屆股東周年大會為止，屆時彼等將合資格於該大會上膺選連任。

張平(Chopin Zhang)先生及華力先生各自為於上屆股東周年大會後獲董事會委任之董事，彼須於應屆股東周年大會上退任，且符合資格膺選連任。

根據上市規則第3.13條，本公司已接獲各現有獨立非執行董事有關其獨立性的年度確認。本公司認為，根據上市規則，所有獨立非執行董事均為獨立人士。

董事及高級管理層履歷

董事及高級管理層的履歷詳情載於本年報第67至73頁。

董事之交易、安排或合約權益

除下文所披露者外，於截至2016年12月31日止年度或該年末概無存續本公司、其控股公司或其任何子公司為訂約方而任何本公司董事直接或間接擁有重大權益的重大交易、安排或合約。



REPORT OF THE DIRECTORS (CONTINUED)

董事會報告(續)

Directors' Service Contracts

Each of the non-executive directors and independent non-executive directors in the Board has entered into a service contract with the Company for an initial fixed term of three years which will continue thereafter unless otherwise terminated in accordance with the terms of the service contract, including by not less than three months' notice in writing served by either party on the other. The existing service contract between the Company and Mr. Jeffrey, Minfang Lu (as a non-executive director) will continue to be effective and is for an initial fixed term of three years commencing from 27 April 2015. No Director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

Permitted Indemnity Provision

Pursuant to the Articles of Association of the Company, every Director shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group throughout the year.

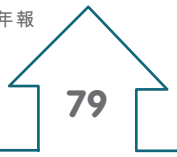
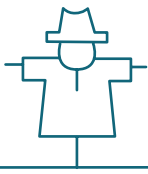
董事服務合約

董事會各非執行董事及獨立非執行董事已與本公司訂立服務合約，初步固定期限為三年，除非其根據服務合約之條款(包括任何一方向另一方發出不少於三個月的書面通知)獲另行終止，否則服務合約將於該期限後持續。本公司與盧敏放先生(為非執行董事)現有之服務合約將繼續生效，自2015年4月27日起計初步固定期限為三年。擬於應屆股東周年大會上膺連任之董事概無與本公司或其任何子公司訂有不可於一年內不作賠償(法定賠償除外)即可終止的尚未屆滿服務合約。

獲准許彌償條文

根據本公司的組織章程細則，各董事均可就彼等或彼等任何一人、彼等或彼等任何一人的承繼人、遺囑執行人或遺產管理人因執行彼等各自職務或受託的職責或據稱職責或因此就此而作出、贊同作出或沒有作出的任何行動而將會或可能承擔或蒙受的所有訴訟、成本、押記、虧損、損害及開支獲得以本公司的資產及溢利作出的彌償保證及免受損害。

本公司於本年度整段期間已為董事及本公司高級行政人員安排適當之董事及高級行政人員責任保險計劃。



REPORT OF THE DIRECTORS (CONTINUED)

董事會報告 (續)

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2016, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which have been notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and the chief executives of the Company are taken and deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules.

At no time was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors and chief executives of the Company (including their spouse and children under 18 years of age) to hold any interest or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations (within the meaning of Part XV of the SFO).

Share Option Schemes

The Company adopted a share option scheme (the "Pre-IPO Share Option Scheme") on 8 October 2010, and adopted a share option scheme (the "Share Option Scheme") on 8 October 2010. Details of the Share Option Scheme are as follows:

The Company has adopted the Share Option Scheme for the purpose of motivating eligible participants to optimize their future contributions to the Group and/or reward them for their past contributions, attracting and retaining or otherwise maintaining on-going relationships with such eligible participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.

董事及主要行政人員於股份、相關股份及債券的權益及淡倉

於2016年12月31日，本公司董事或主要行政人員概無於本公司及其相聯法團(定義見證券及期貨條例第XV部)的股份、相關股份或債券中擁有或被視作擁有根據證券及期貨條例第XV部第7及第8分部須知會本公司及聯交所的權益或淡倉(包括本公司董事及主要行政人員根據證券及期貨條例的該等條文被當作及視為擁有的權益或淡倉)，或須記錄於根據證券及期貨條例第352條須存置的登記冊的權益或淡倉，或另行根據上市規則所載的標準守則須知會本公司及聯交所的任何權益或淡倉。

於任何時間，本公司、其控股公司或其任何子公司概無訂立任何安排，致使本公司的董事及主要行政人員(包括彼等的配偶及未滿十八歲子女)於本公司或其相聯法團(定義見證券及期貨條例第XV部)的股份或相關股份或債券中持有任何權益或淡倉。

購股權計劃

本公司已於2010年10月8日採納購股權計劃(「首次公開發售前購股權計劃」)及於2010年10月8日採納購股權計劃(「購股權計劃」)。購股權計劃之詳情如下：

本公司已採納購股權計劃，其目的為激勵合資格參與者，令其對本集團的未來貢獻達致最佳及／或獎勵彼等過往的貢獻、吸引及挽留或以其他方式維持與該等對本集團的表現、增長或成功而言屬重要及／或其貢獻屬有利或將會有利的合資格參與者的持續關係。



REPORT OF THE DIRECTORS (CONTINUED)

董事會報告(續)

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as at 1 November 2010 (the "Listing Date"), that is, 350,000,000 Shares, which represented approximately 7.38% of the Company's shares in issue as at the date of this report. No option may be granted to any participant of the Share Option Scheme such that the total number of Shares issued and to be issued upon exercise of the options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the Company's issued share capital from time to time.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of the grant. There is no minimum period for which an option must be held before it can be exercised. Participants of the Share Option Scheme are required to pay the Company HK\$1.00 upon acceptance of the grant on or before the 28 days after the offer date. The exercise price of the options is determined by the Board in its absolute discretion and shall not be less than whichever is the highest of:

- (a) the nominal value of a share;
- (b) the closing price of a share as stated in the Stock Exchange's daily quotations sheets on the offer date; and
- (c) the average closing price of a share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date.

The Share Option Scheme shall be valid and effective for a period of 10 years from the Listing Date, after which no further options will be granted or offered.

On 23 July 2013, Mengniu International made a voluntary general offer to option holders of the Company ("Option Offer"), to cancel the outstanding options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme. Please refer to the composite offer and response document issued by the Company, Mengniu Dairy and Mengniu International relating to, among other things, the Option Offer dated 23 July 2013 for further details.

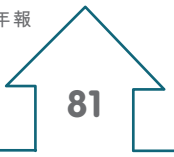
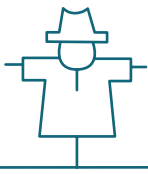
因行使根據購股權計劃及本集團任何其他計劃將予授出的所有購股權而可能發行的最高股份數目，合共不得超過於2010年11月1日(「上市日期」)已發行股份的10%，即350,000,000股股份，相當於於本報告日期本公司已發行股份的約7.38%。本公司概不得向任何一名購股權計劃參與人士授出購股權，致使在任何截至最近授出當日止12個月期間行使已授出及將授出的購股權而發行及將予發行的股份總數超過本公司不時已發行股本的1%。

購股權可根據購股權計劃的條款於董事會釐定的期間內任何時間予以行使，惟不得超過授出日期起計10年。於購股權可獲行使前並無最短持有購股權的期限。購股權計劃參與人在要約日期後28天或之前接納授出購股權須向本公司繳付1.00港元。購股權的行使價由董事會全權酌情釐定，惟不得低於下列三者中的最高者：

- (a) 股份面值；
- (b) 於要約日期在聯交所每日報價表所列的股份收市價；及
- (c) 緊接要約日期前五個營業日於聯交所每日報價表所列的股份平均收市價。

購股權計劃將由上市日期起計10年期間內有效及生效，於該期間後，將不會進一步授出或提呈購股權。

於2013年7月23日，蒙牛國際向本公司之期權持有人提出自願性全面收購要約(「期權要約」)，以註銷首次公开发售前購股權計劃及購股權計劃項下授出的未行使期權。進一步詳情請參閱本公司、蒙牛乳業及蒙牛國際日期為2013年7月23日有關(其中包括)期權要約之綜合收購要約及回應文件。



REPORT OF THE DIRECTORS (CONTINUED)

董事會報告(續)

On 13 August 2013 (being the final closing date of the Option Offer), the Option Offer was accepted in respect of 52,088,266 options. The underlying options together with all the rights attached thereto were cancelled and given up and all the outstanding options automatically lapsed upon acceptance of the Option Offer.

No option was granted by the Company nor was there any outstanding option granted by the Company from 1 January 2016 to 31 December 2016. As at 31 December 2016, there is no outstanding option granted by the Company.

Equity-Linked Agreements

Save as disclosed under the section headed “Share Option Schemes” above, no equity-linked agreements were entered into by the Group, or existed during the year.

Arrangement for Directors to Purchase Shares or Debentures

Save as disclosed in paragraph headed “Share Option Schemes” above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate.

於2013年8月13日(即期權要約之最後截止日期),有關52,088,266份期權之期權要約已被接納。於期權要約獲接納後,相關期權連同其附帶之所有權利已被註銷及放棄,而所有未行使其權亦自動失效。

自2016年1月1日至2016年12月31日,本公司並無授出期權,亦概無任何由本公司授出的未行使其權。於2016年12月31日,本公司概無授出任何未行使其權。

股票掛鈎協議

除上文「購股權計劃」一節所披露者外,本集團於本年度概無訂立或存在股票掛鈎協議。

董事購買股份或債券的安排

除上文「購股權計劃」一段所披露者外,本公司概無於年內任何時間向任何董事或彼等各自的配偶或未成年的子女授出權利,以供藉收購本公司的股份或債券的方式獲取利益,而彼等亦無行使任何該等權利;或本公司、其控股公司或其任何子公司概無訂立任何安排,致使董事可藉收購本公司或任何其他法人團體的股份或債務證券(包括債券)的方式獲取利益。



REPORT OF THE DIRECTORS (CONTINUED)

董事會報告(續)

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

So far as is known to the Director or chief executives of the Company, as at 31 December 2016, the persons or corporations (other than Directors or chief executives of the Company) who had interest or short positions in the shares and underlying shares of the Company or its associated corporation(s) which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

主要股東於股份及相關股份之權益及淡倉

就本公司董事或主要行政人員所知，於2016年12月31日，於本公司或其相聯法團的股份及相關股份中擁有根據證券及期貨條例第XV部第2及3分部的條文須披露予本公司的權益或淡倉，或已記入根據證券及期貨條例第336條規定須存置的登記冊內的權益或淡倉的人士或法團(並非本公司董事或主要行政人員)如下：

Name	Capacity/Nature of interest	Number of ordinary shares	Approximate percentage of shareholding ⁽⁵⁾
名稱	身份／權益性質	於本公司普通股數目	佔股權概約百分比 ⁽⁵⁾
Mengniu Dairy ⁽¹⁾ 蒙牛乳業 ⁽¹⁾	Interests in a controlled corporation 受控制法團的權益	2,422,150,437 ⁽⁴⁾	51.04%
Mengniu International 蒙牛國際	Beneficial owner 實益擁有人	2,422,150,437 ⁽⁴⁾	51.04%
Danone SA ⁽²⁾ 達能 ⁽²⁾	Interests in a controlled corporation 受控制法團的權益	1,186,390,074 ⁽⁴⁾	25.00%
Danone Baby and Medical Holding ⁽²⁾	Interests in a controlled corporation 受控制法團的權益	1,186,390,074 ⁽⁴⁾	25.00%
Danone Baby and Medical Nutrition BV ⁽²⁾	Interests in a controlled corporation 受控制法團的權益	1,186,390,074 ⁽⁴⁾	25.00%
Nutricia International BV ⁽²⁾	Interests in a controlled corporation 受控制法團的權益	1,186,390,074 ⁽⁴⁾	25.00%
Danone Asia ⁽²⁾ 達能亞洲 ⁽²⁾	Beneficial owner 實益擁有人	1,186,390,074 ⁽⁴⁾	25.00%
Zhang International Investment Ltd. ⁽³⁾ 張氏國際投資有限公司 ⁽³⁾	Beneficial owner 實益擁有人	303,462,119 ⁽⁴⁾	6.39%

Notes:

- (1) As at 31 December 2016, Mengniu Dairy held 99.95% interest in Mengniu International and Mengniu International directly held the relevant Shares.
- (2) As at 31 December 2016, Danone SA held 100% interest in Danone Baby and Medical Holding. Danone Baby and Medical Holding held 100% interest in Danone Baby and Medical Nutrition BV. Danone Baby and Medical Nutrition BV held 100% interest in Nutricia International BV. Nutricia International BV held 100% interest in Danone Asia and Danone Asia directly held the relevant shares.

附註：

- (1) 於2016年12月31日，蒙牛乳業持有蒙牛國際的99.95%權益，而蒙牛國際直接持有有關股份。
- (2) 於2016年12月31日，達能持有Danone Baby and Medical Holding的100%權益。Danone Baby and Medical Holding持有Danone Baby and Medical Nutrition BV的100%權益。Danone Baby and Medical Nutrition BV持有Nutricia International BV的100%權益。Nutricia International BV持有達能亞洲的100%權益，而達能亞洲直接持有相關股份。

REPORT OF THE DIRECTORS (CONTINUED)

董事會報告(續)

- (3) Zhang International Investment Ltd. was held by Mr. Zhang Lihui, Mr. Zhang Likun, Mr. Zhang Liming, Mr. Zhang Lidian, Mr. Zhang Libo and Ms. She Lifang as their wholly-owned investment holding company to hold their shares in the Company.
- (4) All the shares are held in long position.
- (5) The total issued Shares as at 31 December 2016 was 4,745,560,296.

- (3) 張氏國際投資有限公司由張利輝先生、張利坤先生、張利明先生、張利鈿先生、張利波先生及余麗芳女士持有，作為彼等之全資投資控股公司以持有彼等於本公司之股份。
- (4) 所有股份均以好倉持有。
- (5) 於2016年12月31日，已發行股份總數為4,745,560,296股。

Save as disclosed above, as at 31 December 2016, the Directors are not aware of any other person or corporation having an interest or short position in shares and underlying shares of the Company or its associated corporation(s) which would require to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

除上文所披露者外，於2016年12月31日，董事概不知悉任何其他人士或法團於本公司或其相聯法團的股份及相關股份中擁有須記入本公司根據證券及期貨條例第336條須存置的登記冊的權益或淡倉。

Purchase, Sale or Redemption of the Company's Listed Securities

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2016.

購買、出售或贖回本公司上市證券

除上文所披露者外，本公司或其任何子公司於截至2016年12月31日止年度概無購買、出售或贖回任何本公司上市證券。

Connected Transactions

1. The equity transfer agreement in relation to the disposal of certain assets to Guangdong Yashili Investment Co., Ltd. (廣東雅士利投資有限公司) ("Guangdong Investment")

On 12 November 2015, 雅士利國際集團有限公司 (Yashili International Group Ltd.) (a company incorporated in the PRC) ("Yashili (Guangdong)") entered into an assets transfer agreement (the "Assets Transfer Agreement") with Guangdong Investment, a connected person of the Company, to sell the property interests, land parcels, equipment and construction in progress of Yashili (Guangdong) (the "Disposed Assets") to Guangdong Investment for a consideration of RMB72.1 million (equivalent to approximately HK\$87.7 million), payable in cash (the "Disposal").

The Directors consider that the Disposal will enable the Company to strengthen its resource allocation, optimize its production capacity allocation and enhance its overall efficiency.

關連交易

1. 有關出售若干資產予廣東雅士利投資有限公司(「廣東投資」)之股權轉讓協議

於2015年11月12日，雅士利國際集團有限公司(一間於中國註冊成立的公司)(「雅士利(廣東)」)與本公司關連人士廣東投資訂立資產轉讓協議(「資產轉讓協議」)，以出售雅士利(廣東)的房屋建築物、土地、設備及在建工程(「出售資產」)予廣東投資，代價為人民幣72.1百萬元(相當於約87.7百萬港元)，全部以現金支付(「出售事項」)。

董事認為，此次出售事項將使本公司強化資源配置、優化產能佈局和提高整體效益。



REPORT OF THE DIRECTORS (CONTINUED)

董事會報告(續)

By the end of 2015, Yashili (Guangdong) has received the full consideration from Guangdong Investment and has executed a transfer confirmation letter with Guangdong Investment, upon which Guangdong Investment shall be entitled to all rights to the Disposed Assets and bear all the obligations, liabilities and risks, etc. of the Disposed Assets. The relevant procedures required under PRC law for the perfection of the transfer of the Disposed Assets were completed in April 2016. Please refer to the announcement of the Company dated 12 November 2015 for further details.

Mr. Zhang Lidian was a director of the Company in the last 12 months preceding the signing of the Assets Transfer Agreement, therefore, Mr. Zhang Lidian is a connected person of the Company pursuant to Rule 14A.07A(2) of the Listing Rules. Guangdong Investment is a subsidiary of a wholly-owned company held by Mr. Zhang Lidian and his family members, and hence it is an associate of Mr. Zhang Lidian and a connected person of the Company. Therefore, the Disposal constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

2. The equity transfer agreement in relation to the entire equity interest in Dumex China and the reimbursement for marketing and promotion expenses incurred by Dumex China

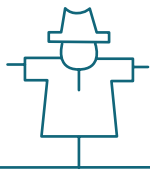
On 1 December 2015, 雅士利國際集團有限公司 (Yashili International Group Limited) (the “Purchaser”) and Danone Asia Pacific Holdings Pte. Ltd. (“DAPH”) (the “Seller”) entered into an equity transfer agreement (the “Equity Transfer Agreement”) pursuant to which the Purchaser has conditionally agreed to purchase and the Seller has conditionally agreed to sell the entire issued capital of Dumex China (including the rights to be licensed or assigned to Dumex China pursuant to a trademark license agreement, a patent license agreement and a trademark assignment agreement) for a consideration of €150 million (equivalent to approximately HK\$1,230 million), subject to adjustments, payable in cash (the “Dumex Transaction”). The Directors (other than the independent non-executive Directors who were advised by the independent financial adviser to the independent board committee and the independent shareholders of the Company and whose views were set out in the circular to be despatched to the Shareholders) are of the view that the Dumex Transaction will benefit the Company and its Shareholders as a whole as the Dumex Transaction may benefit the Group in the following areas: (1) obtaining the “Dumex” trademark which is highly recognized in the PRC; (2) obtaining access to Dumex China’s sales network which enable the Group to penetrate into the markets of

截至2015年底，雅士利(廣東)已收到廣東投資支付的全部對價，並已與廣東投資簽署轉讓確認書，自此，廣東投資享有與出售資產相關的全部權利並承擔與出售資產相關的全部義務、責任及風險。根據中國法律為完成出售資產轉讓所需辦理的相關手續已於2016年4月完成。進一步詳情請參閱本公司日期為2015年11月12日之公告。

張利鈿先生在資產轉讓協議簽署前12個月曾任本公司董事，因此根據上市規則第14A.07A(2)條，張利鈿先生為本公司的關連人士。廣東投資為一家由張利鈿先生及其家屬持有全部股權的公司的子公司，因此廣東投資為張利鈿先生的聯繫人，亦為本公司的關連人士。故此根據上市規則第14A章，出售事項構成本公司的關連交易。

2. 有關多美滋中國全部股權之股權轉讓協議及為多美滋中國推廣和營銷費用所作之補償

於2015年12月1日，雅士利國際集團有限公司(「購買方」)與Danone Asia Pacific Holdings Pte. Ltd.(「DAPH」)(「出售方」)訂立一項股權轉讓協議(「股權轉讓協議」)，據此，購買方有條件地同意購買，且出售方有條件地同意出售，多美滋中國的全部已發行股本(包括根據商標許可協議、專利許可協議及商標轉讓協議將向多美滋中國許可或轉讓的權利)，代價為150百萬歐元(相當於約1,230百萬港元)(可予調整)，並以現金支付(「多美滋交易事項」)。董事(獨立非執行董事除外(本公司獨立董事委員會及獨立股東的獨立財務顧問，已向獨立非執行董事提出建議，且獨立非執行董事的意見已列於派發予股東的通函之中))認為多美滋交易事項將在下述方面有利於本公司及其股東的整體利益，原因是多美滋交易事項將可能在下述方面有益於本集團：(1)獲得在中國被高度認可的「多美滋」商標；(2)獲得多



REPORT OF THE DIRECTORS (CONTINUED)

董事會報告(續)

first- and second-tier cities; (3) optimizing the Group's production network and reducing production costs by acquiring advanced production facilities; (4) obtaining the Danone Group's continuous support in research and development which in turn would enhance the Group's research and development capabilities; and (5) broadening the product portfolio of the Group. Please refer to the joint announcement of the Company and Mengniu Dairy dated 1 December 2015 for further details.

The Dumex Transaction was completed in May 2016, upon which Dumex China became an indirect wholly-owned subsidiary of the Company.

Dumex China is a company incorporated in the PRC and an indirect wholly-owned subsidiary of Danone SA dedicated to the IMF business in the PRC. It is primarily engaged in the manufacture, sale and import of dairy products and other related nutrition products.

As of the date of the signing of the Equity Transfer Agreement, Danone Asia has a 25.0% shareholding interest in the Company and each of Danone Asia and the Seller is a member of the Danone Group, therefore, the Seller is a connected person of the Company under the Listing Rules. As the Purchaser is an indirect wholly-owned subsidiary of the Company and the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Dumex Transaction is more than 25%, the Dumex Transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

On 22 March 2016, Dumex China and the Seller entered into a memorandum of understanding (the "MOU") pursuant to which the Seller agreed to reimburse certain marketing and promotion expenses incurred by Dumex China for the purpose of advertising and promoting the Dumex brand in the amount of RMB70,000,000 as part of its effort to promote the Dumex brand after completion of the Dumex Transaction. In addition, pursuant to a confirmation letter (the "Confirmation Letter") entered into between the Seller and the Purchaser, the Seller agreed to pay an additional amount of RMB26,323,933 to the Purchaser provided that such amount should then be paid to Dumex China for the purpose of reimbursing certain marketing and promotion expenses incurred by Dumex China for the purpose of advertising and promoting the Dumex brand.

美滋中國的銷售網絡，有助於本集團拓展一、二線城市市場；(3)通過收購先進的生產設施，優化本集團的生產網絡及降低生產成本；(4)獲得達能集團在研發方面給予的持續支持，從而加強本集團的研發能力；及(5)豐富本集團的產品組合。進一步詳情請參閱本公司及蒙牛乳業日期為2015年12月1日之聯合公告。

多美滋交易事項已於2016年5月完成交割，於交割完成後，多美滋中國成為本公司之間接全資子公司。

多美滋中國是一家在中國註冊成立的公司，是達能在中國專門從事嬰幼兒配方奶粉業務的一家間接全資子公司。多美滋中國主要從事製造、銷售及進口乳製品及其他相關營養品業務。

於簽立股權轉讓協議日期，達能亞洲持有本公司25.0%股權，且達能亞洲及出售方均為達能集團的成員，因此出售方構成上市規則項下本公司的關連人士。由於購買方為本公司之間接全資子公司，而多美滋交易事項的最高適用百分比率(如上市規則所定義)超過25%，故根據上市規則第14A章，多美滋交易事項構成本公司的關連交易。

多美滋中國與出售方於2016年3月22日訂立諒解備忘錄(「諒解備忘錄」)，據此，出售方同意補償多美滋中國為宣傳及推廣多美滋品牌而產生的營銷及推廣費用人民幣70,000,000元，作為於多美滋交易完成後推廣多美滋品牌的一部分。此外，根據出售方及購買方簽訂的確認函(「確認函」)，出售方同意向購買方支付金額為人民幣26,323,933元的額外費用，前提是該等費用之後會支付給多美滋中國以補償多美滋中國為宣傳及推廣多美滋品牌而產生的若干營銷及推廣費用。



REPORT OF THE DIRECTORS (CONTINUED)

董事會報告(續)

3. The Supply Agreement

On 21 April 2016, Yashili New Zealand, a subsidiary of the Company, entered into a supply agreement (the "Supply Agreement") with Danone Nutricia NZ Ltd, a subsidiary of Danone SA and a member of the Danone Group, pursuant to which Yashili New Zealand agreed to sell and Danone Nutricia NZ Ltd agreed to purchase whey powder at a consideration of 800,000 NZD (equivalent to HK\$4,256,000). The Directors are of the view that the Supply Transaction enables Yashili New Zealand to optimize its raw material inventory level and achieve greater synergies between the Group and the Danone Group. Please refer to the announcement of the Company dated 6 May 2016 for further details.

Yashili New Zealand is a company incorporated in New Zealand and an indirect wholly-owned subsidiary of the Company. It is principally engaged in the production and sale of dairy products. Danone Nutricia NZ Ltd is a company incorporated under the laws of New Zealand and an indirect subsidiary of Danone SA. It is primarily engaged in the manufacture of infant formula.

As of the date of the signing of the Supply Agreement, Danone Asia has a 25.0% shareholding interest in the Company and each of Danone Asia and Danone Nutricia NZ Ltd is a member of the Danone Group. Therefore, Danone Nutricia NZ Ltd is a connected person of the Company under the Listing Rules. As Yashili New Zealand is an indirect wholly-owned subsidiary of the Company and the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Supply Agreement is above 0.1% but below 5%, the Supply Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

4. The Processing Agreement by Oushi Mengniu

On 1 August 2016, Oushi Mengniu, a subsidiary of the Company, entered into a processing agreement (the "Processing Agreement by Oushi Mengniu") with Inner Mongolia Mengniu, a subsidiary of Mengniu Dairy, pursuant to which Oushi Mengniu agreed to provide processing services and production of whole milk powder and other products by Oushi Mengniu to Inner Mongolia Mengniu from 1 August 2016 to 31 December 2016 at a consideration of RMB29.15 million.

The transactions contemplated under the Processing Agreement by Oushi Mengniu enable the Group to meet the production needs for its milk powder products as well as fully utilise and better allocate the Group's production capacities which in turn generate additional revenue to the Group.

3. 供應協議

於2016年4月21日，本公司之子公司新西蘭乳業與Danone Nutricia NZ Ltd(達能之子公司，達能集團之成員)訂立供應協議(「供應協議」)。據此，新西蘭乳業同意銷售且Danone Nutricia NZ Ltd同意購買乳清粉，代價為800,000新西蘭元(相當於4,256,000港元)。董事認為供應交易有助新西蘭乳業優化原材料庫存水平，並進一步發揮本集團與達能集團的協同效應。進一步詳情請參閱本公司日期為2016年5月6日之公告。

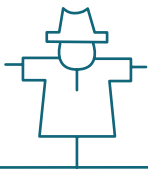
新西蘭乳業是一家在新西蘭成立的公司，為本公司間接全資子公司，主要從事生產及銷售乳製品。Danone Nutricia NZ Ltd是一家根據新西蘭法律成立的公司，亦為達能的間接子公司，主要從事生產嬰幼兒配方奶粉。

於供應協議簽立日期，達能亞洲於本公司擁有25.0%股權，且達能亞洲和Danone Nutricia NZ Ltd均為達能集團的成員公司。因此，Danone Nutricia NZ Ltd是上市規則項下本公司的關連人士。由於新西蘭乳業是本公司的一家間接全資子公司，且有關供應協議之最高適用百分比率(如上市規則所定義)高於0.1%但低於5%，因此供應協議構成上市規則第14A章下本公司的關連交易。

4. 歐世蒙牛加工協議

於2016年8月1日，本公司之子公司歐世蒙牛與蒙牛乳業之子公司內蒙蒙牛訂立加工協議(「歐世蒙牛加工協議」)，據此，歐世蒙牛同意以人民幣29.15百萬元的代價於2016年8月1日至2016年12月31日期間向內蒙蒙牛提供加工服務並生產全脂奶粉及其他產品。

通過歐世蒙牛加工協議項下進行之交易，本集團可以在滿足本集團奶粉產品生產需求的同時，充分利用和優化分配本集團的產能資源，從而為本集團帶來額外收益。



REPORT OF THE DIRECTORS (CONTINUED)

董事會報告(續)

5. The White Sugar Purchase Contract with Inner Mongolia Mengniu

On 20 November 2015, Oushi Mengniu entered into a purchase contract (the “White Sugar Purchase Contract with Inner Mongolia Mengniu”) with Inner Mongolia Mengniu, a subsidiary of Mengniu Dairy, pursuant to which Oushi Mengniu agreed to purchase and Inner Mongolia Mengniu agreed to sell white sugar and other raw materials from 20 November 2015 to 31 December 2017. The consideration under the White Sugar Purchase Contract with Inner Mongolia Mengniu for the year ended 31 December 2016 shall be RMB4.94 million.

The Directors are of the view that the White Sugar Purchase Contract with Inner Mongolia Mengniu and the transactions contemplated thereunder enable the Group to achieve greater synergies with the Mengniu Group.

6. Procurement Agency Agreement with Arla Import & Export

On 1 January 2016, Oushi Mengniu entered into a procurement agency agreement (the “Procurement Agency Agreement”) with Arla Dairy Products Import & Export Co., Ltd. 愛氏晨曦乳製品進出口有限公司 (“Arla Import & Export”), a subsidiary of Mengniu Dairy, pursuant to which Oushi Mengniu appointed Arla Import & Export as its exclusive agent for the procurement of dairy products from Arla Foods from 1 January 2016 to 31 December 2016. Pursuant to the Procurement Agency Agreement, Arla Import & Export shall be responsible for, among others, negotiating the terms of the procurement on behalf of Oushi Mengniu, and Oushi Mengniu shall pay for the dairy products procured by Arla Import & Export on behalf of Oushi Mengniu to Arla Import & Export. For the year ended 31 December 2016, the total value of the dairy products procured by Arla Import & Export on behalf of Oushi Mengniu pursuant to the Procurement Agency Agreement shall be RMB105.32 million.

The Directors are of the view that the Procurement Agency Agreement and the transactions contemplated thereunder enable the Group to utilise the well-established overseas procurement system of Arla Import & Export, thereby achieving greater synergies with the Mengniu Group.

5. 內蒙蒙牛白砂糖採購合同

於2015年11月20日，歐世蒙牛與蒙牛乳業之子公司內蒙蒙牛訂立一項合同（「內蒙蒙牛白砂糖採購合同」），據此，自2015年11月20日至2017年12月31日期間，歐世蒙牛同意購買而內蒙蒙牛同意銷售白砂糖及其他原材料。截至2016年12月31日止年度內蒙蒙牛白砂糖採購合同項下的代價為人民幣4.94百萬元。

董事認為內蒙蒙牛白砂糖採購合同及其項下進行之交易有利於本集團與蒙牛集團達至更大協同效應。

6. 愛氏晨曦進出口公司採購代理協議

於2016年1月1日，歐世蒙牛與蒙牛乳業之子公司愛氏晨曦乳製品進出口有限公司（「愛氏晨曦進出口公司」）訂立採購代理協議（「採購代理協議」），據此，自2016年1月1日至2016年12月31日期間，歐世蒙牛委任愛氏晨曦進出口公司作為其從Arla Foods採購乳製品的獨家代理商。根據採購代理協議，愛氏晨曦進出口公司應負責（其中包括）代表歐世蒙牛磋商採購條款，歐世蒙牛應向愛氏晨曦進出口公司支付愛氏晨曦進出口公司代表歐世蒙牛採購的乳製品的價款。截至2016年12月31日止年度，愛氏晨曦進出口公司根據採購代理協議代表歐世蒙牛採購的乳製品的總價值為人民幣105.32百萬元。

董事認為採購代理協議及其項下進行之交易可以使本集團利用愛氏晨曦進出口公司完善的海外採購系統，從而與蒙牛集團達至更大協同效應。



REPORT OF THE DIRECTORS (CONTINUED)

董事會報告(續)

Continuing Connected Transactions

Connected Persons

(a) Inner Mongolia Mengniu

Mengniu International, a subsidiary of Mengniu Dairy, holds 51.04% of the shares of the Company and is a substantial shareholder of the Company. Therefore, Mengniu Dairy is a connected person of the Company. As Inner Mongolia Mengniu is a subsidiary of Mengniu Dairy, Inner Mongolia Mengniu is a connected person of the Company.

(b) Danone Trading ELN B.V. (“Danone Trading”), Danone Asia-Pacific Management Co. Ltd. (達能亞太(上海)管理有限公司) (“DAPM”), Nutricia Early Life Nutrition (Shanghai) Co. Ltd. (紐迪希亞生命早期營養品管理(上海)有限公司) (“NELN”), DAPH and Nutricia Research B.V. (“Nutricia Research”)

Danone Asia, a subsidiary of Danone SA, has a 25.0% shareholding interest in the Company. Therefore, Danone SA is a connected person of the Company. As each of Danone Trading, DAPM, NELN, DAPH and Nutricia Research is an indirect subsidiary of Danone SA and a member of the Danone Group, each of Danone Trading, DAPM, NELN, DAPH and Nutricia Research is a connected person of the Company.

Continuing connected transactions

1. The Framework Purchase Agreement

On 11 December 2014, Heilongjiang Yashili Dairy Co., Ltd. (“Yashili (Heilongjiang)”) and Shanxi Yashili Dairy Co., Ltd. (“Yashili (Shanxi)”), each a subsidiary of the Company, entered into a framework purchase agreement (the “Framework Purchase Agreement”) with Inner Mongolia Mengniu, a subsidiary of Mengniu Dairy, pursuant to which Yashili (Heilongjiang) and Yashili (Shanxi) agreed to purchase and Inner Mongolia Mengniu agreed to sell whole milk powder from time to time from 1 December 2014 to 31 December 2016. The pricing terms shall be specified in individual purchase orders and shall be determined upon mutual agreement between the seller and the purchasers with reference to the CIF (cost, insurance and freight) price of the relevant whole milk powder at the time the relevant purchase orders were made. The purchase transactions enable the Company to procure whole milk powder it needs for its manufacturing of milk powders and nutritious products through a reasonable source and at a price that the parties may negotiate from time to time. Please refer to the announcement of the Company dated 11 December 2014 for further details.

持續關連交易

關連人士

(a) 內蒙蒙牛

蒙牛乳業之子公司蒙牛國際持有本公司股份之51.04%，並為本公司之主要股東。因此，蒙牛乳業為本公司之關連人士。由於內蒙蒙牛為蒙牛乳業的子公司，故內蒙蒙牛為本公司之關連人士。

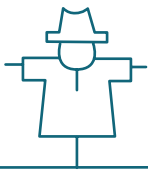
(b) Danone Trading ELN B.V. (「Danone Trading」)、達能亞太(上海)管理有限公司(「DAPM」)、紐迪希亞生命早期營養品管理(上海)有限公司(「NELN」)、DAPH及Nutricia Research B.V. (「Nutricia Research」)

達能的子公司達能亞洲持有本公司股份權益之25.0%，因此為本公司之關連人士。Danone Trading、DAPM、NELN、DAPH及Nutricia Research各自為達能的間接子公司及達能集團成員之一，因此Danone Trading、DAPM、NELN、DAPH及Nutricia Research各自為本公司之關連人士。

持續關連交易

1. 採購框架協議

於2014年12月11日，本公司之子公司黑龍江雅士利乳業有限公司(「雅士利(黑龍江)」)及山西雅士利乳業有限公司(「雅士利(山西)」)，與蒙牛乳業之子公司內蒙蒙牛訂立採購框架協議(「採購框架協議」)，據此，自2014年12月1日至2016年12月31日，雅士利(黑龍江)及雅士利(山西)同意不時購買而內蒙蒙牛同意不時銷售全脂奶粉。採購價格將在具體採購訂單中寫明，並將經買賣雙方參考採購訂單同期有關全脂奶粉的到岸價格協商確定。通過採購交易，本公司得以按雙方可不時協商的價格從合理渠道採購全脂奶粉以滿足本公司奶粉產品及營養品的生產需要。進一步詳情請參閱本公司日期為2014年12月11日之公告。



REPORT OF THE DIRECTORS (CONTINUED)

董事會報告(續)

Due to the continuous growth in the PRC adult milk powder market which provides an opportunity for the growth in the Group's adult milk powder business and coupled with the Group's positioning in the adult milk powder business and channel penetration, the Company expects that there will be significant growth prospects in the Group's adult milk powder business in 2016 and the amount of whole milk powder to be purchased by the Group will be increased. Accordingly, the Board concluded on February 19, 2016 that the annual cap for the year ending December 31, 2016 in respect of the transactions contemplated by the Framework Purchase Agreement will not be sufficient and decided that the annual cap for the year ending December 31, 2016 in respect of the transactions contemplated by the Framework Purchase Agreement shall increase to RMB140 million (equivalent to approximately HK\$167 million). Please refer to the announcement of the Company dated 19 February 2016 (the "February 2016 Announcement") for further details.

For the year ended 31 December 2016, the purchase from Inner Mongolia Mengniu under the Framework Purchase Agreement was RMB7.69 million, which was less than the cap as disclosed in the February 2016 Announcement.

2. The Processing Agreement by Yashili (Shanxi)

On 21 May 2015, Yashili (Shanxi), a subsidiary of the Company, entered into a processing agreement (the "Processing Agreement by Yashili (Shanxi)") with Inner Mongolia Mengniu, a subsidiary of Mengniu Dairy, pursuant to which Yashili (Shanxi) agreed to provide processing services and production of whole milk powder and other products by Yashili (Shanxi) to Inner Mongolia Mengniu from time to time from 6 April 2015 to 31 December 2016. For each tonne of whole milk powder processed by Yashili (Shanxi) which fulfils the prescribed quality standards set by Inner Mongolia Mengniu, a processing fee will be charged by Yashili (Shanxi). Such processing fee shall be calculated with reference to general industry standards and rates as well as Yashili (Shanxi)'s actual production levels. The transactions contemplated under the Processing Agreement by Yashili (Shanxi) enable the Group to meet the production needs for its milk powder products as well as fully utilize and better allocate the Group's production capacities which in turn generate additional revenue to the Group. Please refer to the announcement of the Company dated 21 May 2015 ("May 2015 Announcement") for further details.

For the year ended 31 December 2016, the value of the transactions contemplated under the Processing Agreement by Yashili (Shanxi) was RMB7.58 million, which was less than the cap of RMB80 million (equivalent to approximately HK\$101.442 million) as disclosed in the May 2015 Announcement.

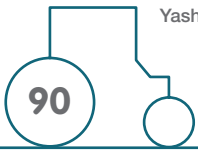
隨著中國成人奶粉市場的不斷增長，給本集團承認奶粉業務增長帶來一定的契機，並結合本集團對成人奶粉業務的定位及渠道深耕，本公司預計2016年本集團之成人奶粉業務增長前景明顯，而本集團之全脂奶粉購買量隨之增加。因此，於2016年2月19日，董事會認為截至2016年12月31日止年度就採購框架協議項下擬進行之交易年度上限並不充足，且決定將截至2016年12月31日止年度之採購框架協議項下擬進行之交易之年度上限提升至人民幣140百萬元(相等於約167百萬元)。詳情請參閱本公司日期為2016年2月19日之公告(「2016年2月公告」)。

截至2016年12月31日止年度，根據採購框架協議向內蒙牛採購之金額為人民幣7.69百萬元，低於2016年2月公告所披露之上限。

2. 雅士利(山西)加工協議

於2015年5月21日，本公司的子公司雅士利(山西)與蒙牛乳業的子公司內蒙牛訂立加工協議(「雅士利(山西)加工協議」)，據此，雅士利(山西)同意於2015年4月6日至2016年12月31日不時向內蒙牛提供加工服務並生產全脂奶粉及其他產品。就每噸經雅士利(山西)加工並符合內蒙牛所制定之訂明品質標準的全脂奶粉，雅士利(山西)將按照行業通常加工標準和費用之計算方法以及雅士利(山西)的實際生產水平收取加工費。通過雅士利(山西)加工協議項下擬進行之交易，本集團可以在滿足本集團奶粉產品生產需求的同時，充分利用和優化分配本集團的產能資源，從而為本集團帶來額外收益。進一步詳情請參閱本公司日期為2015年5月21日之公告(「2015年5月公告」)。

截至2016年12月31日止年度，雅士利(山西)加工協議項下擬進行之交易的價值為人民幣7.58百萬元，低於2015年5月公告所披露之上限人民幣80百萬元(相當於約101.442百萬元)。



REPORT OF THE DIRECTORS (CONTINUED)

董事會報告(續)

3. The Trademark Licensing Agreement

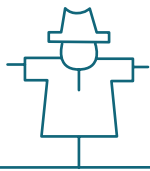
On 25 September 2015, as one of the conditions precedent to the completion of the equity transfer agreement in relation to the entire equity interests in Oushi Mengniu, Yashili (Guangdong), Oushi Mengniu and Inner Mongolia Mengniu entered into a trademark licensing agreement (the “Trademark Licensing Agreement”) pursuant to which Inner Mongolia Mengniu (as licensor) agreed to grant Oushi Mengniu, Yashili (Guangdong) and its affiliates (as licensees) a non-transferable and non-exclusive right to use and sub-license certain registered trademarks (the “Trademarks”) of Inner Mongolia Mengniu, which are subject to change by Inner Mongolia Mengniu from time to time in the PRC, for a term commencing from the date of the Trademark Licensing Agreement for a period of (i) 50 years, or (ii) the operation period of Oushi Mengniu, whichever is later. The Trademark Licensing Agreement may be renewed subject to the negotiations among the parties in the future. The annual license fee is equal to (a) 3% of the net sales revenue arising from the sale of the infant milk formula products and milk powder products for adults for which the Trademarks are used by Yashili (Guangdong) and its affiliates during that respective year, and (b) (i) 3% of the net sales revenue arising from the sale of the Products by Oushi Mengniu during that respective year, or (ii) RMB18.0 million, whichever is higher. The net sales revenue of Oushi Mengniu shall start to accrue (i) following the completion of the registration of the capital reduction as further described in the joint announcement of the Company and Mengniu Dairy dated 21 September 2015 and the circular of the Company dated 29 October 2015, or (ii) from January 1, 2016, whichever is earlier. The annual license fee shall be paid by Oushi Mengniu, Yashili (Guangdong) and its affiliates within two months after the end of each year.

The Directors are of the view that the entering into of the Trademark Licensing Agreement will benefit the Company and its Shareholders as a whole in the following respects: (i) the Company can benefit from the brand of Mengniu Dairy, the “Mengniu” trademark is highly recognized in the PRC and the use of the “Mengniu” trademark would be beneficial to the sale of the Company’s adult milk powder products and maintain the market share of Oushi Mengniu’s infant milk powder; and (ii) through the “Mengniu” trademark license, the Company could access more support from Mengniu Dairy in terms of brand resources. Please refer to the announcement of the Company dated 25 September 2015 (“September 2015 Announcement”) for further details.

3. 商標使用許可合同

作為完成有關歐世蒙牛全數股本權益之股權轉讓協議事項的其中一項先決條件，於2015年9月25日，雅士利(廣東)、歐世蒙牛與內蒙蒙牛訂立一項商標使用許可合同(「商標使用許可合同」)，據此，內蒙蒙牛(作為許可人)同意授予歐世蒙牛、雅士利(廣東)及其關聯公司(作為被許可人)一項在中國有分許可權，但無轉讓權的非排他性、非獨佔使用內蒙蒙牛的某些註冊商標(「商標」)(可由內蒙蒙牛不時更改)的權利，期限為自商標使用許可合同簽訂之日生效起(i)50年，或(ii)歐世蒙牛經營期限(以較後者為準)。且隨後各方可經協商一致確定商標使用許可合同續訂事宜。每年的許可費金額應相當於(a)該年度內雅士利(廣東)及其關聯公司銷售商標所用於的嬰幼兒配方奶粉產品及成人奶粉產品的年淨銷售收入的3%，及(b) (i)於該年度內歐世蒙牛銷售產品的年淨銷售收入的3%；或(ii)人民幣18.0百萬元(以較高者為準)。歐世蒙牛的年度淨銷售收入將從(i)完成註冊資本減少註冊(進一步詳情請參閱2015年9月21日本公司與蒙牛乳業之聯合公告及本公司日期為2015年10月29日之通函)之後，或(ii)2016年1月1日(以較早者為準)開始累計。年度許可費將由歐世蒙牛、雅士利(廣東)及其關聯公司於每年度結束後的兩個月內支付。

董事認為訂立商標使用許可合同將在整體上在下列方面有利於本公司及其股東：(i)借力蒙牛乳業母品牌的品牌力：「蒙牛」商標在中國市場的知名度高，使用「蒙牛」商標有利於本公司成人奶粉產品的銷售，並保持歐世蒙牛嬰幼兒奶粉的市場份額；及(ii)借助「蒙牛」商標許可，獲取蒙牛乳業在品牌資源上的更多支持。進一步詳情請參閱本公司日期為2015年9月25日之公告(「2015年9月公告」)。



REPORT OF THE DIRECTORS (CONTINUED)

董事會報告(續)

For the year ended 31 December 2016, the aggregate license fees payable by Oushi Mengniu, Yashili (Guangdong) and its affiliates to Inner Mongolia Mengniu under the Trademark Licensing Agreement was RMB0, which was less than the cap of RMB35 million (equivalent to approximately HK\$42.6 million) as disclosed in the September 2015 Announcement.

4. The Transition Services Agreements

On 27 May 2016 (after trading hours), Dumex China entered into a series of transition services agreements (the “Transition Services Agreements”) with members of the Danone Group, pursuant to which the relevant members of the Danone Group agreed to provide certain transitional services to Dumex China in respect of IT support, lab sharing, accounting service, procurement support and office sharing during the respective terms of the Transition Services Agreements.

A. IT Support Transition Services Agreement

Pursuant to an IT support transition services agreement (the “IT Support Transition Services Agreement”) entered into between DAPM and Dumex China, DAPM will provide, or cause to be provided (including subcontracting any of its affiliates to provide) to Dumex China, certain IT services from the completion of Dumex Transaction until the date on which all of the individual transition periods for the services provided by DAPM under the IT Support Transition Services Agreement have expired. The consideration for the services shall be the aggregate amount of the cost of the services plus a 5% markup and the applicable value added tax at the time the written invoice from DAPM is issued to Dumex China.

B. Lab Sharing Transition Services Agreement

Pursuant to a lab sharing transition services agreement entered into between NELN, Dumex China will grant, or cause to be provided to NELN access to and use of the analytical laboratory and research and development laboratory equipment and the office space in Dumex China’s Shanghai factory from the completion of Dumex Transaction to 31 December 2017. NELN will pay to Dumex China per lab test pursuant to the access granted, the office rental services, actual cost of any other services that it may request from Dumex China from time to time, and one-off cost of decoration and recovery.

截至2016年12月31日止年度，根據商標使用許可合同，應由歐世蒙牛、雅士利(廣東)及其他關聯公司付予內蒙蒙牛的累計應付許可費為人民幣0元，低於2015年9月公告所披露之上限人民幣35百萬元(相等於大約42.6百萬港元)。

4. 過渡服務協議

於2016年5月27日(交易時段後)，多美滋中國與達能集團成員公司訂立多項過渡服務協議(「過渡服務協議」)，據此，達能集團有關成員公司同意於過渡服務協議各自之期限內就IT支援、實驗室共享、會計服務、採購支援及辦公室共享向多美滋中國提供若干過渡服務。

A. IT支援過渡服務協議

根據DAPM與多美滋中國訂立之IT支援過渡服務協議(「IT支援過渡服務協議」)，DAPM將於多美滋交易事項交割日至DAPM於IT支援過渡服務協議項下所提供服務之所有個別過渡期間屆滿當日，向多美滋中國提供或促使向其提供(包括分包予其任何關聯公司提供)若干IT服務。服務代價將為服務成本另加5%以及DAPM向多美滋中國出具書面發票時的適用增值稅的總額。

B. 實驗室共享過渡服務協議

根據多美滋中國與NELN訂立之實驗室共享過渡服務協議，多美滋中國於多美滋交易事項交割日至2017年12月31日止，向NELN授予或促使向其提供使用權，以使用多美滋中國位於上海工廠的分析實驗室及研發實驗室設備以及辦公室空間。NELN將根據各次實驗室檢測獲授使用權、辦公室租賃服務、其可能不時向多美滋中國要求提供之任何其他服務的實際成本及一次性裝修及復原成本向多美滋中國付款。



REPORT OF THE DIRECTORS (CONTINUED)

董事會報告(續)

C. Accounting Services Transition Services Agreement

Pursuant to an accounting services transition services agreement (the "Accounting Services Transition Services Agreement") entered into between Dymex China and NELN, NELN will provide, or cause to be provided to Dumex China, tax services, treasury services and accounting services during each individual transition period from the completion of Dumex Transaction until the date on which all of the individual transition periods for the services provided by NELN under the Accounting Service Transition Services Agreement have expired. The consideration for the services provided pursuant to the Accounting Service Transition Services Agreement shall be the aggregate amount of the cost of the services plus a 5% markup and the applicable value added tax at the time the written invoice from NELN is issued to Dumex China.

D. Procurement Support Transition Services Agreement

Pursuant to a procurement support transition services agreement (the "Procurement Support Transition Services Agreement") entered into between DAPH and Dumex China, DAPH will provide, or cause to be provided to Dumex China, procurement support with respect to certain ingredients/raw materials from the completion of Dumex Transaction to 31 December 2016. The services will be charged at cost calculated at a man-hour basis. The consideration for the services provided pursuant to the Procurement Support Transition Services Agreement shall be the aggregate amount of the cost of the services plus a 5% markup and the applicable value added tax at the time the written invoice from DAPH is issued to Dumex China.

E. Office Sharing Transition Services Agreement

Pursuant to an office sharing transition services agreement (the "Office Sharing Transition Services Agreement") entered into between NELN and Dumex China, NELN will provide, or cause to be provided to Dumex China access to certain offices during each individual transition period from the completion of Dumex Transaction until the date on which all of the individual transition periods for the services provided by NELN under the Office Sharing Transition Services Agreement have expired. The consideration for the services provided pursuant to the Office Sharing Transition Services Agreement shall be the aggregate amount of the cost of the offices plus a 5% markup and the applicable value added tax at the time the written invoice from NELN is issued to Dumex China.

C. 會計服務過渡服務協議

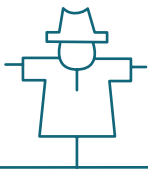
根據多美滋中國與NELN所訂立之會計服務過渡服務協議(「會計服務過渡服務協議」)，NELN將於多美滋交易事項交割日至NELN於會計服務過渡服務協議項下所提供服務之所有個別過渡期間屆滿當日，向多美滋中國提供或促使向其提供稅務服務、庫務服務及會計服務。根據會計服務過渡服務協議提供服務之代價將為服務成本另加5%以及NELN向多美滋中國出具書面發票時的適用增值稅的總額。

D. 採購支援過渡服務協議

根據DAPH與多美滋中國訂立之採購支援過渡服務協議(「採購支援過渡服務協議」)，DAPH將於多美滋交易事項交割日至2016年12月31日止，就若干成份/原材料向多美滋中國提供或促使向其提供採購支援。根據採購支援過渡服務協議提供服務之代價將為服務成本另加5%以及DAPH向多美滋中國出具書面發票時的適用增值稅的總額。

E. 辦公室共享過渡服務協議

根據NELN與多美滋中國訂立之辦公室共享過渡服務協議(「辦公室共享過渡服務協議」)，NELN將於多美滋交易事項交割日至NELN於辦公室共享過渡服務協議項下所提供服務的所有個別過渡期間屆滿當日，向多美滋中國提供或促使向其提供若干辦公室。根據辦公室共享過渡服務協議提供服務的代價將為辦公室成本另加5%以及NELN向多美滋中國出具書面發票時的適用增值稅的總額。



REPORT OF THE DIRECTORS (CONTINUED)

董事會報告(續)

The Directors are of the view that the Transition Services Agreements ensure the smooth transition and operation of Dumex China following the completion of the Dumex Transaction. Please refer to the announcement of the Company dated 27 May 2016 (“May 2016 Announcement”) for further details.

For the year ended 31 December 2016, the value of the transactions contemplated under the IT Support Transition Services Agreement was RMB4.67 million, which was less than the cap of RMB5 million (equivalent to approximately HK\$5.92 million) as disclosed in the May 2016 Announcement.

For the year ended 31 December 2016, the value of the transactions contemplated under the Lab Sharing Transition Services Agreement was RMB0.77 million, which was less than the cap of RMB1 million (equivalent to approximately HK\$1.184 million) as disclosed in the May 2016 Announcement.

For the year ended 31 December 2016, the value of the transactions contemplated under the Accounting Service Transition Services Agreement was RMB0.64 million, which was less than the cap of RMB0.8 million (equivalent to approximately HK\$0.947 million) as disclosed in the May 2016 Announcement.

For the year ended 31 December 2016, the value of the transactions contemplated under the Procurement Support Transition Services Agreement was RMB0, which was less than the cap of RMB0.6 million (equivalent to approximately HK\$0.71 million) as disclosed in the May 2016 Announcement.

For the year ended 31 December 2016, the value of the transactions contemplated under the Office Sharing Transition Services Agreement was RMB0.13 million, which was less than the cap of RMB0.3 million (equivalent to approximately HK\$0.355 million) as disclosed in the May 2016 Announcement.

董事均認為過渡服務協議確保多美滋中國於多美滋交易事項完成後平穩過渡及正常營運。詳情請參閱本公司日期為2016年5月27日之公告(「2016年5月公告」)。

截至2016年12月31日止年度，IT支援過渡服務協議下擬進行之交易金額為人民幣4.67百萬元，低於2016年5月公告所披露之年度上限人民幣5百萬元(相等於約5.92百萬元)。

截至2016年12月31日止年度，實驗室共享過渡服務協議下擬進行之交易金額為人民幣0.77百萬元，低於2016年5月公告所披露之年度上限人民幣1百萬元(相等於約1.184百萬元)。

截至2016年12月31日止年度，會計服務過渡服務協議下擬進行之交易金額為人民幣0.64百萬元，低於2016年5月公告所披露之年度上限人民幣0.8百萬元(相等於約0.947百萬元)。

截至2016年12月31日止年度，採購支援過渡服務協議下擬進行之交易金額為人民幣0元，低於2016年5月公告所披露之年度上限人民幣0.6百萬元(相等於約0.71百萬元)。

截至2016年12月31日止年度，辦公室共享過渡服務協議下擬進行之交易金額為人民幣0.13百萬元，低於2016年5月公告所披露之年度上限人民幣0.3百萬元(相等於約0.355百萬元)。



REPORT OF THE DIRECTORS (CONTINUED)

董事會報告(續)

5. The Manufacturing and Supply Agreement

On 27 May 2016 (after trading hours), Dumex China entered into a manufacturing and supply agreement (the “Manufacturing and Supplying Agreement”) with Danone Trading, an indirect subsidiary of Danone SA, pursuant to which Dumex China agreed to purchase and Danone Trading agreed to sell certain products for infant nutrition from time to time during the term from the completion of Dumex Transaction to 31 December 2027. The prices shall be negotiated each year prior to the start of the year and shall be calculated based on the cost of the relevant infant nutrition products supplied plus a markup of 10% and with reference to the volume forecasts provided by the Dumex China to Danone Trading.

The Directors are of the view that the Manufacturing and Supply Agreement enables Dumex China to secure a long-term supply of four tailored nutrition products from the Danone Group, which would complement the existing product portfolio of the Yashili Group and enhance the bargaining power the Yashili Group in channel distribution. Please refer to the May 2016 Announcement for further details.

For the year ended 31 December 2016, the value of the transactions contemplated under the Manufacturing and Supply Agreement was RMB0, which was less than the cap of RMB9 million (equivalent to approximately HK\$10.656 million) as disclosed in the May 2016 Announcement.

6. The Milk Powder Purchase Contract with Inner Mongolia Mengniu

On 1 December 2015, Oushi Mengniu entered into a purchase contract (the “Milk Powder Purchase Contract with Inner Mongolia Mengniu”) with Inner Mongolia Mengniu, a subsidiary of Mengniu Dairy, pursuant to which Oushi Mengniu agreed to purchase and Inner Mongolia Mengniu agreed to sell the skim milk powder and whole milk powder from 1 January 2016 to 31 December 2017. The price of the skim milk powder and whole milk powder under the Milk Powder Purchase Contract with Inner Mongolia Mengniu will be negotiated on an arm’s length basis and determined in the ordinary course of business on normal commercial terms and specified in individual purchase orders.

The Directors are of the view that the Milk Powder Purchase Contract with Inner Mongolia Mengniu and the transactions contemplated thereunder would enable the Company to achieve greater synergies between the Group and the Mengniu Group. Please refer to the announcement of the Company dated 12 August 2016 (“12 August 2016 Announcement”) for further details.

5. 生產及供應協議

於2016年5月27日(交易時段後)，多美滋中國與Danone Trading(達能的一家間接子公司)訂立生產及供應協議(「生產及供應協議」)，據此，於多美滋交易事項交割日至2027年12月31日止期間內，多美滋中國同意不時購買而Danone Trading同意不時出售若干嬰幼兒營養品。價格將於每年年初之前進行磋商，並參考多美滋中國預期向Danone Trading提交的訂單數量按所提供的相關嬰幼兒營養品的成本另加10%的基準計算。

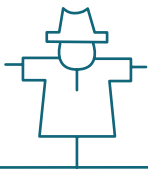
董事認為，生產及供應協議可令多美滋中國獲得達能集團對於四種定制營養品的長期供應，這將豐富雅士利集團的現有產品組合，從而加強雅士利集團在渠道分銷方面的談判能力。詳情請參閱2016年5月公告。

截至2016年12月31日止年度，生產及供應協議下擬進行之交易金額為人民幣0元，低於2016年5月公告所披露之年度上限人民幣9百萬元(相等於約10.656百萬港元)。

6. 與內蒙蒙牛訂立之奶粉採購協議

於2015年12月1日，歐世蒙牛與蒙牛乳業之子公司內蒙蒙牛訂立採購協議(「內蒙蒙牛奶粉採購協議」)，據此於2016年1月1日至2017年12月31日止期間，歐世蒙牛同意購買且內蒙蒙牛同意出售脫脂奶粉及全脂奶粉。內蒙蒙牛奶粉採購協議項下的脫脂奶粉及全脂奶粉之價格將經公平原則磋商且於日常業務過程中按一般商業條款釐定，並將於個別採購訂單中列明。

董事認為，內蒙蒙牛奶粉採購協議及其項下擬進行之交易有利於本公司就本集團與蒙牛集團達致更大協同效應。詳情請參閱2016年8月12日公告(「2016年8月12日公告」)。



REPORT OF THE DIRECTORS (CONTINUED)

董事會報告(續)

For the year ended 31 December 2016, the value of the transactions contemplated under the Milk Powder Purchase Contract with Inner Mongolia Mengniu was RMB60.36 million, which was less than the cap of RMB100 million (equivalent to approximately HK\$117 million) as disclosed in the 12 August 2016 Announcement.

7. The Purchase Contract with DAPH

On 17 August 2016, Yashili New Zealand, a subsidiary of the Company, entered into a purchase contract (the "Purchase Contract with DAPH") with DAPH, a subsidiary of Danone SA and a member of the Danone Group, pursuant to which Yashili New Zealand agreed to sell and DAPH agreed to purchase base powder products from 17 August 2016 to 31 December 2016. If the parties to the Purchase Contract with DAPH enter into a strategic cooperation supply agreement before 31 December 2016, the strategic cooperation supply agreement shall supersede the Purchase Contract with DAPH, and all the purchase orders still performing under the Purchase Contract with DAPH shall be automatically be subject to the strategic cooperation supply agreement. The price of the base powder products under the Purchase Contract with DAPH will be negotiated on an arm's length basis and determined in the ordinary course of business on normal commercial terms and specified in individual purchase orders.

The Directors are of the view that the Purchase Contract with DAPH and the transactions contemplated thereunder would enable Yashili New Zealand to improve its utilisation rate, thereby achieving greater synergies between the Group and the Danone Group. Please refer to the announcement of the Company dated 19 August 2016 ("19 August 2016 Announcement") for further details.

For the year ended 31 December 2016, the value of the transactions contemplated under the Purchase Contract with DAPH prior to the entering into of the Strategic Cooperation Supply Agreement (upon which the Purchase Contract with DAPH was superseded) was RMB20.48 million, which was less than the cap of RMB90 million (equivalent to approximately HK\$105.31 million) as disclosed in the 19 August 2016 Announcement.

8. The Strategic Cooperation Supply Agreement

On 4 November 2016, Yashili New Zealand, a subsidiary of the Company, entered into a strategic cooperation supply agreement (the "Strategic Cooperation Supply Agreement") with DAPH and Danone Trading, each a subsidiary of Danone SA and a member of the Danone Group, pursuant to which Yashili New Zealand agreed to sell and DAPH and Danone Trading (on behalf of themselves and their

截至2016年12月31日止年度，內蒙牛奶粉採購協議下擬進行之交易金額為人民幣60.36百萬元，低於2016年8月12日公告所披露之年度上限人民幣100百萬元(相等於約117百萬港元)。

7. 與DAPH訂立之採購協議

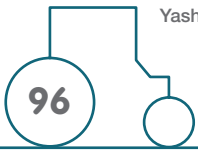
於2016年8月17日，本公司之子公司新西蘭乳業與DAPH(達能之附屬公司及達能集團之成員公司)訂立採購協議(「DAPH採購協議」)，據此於2016年8月17日至2016年12月31日止期間，新西蘭乳業同意銷售且DAPH同意購買基粉產品。倘DAPH採購協議之訂約方於2016年12月31日前訂立戰略合作供應協議，戰略合作供應協議將取代DAPH採購協議，且DAPH採購協議項下仍在進行的所有採購訂單將自動受戰略合作供應協議規限。DAPH採購協議項下基粉產品的價格將經公平磋商且於日常業務過程中按一般商業條款釐定，並將於個別採購訂單中列明。

董事認為，DAPH採購協議及其項下擬進行之交易將有利於新西蘭乳業提升其產能利用率，從而進一步增強本集團與達能集團的協同效應。詳情請參閱2016年8月19日公告(「2016年8月19日公告」)。

截至2016年12月31日止年度，訂立戰略合作供應協議前(戰略合作供應協議訂立後已取代DAPH採購協議)DAPH採購協議下擬進行之交易金額為人民幣20.48百萬元，低於2016年8月19日公告所披露之年度上限人民幣90百萬元(相等於約105.31百萬港元)。

8. 戰略合作供應協議

於2016年11月4日，本公司之子公司新西蘭乳業與DAPH及Danone Trading(各自為達能之子公司及達能集團之成員公司)訂立戰略合作供應協議(「戰略合作供應協議」)。據此，於戰略合作供應協議期間新西蘭乳業同意銷售且DAPH



REPORT OF THE DIRECTORS (CONTINUED)

董事會報告(續)

Affiliates) agreed to purchase base powder products and dairy ingredients during the term of the Strategic Cooperation Supply Agreement. The Strategic Cooperation Supply Agreement shall take effect upon: (i) the approval of the independent shareholders of the Company of the Strategic Cooperation Supply Agreement and the transactions contemplated hereunder, and (ii) consultation with the DAPH and Danone Trading's shareholders. The Strategic Cooperation Supply Agreement shall be effective until 31 December 2018 (the "Initial Term"). The term of the Strategic Cooperation Supply Agreement shall be extended for one year upon the expiry of the Initial Term unless any party gives notice to refuse to extend the term of the Strategic Cooperation Supply Agreement beyond the Initial Term at least six months prior to the expiry of the Initial Term. The price of the base powder products and dairy ingredients will be specified in individual purchase orders and shall be determined on a cost plus basis with reference to the applicable Incoterms and payment terms, which is consistent with market practice. The prices for the base powder products and dairy ingredients may be revised upon mutual agreement between Yashili New Zealand and DAPH and Danone Trading every calendar trimester.

The Directors (excluding the independent non-executive Directors (whose views were set out in the letter from the independent board committee included in the circular despatched to the Shareholders)) are of the view that the Strategic Cooperation Supply Agreement and the transactions contemplated thereunder would enable Yashili New Zealand to improve its utilisation rate, thereby achieving greater synergies between the Group and the Danone Group. As disclosed in 19 August 2016 Announcement, upon the taking effect of the Strategic Cooperation Supply Agreement, the Purchase Contract will terminate automatically, and all the purchase orders under the Purchase Contract will be automatically be subject to the Strategic Cooperation Supply Agreement.

Please refer to the announcement of the Company dated 4 November 2016 ("November 2016 Announcement") and the circular of the Company dated 23 November 2016 ("November 2016 Circular") for further details about the Strategic Cooperation Supply Agreement.

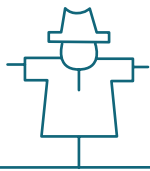
The Strategic Cooperation Supply Agreement and the transactions contemplated thereunder were approved by the independent shareholders of the Company at the extraordinary general meeting of the Company held on 14 December 2016 (the "EGM"). The Strategic Cooperation Supply Agreement became effective on 31 December 2016.

及Danone Trading (代表自身及其聯屬公司)同意購買奶粉基粉產品及乳品原料。戰略合作供應協議須待(i)獨立股東批准戰略合作供應協議及其項下擬進行之交易,及(ii)諮詢DAPH及Danone Trading之股東後方可生效。戰略合作供應協議將於生效日期至2018年12月31日期間(「初步年期」)有效。除非任何訂約方於初步年期屆滿前至少六個月發出通知拒絕於初步年期後延長戰略合作供應協議年期,否則戰略合作供應協議的期限將於初步年期屆滿後延長一年。奶粉基粉產品及乳品原料供應價格將於個別購買訂單中列明,並在符合行業慣例基礎上經參考適用國際貿易術語及付款條款後按成本加利潤基準釐定。每三個曆月奶粉基粉產品及乳品原料價格可經新西蘭乳業與DAPH及Danone Trading共同協定後修訂一次。

董事(不包括獨立非執行董事(其意見將於寄發予股東之通函中所載之獨立董事委員會函件中載列))認為,戰略合作供應協議及其項下擬進行之交易將有利於新西蘭乳業提升其產能利用率,從而進一步增強本集團與達能集團的協同效應。誠如2016年8月19日公告披露,戰略合作供應協議生效後,採購合約會自動終止,且採購合約下之所有採購訂單將自動受戰略協議所規限。

戰略合作供應協議詳情請參閱本公司日期為2016年11月4日之公告(「2016年11月公告」)及本公司日期為2016年11月23日之通函(「2016年11月通函」)。

戰略合作供應協議及其項下擬進行之交易已於2016年12月14日舉行之股東特別大會上由本公司獨立股東批准。戰略合作供應協議已於2016年12月31日生效。



REPORT OF THE DIRECTORS (CONTINUED)

董事會報告(續)

For the year ended 31 December 2016, the value of the transactions contemplated under the Strategic Cooperation Supply Agreement was RMB32.46 million, which was less than the cap of RMB70 million (equivalent to approximately HK\$80.305 million) as disclosed in the November 2016 Announcement and the November 2016 Circular and approved by the independent shareholders of the Company at the EGM.

Other than the connected transactions and the continuing connected transactions set out above, in respect of which the disclosure requirements in accordance with Chapter 14A of the Listing Rules have been complied with, no contract of significance has been entered into between the Company or any of its subsidiaries and the controlling shareholders during the year ended 31 December 2016.

The independent non-executive directors of the Company have reviewed these connected transactions and confirmed that such transactions were entered into:

- in the ordinary and usual course of business of the Group;
- on normal commercial terms or better; and
- according to the agreement governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this Annual Report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Save as disclosed above, no contract of significance has been entered into between the Company or any of its subsidiaries and the controlling shareholders during the year ended 31 December 2016.

截至2016年12月31日止年度，戰略合作供應協議下擬進行之交易金額為人民幣32.46百萬元，低於2016年11月公告及2016年11月通函所披露並於2016年11月舉行之股東特別大會上由本公司獨立股東議批准之年度上限人民幣70百萬元(相等於約80.305百萬港元)。

除上文所載的關連交易及持續關連交易(已就此遵守上市規則第14A章的披露規定)外，本公司或其任何子公司與控股股東於截至2016年12月31日止年度內概無訂立重大合約。

本公司的獨立非執行董事已審閱該等關連交易，並確認該等關連交易乃：

- 於本集團一般及日常業務過程中進行；
- 按正常或較佳的商業條款訂立；以及
- 按照規管彼等之協定的條款規管該等交易，而條款屬公平和合理，並符合本公司股東之整體利益。

本公司的核數師根據香港會計師公會頒佈的《香港核證委聘準則》第3000號「審核或審閱過去財務資料以外之核證委聘」，並參閱《實務說明》第740號「關於香港上市規則所述持續關連交易的核數師函件」，受聘對本集團的持續關連交易匯報。核數師已就本集團按照上市規則第14A.56條在本年報披露的持續關連交易發出無保留意見的函件，並載有其發現和結論。本公司已將核數師函件副本提供予聯交所。

除上文所披露者外，於截至2016年12月31日止年度，本公司或其任何子公司與控股股東並無訂立任何重大合約。



REPORT OF THE DIRECTORS (CONTINUED)

董事會報告(續)

Directors' Interest in Competing Business

None of the Directors is or was interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2016 and up to and including the date of this Annual Report.

Management Contracts

Other than the service contracts disclosed in the paragraph headed "Directors' Service Contracts" above, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2016.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of Cayman Islands where the Company is incorporated applicable to the Company.

Emolument Policy

The Group's emolument policies are based on the merit, qualifications and competence of individual employees and are reviewed by the Remuneration Committee periodically. The emoluments of the Directors are recommended by the Remuneration Committee and are decided by the Board, having regard to the Group's operating results, individual performance and comparable market statistics.

The Company has previously adopted two share option schemes to motivate and reward its Directors and eligible employees. Details of the schemes are set out in the paragraph headed "Share Option Schemes" above.

None of the Directors waived any emoluments during the year ended 31 December 2016.

董事於競爭性業務的權益

除本集團業務外，概無董事現正或曾經於截至2016年12月31日止年度內及截至本年報日期(包括該日)止任何時間直接或間接於與本集團業務競爭或曾經競爭或現正或曾經可能競爭的任何業務中擁有權益。

管理合約

除上文「董事服務合約」一段所披露的服務合約外，於截至2016年12月31日止年度內概無訂立或存在有關本公司業務整體或任何重大部分的管理及行政合約。

優先權

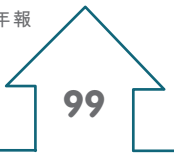
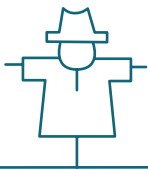
本公司組織章程細則或開曼群島(本公司註冊成立所在地)法例項下概無任何優先權條文適用於本公司。

薪酬政策

本集團的薪酬政策乃按個別僱員的優點、資歷及能力為基礎，並定期由薪酬委員會審閱。董事薪酬乃經參考本集團的經營業績、個別表現及可比較的市場統計數字後由薪酬委員會建議，並由董事會決定。

本公司過往已採納兩項購股權計劃以推動及獎勵其董事及合資格僱員。該等計劃的詳情載於上文「購股權計劃」一段。

概無董事於截至2016年12月31日止年度內放棄任何酬金。



REPORT OF THE DIRECTORS (CONTINUED)

董事會報告(續)

Retirement Benefits Schemes

The employees of the PRC subsidiaries of the Company are members of the state-managed retirement benefits scheme operated by the PRC government. The PRC subsidiaries are required to contribute certain percentages of basic salaries of the employees to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme. The contributions are charged to the consolidated income statements as they become payable in accordance with the rules of the state-managed retirement benefits scheme.

The Group has no other material obligation for the payment of pension benefits beyond the annual contributions described above.

For the year ended 31 December 2016, the Group's total contributions to the retirement benefits schemes charged in the income statement amounted to RMB38.6 million. Details of the Group's retirement benefits scheme and the basis of calculation are set out in note 7 to the consolidated financial statements.

Major Customers and Suppliers

Aggregate sales attributable to the Group's largest and five largest customers were 8% and 13% of the Group's total sales respectively.

Aggregate purchases attributable to the Group's largest and five largest suppliers were 10% and 29% of the Group's total purchases respectively.

At no time during the year ended 31 December 2016 did a Director, his/her associate(s) or a shareholder, which to the knowledge of the Directors owns more than 5% of the Company's share capital, have an interest in any of the Group's five largest customers and suppliers.

退休福利計劃

本公司於中國之子公司的僱員為由中國政府運作的國家管理退休福利計劃的成員。中國子公司須將僱員基本薪金的若干百分比向退休福利計劃供款以撥付該等福利。本集團有關退休福利計劃的唯一責任為根據計劃作出所需供款。該等供款乃於根據國家管理退休福利計劃的規則成為應付時於合併收益表內扣除。

本集團並無有關上述年度供款以外的任何其他重大退休福利付款責任。

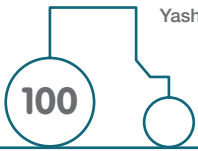
截至2016年12月31日止年度，本集團於收益表內扣除的退休福利計劃總供款為人民幣38.6百萬元。本集團的退休福利計劃及計算基準的詳情載於合併財務報表附註7。

主要客戶及供應商

本集團最大及五大客戶所佔的銷售總額分別佔本集團銷售總額的8%及13%。

本集團最大及五大供貨商所佔的採購總額分別佔本集團採購總額的10%及29%。

於截至2016年12月31日止年度內任何時間，概無董事、其聯繫人或據董事所知擁有本公司股本超過5%的股東於本集團任何五大客戶及供貨商中擁有權益。



REPORT OF THE DIRECTORS (CONTINUED)

董事會報告(續)

Closure of Register of Members

For the purpose of determining the identity of shareholders who are entitled to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from Friday, 26 May 2017 to Friday, 2 June 2017, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to be eligible to attend and vote at the forthcoming annual general meeting to be held on Friday, 2 June 2017, all duly completed and signed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, 25 May 2017.

Audit Committee

The audit committee of the Company has reviewed, with the Company's management and the external auditors, the accounting principles and practices adopted by the Company and discussed auditing, risk management, internal control, whistleblowing policy and system and financial reporting matters, including the review of the Group's financial statements' for the year ended 31 December 2016.

Auditors

The consolidated financial statements for the year ended 31 December 2016 have been audited by Ernst & Young, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. A resolution for its re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this Annual Report, the Company has maintained the prescribed public float of not less than 23.42% of the Company's issued shares pursuant to a waiver granted to the Company by the Stock Exchange for the period from the Listing Date.

暫停辦理股份過戶登記手續

為釐定有權出席應屆股東周年大會並於會上表決的股東身份，本公司將於2017年5月26日(星期五)至2017年6月2日(星期五)(包括首尾兩日)暫停辦理股份過戶登記手續，期間將不會進行任何本公司股份過戶登記。為符合出席將於2017年6月2日(星期五)舉行之應屆股東周年大會並於會上表決的資格，所有已填妥及簽署之過戶表格連同相關股票必須於2017年5月25日(星期四)下午4時30分前送達本公司的香港股份過戶登記分處香港中央證券登記有限公司，地址為香港灣仔皇后大道東183號合和中心17樓1712-1716號舖以作登記。

審核委員會

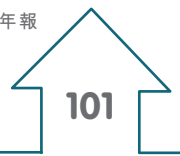
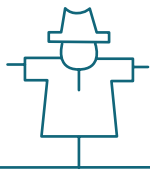
本公司審核委員會與本公司管理層以及外部核數師審閱本公司採納的會計原則與慣例，並討論審核、風險管理、內部監控、舉報政策及系統以及財務報告事宜，其中包括審閱本集團截至2016年12月31日止年度內之財務報表。

核數師

截至2016年12月31日止年度的合併財務報表已由安永會計師事務所審核，其將會退任並符合資格於本公司應屆股東周年大會上膺選以獲續聘。一項續聘安永會計師事務所為本公司核數師的決議案將於本公司應屆股東周年大會上提呈。

充足公眾持股量

根據本公司可取得的公開資料及據董事於本年報日期所知，本公司已根據聯交所自上市日期授予本公司的豁免，豁免維持不低於本公司已發行股份23.42%的指定公眾持股量。



REPORT OF THE DIRECTORS (CONTINUED)

董事會報告(續)

Bank Loans and Other Borrowings

Particulars of short-term and long-term bank loans of the Group as at 31 December 2016 are set out in note 28 to the consolidated financial statements. Other than such bank loans, the Group had no other bank loans.

Corporate Governance

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 45 to 66 of this Annual Report.

Summary Financial Information

A summary of the results and of the assets and liabilities of the Group for the five financial years ended 31 December 2016 is set out on pages 219 to 220 of this Annual Report.

Event After the Reporting Period

The Group had no significant event after the reporting period.

On behalf of the Board

Jeffrey, Minfang Lu

Chairman

Hong Kong, 29 March 2017

銀行貸款及其他借貸

本集團於2016年12月31日的短期及長期銀行貸款的詳情載於合併財務報表附註28。除該等銀行貸款外，本集團並無其他銀行貸款。

企業管治

本公司的企業管治原則及常規載於本年報第45至66頁的企業管治報告。

財務資料概要

本集團截至2016年12月31日止五個財政年度的業績以及資產及負債概要載於本年報第219至220頁。

報告期後事項

本集團並無報告期後之重大事項。

代表董事會

盧敏放先生

主席

香港，2017年3月29日



INDEPENDENT AUDITOR'S REPORT 獨立核數師報告



Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

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中信大廈22樓

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ey.com

To the shareholders of Yashili International Holdings Ltd
(Incorporated in the Cayman Islands with limited liability)

致雅士利國際控股有限公司股東
(於開曼群島註冊成立的有限責任公司)

Opinion

We have audited the consolidated financial statements of Yashili International Holdings Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 109 to 218, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

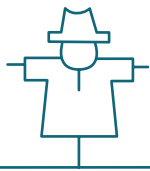
意見

我們已完成審計雅士利國際控股有限公司（「貴公司」）及其子公司（「貴集團」）載於第109至218頁的合併財務報表，包括於2016年12月31日的合併財務狀況表、截至該日止年度的合併損益表、合併全面收益表、合併權益變動表及合併現金流量表，以及合併財務報表附註，包括重大會計政策概要。

我們認為，該等合併財務報表已根據國際會計準則理事會頒佈的國際財務報告準則真實而公平地反映 貴集團在2016年12月31日的合併財務狀況及截至該日止年度的合併財務表現及合併現金流量，並已遵照香港公司條例的披露規定妥為編製。

意見基礎

我們已根據香港會計師公會頒佈的香港審計準則進行審計。我們就該等準則下承擔的責任於本報告「核數師就審計合併財務報表須承擔的責任」一節中進一步闡述。根據香港會計師公會專業會計師道德守則（「守則」），我們獨立於 貴集團，並已履行守則中其他職業道德責任。我們相信，我們獲得的審計憑證充足且能適當地為我們的意見提供基礎。



INDEPENDENT AUDITOR'S REPORT (CONTINUED)

獨立核數師報告(續)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

關鍵審計事項

關鍵審計事項為我們的專業判斷中，審計本期合併財務報表中最重要的事項。此等事項乃於我們審計整體合併財務報表及就此出具意見時處理，而不會就此等事項單獨發表意見。下文載有我們的審計如何處理以下各項事項的資料。

我們已履行本報告「核數師就審計合併財務報表須承擔的責任」一節所述的責任，包括有關此等事項的責任。因此，我們的審計包括執行為評估應對合併財務報表重大錯誤陳述風險而設的程式。審計程式結果包括處理以下事項的程式，為我們就隨附的合併財務報表審計意見提供基礎。

Key audit matter	How our audit addressed the key audit matter	該事項在審計中是如何應對的：
<p>Acquisition of Dumex Baby Food Co. Ltd.</p> <p>On 31 May 2016, the Group acquired 100% equity interest of Dumex Baby Food Co. Ltd. ("Dumex China") from Danone Asia Pacific Holdings Pte. Ltd., at a cash consideration equivalent to RMB1,027 million. Management engaged external appraisers to evaluate the fair value of identifiable assets and liabilities of Dumex China. The accounting for business combination relied on significant management estimation in respect of fair value assessments.</p> <p>We also examined the adequacy of the related disclosures included in note 32 to the consolidated financial statements.</p>	<p>We obtained and read the share purchase agreements and checked to the payment of considerations. We assessed the objectivity, independence and competence of the external appraiser engaged by the Company to perform the valuation. We also involved our internal valuation specialists in evaluating the valuation methodologies adopted and the assumptions used in valuation of the identifiable assets and liabilities of Dumex China, in particular, trademark, land use right and property, plant and equipment, whose fair values were determined by using the income approach for the trademark, the market approach for the land use right and the depreciation replacement cost approach for buildings, plants and machinery.</p>	<p>收購多美滋嬰幼兒食品有限公司</p> <p>於2016年5月31日，貴集團以等值於人民幣10.27億的現金對價從Danone Asia Pacific Holdings Pte. Ltd. 收購多美滋嬰幼兒食品有限公司（「多美滋中國」）100%的權益。管理層聘請外部評估師對多美滋中國可辨認資產和負債的公允價值進行評估。該企業合併的會計處理，依賴管理層對公允價值評估的重要估計。</p> <p>我們檢查了合併財務報告附註32中相關披露的充分性。</p> <p>該事項在審計中是如何應對的：</p> <p>我們獲取並閱讀了股權購買協議，並檢查了對價支付。我們評估了貴公司聘請以執行估值工作的外部評估師的客觀性、獨立性和專業勝任能力。我們也獲得安永內部評估專家的協助，評估貴公司在對多美滋中國可辨認資產和負債，特別是商標、土地使用權和固定資產的估值工作中所採用的方法和假設。商標、土地使用權和固定資產的公允價值分別採用收益法、市場法和重置成本法決定。</p>



INDEPENDENT AUDITOR'S REPORT (CONTINUED)

獨立核數師報告(續)

Key audit matter	How our audit addressed the key audit matter	關鍵審計事項：	該事項在審計中是如何應對的：
<p>Impairment testing of goodwill</p> <p>Goodwill amounting to RMB1,236 million represented 12% of the Group's total assets as at 31 December 2016. During the year, the Group changed the groups of cash-generating units ("CGU groups") for goodwill impairment testing purposes, and this exercise was undertaken to align the CGU groups to the Group's operating segments which were changed following the Group's restructuring following the acquisition of Oushi Mengniu at the end of 2015 and Dumex China in 2016. The impairment tests performed by management involved significant estimation of the value in use of the CGU groups to which the goodwill is allocated for impairment test. The accounting policies, significant estimates and related disclosures are included in notes 2.4, 3 and 18 to the consolidated financial statements.</p> <p>We also focused on the adequacy of the Company's disclosures concerning goodwill impairment included in notes 2.4, 3 and 18 to the consolidated financial statements.</p>	<p>Our audit procedures included, among others, evaluation of management's identification of CGU groups to which goodwill is reallocated for testing impairment, the reallocation of goodwill and assessment on the management's impairment model and underlying assumptions. We involved internal valuation experts to assist us in benchmarking key assumptions in valuation models with actual results of prior periods including revenue trends, gross margin, expected perpetual rates and discount rates, and comparing to external data where available. We also assessed management's sensitivity analysis to ascertain the impact of reasonably possible changes including, for example revenue growth and discount rates.</p>	<p>商譽減值測試</p> <p>於2016年12月31日，商譽為人民幣12.36億元，佔貴集團總資產的12%。本年度，貴集團改變了商譽減值測試目的下的現金產出單位組，該項變化與貴公司在2015年和2016年分別收購歐世蒙牛與多美滋中國後重組而導致的經營分部改變保持一致。管理層執行的減值測試包含對商譽所分配至的現金產出單元組使用價值的重要估計。會計政策、重要估計和相關披露包含於合併財務報告附註2.4、附註3和附註18中。</p>	<p>我們的審計程序包括：評價管理層對於減值測試重新分配商譽的現金產出單位組的認定；評價商譽的重新分配；評估管理層使用的減值模型及其假設等。安永內部估值專家協助我們評估了減值模型中主要假設與歷史數據的對比，包括收入趨勢、毛利、預期永續增長率、折現率，並與可獲取的外部數據進行了比較。我們也評估了管理層的敏感性分析以確定諸如收入增長、折現率所發生的可能的合理變動產生的影響。</p>
		<p>我們關注了合併財務報表附註2.4、附註3和附註18中，商譽減值相關披露的充分性。</p>	

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

獨立核數師報告(續)

Key audit matter	How our audit addressed the key audit matter	關鍵審計事項：	該事項在審計中是如何應對的：
<p>Impairment testing of trademarks with indefinite lives</p> <p>Trademarks amounting to RMB283 million represented 3.5% of the Group's total assets as at 31 December 2016 identified in the acquisition of Dumex China. The impairment tests performed by management involved significant estimations of the useful life of trademarks that is not being amortised still reassessed as indefinite and the value in use of the CGUs to which the trademarks belong. The accounting policies, significant estimates and related disclosures are included in notes 2.4, 3 and 17 to the consolidated financial statements. We also focused on the adequacy of the Company's disclosures concerning those key assumptions included in note 18 to the consolidated financial statements.</p>	<p>Our audit procedures included, among others, an assessment on the management's impairment model of the underlying CGUs to which trademarks belong and review of the key assumptions used in the valuation model. We involved internal valuation experts to assist us in corroborating, among others, operating profit forecast, expected perpetual rates and discount rate by evaluating recent performance, comparing to external market expectations to understand the drivers of the forecasts, and benchmarking to external data where available.</p>	<p>不確定使用壽命商標的減值測試</p> <p>於2016年12月31日，收購多美滋中國時確認的商標價值為人民幣2.83億元，佔貴集團總資產的3.5%。管理層執行的減值測試包含對不進行攤銷的商標仍評估為使用壽命不確定和商標所屬現金產出單元使用價值的重要估計。會計政策、重要估計和相關披露包含於合併財務報告附註2.4、附註3和附註17中。</p>	<p>我們的審計程序包括，評估管理層對商標所屬的現金產出單元使用的減值模型，覆核減值模型中使用的主要假設的合理性等。安永內部估值專家協助我們通過評估近期業績表現、與外部市場預期比較以理解預測的影響因素，驗證包括營業利潤預測、預期永續增長率和折現率在內的指標，並與外部可利用數據進行比對。</p>
<p>We also focused on the adequacy of the Company's disclosures included in notes 2.4, 3 and 17 to the consolidated financial statements.</p>		<p>我們也關注了貴公司對於合併財務報告附註2.4、附註3和附註17中相關披露的充分性。</p>	

Other Information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

年報所載其他資料

貴公司董事須負責編製其他資料。其他資料包括年報所載資料，但不包括合併財務報表及我們的核數師報告。

我們對合併財務報表的意見並不涵蓋其他資料，我們亦不對其他資料發表任何形式的鑒證結論。



INDEPENDENT AUDITOR'S REPORT (CONTINUED) 獨立核數師報告(續)

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude 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.

Responsibilities of the Directors for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

審計合併財務報表時，我們的責任為閱讀其他資料，在此過程中，考慮其他資料是否與合併財務報表或我們於審計過程中所瞭解的情況有重大抵觸，或者似乎有重大錯誤陳述。基於我們已執行的工作，倘我們認為其他資料有重大錯誤陳述，我們須報告該事實。在此方面，我們並無任何報告。

董事對合併財務報表的責任

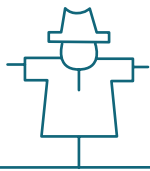
貴公司董事遵照國際會計準則理事會頒佈的國際財務報告準則及香港公司法的披露規定編製真實兼公允地呈列的合併財務報表，並須負責其認為就編製不存在由於欺詐或錯誤而導致的重大錯誤陳述的合併財務報表而言屬必要的內部監控。

編製合併財務報表時，貴公司董事負責評估貴集團持續經營的能力，並在適用情況下披露與持續經營有關的事項，以及使用持續經營為會計基礎，除非貴公司董事有意將貴集團清盤或停止經營，或別無其他實際的替代方案。

審核委員會協助貴公司董事履行監督貴集團財務報告過程的責任。

核數師就審計合併財務報表須承擔的責任

我們的目標為合理確定整體合併財務報表是否不存在由於欺詐或錯誤而導致的重大錯誤陳述，並發出載有我們意見的核數師報告。本報告僅為全體股東編製，並不能作其他用途。我們概不就本報告內容對任何其他人士承擔或接受任何責任。



INDEPENDENT AUDITOR'S REPORT (CONTINUED)

獨立核數師報告(續)

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements 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 consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

合理確定屬高層次核證，但不能擔保根據香港審計準則進行的審計工作總能發現所有存在的重大錯誤陳述。錯誤陳述可源於欺詐或錯誤，倘個別或整體於合理預期情況下可影響使用者根據合併財務報表作出的經濟決定時，則被視為重大錯誤陳述。

根據香港審計準則審計時，我們運用專業判斷，於整個審計過程中抱持專業懷疑態度。我們亦：

- 識別及評估合併財務報表由於欺詐或錯誤而導致的重大錯誤陳述風險，因應此等風險設計及執行審計程序，獲得充足及適當審計憑證為我們的意見提供基礎。由於欺詐涉及合謀串通、偽造、故意遺漏、誤導性陳述或凌駕內部控制，因此未能發現由此造成的重大錯誤陳述風險較未能發現由於錯誤而導致的重大錯誤陳述風險更高。
- 瞭解有關審計的內部控制，以設計恰當的審計程序，但並非旨在對貴集團內部控制的有效程度發表意見
- 評估所用會計政策是否恰當，以及董事所作會計估算及相關披露是否合理。
- 總結董事採用以持續經營為基礎的會計法是否恰當，並根據已獲取的審計憑證，總結是否有對貴集團持續經營的能力構成重大疑問的事件或情況等重大不確定因素。倘我們總結認為存在重大不確定因素，我們需於核數師報告中提請注意合併財務報表內的相關資料披露，或如果相關披露不足，則修訂我們的意見。我們的結論以截至核數師報告日期所獲得的審計憑證為基礎，惟未來事件或情況可能導致貴集團不再具有持續經營的能力。



INDEPENDENT AUDITOR'S REPORT (CONTINUED)

獨立核數師報告(續)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and 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 Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. TONG KA YAN, AUGUSTINE.

- 評估合併財務報表(包括資料披露)的整體列報、架構及內容，以及合併財務報表是否已公允反映及列報相關交易及事項。
- 就 貴集團內各實體或業務活動的財務資料獲得充足的審計憑證，以就合併財務報表發表意見。我們須負責指導、監督及執行集團的審計工作。我們須為我們的審計意見承擔全部責任。

我們與審核委員會就(其中包括)審計工作的計劃範圍及時間安排及重大審計發現，包括我們於審計期間識別出內部監控的任何重大缺陷溝通。

我們亦向審核委員會提交聲明，說明我們已遵守有關獨立性的道德要求，並就所有被合理認為可能影響我們的獨立性的關係及其他事宜及相關防範措施(如適用)與審核委員會溝通。

我們從與審核委員會溝通的事項中，決定那些事項對本期合併財務報表的審計工作最為重要，因而構成關鍵審核事項。除非法律或法規不容許公開披露此等事項，或於極罕有的情況下，我們認為披露此等事項可合理預期的不良後果將超越公眾知悉此等事項的利益而不應於報告中披露，否則我們會於核數師報告中描述此等事項。

出具本獨立核數師報告的審計項目合夥人為唐嘉欣。

Ernst & Young

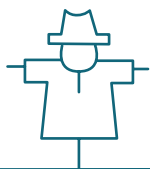
Certified Public Accountants

Hong Kong
29 March 2017

安永會計師事務所

執業會計師

香港
2017年3月29日



CONSOLIDATED STATEMENT OF PROFIT OR LOSS

合併損益表

Year ended 31 December 2016 截至2016年12月31日止年度

		Notes 附註	2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
REVENUE	收入	5	2,203,315	2,761,571
Cost of sales	銷售成本	7	(1,166,015)	(1,359,274)
GROSS PROFIT	毛利		1,037,300	1,402,297
Other income and gains	其他收入及收益	5	227,396	178,496
Selling and distribution expenses	銷售及經銷開支		(1,170,950)	(1,320,277)
Administrative expenses	行政開支		(389,555)	(207,878)
Other expenses	其他開支	6	(148,230)	(92,888)
LOSS FROM OPERATIONS	經營虧損		(444,039)	(40,250)
Finance income	財務收入	7	130,238	187,266
Finance costs	財務成本	8	(18,825)	(24,249)
Net finance income	淨財務收入		111,413	163,017
PROFIT/(LOSS) BEFORE TAX	除稅前溢利/(虧損)	7	(332,626)	122,767
Income tax credit/(expense)	所得稅抵減/(開支)	10	12,408	(4,511)
PROFIT/(LOSS) FOR THE YEAR	年度溢利/(虧損)		(320,218)	118,256
Attributable to:	歸屬於:			
Owners of the parent	母公司股權持有人		(320,218)	118,256
			RMB cents 人民幣分	RMB cents 人民幣分
EARNINGS/(LOSS) PER SHARE	母公司普通股擁有人應佔			
ATTRIBUTABLE TO ORDINARY EQUITY	每股盈利/(虧損)			
HOLDERS OF THE PARENT		12		
Basic and diluted	基本和攤薄		(6.7)	2.6

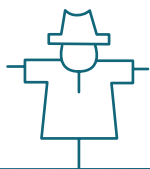


CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

合併全面收益表

Year ended 31 December 2016 截至2016年12月31日止年度

		2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
PROFIT/(LOSS) FOR THE YEAR	年度溢利/(虧損)	(320,218)	118,256
OTHER COMPREHENSIVE INCOME	其他全面收益		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:	可於以後期間重新分類至損益之其他全面收益：		
Exchange differences on translation of foreign operations	海外經營外幣報表折算差額	76,667	62,966
		76,667	62,966
Cash flow hedges:	現金流量套期：		
Effective portion of changes in fair value of hedging instruments arising during the year	年內套期工具有效部分公允價值變動	—	(21,057)
Amounts transferred to the initial carrying amount of hedged item	轉至被套期項目賬面價值的金額	—	23,851
Income tax effect	所得稅影響	—	(1,257)
Loss transferred to the consolidated statement of profit or loss due to early termination	提前終止損失轉至損益表確認	—	6,851
		—	8,388
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	可於以後期間重新分類至損益之淨其他全面收益	76,667	71,354
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	年度全面收益/(損失)總額	(243,551)	189,610
Attributable to:	歸屬於：		
Owners of the parent	母公司股權持有人	(243,551)	189,610



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

合併財務狀況表

31 December 2016 2016年12月31日

		Notes 附註	2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
NON-CURRENT ASSETS	非流動資產			
Property, plant and equipment	物業、廠房及設備	13	1,788,658	1,714,570
Construction in progress	在建工程	14	38,812	33,151
Investment properties	投資物業	15	67,486	20,078
Land use rights	土地使用權	16	93,734	51,868
Intangible assets	無形資產	17	297,801	12,651
Goodwill	商譽	18	991,236	272,760
Deferred tax assets	遞延稅項資產	19	202,950	153,655
Long-term bank deposits	長期銀行存款	24	379,927	363,227
Prepayments, deposits and other receivables	預付款項、押金及其他應收款項	22	5,496	—
Total non-current assets	非流動資產總額		3,866,100	2,621,960
CURRENT ASSETS	流動資產			
Inventories	存貨	20	619,876	641,019
Trade and bills receivables	貿易應收款及票據	21	161,391	71,815
Prepayments, deposits and other receivables	預付款項、押金及其他應收款項	22	191,230	92,249
Other financial assets	其他金融資產	23	476,994	873,859
Pledged deposits	保證金存款	24	803,123	594,981
Cash and bank balances	現金及銀行結餘	24	1,642,818	2,479,856
Assets of a disposal group classified as held for sale	分類為持有待售的處置組資產	31	204,459	287,950
Total current assets	流動資產總額		4,099,891	5,041,729
CURRENT LIABILITIES	流動負債			
Trade payables	貿易應付款	25	237,621	272,104
Other payables and accruals	其他應付款及應計費用	26	862,233	901,812
Interest-bearing bank loans	計息銀行借款	28	1,143,091	461,696
Tax payable	應付所得稅		5,602	28,892
Liabilities directly associated with the assets classified as held for sale	與分類為持有待售資產直接相關的負債	31	4,988	10,294
Total current liabilities	流動負債總額		2,253,535	1,674,798
NET CURRENT ASSETS	流動資產淨值		1,846,356	3,366,931
TOTAL ASSETS LESS CURRENT LIABILITIES	資產總值減流動負債		5,712,456	5,988,891



CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

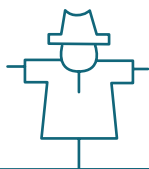
合併財務狀況表(續)

31 December 2016 2016年12月31日

		Notes 附註	2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
NON-CURRENT LIABILITIES	非流動負債			
Deferred income	遞延收益	29	3,329	4,412
Deferred tax liabilities	遞延稅項負債	19	7,513	3,837
Total non-current liabilities	非流動負債總額		10,842	8,249
NET ASSETS	資產淨額		5,701,614	5,980,642
EQUITY	權益			
Equity attributable to owners of the parent	母公司擁有人應佔權益			
Share capital	股本	30	399,352	399,352
Reserves	儲備		5,302,262	5,581,290
TOTAL EQUITY	權益總額		5,701,614	5,980,642

Mr. Chopin Zhang
張平(Chopin Zhang)先生
Director
董事

Mr. Hua Li
華力先生
Director
董事



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

合併權益變動表

Year ended 31 December 2016 截至2016年12月31日止年度

		Share capital	Share premium	Capital redemption reserve	PRC statutory reserves	Other capital reserve	Translation reserve	Contributed surplus	Hedging reserve	Merger reserve	Retained earnings	Total
		股本	股份溢價	回購儲備	法定儲備	資本儲備	匯兌儲備	實繳盈餘	套期儲備	合併儲備	保留盈利	總計
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
	Notes	(note 30)	(note 40(ii))				(note 40(iii))	(note 40(iii))	(note 27)			
	附註	(附註 30)	(附註 40(ii))				(附註 40(iii))	(附註 40(iii))	(附註 27)			
As at 1 January 2015	於2015年1月1日	305,532	580,825	818	163,019	(41,282)	(82,566)	1,367,204	(8,388)	—	888,600	3,173,762
Business combination under common control	同一控制合併	—	—	—	—	—	—	—	—	199,496	77,019	276,515
At 1 January 2015 (Restated)	於2015年1月1日 (經重述)	305,532	580,825	818	163,019	(41,282)	(82,566)	1,367,204	(8,388)	199,496	965,619	3,450,277
Profit for the year	年度溢利	—	—	—	—	—	—	—	—	—	118,256	118,256
Other comprehensive income	其他全面收益	—	—	—	—	—	—	—	—	—	—	—
Cash flow hedges, net of tax	現金流量套期(除稅後)	—	—	—	—	—	—	—	8,388	—	—	8,388
Exchange differences on translation of foreign operations	海外子公司外幣報表折算差額	—	—	—	—	—	62,966	—	—	—	—	62,966
Total comprehensive income for the year	全面收益總額	—	—	—	—	—	62,966	—	8,388	—	118,256	189,610
Business combination under common control	同一控制企業合併	—	—	—	—	(3,333)	—	—	—	(1,050,000)	—	(1,053,333)
Dividends approved in respect of the previous year	前期股利分配	11	(74,505)	—	—	—	—	—	—	—	—	(74,505)
Appropriation to statutory reserves	撥入法定儲備	—	—	—	19,002	—	—	—	—	—	(19,002)	—
Issue of shares	發行股本	30	93,820	3,374,773	—	—	—	—	—	—	—	3,468,593
At 31 December 2015	於2015年12月31日	399,352	3,881,093*	818*	182,021*	(44,615)*	(19,600)*	1,367,204*	—*	(850,504)*	1,064,873*	5,980,642
At 1 January 2016	於2016年1月1日	399,352	3,881,093*	818*	182,021*	(44,615)*	(19,600)*	1,367,204*	—	(850,504)*	1,064,873*	5,980,642
(Loss)/profit for the year	年度溢利	—	—	—	—	—	—	—	—	—	(320,218)	(320,218)
Other comprehensive income	其他全面收益	—	—	—	—	—	—	—	—	—	—	—
Exchange differences on translation of foreign operations	海外子公司外幣報表折算差額	—	—	—	—	—	76,667	—	—	—	—	76,667
Total comprehensive (loss)/income for the year	全面收益總額	—	—	—	—	—	76,667	—	—	—	(320,218)	(243,551)
Dividends approved in respect of the previous year	前期股利分配	11	(35,477)	—	—	—	—	—	—	—	—	(35,477)
At 31 December 2016	於2016年12月31日	399,352	3,845,616*	818*	182,021*	(44,615)*	57,067*	1,367,204*	—*	(850,504)*	744,655*	5,701,614

* These reserve amounts comprise the consolidated reserves of RMB5,302,262,000 (2015: RMB5,581,290,000) in the consolidated statement of financial position.

* 這些儲備金額組成2016年財務狀況合併表中的儲備人民幣5,302,262,000元(2015年: 人民幣5,581,290,000元)。

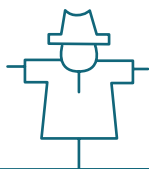


CONSOLIDATED STATEMENT OF CASH FLOWS

合併現金流量表

Year ended 31 December 2016 截至2016年12月31日止年度

		Notes 附註	2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
CASH FLOWS FROM OPERATING ACTIVITIES	經營活動現金流量			
Profit before tax	稅前利潤		(332,626)	122,767
Adjustments for:	調整項目：			
Depreciation and amortisation	折舊及攤銷	7	169,713	157,488
Net (gain)/loss on disposal of property, plant and equipment	出售物業、廠房及設備的(收益)/虧損淨額	6	2,392	(24,035)
Impairment write-down of construction in progress	在建工程的減值	14	1,712	—
Provision for/(write-back of) impairment of trade and other receivables	貿易及其他應收款的減值準備/(轉回)		2,876	2,155
Provision for inventories	存貨減值損失		31,147	217
Interest income	利息收入	7	(103,522)	(122,540)
Interest expense	利息開支	8	18,825	24,249
Foreign exchange difference, net	匯兌損益淨額		(15,591)	(25,071)
Gain on other investments	其他投資收益	7	(26,716)	(64,726)
			(251,790)	70,504
Decrease in inventories	存貨減少		86,170	178,106
Increase in trade receivables	貿易應收賬款增加		(27,349)	(25,047)
Decrease/(increase) in prepayments, deposits and other receivables	預付款項、押金及其他應收款項減少/(增加)		(49,161)	93,792
Decrease/(increase) in pledged deposits related to letters of credit	作為信用證保證金的受限制銀行存款減少/(增加)		80,406	(79,287)
Decrease in trade payables, other payables and accruals	貿易應付賬款、其他應付款項和應計費用減少		(256,515)	(57,761)
Decrease in deferred income	遞延收益減少		(1,083)	(2,985)
Cash generated from operating activities	經營活動所得現金		(419,322)	177,322
Income tax paid	已付所得稅		(57,917)	(97,290)
Net cash flows from/(used in) operating activities	經營活動所得/流出現金淨額		(477,239)	80,032



CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

合併現金流量表(續)

Year ended 31 December 2016 截至2016年12月31日止年度

	Notes 附註	2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and gain on investment received		120,384	187,266
Proceeds from disposal of property, plant and equipment		7,539	29,394
Proceeds from disposal of investment property		1,306	—
Proceeds from disposal of intangible assets		—	6,379
Proceeds from disposal of construction in progress		—	4,356
Proceeds from sales of other financial assets		2,913,765	5,549,964
Receipts of bank deposits with original maturity of more than three month		1,071,892	4,848,639
Payment of bank deposits with original maturity of more than three months		(977,619)	(5,824,166)
Acquisition of property, plant and equipment		(25,176)	(19,407)
Payment of construction in progress		(46,360)	(324,705)
Acquisition of intangible assets	17	(535)	(611)
Acquisition of other financial assets		(2,516,900)	(5,133,860)
Receipts of acquisition of a subsidiary		(987,624)	—
Payment of acquisition of a subsidiary	32	72,437	—
Business combination under common control		—	(1,050,000)
Net cash flows used in investing activities		(366,891)	(1,726,751)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank loans		772,932	704,453
Receipts of pledged deposits at maturity in relation to bank loans		510,357	150,413
Payment of pledged deposits in relation to bank loans		(798,905)	(510,356)
Repayments of interest-bearing bank loans		(335,714)	(1,002,663)
Interest paid		(18,586)	(24,249)
Dividends paid		(35,477)	(74,505)
Proceeds from issue of shares		—	3,468,593
Net cash flows from in financing activities		94,607	2,711,686
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(749,523)	1,064,967
Cash and cash equivalents at beginning of year	24	1,307,556	239,868
Effect of exchange rate changes on cash and cash equivalents		23,458	2,721
CASH AND CASH EQUIVALENTS AT END OF YEAR	24	581,491	1,307,556



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

合併財務報表附註

31 December 2016 2016年12月31日

1 Corporate and Group Information

Yashili International Holdings Ltd (the “Company”) was incorporated in the Cayman Islands on 3 June 2010 as an exempted company with limited liability under the Companies Law, Chapter 22, (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Group is primarily engaged in the manufacture and sale of dairy and nourishment products.

Particulars of the principle subsidiaries of the Company are as follows:

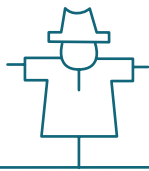
1 公司及集團資料

雅士利國際控股有限公司(「本公司」)於2010年6月3日根據開曼群島公司法第22章(1961年第三號法例·經合併及修訂)在開曼群島註冊成立為獲豁免有限公司。其註冊辦事處地址為Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands。

本集團主要從事製造及銷售乳製品及營養品。

本公司重要子公司的詳情如下：

Company name 公司名稱	Notes 附註	Place of incorporation/ registration and operations 註冊成立/ 登記及營業地點	Particulars of registered/ issued capital 註冊資本/ 已發行股本詳情	Percentage of equity interest attributable to the Company 本公司應佔的股權百分比		Principal activities 主要業務
				Direct 直接	Indirect 間接	
Yashili International Ltd. ("Yashili (BVI)") 雅士利國際有限公司 (「雅士利(BVI)」)		BVI	US\$1	100%	—	Investment holding
Yashili International Group Limited ("Yashili (HK)") 雅士利國際集團有限公司 (「雅士利(香港)」)		Hong Kong	HK\$1	—	100%	Investment holding
Newou Hong Kong International Co., Limited ("Newou Hong Kong") 新歐香港國際有限公司 (「新歐香港」)		Hong Kong	HK\$1	—	100%	Import and export of dairy products and related materials
Yashili New Zealand Dairy Co., Limited ("Yashili New Zealand") 新西蘭雅士利乳業有限公司 (「新西蘭乳業」)		New Zealand	NZD287,032,059	—	100%	Production and sale of dairy products
Oushi Mengniu (Inner Mongolia) Dairy Products Co., Ltd ("Oushi Mengniu") 內蒙古歐世蒙牛乳製品有限責任公司(「歐世蒙牛」)	(ii)	PRC	RMB470,000,000	—	100%	Production and sale of dairy products
Yashili International Baby Nourishment Co., Ltd ("Yashili Nourishment") 雅士利國際嬰幼兒營養品有限公司(「雅士利營養品」)	(i) & (ii)	PRC	RMB531,815,600	—	100%	Production and sale of dairy products



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

1 Corporate and Group Information (Continued)

1 公司及集團資料(續)

Company name 公司名稱	Notes 附註	Place of incorporation/ registration and operations 註冊成立/ 登記及營業地點	Particulars of registered/ issued capital 註冊資本/ 已發行股本詳情	Percentage of equity interest attributable to the Company 本公司應佔的 股權百分比		Principal activities 主要業務
				Direct 直接	Indirect 間接	
Yashili Dairy (Maanshan) Trading Limited ("Maanshan Trading") 雅士利乳業(馬鞍山)銷售有限 公司(「馬鞍山銷售」)	(ii) & (iv)	PRC 中國	RMB20,000,000 人民幣20,000,000元	—	100%	Wholesale and retail of dairy products 乳製品批發兼零售
Yashili International Group Ltd. ("Yashili (Guangdong)") 雅士利國際集團有限公司 (「雅士利(廣東)」)	(i) & (ii)	PRC 中國	RMB1,126,105,300 人民幣1,126,105,300元	—	100%	Production and sale of dairy products 生產及銷售乳製品
Scient (China) Baby Nourishment Co., Ltd. ("Scient (China)") 施恩(中國)嬰幼兒營養品 有限公司(「施恩(中國)」)	(i) & (ii)	PRC 中國	RMB155,000,000 人民幣155,000,000元	—	100%	Production and sale of dairy products 生產及銷售乳製品
Heilongjiang Yashili Dairy Co., Ltd. ("Yashili (Heilongjiang)") 黑龍江雅士利乳業有限公司 (「雅士利(黑龍江)」)	(ii)	PRC 中國	RMB20,080,000 人民幣20,080,000元	—	100%	Production and sale of dairy products 生產及銷售乳製品
Shanxi Yashili Dairy Co., Ltd. ("Yashili (Shanxi)") 山西雅士利乳業有限公司 (「雅士利(山西)」)	(ii)	PRC 中國	RMB300,000,000 人民幣300,000,000元	—	100%	Production and sale of dairy products 生產及銷售乳製品
Chaozhou Chaoan Bisheng Decoration and Printing Co., Ltd. ("Yashili (Bisheng)") 潮州市潮安區必勝裝潢印務 有限公司(「雅士利(必勝)」)	(ii)	PRC 中國	RMB10,800,000 人民幣10,800,000元	—	100%	Production and sale of dairy products 生產及銷售包裝材料
Dumex Baby Food Co., Ltd. ("Dumex China") 多美滋嬰幼兒食品有限公司 (「多美滋中國」)	(iii)	PRC 中國	RMB2,226,000,000 人民幣2,226,000,000元	—	100%	Production and sale of dairy products 生產及銷售乳製品
Shanghai Yashili Food Co., Ltd. ("Yashili (Shanghai)") 上海雅士利食品有限公司 (「雅士利(上海)」)	(ii)	PRC 中國	RMB2,000,000 人民幣2,000,000元	—	100%	Sale of food products 銷售食品
Yahui E-commerce Co., Ltd. ("Yahui E-commerce") 雅慧電子商務有限公司 (「雅慧電子」)	(iv)	PRC 中國	RMB50,000,000 人民幣50,000,000元	—	100%	Wholesale and retail of dairy products 乳製品批發兼零售



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

1 Corporate and Group Information (Continued)

- (i) These companies are wholly foreign invested enterprises established in the PRC.
- (ii) These companies are limited liability companies established in the PRC. The official names of these companies are in Chinese and the English names are for reference only.
- (iii) In May 2016, Yashili (Guangdong) acquired Dumex China from DAPH.
- (iv) In October 2016, Yahui E-commerce was absorbed by Maanshan Trading.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 Basis of Presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Boards ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention except for derivative financial instruments and other financial assets which have been measured at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. In addition, these consolidated financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2016.

1 公司及集團資料(續)

- (i) 該等公司為於中國成立的外資企業。
- (ii) 該等公司為於中國成立的有限責任公司。該等公司的正式名稱為中文，而其英文譯名則僅供參考。
- (iii) 2016年5月，雅士利(廣東)從DAPH收購了多美滋中國。
- (iv) 2016年10月，馬鞍山銷售吸收合併了雅慧電子。

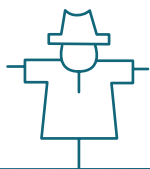
董事認為上表載列之本公司子公司主要對本集團本年度業績構成影響，或構成本集團資產淨值之重大部分。董事認為提供其他子公司之詳情會導致詳情過於冗長。

2.1 呈列基準

該等財務報表乃根據由國際會計準則理事會發佈的國際財務報告準則(「國際財務報告準則」)(其中包括全部國際會計報告準則、國際會計準則及其詮釋)的規定以及香港公司法的披露要求編製。除衍生金融工具和其他金融資產以公允價值計量外，該等財務報表已根據歷史成本慣例編製。持有待售處置資產組按照其賬面價值與公允價值減去處置費用的淨額孰低列示，詳見2.4。此外，該等合併財務報表以人民幣呈列，除另有指明外，所有數值均調整至最接近的千位數。

合併基準

合併財務報表包括本集團於截至2016年12月31日止年度的財務報表。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

2.1 Basis of Presentation (Continued)

Basis of consolidation (Continued)

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing right that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 呈列基準(續)

合併基準(續)

子公司是指由本公司直接或間接控制的實體(包括結構化實體)。當本集團因參與被投資企業的活動而承擔或有權獲得可變回報，且有能力通過對被投資企業行使權力影響所得到回報的金額(即本集團有對被投資企業相關活動施加影響的現時權利)，視為本集團能夠控制該被投資企業。

當本公司直接或間接擁有被投資企業半數或半數以下的表決權，本集團會考慮以下相關事實來確定其是否對被投資企業擁有控制：

- (a) 與被投資企業其他投票權持有者之間的協議；
- (b) 因其他協議而擁有的權利；
- (c) 本集團的投票權和潛在投票權。

子公司的財務報表乃使用一致的會計政策，並按與本公司相同的報告期間編製。子公司的業績由收購日期(即本集團取得控制權之日)起合併於賬目內，並將繼續合併直至該控制終止之日。

損益和其他全面收益的各組成部分都在集團母公司的所有者和非控股權益之間進行分配，即使這樣會導致非控股權益產生赤字。所有集團內成員之間發生的資產、負債、權益、收入、開支及現金流相關的交易都在合併層面予以抵銷。

如果事實和情況表明以上所描述的三項控制條件中的一項或多項發生了改變，集團將會對是否控制以下子公司進行重評估。在不失去對子公司控制權情況下的所有者權益的改變被核算為權益性交易。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

2.1 Basis of Presentation (Continued)

Basis of consolidation (Continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in Accounting Policies and Disclosures

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28 (2011) *Investment Entities: Applying the Consolidation Exception*

Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*

IFRS 14 *Regulatory Deferral Accounts*

Amendments to IAS 1 *Disclosure Initiative*

Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*

Amendments to and IAS 41 *Agriculture: IAS 16 and Bearer Plants*

Amendments to IAS 27 (2011) *Equity Method in Separate Financial Statements*

Annual Improvements 2012–2014 Cycle *Amendments to a number of IFRSs*

2.1 呈列基準(續)

合併基準(續)

倘本集團失去對一間子公司的控制權，則其撤銷確認(i)該子公司的資產(包括商譽)及負債、(ii)任何非控股權益的賬面值及(iii)於權益內記錄的累計折算差額；及確認(i)所收代價的公允價值、(ii)所保留任何投資的公允價值及(iii)損益賬中任何因此產生的盈餘或虧損。先前於其他全面收益內確認的本集團應佔部份重新分類為損益或保留利潤，在集團直接處置相關資產和負債的情況下也應作相同的考慮。

2.2 會計政策及披露事項的變動

本集團已於本年首次應用以下新訂及經修訂國際財務報告準則。

國際財務報告準則
第10號、第12號
修訂本及國際會計
準則第28號修訂本
(2011版本)

投資主體
合併豁免

國際財務報告準則
第11號修訂本

收購於合營業務
之權益的會計

國際財務報告準則
第14號

監管遞延賬目

國際會計準則第1號

披露主動性

國際會計準則第16
號、第38號修訂本

釐清折舊及攤銷
的可接受法

國際會計準則第41號
修訂本

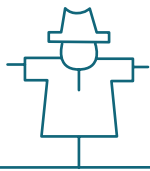
農業：國際會計
準則第16號及
生產性植物

國際會計準則第27號
修訂本(2011年版本)

獨立財務報表的
權益法

2012年至2014年週期
之年度改進

若干國際財務報
告準則的修訂



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註 (續)

31 December 2016 2016年12月31日

2.2 Changes in Accounting Policies and Disclosures (Continued)

Other than as explained below regarding the impact of amendments to IAS1, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

Amendments to IAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

- (i) the materiality requirements in IAS 1;
- (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;
- (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
- (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

2.2 會計政策及披露事項的變動 (續)

除了以下已經被解釋的關於國際財務報告準則第1號修訂後對財務報告的影響，其他因採用新準則修正案而產生的差異對於財務報告無顯著影響。

國際會計準則第1號的修訂載有針對財務報表呈列及披露的改善。修訂釐清：

- (i) 國際會計準則第1號的重大性要求；
- (ii) 可分列損益表及財務狀況表中的特定項目；
- (iii) 實體可靈活決定呈列財務報表附註的順序；及
- (iv) 使用權益法列賬的分佔聯營公司及合營公司的其他全面收益必須匯總單獨列賬，並按其後期間能或不能重新分類至損益分類。

此外，修訂釐清於財務狀況表及損益表呈列額外小計時所適用的要求。修訂對本集團的財務報表並無任何重大影響。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

2.3 Issued but not yet Effective International Financial Reporting Standards

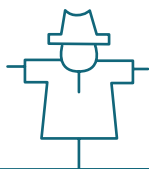
The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i> ²
Amendments to IFRS 4	<i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</i> ²
IFRS 9*	<i>Financial Instruments</i> ²
Amendments to IFRS 10 and IAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and Jits Associate or Joint Venture</i> ⁴
IFRS 15	<i>Revenue from Contracts with Customers</i> ²
Amendments to IFRS 15	<i>Clarifications to IFRS 15 Revenue from Contracts with Customers</i> ²
IFRS 16	<i>Leases</i> ³
Amendments to IAS 7	<i>Disclosure Initiative</i> ¹
Amendments to IAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i> ¹
IFRIC Interpretation 22	<i>Foreign Currency Transactions and Advance Consideration</i> ²
Amendments to IAS 40	<i>Transfers of Investment Property</i> ²
Annual Improvements 2014–2016 Cycle	<i>Amendments to a number of IFRSs</i> ^{1/2}

2.3 已公佈未生效的國際會計準則

本集團在編製該等財務報表時並未採用下列已頒佈但尚未生效的新訂及經修訂國際財務報告準則。

國際財務報告準則第24號修訂本	股份支付交易的分類和計量 ²
國際財務報告準則第4號修訂本	與國際財務報告準則第4號保險合約一併應用的國際財務報告準則第9號金融工具
國際財務報告準則第9號*	金融工具 ²
國際財務報告準則第10號修訂本及國際會計準則第28號修訂本(2011年版本)	投資者與其聯營公司或合營公司之間的資產出售或投入 ⁴
國際財務報告準則第15號	釐清來自客戶合約的收入 ²
國際財務報告準則第15號修訂版	國際財務報告第15號來自客戶合約的收入 ²
國際財務報告準則第16號	租賃 ³
國際會計準則第7號修訂版	披露主動性 ¹
國際會計準則第12號修訂版	未實現虧損的遞延所得稅資產的確認 ¹
IFRIC詮釋第22號	外幣交易及墊付代價
國際會計準則第40號修訂版	投資物業的轉移 ²
2012年至2014年週期之年度改進	若干國際財務報告準則的修訂 ^{1/2}



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

2.3 Issued but not yet Effective International Financial Reporting Standards (Continued)

- 1 Effective for Annual Periods Beginning on or After 1 January 2017
 - 2 Effective for Annual Periods Beginning on or After 1 January 2018
 - 3 Effective for Annual Periods Beginning on or After 1 January 2019
 - 4 No Mandatory Effective Date Yet Determined but Available for Adoption
- * In September 2014, the IASB issued the final version of IFRS 9 ("IFRS 9 (2014)"), bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The Group early adopted IFRS 9 (2013) on 1 July 2014, while the Group expects to adopt the full text of IFRS 9 from 1 January 2018.

Further information about these IFRSs that are expected to be applicable to the Group is as follows:

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt IFRS 15 on 1 January 2018. During the year ended 31 December 2016, the Group performed a preliminary assessment on the impact of the adoption of IFRS 15.

2.3 已公佈未生效的國際會計準則(續)

- 1 於2017年1月1日或之後開始的年度期間生效
 - 2 於2018年1月1日或之後開始的年度期間生效
 - 3 於2019年1月1日或之後開始的年度期間生效
 - 4 尚未確定生效日，但可以採用。
- * 於2014年9月，國際會計準則理事會發佈了IFRS9(IFRS9(2014版本))的最終版本，匯總了金融工具項目的所有階段用以取代IAS39以及IFRS9所有前期版本。本集團已於2014年7月1日提前錄用了IFRS9(2013版本)，本集團期望於2018年1月錄用IFRS9的完整版本。

下文有關該等預計適用於本集團的國際財務報告準則的詳細信息。

國際財務報告準則第15號建立了全新五步模型以對客戶合約收益進行入賬。根據國際財務報告準則第15號，收益確認的金額反映實體預期向客戶轉讓貨品或服務而有權換取的代價。國際財務報告準則第15號提供更有系統地計量及確認收入的方法。準則亦引入大量定性及定量披露規定，包括劃分總收入、有關履行責任的資料、各期間之間的合約資產及負債賬目結餘變動，以及主要判斷及估計。該準則將取代香港財務報告準則項下所有現有收入確認規定。2016年4月，國際會計準則理事會頒佈國際財務報告準則第15號的修訂，以引入識別表現責任、委託人與代理的應用指引、知識產權許可及過渡安排的實施問題。修訂亦旨在協助確保於實體採納國際財務報告準則第15號時應用一致，並降低應用準則的成本及複雜程度。本集團預期於2018年1月1日採納國際財務報告準則第15號，目前正評估採納國際財務報告準則第15號後的影響。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

2.3 Issued but not yet Effective International Financial Reporting Standards (Continued)

The Group's principal activity consists of the manufacture and sale of dairy and nourishment products. The expected impacts arising from the adoption of IFRS 15 on the Group are summarised as follows:

Variable consideration on the sale of dairy and nourishment products.

The Group provides a right of return, trade discounts or volume rebates for some of the sales contracts of dairy and nourishment with customers. Currently, the Group recognises revenue from the sale of goods measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. If revenue cannot be reliably measured, revenue recognition is deferred until the uncertainty is resolved. Under IFRS 15, a transaction price is considered variable if a customer is provided with a right of return, trade discounts or volume rebates. The Group is required to estimate the amount of consideration to which it will be entitled in the sales of its dairy and nourishment and the estimated amount of variable consideration will be included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Group is in the process of making an assessment of the application of IFRS 15 and it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detailed review is performed by the Group. The impact to the Group is expected to include more comprehensive disclosure as requested by the new standard.

IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases — Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40.

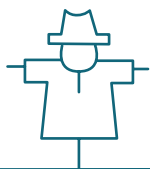
2.3 已公佈未生效的國際會計準則(續)

本集團的主要經營活動包括生產和銷售乳製品和營養品，因採用新會計準則而會產生的預期影響總結如下：

乳製品和營養品的銷售收入的變動考慮。

本集團在部分乳製品和營養品的銷售合同中提供了無條件退貨，銷售折扣和數量折扣等優惠條款。本集團現採用淨值法確認收入，以已收到或應收的收入的公允價值確認收入，不包含因為預計退貨而計提的退貨準備和銷售折扣及數量折扣。如果收入的金額無法可靠計量，收入會被推遲確認，直到不確定事項完全消除。基於IFRS15，如果客戶被授予無條件退貨的權利，或銷售折扣和數量折扣，則交易價格並不是一個確定的數字。準則要求本集團估計在銷售乳製品和營養品時所需承擔的代價，該估計的可變代價僅當與其相關的不確定因素的發生和解決不太可能對累積確認的收入產生顯著影響時，才可被包含於交易價格中。本集團管理層正在評估採用IFRS15後的影響。在本集團仔細審閱經營現狀前很難提供一個合理的影響估計。對本集團的影響預期需按新準則的要求披露更加綜合全面的信息。

國際財務報告準則第16號取代國際會計準則第17號租賃、國際財務報告詮釋委員會詮釋第4號釐定安排是否包括租賃、常設詮釋委員會詮釋第15號經營租賃—優惠及常設詮釋委員會詮釋第27號評估牽涉租賃的法律形式的交易的內容。該準則載列有關租賃確認、計量、呈列及披露的原則，並要求承租人須確認絕大部分租賃資產及負債。準則包括承租人免於確認的兩項事項：租賃低價值資產及短期租賃。於租賃開始日期，承租人將確認負債以作出租賃付款（即租賃負債），而資產指於租期使用相關資產的權利（即使用權資產）。使用權資產其後按成本減累計折舊及任何減值虧損計量，除非使用權資產符合於國際會計準則第40號中投資物業的定義。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

2.3 Issued but not yet Effective International Financial Reporting Standards (Continued)

The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt IFRS 16 on 1 January 2019 and is currently assessing the impact of IFRS 16 upon adoption.

The Group is in the process of making an assessment of the impact of other new and revised IFRSs upon initial application but is not yet in a position to state whether these new and revised IFRSs would have a significant impact on the Group's results of operations and financial position.

2.4 Summary of Significant Accounting Policies

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

2.3 已公佈未生效的國際會計準則(續)

租賃負債將於其後增加以反映有關租賃負債利息並因支付租賃付款而減少。承租人將須單獨確認有關租賃負債的利息開支及有關使用權資產的折舊費。承租人亦將須於發生若干事件(即租期變動、用於釐定未來租賃付款的指數或利率變動導致的該等付款變動)時重新計量租賃負債。承租人將一般確認重新計量租賃負債金額，作為對使用權資產的調整。國際財務報告準則第16號項下的出租人會計與國際會計準則第17號項下的會計相比並無大幅改變。出租人將繼續使用國際會計準則第17號中的相同劃分原則劃分所有租賃及區分經營租賃及融資租賃。本集團預期於2019年1月1日採納國際財務報告準則第16號，目前正評估採納國際財務報告準則第16號後的影響。

本集團仍在對其他新訂及經修訂的國際財務報告準則經過初步適用產生的影響進行評估，但並未能夠對該等新訂及經修訂的國際財務報告準則是否對本集團的運營和財務狀況具有重大影響而做出確切說明。

2.4 主要會計政策摘要

業務合併及商譽

業務合併乃以購買法入賬。轉讓之代價乃以收購日期的公允價值計算，該公允價值為本集團轉讓的資產於收購日期的公允價值、本集團自被收購方之前任擁有人承擔的負債，及本集團發行以換取被收購方控制權的股本權益的總和。於各業務合併中，本集團選擇是否以公允值或被收購方可識別資產賬面淨值的應佔比例，計算被賦予現時擁有人權利並將於清盤時按比例分佔實體的淨資產的非控股股東權益。非控股股東權益的一切其他成分乃按公允值計量。收購成本於產生時列為開支。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

2.4 Summary of Significant Accounting Policies (Continued)

Business combinations and goodwill (Continued)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.4 主要會計政策摘要(續)

業務合併及商譽(續)

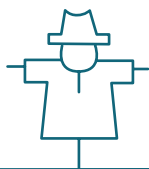
當本集團收購一項業務時，會根據合約條款、於收購日期的經濟環境及相關條件，評估將承接的金融資產及負債，以作出適合的分類及標示。其中包括將被收購方主合約中的嵌入式衍生工具進行分離。

倘企業合併分階段進行，收購方先前持有的被收購方股權於收購日期的權益價值應按收購日期的公允價值以及透過損益賬確認的損益重新計量。

由收購方將予轉讓的任何或然代價將於收購日期按公允價值確認。或然代價(被視為一項資產或負債)公允價值的其後變動確認為損益。倘將或然代價分類為權益，則其毋須重新計量。後續結算計入權益。

商譽初步按成本計量，而成本乃指所轉讓代價、就非控股股東權益確認的金額及本集團以往持有被收購方的股權的任何公允值的總和超出所購入可識別資產及所承擔負債淨額的差額。倘此代價與其他項目的總和低於所收購淨資產的公允值，則經重新評估後的差額於合併損益表確認為廉價購入的收益。

於初始確認後，商譽按成本減任何累計減值虧損計量。商譽須每年作減值測試，若有事件發生或情況改變顯示賬面值有可能減值時，則會更頻密地進行檢討。本集團於12月31日進行商譽的年度減值測試。為進行減值測試，因業務合併而購入的商譽自購入之日被分配至預期可從合併產生的協同效益中獲益的本集團各個現金產生單位或現金產生單位組別，而無論本集團其他資產或負債是否已分配予該等單位或單位組別。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

2.4 Summary of Significant Accounting Policies (Continued)

Business combinations and goodwill (Continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 主要會計政策摘要(續)

業務合併及商譽(續)

減值通過評估與商譽有關的現金產生單位(或現金產生單位組別)的可收回金額來確定。如果現金產生單位(或現金產生單位組別)的可收回金額低於賬面值，則確認減值損失。已確認的商譽減值損失不在後續期間內回撥。

如果商譽構成現金產生單位(或現金產生單位組別)的一部分，該單位的部分業務出售時，則在確定所出售業務的盈虧時，與所出售的業務相關的商譽計入該業務的賬面值。在這種情況下出售的商譽根據所出售業務的相對價值和現金產生單位的保留份額進行計量。

公允價值計量

主體在每個報告期末對其衍生金融工具採用公允價值計量。公允價值為市場參與者之間在計量日發生的有序交易中，出售一項資產所能收到或轉移一項負債所需支付的價格。公允價值計量假設出售資產或者轉移負債發生在主要市場，或者在主要市場不存在的情況下，能夠在最有利的市場上進行資產和負債的交易。並且主體可以在主要市場或者有利市場上進行交易。對資產和負債採用公允價值計量假定市場參與者以符合其經濟利益的最優價格，對資產和負債進行定價。

以公允價值計量非金融資產，應當考慮市場參與者通過直接將該資產用於最佳效用的方式產生經濟利益的能力，或者通過將該資產出售給能夠使其用於最佳效用的其他市場參與者的方式產生經濟利益的能力。

主體在計量公允價值時，應當採用在當前情況下適用並且有足夠可利用數據支持的估值技術，應當盡可能多地使用相關可觀察輸入值，盡可能少地使用不可觀察輸入值。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

2.4 Summary of Significant Accounting Policies (Continued)

Fair value measurement (Continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly.
- Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

2.4 主要會計政策摘要(續)

公允價值計量(續)

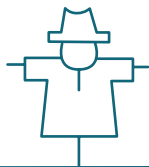
所有在財務報表上以公允價值計量和披露的資產和負債，基於對公允價值計量整體而言重要的輸入值所屬的最低層次，分為以下層級：

- 第1層次 — 以在活躍市場中相同資產或負債的報價(未經調整)來確定公允價值。
- 第2層次 — 以使用輸入數據為可直接或間接觀察的及對公允價值計量有重要影響的市場信息的估值技術來確定公允價值。
- 第3層次 — 以使用輸入數據是對公允價值計量有重大影響，而並非可觀察的市場信息的估值技術來確定公允價值。

資產和負債基於連續性原則在財務報表上進行確認，集團根據在每個報告結束時的重新評估分類。(根據最低水準的輸入值對作為整體的公允價值計量有重大影響)來決定是否在層級上發生轉移。

非金融資產減值

當有跡象顯示出現減值，或當須進行資產年度減值測試(存貨、遞延所得稅資產及金融資產除外)，則估計資產的可收回金額。資產的可收回金額乃選取資產或現金產生單位的使用價值及其公允值減處置成本的較高者，並對個別資產釐定，惟倘資產並無產生大致獨立於其他資產或資產組別的現金流入，則可收回金額在該資產所屬的現金產生單位基礎上確定。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

2.4 Summary of Significant Accounting Policies (Continued)

Impairment of non-financial assets (Continued)

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

2.4 主要會計政策摘要(續)

非金融資產減值(續)

減值損失僅於資產賬面值超逾其可收回金額時確認。在評估使用價值時，估計未來現金流量乃按稅前折現率折現至現值。所用稅前折現率反映了當前市場對貨幣時值及該資產特定風險的評估。減值損失於產生期間自損益表中與減值資產功能一致的支出類別扣除。

於各報告期末，本集團評估是否有跡象顯示先前確認的減值損失可能不再存在或已經減少。如有該等跡象，本集團會估計可收回金額。僅若用以釐定商譽除外資產的可收回金額的估計有變動，方會撥回先前確認該資產的減值損失，惟金額不得超過假使該資產在過往年度並無確認減值損失時，原應釐定的賬面值(扣減任何折舊／攤銷後)。減值損失撥回計入產生期間的損益表中。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

2.4 Summary of Significant Accounting Policies (Continued)

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);

2.4 主要會計政策摘要(續)

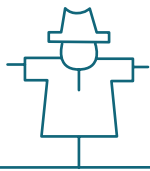
關聯人士

一方被視為與本集團有關聯，倘：

- (a) 該方為該名人士家族的人士或直系親屬，而該名人士
 - (i) 控制或共同控制本集團；
 - (ii) 對本集團施加重大影響；或
 - (iii) 為本集團或本集團母公司主要管理人員的成員；

或

- (b) 該方為符合下列任何條件的實體：
 - (i) 該實體與本集團屬同一集團的成員公司；
 - (ii) 一間實體為另一實體的聯營公司或合營企業(或另一實體的母公司、子公司或同系子公司之旗下)；
 - (iii) 該實體及本集團均為同一第三方的合營企業；
 - (iv) 一間實體為第三方實體的合營企業，而另一實體為該第三方實體的聯營公司；
 - (v) 該實體為離職後福利計劃，該計劃的受益人為本集團或與本集團有關的實體僱員；
 - (vi) 該實體由(a)項所述人士控制或共同控制；



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

2.4 Summary of Significant Accounting Policies (Continued) 2.4 主要會計政策摘要(續)

Related parties (Continued)

(b) (Continued)

- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

關聯人士(續)

(b) (續)

- (vii) 於(a)(i)項所述人士對該實體有重大影響或屬該實體(或該實體的母公司)主要管理人員的成員;及
- (viii) 該實體或集團內的任意一個部分,其主要管理人員服務於本集團或者本集團的母公司。

物業、廠房及設備以及折舊

物業、廠房及設備,在建工程除外,是按成本值減去累計折舊及任何減值損失後列賬。當一項物業、廠房及設備被分類為持有待售或作為被分類為持有待售的處置資產組的組成部分,並且根據國際財務報告準則第5號,將不做折舊處理。物業、廠房及設備項目成本包括其購買價及使資產處於擬定用途的運作狀況及地點而產生的任何直接應佔成本。

成本亦可能包括轉撥自股本的物業、廠房及設備外幣購置項目的合資格現金流量對沖所產生任何收益或虧損。

物業、廠房及設備項目投入運作後產生的支出,例如維修及保養,一般於其產生期間於損益損益表扣除。而大修支出在符合確認條件時,重要檢修費用資本化計入資產的賬面價值而作為更換成本。當物業、廠房及設備的重要部件須定期更換,本集團將該等部件確認為獨立的資產,並在特定可使用年期下單獨計提折舊。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

2.4 Summary of Significant Accounting Policies (Continued)

Property, plant and equipment and depreciation (Continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Freehold land	Not depreciated
Plant and buildings	13–47 years
Machinery and equipment	5–10 years
Motor vehicles	4–5 years
Office equipment and others	3–5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents property, plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 主要會計政策摘要(續)

物業、廠房及設備以及折舊 (續)

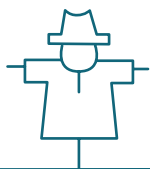
折舊乃按物業、廠房及設備的各個項目於其估計可使用年期以直線法撇減其成本至剩餘價值。物業、廠房及設備的估計可使用年期：

自有土地	不提折舊
廠房及樓宇	13–47年
機器及設備	5–10年
機動車	4–5年
辦公室設備及其他設備	3–5年

倘一項物業、廠房及設備的各部分有著不同可使用年期，則有關項目的成本以合理基準分配於各部分，而每部分將作獨立折舊。剩餘價值、可使用年期及折舊方法至少於各財政年度結算日審閱及調整。

物業、廠房及設備項目(包括經初步確認為資產的任何重要部件)乃在處置時或在預計未來不可從其使用或處置中獲得經濟利益時終止確認。於終止確認資產當年的損益表中確認的處置或廢棄而產生的任何收益或虧損乃銷售所得款項淨額與相關資產賬面值之間的差額。

在建工程是指正在興建的廠房及物業，乃以成本值減任何減值損失列賬，在建工程不計提折舊。成本值包括在建期間的直接建築成本以及已借相關資金所屬已撥充資本的借貸費用。當在建工程竣工、隨時可供使用時，在建工程重新分類歸入物業、廠房及設備內的適當類別。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

2.4 Summary of Significant Accounting Policies (Continued)

Investment properties

Investment properties are interests in buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and impairment losses.

Depreciation is based on the cost of an asset less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of investment properties. The estimated useful lives range from 27.5 to 50 years. Depreciation methods, useful lives and residual values are reassessed at each reporting date.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

2.4 主要會計政策摘要(續)

投資物業

投資物業指為賺取租賃收入及/或資本增值而持有的樓宇，而非用作生產或提供商品或服務，或用作行政用途，或屬於在日常業務過程中出售的土地及樓宇。該等物業初始確認時按成本(包括交易成本)計量。初始確認之後，投資物業按成本減去累計折舊和任何減值損失列賬。

折舊根據資產成本減去剩餘價值計量。折舊是在投資物業的估計可使用年內，以直線法在損益中確認。估計可使用年期介乎27.5至50年之間。折舊方法、可使用年期及剩餘價值於各報告日重新審核。

在資產退役或處置時所產生的任何損益會在該項目被取消確認的年度內計入損益。

非流動資產和持有待售的處置組

當非流動資產或待處置組的賬面價值通過銷售交易收回，而非繼續使用，則其將被列為持有待售。對於這種情況，資產或處置組須符合可以在當前狀態下按通常或慣用條款即可立即出售的條件及該出售是極可能發生的。集團子公司定義為處置組的所有資產和負債將重分類為持有待售，無論本集團是否保留在其非控制性權益。

非流動資產或處置組(除金融資產外)被分類為持有待售將按賬面價值和公允價值減去處置成本後的淨額孰低計量。房產、廠房及設備和無形資產在列為持有待售後不計提折舊或攤銷。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

2.4 Summary of Significant Accounting Policies (Continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Office software

Office software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 5 years.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products, commencing from the date when the products are put into commercial production.

2.4 主要會計政策摘要(續)

無形資產(商譽除外)

單獨收購的無形資產於初步確認時按成本計量。於業務合併時所收購無形資產的成本相等於收購日期的公允值。無形資產的可使用年期可評估為有限或無限。年期有限的無形資產於可使用經濟年期內攤銷，並於有跡象顯示無形資產可能出現減值時評估減值。可使用年期有限的無形資產的攤銷年期及攤銷方法至少於各財政年度結算日覆核一次。

年期無限的無形資產每年將單獨或以現金組的形式進行測試。該無形資產不進行攤銷。年期無限的無形資產每年將進行使用年期測試以確定其是否繼續符合年期無限的條件。如果不符合，使用年限從無限到有限的改變將採用未來適用法核算。

辦公軟件

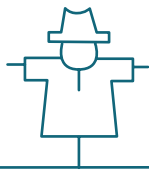
所購買的軟件按成本減任何減值損失列賬，並於5年期內按直線法攤銷。

研發成本

所有研究成本均於產生時計入損益。

當本集團可證明完成無形資產以供使用或出售在技術上屬可行，且有意完成並有能力使用或出售該資產，能明確資產產生未來經濟利益的方法及擁有足夠的資源以完成項目，並能夠可靠衡量開發期間的開支時，方會將開發新產品的項目開支資本化並遞延處理。不符合上述條件的產品開發支出於產生時列作費用開支。

遞延開發成本按成本減任何減值損失入賬，並於有關產品投入商業生產之日起在其商業年期內以直線法攤銷。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

2.4 Summary of Significant Accounting Policies (Continued)

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

The Group recognises financial assets at which the Group becomes a party to the contractual provisions of the instruments.

Regular way purchases and sales of financial assets are recognised on the trade date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of profit or loss.

This classification depends on whether the financial asset is a debt or equity investment.

Financial assets are classified, at initial recognition, as debt instruments at amortised cost, debt instruments, derivatives and equity instruments at fair value through profit or loss and equity instruments designated as measured at fair value through other comprehensive income (with gains and losses remaining in other comprehensive income, without recycling).

2.4 主要會計政策摘要(續)

經營租賃

凡資產擁有權的絕大部分回報及風險仍由出租人承擔的租賃均以經營租賃入賬。倘本集團為出租人，則本集團根據經營租賃所出租的資產計入非流動資產，而經營租賃的應收租金則按照租期以直線法計入損益表。倘本集團為承租人，則經營租賃的應付租金按照租期以直線法自損益表扣除。

經營租賃的預付土地租賃款項初始按成本入賬，其後則按租期以直線法確認。

投資及其他金融資產

初始確認和計量

本集團將金融工具於交易對手形成合同義務時確認金融資產。

金融資產的定期購買及出售均於交易日(即本集團承諾購買或出售該資產當日)確認。

於初始確認時，本集團以公允值計量金融資產，另倘金融資產並非以公允值計量且其變動計入損益，則加入因收購金融資產而直接應佔之交易成本。以公允值計量且其變動計入損益之金融資產之交易成本乃於損益表內支銷。

此分類視乎金融資產是債務或股權投資而定。

金融資產於初始確認時被分類為按攤銷成本計量之債務工具、債務工具、以公允值計量且其變動計入損益之衍生工具及權益工具以及指定為以公允值計量且其變動計入其他全面收益之權益工具(連同仍於其他全面收益列賬且並未重新使用之收益及虧損)。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

2.4 Summary of Significant Accounting Policies (Continued)

Investments and other financial assets (Continued)

Initial recognition and measurement (Continued)

A financial asset is classified as debt instruments at amortised cost, if:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

All other financial assets are measured at fair value through profit or loss, except that for investments in equity instruments that are not held for trading, the Group may elect at initial recognition to present gains and losses in other comprehensive income("OCI").

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Debt instruments at amortised cost

A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the financial asset is derecognised or impaired and through the amortisation process using the effective interest rate method.

Debt instruments, derivatives and equity instruments at fair value through profit or loss

A gain or loss on a debt investment, derivatives and equity instruments that are subsequently measured at fair value and are not part of a hedging relationship is recognised in profit or loss and presented in the statement of profit or loss in the period in which it arise.

2.4 主要會計政策摘要(續)

投資及其他金融資產(續)

初始確認和計量(續)

一項金融資產被分類為按攤銷成本計量的債務工具，當：

- 持有該資產的業務模型在於獲取合同現金流；及
- 該資產的合同條款表明在某特定日的現金流入僅限於本金和利息的支付。

除持有日的不是交易的股權投資可在初始確認時選擇為公允價值變動計入其他綜合收益外，其他金融資產按公允價值變動計入損益計量。

後續計量

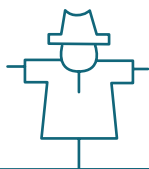
金融資產的後續計量取決於其分類如下：

以攤餘成本計量的債務性工具

其後按攤銷成本計量且並非對沖關係一部分的債務投資的收益或虧損，於金融資產取消確認或減值時在損益中確認，並利用實際利率法攤銷。

公允價值變動計入損益的債務性、衍生或權益性工具

其後按公允值計量且並非對沖關係一部分的債務投資、衍生工具及權益工具的收益或虧損於損益中確認並於其產生期間於損益表中呈列。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

2.4 Summary of Significant Accounting Policies (Continued)

Investments and other financial assets (Continued)

Subsequent measurement (Continued)

Equity instruments designated as measured at fair value through other comprehensive income

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present unrealised and realised fair value gains and losses on equity investments in other comprehensive income, there is no subsequent recycling of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as long as they represent a return on investment.

The Group is required to reclassify all affected debt investments when, and only when, its business model for managing those assets changes.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset; or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

2.4 主要會計政策摘要(續)

投資及其他金融資產(續)

後續計量(續)

指定為公允價值變動計入其他綜合收益的權益性工具

權益工具按照公允價值進行後續計量。當集團管理層選擇在其他綜合收益中列報目前未實現和已實現的公允價值變動損益時，該公允價值變動損益後續不會再轉入當期損益。代表投資回報的股利將計入損益。

只有當用於管理資產的商業模式變化時集團將重分類所有受影響的債權投資。

終止確認金融資產

金融資產(或，倘適用，一項金融資產的一部分或一組類似金融資產的一部分)在下列情況下將終止確認(即：從集團合併財務報表移除)：

- 收取該項資產所得現金流量的權利經已屆滿；或
- 本集團已轉讓其收取該項資產所得現金流量的權利，或根據「轉手」安排承擔在無重大延誤下向第三方全數支付已收取現金流量的責任；及(a)本集團已轉讓資產絕大部分風險及回報，或(b)本集團並無轉讓或保留資產的絕大部分風險及回報，但已轉讓資產的控制權。

倘本集團已轉讓從資產收取現金流量的權利或已訂立轉手安排，則將評估其是否已保留資產所有權的風險及其回報程度。倘並無轉讓或保留資產絕大部分風險及回報，亦無轉讓資產的控制權，則按本集團持續參與資產的程度確認資產。在此情況下，本集團將確認相應的負債。已轉移資產及相關負債以本集團保留的權利與義務為基礎進行計量。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

2.4 Summary of Significant Accounting Policies (Continued)

Derecognition of financial assets (Continued)

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

2.4 主要會計政策摘要(續)

終止確認金融資產(續)

以經轉讓資產擔保方式的持續參與按資產原始賬面值與本集團可能被要求償還的對價的最高金額之間的較低者計量。

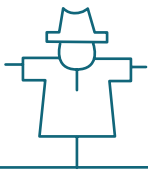
金融資產減值

本集團會於各報告期末評估是否有任何客觀證據顯示某項金融資產或一組金融資產出現減值。當有客觀證據顯示由於其初始確認後發生一宗或多宗事件致使某項金融資產或一組金融資產的預計未來現金流量受影響，且該影響金額可以可靠估計而發生減值，則有關資產被視為已發生減值。發生減值的證據可包括債務人或一組債務人出現重大財政困難，違約或拖欠利息或本金支付，有面臨破產或進行其他財務重組的可能以及有公開資料表明其估計未來現金流量確已減少且可計量，如欠款數目變動或出現與違約相關的經濟狀況。

按攤銷成本列賬的金融資產

對於按攤銷成本列賬的金融資產，本集團首先單獨評估單項金額重大的金融資產是否存在減值客觀證據，或對單項金額不重大的金融資產按組合評估是否存在減值客觀證據。對本集團釐定為不存在減值客觀證據的單獨評估金融資產，無論其金額是否重大，其應當包括在具有類似信用風險特性的金融資產組合內並按組合進行減值測試。已單獨進行減值測試及已確認減值損失或繼續確認減值損失的資產，不應包括在組合中進行減值測試。

倘有客觀證據顯示已發生減值損失，虧損金額按該資產的賬面值與估計未來現金流量的現值兩者的差額計量(不包括尚未發生的未來信貸虧損)。估計未來現金流量的現值按該金融資產的原實際利率(即初始確認時使用的實際利率)折現。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

2.4 Summary of Significant Accounting Policies (Continued)

Impairment of financial assets (Continued)

Financial assets carried at amortised cost (Continued)

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include payables, other payables, interest-bearing bank loans, other loans and other financial liabilities.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

2.4 主要會計政策摘要(續)

金融資產減值(續)

按攤銷成本列賬的金融資產(續)

該資產的賬面值可通過使用備抵賬目方式來抵減，虧損則於損益表確認。利息收入就削減賬面值持續累算，並按計量減值損失時對未來現金流進行折現時使用的利率累算。當並無可變現的未來減值恢復跡象並且所有抵押品已變現或已轉讓至本集團時，貸款及應收款項連同任何相關備抵可予撇銷。

倘在後續期間，在減值確認後發生致使估計減值損失的金額增加或減少的事件，則會調整備抵賬目以增加或減少先前確認的減值損失。倘其後收回撇銷，則收回金額記入損益表的其他費用。

金融負債

初始確認和計量

金融負債於初始確認時分類為以公允價值計量且其變動計入損益的金融負債，貸款及借款，或指定為有效對沖的對沖工具的衍生工具(如適用)。

所有金融負債初始時均按公允價值確認，而貸款和借款則須在此基礎上扣除直接應佔交易成本。

本集團的金融負債包括應付賬款、其他應付款項、計息銀行貸款、其他貸款及其他金融負債。

後續計量

金融負債的後續計量取決於其分類如下：

以公允價值計量且其變動計入損益的金融負債

以公允價值計量且其變動計入損益的金融負債包括持作買賣的金融負債及於首次確認時指定為以公允價值計量且其變動計入損益的金融負債。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

2.4 Summary of Significant Accounting Policies (Continued)

Financial liabilities (Continued)

Subsequent measurement (Continued)

Financial liabilities at fair value through profit or loss (Continued)

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit or loss. The net fair value gain or loss recognised in the consolidated statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IFRS 9 are satisfied. No financial liabilities have been designated as at fair value through profit or loss by the Group.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

2.4 主要會計政策摘要(續)

金融負債(續)

後續計量(續)

以公允值計量且其變動計入損益的 金融負債(續)

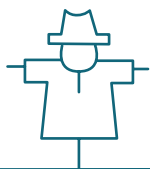
倘收購金融負債的目的是為在短期內購回，則該等負債分類為持作買賣。該分類包括本集團訂立但在對沖關係(定義見國際財務報告準則第9號)中並無指定為對沖工具的衍生金融工具。個別嵌入式衍生工具亦分類為持作買賣，惟彼等被指定為有效對沖工具除外。持作買賣的負債的收益或虧損乃於綜合損益表中確認。於綜合損益表中確認的公允值淨額收益或虧損不包括有關該等金融負債的任何利息。

於首次確認時指定為以公允值計量且其變動計入損益的金融負債於首次確認日期及僅於符合國際財務報告準則第9號的準則時予以指定。本集團並無指定任何以公允值計量且其變動計入損益的金融負債。

貸款和借款

於初始確認後，計息貸款和借款其後採用實際利率法以攤銷成本計量，除非折現影響非屬重大，在此情況下，則按成本列賬。當負債終止確認並透過以實際利率法攤銷時，收益及虧損於綜合損益表確認。

攤銷成本乃經考慮收購的任何折價或溢價以及屬實際利率組成部分的費用或成本後計算。實際利率攤銷金額列入綜合損益表的融資成本中。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

2.4 Summary of Significant Accounting Policies (Continued) 2.4 主要會計政策摘要(續)

Financial liabilities (Continued)

Subsequent measurement (Continued)

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

金融負債(續)

後續計量(續)

財務擔保合約

本集團發行的財務擔保合約乃因特定債務人不能支付到期款項(與債務工具所述條款一致)而應向持有人支付款項以彌補其由此招致的損失的合約。財務擔保合約首次按公允值並對發行擔保的直接應佔交易成本進行調整後確認為負債。於首次確認後,本集團按下列兩者的較高者計量財務擔保合約:(i)於報告期末履行現時責任的最佳估計開支金額;及(ii)首次確認金額減累計攤銷金額(如適用)。

終止確認金融負債

當負債項下的責任解除、註銷或屆滿,即終止確認金融負債。

倘現有的金融負債被另一項從同一貸款人按相當不同的條款訂定的金融負債取代,或現有負債的條款有相當修改,該項交換或修改乃被視作終止確認原負債並確認新負債,而各賬面值的差額乃於損益表中確認。

金融工具的抵銷

倘且僅倘目前有強制執行的法律權力要求抵銷已確認的金額且有按照淨額結清,或同時變現資產和結清負債的意圖,金融資產和金融負債可抵銷並按淨值列報於財務狀況表中。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

2.4 Summary of Significant Accounting Policies (Continued)

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, currency collars and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

A hedging relationship qualifies for hedge accounting only if all of the following criteria are met:

- the hedging relationship consists only of eligible hedging instruments and eligible hedged items.
- At the inception of the hedging relationship, there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge. That documentation shall include identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the entity will assess whether the hedging relationship meets the hedge effectiveness requirements (including its analysis of the sources of hedge ineffectiveness and how it determines the hedge ratio).

2.4 主要會計政策摘要(續)

衍生金融工具與套期會計

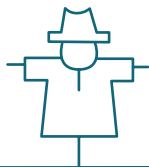
初始確認和後續計量

本集團利用遠期貨幣合同、匯率上下限合同及利率掉期合同等衍生金融工具對沖與外匯波動相關的風險及利率波動風險。該些衍生金融工具最初依該衍生工具合同簽訂之日的公允價值確認，此後依公允價值重新計量。當公允價值為正時，衍生工具作為資產列賬；當公允價值為負時，則作為負債列賬。

除現金流量對沖的有效部分於其他全面收益確認並在影響損益時重分類至損益表外，衍生工具公允價值變動產生的收益或損失均直接列入損益。

滿足以下條件的合格套期關係安排可按套期會計核算：

- 套期關係僅包括合格的套期工具和被套期項目。
- 在套期開始時，主體需制定包括套期關係制定和主體的風險管理目標和策略的正式套期文件。這些文件應包括套期工具及被套期項目的識別，被套期風險及主體將如何將評估套期關係是否符合套期有效性的要求(包括其套期失效的來源分析和如何確定套期比率)。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

2.4 Summary of Significant Accounting Policies (Continued)

Derivative financial instruments and hedge accounting (Continued)

Initial recognition and subsequent measurement (Continued)

- the hedging relationship meets all of the following hedge effectiveness requirements: there is an economic relationship between the hedged item and the hedging instrument; the effect of credit risk does not dominate the value changes that result from that economic relationship; and the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item. However, that designation shall not reflect an imbalance between the weightings of the hedged item and the hedging instrument that would create hedge ineffectiveness (irrespective of whether recognised or not) that could result in an accounting outcome that would be inconsistent with the purpose of hedge accounting.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

2.4 主要會計政策摘要(續)

衍生金融工具與套期會計(續)

初始確認和後續計量(續)

- 套期關係需滿足下列所有套期有效性要求：被套期項目和套期工具之間具有「經濟關聯」；經濟關聯產生的價值變動中，信用風險的影響不佔主導作用；套期關係的套期比率等於主體被套期項目的實際數量與用於套期的套期工具的實際數量之比。然而，該指定不應反應被套期項目和套期工具之間權重的失衡，這種失衡可能產生套期無效(無論確認與否)，並可能產生與套期會計目標不一致的會計結果。

在套期會計處理中，套期分為以下三類：

- 公允價值套期：是指對已確認資產或負債、尚未確認的確定承諾中的公允價值變動敞口進行的套期；或
- 現金流量套期：是指對現金流量變動敞口進行的套期，該類現金流量變動源於與已確認資產或負債、很可能發生的預期交易有關的風險或者尚未確認的確定承諾中的外匯風險；或
- 國外經營淨投資套期。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

2.4 Summary of Significant Accounting Policies (Continued)

Derivative financial instruments and hedge accounting (Continued)

Initial recognition and subsequent measurement (Continued)

Fair value hedges

The gain or loss on the hedging instrument shall be recognised in profit or loss, or other comprehensive income, if the hedging instrument hedges an equity instrument for which an entity has elected to present changes in fair value in other comprehensive income.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the statement of profit or loss over the remaining term of the hedge using the effective interest rate method. Effective interest rate amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in the statement of profit or loss.

The hedging gain or loss on the hedged item shall adjust the carrying amount of the hedged item (if applicable) and be recognised in profit or loss. If the hedged item is a financial asset (or a component thereof) that is measured at fair value through profit or loss, the hedging gain or loss on the hedged item shall be recognised in profit or loss. However, if the hedged item is an equity instrument for which an entity has elected to present changes in fair value in other comprehensive income, those amounts shall remain in other comprehensive income.

When a hedged item is an unrecognised firm commitment (or a component thereof), the cumulative change in the fair value of the hedged item subsequent to its designation is recognised as an asset or a liability with a corresponding gain or loss recognised in profit or loss.

2.4 主要會計政策摘要(續)

衍生金融工具與套期會計(續)

初始確認和後續計量(續)

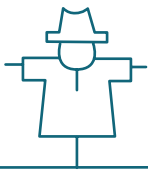
公允價值套期

套期工具的公允價值變動在損益表中被確認為其他經營開支，或主體可以選擇對一個套期安排下的權益工具的公允價值變動列示在其他綜合收益。

以攤餘成本計量的套期項目的公允價值套期，利用實際利率法對剩餘期間套期造成的對其套期價值的調整攤銷進入當期損益，實際利率攤銷可開始於該種價值調整出現時或須不晚於套期項目因套期風險的存在而停止以便去調整其公允價值的變動時。如果套期項目被取消確認，未攤銷的公允價值部分將立即被確認進當期損益。

被套期項目的套期損益調整其帳面價值並計入當期損益。當被套期項目為公允價值變動計入其他綜合收益的金融資產(或其組成部分)時，其套期損益計入當期損益；但當被套期項目為主體選擇計入其他綜合收益的權益工具時，其套期損益仍計入其他綜合收益。

當尚未確認的確定承諾被認定為套期項目時(或其組成部分)時，隨後其套期風險造成的累計公允價值變動部分將被確認為一項資產或負債，與此同時其相應的盈虧也將確認進入當期損益。套期工具的公允價值變動也確認進入當期損益。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

2.4 Summary of Significant Accounting Policies (Continued)

Derivative financial instruments and hedge accounting (Continued)

Initial recognition and subsequent measurement (Continued)

Cash flow hedges

The separate component of equity associated with the hedged item (cash flow hedge reserve) is adjusted to the lower of the following (in absolute amounts): (i) the cumulative gain or loss on the hedging instrument from inception of the hedge; and (ii) the cumulative change in fair value (present value) of the hedged item (i.e., the present value of the cumulative change in the hedged expected future cash flows) from inception of the hedge.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge (i.e., the portion that is offset by the change in the cash flow hedge reserve calculated in accordance with above mentioned) shall be recognised in other comprehensive income.

Amounts recognised in other comprehensive income are transferred to the statement of profit or loss when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised in other comprehensive income are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised in other comprehensive income are transferred to the statement of profit or loss in the same period or periods during which the asset acquired or liability assumed affects the statement of profit or loss.

2.4 主要會計政策摘要(續)

衍生金融工具與套期會計(續)

初始確認和後續計量(續)

現金流量套期

權益中與套期工具相關的部分－現金流量套期儲備調整至下列金額中絕對值較低的一個：(1)套期工具自套期開始日始的累積利得或損失；(2)被套期項目累積公允價值變動的現值(即被套期的預期現金流量累積變動的現值)。

被認定為有效套期工具的利得或損失部分(即按上文計算的對沖現金流量套期儲備的部分)計入其他綜合收益。

如果被套期交易影響當期損益的，例如被套期的金融損益被確認或預期的銷售發生時，則將已在其他綜合收益中確認的金額轉入當期損益。如果被套期項目是一項非金融資產或非金融負債的成本，則原在其他綜合收益中確認的金額將轉出計入該非金融資產或非金融負債的初始確認金額；若獲取該資產或承擔該負債時影響了損益，則原在其他綜合收益中確認的金額也將在同一期間轉出計入損益。

當被套期項目形成一個非金融資產或非金融負債的成本，計入其他全面收益的金額與該獲取的資產或承擔的負債對損益表產生影響的同一會計期間轉入損益表。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

2.4 Summary of Significant Accounting Policies (Continued)

Derivative financial instruments and hedge accounting (Continued)

Initial recognition and subsequent measurement (Continued)

Cash flow hedges (Continued)

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or when the hedge no longer meets the criteria for hedge accounting, the amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction occurs or the foreign currency firm commitment is met.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

2.4 主要會計政策摘要(續)

衍生金融工具與套期會計(續)

初始確認和後續計量(續)

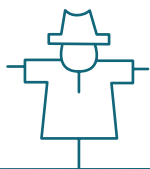
現金流量套期(續)

倘對沖工具屆滿或被出售、終止或行使而未被取代或作出再投資(作為對沖策略的一部分),或當對沖不再滿足對沖會計法基準時,先前於其他全面收益確認的金額仍於對沖儲備內保留,直至出現預期交易或滿足外幣堅定承諾影響損益時為止。

流動與非流動分類

並無指定為有效對沖工具的衍生工具乃根據對事實及情況的評估(即相關合約現金流量)分類為流動或非流動,或單獨列為流動及非流動部分。

- 當本集團預期持有衍生工具作為經濟對沖(而並無應用對沖會計處理方法)至超過報告日期後十二個月期間,該衍生工具乃與相關項目的分類一致分類為非流動(或拆分為流動及非流動部)。
- 與主合約並非密切聯繫的嵌入式衍生工具乃與主合約的現金流量一致分類。
- 指定為有效對沖工具的衍生工具乃與相關對沖項目的分類一致分類。衍生工具僅於可作出可靠分配時拆分為流動部分及非流動部分。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

2.4 Summary of Significant Accounting Policies (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments which are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

2.4 主要會計政策摘要(續)

存貨

存貨按成本與可變現淨值兩者中較低者入賬。成本按加權平均法計算，就在產品及製成品而言，其成本包括直接原料成本、直接勞工及按適當比例分攤的間接成本。可變現淨值根據估計出售價減去預計至完工及出售將產生的任何估計成本計算。

現金及現金等價物

就現金流量表而言，現金及現金等價物包括手頭現金及活期存款以及可隨時轉換為已知數額現金、價值變動風險極微及一般自購入後三個月或三個月內到期的短期高流動性投資，扣減須應要求償還及構成本集團現金管理不可分割部分的銀行透支。

就合併財務狀況表而言，現金及現金等價物包括用途不受限制的手頭現金及銀行存款(包括定期存款)及與現金性質相似的資產。

撥備

本集團若因過往事項而現時有法定或推定債務，而且可能需要有涉及經濟利益的資源外流以償付這些債務，並能對債務數額作出可靠估計，便確認撥備。

如折現的影響重大，則確認的撥備額為預期需用作償還債務的未來支出於報告期末的現值。因時間流逝而增加的折現現值，列作融資成本計入損益表。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

2.4 Summary of Significant Accounting Policies (Continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 主要會計政策摘要(續)

所得稅

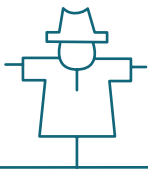
所得稅包括即期及遞延稅項。損益賬外確認的相關所得稅項目，計入損益賬外的其他全面收益或直接計入權益。

當期或前期的即期稅項資產及負債乃根據於報告期末已頒佈或實質上已頒佈的稅率(及稅法)按預期可收回的數額或支付予稅務機關數額計算，並考慮本集團經營所在國家的現行詮釋及慣例。

於報告期末的資產及負債的稅基與其就財務報告而言的賬面值之間的暫時性差異，須按債務法計提遞延稅項撥備。

所有應課稅暫時性差異均會確認遞延稅項負債，惟下列各項除外：

- 倘若遞延稅項負債的起因，是產生於商譽或非業務合併交易中資產或負債的初始確認，而且在交易時，對會計利潤或應課稅利潤或虧損均無影響；及
- 對於涉及子公司的投資的應課稅暫時性差異，倘若撥回暫時性差異的時間可以控制，且該暫時性差異在可預見的將來很可能不會撥回。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

2.4 Summary of Significant Accounting Policies (Continued) 2.4 主要會計政策摘要(續)

Income tax (Continued)

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

所得稅(續)

對於所有可扣減暫時性差異及結轉的未用稅項抵免及未用稅項虧損，若日後有可能出現應課稅利潤，可用以抵扣該等可扣減暫時性差異、結轉的未用稅項抵免及未用稅項虧損的，則遞延稅項資產一律確認入賬，惟下列各項除外：

- 倘若有關可扣減暫時性差異的遞延稅項資產的起因，是產生於非業務合併交易中資產或負債的初始確認，而且在交易時，對會計利潤或應課稅利潤或虧損均無影響；及
- 對於涉及子公司的投資的可扣減暫時性差異，只有在暫時性差異有可能在可預見將來撥回，而且日後有可能出現應課稅利潤，可用以抵扣該等暫時性差異時，方會確認遞延稅項資產。

遞延稅項資產的賬面值，在報告期末予以審閱。若不再可能有足夠應課稅利潤用以抵扣遞延稅項資產的全部或部分金額，則扣減遞延稅項資產賬面值。並無確認的遞延稅項資產，在報告期末重新評估，若日後可能有應課稅利潤將可收回遞延稅項資產，則予確認。

變現資產或清償負債的年度預期適用的稅率，會用作計量遞延稅項資產及負債，並以報告期末已經頒佈或實質上已經頒佈的稅率(及税法)為基準。

若存在法律上可強制執行的權利，藉以用即期所得稅資產抵銷即期所得稅負債，而遞延稅項與同一應課稅實體及同一稅務當局相關，則遞延稅項資產及遞延稅項負債相互抵銷。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

2.4 Summary of Significant Accounting Policies (Continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

Rental income

Revenue is recognised on a time proportion basis over the lease terms.

Interest income

Revenue is recognised as interest accrues using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

2.4 主要會計政策摘要(續)

政府補助金

當有相當把握將會收到補助金及將符合所有附帶條件時，政府補助金即按公允價值確認入賬。若補助金與支出項目有關，即於所擬補償的成本的支銷期間內有系統地確認為收入。

若補助金與資產有關，即將其公允價值計入遞延收益賬戶，並於有關資產的預計可使用年期內，以等額年金調撥往損益表或從資產賬面值中扣減並以經扣減折舊開支調撥往損益表。

收入確認

收入是在經濟利益很可能流入本集團以及能夠可靠地計量時按下列準則確認入賬：

貨品銷售

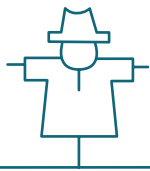
當貨品所有權附帶的重大風險及回報轉給買家，且本集團不再對所售貨品具有通常與所有權有關的管理權，亦無實際控制權時即確認收入。

租金收入

收入乃按租期的時間比例確認。

利息收入

在利息產生時確認利息收入，採用實際利率法計算，該比率為將金融工具估計未來收回現金按金融工具的估計年期或更短期間，如適用，折現至金融資產賬面淨值的折現率。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

2.4 Summary of Significant Accounting Policies (Continued)

Revenue recognition (Continued)

Dividends

Revenue is recognised when the shareholders' right to receive the payment has been established.

Employee benefits

Defined contribution plans

The Group's subsidiaries operating in the PRC except for Hong Kong ("Mainland China") participate in a central defined contribution retirement benefit plan managed by the local municipal government in the locations in which they operate. Contributions are made based on a percentage of the companies' payroll costs and are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the central defined contribution retirement benefit plan.

Short term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be estimated reliably.

Share-based payments

The Group operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external valuer using a binomial model.

2.4 主要會計政策摘要(續)

收入確認(續)

股息

當股東收取款項的權利得以確立時確認收入。

僱員福利

界定供款計劃

本集團在中國香港除外(「中國大陸」)營運的子公司，參與其營業所在地的地方政府管理的中央界定供款退休福利計劃，有關供款乃根據公司薪金費用的某百分比計算，並根據中央界定供款退休福利計劃的規則，應付時在綜合利潤表內支銷。

短期僱員福利

短期僱員福利責任乃按未折現基準計算，並於提供有關服務時列為開支。

倘本集團就僱員過去提供的服務而擁有現有法定或推定責任支付有關金額，且該責任能可靠估計，則就預期根據短期現金獎金或分紅計劃將予支付的金額確認準備。

以股份為基礎的支付

本集團採納股權支付計劃，藉此對集團業務有貢獻的合資格參與者作出鼓勵及獎賞。本集團僱員(包括董事)會收取以股份為基礎的支付形式的酬金，而僱員會提供服務作為換取股本工具(權益結算的交易)的代價。

與僱員進行的股權結算交易乃參考授出權利當日的公允值計算成本。公允值乃由外聘估值師按二項式計價模式釐定。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

2.4 Summary of Significant Accounting Policies (Continued)

Employee benefits (Continued)

Share-based payments (Continued)

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the equity-settled transactions or is otherwise beneficial to the employee as measured at the date of modification.

Where a share-based option award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. Any payment made to the employee on the cancellation or settlement of the grant shall be accounted for as the repurchase of an equity interest, i.e. as a deduction from equity, except to the extent that the payment exceeds the fair value of the equity instruments granted, measured at the repurchase date. Any such excess shall be recognised as an expense.

2.4 主要會計政策摘要(續)

僱員福利(續)

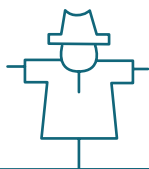
以股份為基礎的支付(續)

在員工福利費中，權益結算交易的成本連同權益的相應增加會於業績及／或服務條件達到的期間內確認。歸屬日之前的各報告期末就權益結算交易確認的累計支出反映歸屬期屆滿的部分以及本集團對最終將歸屬的股本工具數目的最佳估計。期間內於損益表扣除或計入的數額指於該期間初及終已確認累計支出的變動。

最終未完成歸屬的報酬不會確認支出，除非歸屬的權益結算交易附帶市況或非歸屬條件，則該情況下不論是否達到該市況或非歸屬條件均會視作歸屬處理，惟其他所有業績及／或服務條件必須達成。

當權益結算報酬條款修訂時，倘報酬的原條款達到，需按條款並無進行修訂的情形確認最少的支出。此外，倘任何修訂導致於修訂日期所計量的以股份為基礎的支付的總公允值增加或以其他方式令僱員受惠，則所產生的任何額外支出予以確認。

當股權結算報酬注銷時，視作報酬於注銷當日已經歸屬，而報酬尚未確認的任何支出會即時確認。此包括本集團或僱員並未達致其可控制的非歸屬條件的任何報酬。然而，倘注銷的報酬有任何替代的新報酬，並指定為授出當日的替代報酬，則該項注銷及新報酬會如上段所述被視為對原有報酬的修訂處理。在取消或結算授予時支付給僱員的所有款項均應作為權益的回購處理，即作為權益的減項，除非支付的金額超過了所授予權益性工具在回購日的公允價值。所有超過部分均應確認為費用。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

2.4 Summary of Significant Accounting Policies (Continued)

Employee benefits (Continued)

Share-based payments (Continued)

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

Each entity in the Group determines its own functional currency based on the assessment of its specific facts and circumstances. Once the functional currency is determined, it can be changed only if there is a change to the underlying transactions, events and conditions. As the Group mainly operates in Mainland China, RMB is used as the presentation currency of the Group. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

2.4 主要會計政策摘要(續)

僱員福利(續)

以股份為基礎的支付(續)

尚未行使購股權的攤薄影響應通過計算每股盈利時的額外股份攤薄反映。

借貸費用

若借貸費用直接屬於購買、興建或生產合資格資產(即需要相當長時間才可擬定用途的資產)，即撥充資本作為該等資產成本的一部分，而當相關資產大致達到擬定用途時，即不再把該等借貸費用撥充資本。用以支付合資格資產的特定借款的臨時投資所賺取的投資收益從撥充資本的借貸費用中扣除。所有其他借貸費用皆於產生期間支銷。借貸費用包括利息及實體因資金借貸而產生的其他成本。

股息

期末股息一經股東大會批准，即確認為負債。

中期股息同時建議及宣派。因此，中期股息在建議及宣派時直接確認為負債。

外幣

本集團各實體按其特定事實及情況釐定其功能貨幣。只有當基礎交易、事件和條件發生變化時，實體才能改變已確定的功能貨幣。由於本集團主要於中國大陸營業，故使用人民幣作為本集團的呈列貨幣。由本集團實體記錄的外幣交易最初以交易當日各通行功能貨幣匯率記錄入賬。以外幣列值的貨幣性資產及負債，則按報告期末的適用功能貨幣匯率換算。結算或換算貨幣項目產生的差額於損益表確認。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

2.4 Summary of Significant Accounting Policies (Continued)

Foreign currencies (Continued)

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on retranslation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain entities comprising the Group are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

2.4 主要會計政策摘要(續)

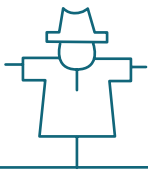
外幣(續)

當外幣貨幣性項目是由於管理層對於國外業務淨投資特定套期保值的一部份時，以外幣為單位的貨幣資產及負債按報告期末的適用功能貨幣匯率重新換算的差額不撥入損益，而計入其他全面收益，直到在這些國外投資項目處置時，此前累計記錄的差額將重分類至損益。因這些貨幣性項目匯率差異造成的稅務收入及費用也計入其他全面收益中。

以外幣列值及按歷史成本計量的非貨幣項目，乃按最初進行交易當日的匯率換算。以外幣列值及按公允值計量的非貨幣項目，須按釐定公允值當日的匯率換算。換算按公允值計量的非貨幣項目而產生的收益或虧損，按確認該項目的公允值變動的收益或虧損一致的方法處理(即其他全面收益或合併損益表已確認的項目的公允值收益或虧損，其換算差額亦分別於其他全面收益或損益表確認)。

若干集團內子公司的功能貨幣並非人民幣。於報告期末，該等實體的資產及負債按報告期末的匯率換算為本公司的列報貨幣，該等實體的損益表按本年度的加權平均匯率換算為人民幣，因此產生的匯兌差額於其他全面收益中確認並計入外幣變動儲備中。在出售海外業務時，與該特定海外業務相關的其他全面收益組成部分確認於損益中。

就合併現金流量表而言，海外子公司的現金流量按產生現金流量當日的適用匯率換算為人民幣。海外子公司全年經常產生的現金流量則按當年的加權平均匯率換算為人民幣。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

2.4 Summary of Significant Accounting Policies (Continued)

Foreign currencies (Continued)

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

3. Significant Accounting Judgements and Estimates

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Classification between investment properties and own-occupied properties

The Group determines whether a property qualified as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

2.4 主要會計政策摘要(續)

外幣(續)

管理層於編製本集團的財務報表時，須對收入、開支、資產及負債及其隨附披露事項，以及或然負債的披露作出判斷、估計及假設。由於該等假設及估計具有不確定性，可能導致資產或負債的賬面值須於未來作出重大調整。

3. 重大會計判斷及估計

判斷

於應用本集團的會計政策的過程中，管理層已作出以下判斷，乃對合併財務報表內已確認金額構成最重大影響：

投資物業與自置物業的分類

本集團決定物業是否符合投資物業的資格，並已制訂出作此判斷的準則。投資物業是為賺取租金或資本增值或同時為此兩項目的而持有的物業。因此，本集團會考慮一項物業產生現金流量時是否基本上與本集團持有的其他資產無關。若干物業包括就賺取租金或資本增值而持有的部分及持作生產或供應貨品或服務或作行政用途的另一部分。倘此等部分可獨立出售或根據融資租約獨立出租，本集團會將該等部分個別列賬。倘該等部分無法獨立出售，則僅於非重大部分乃持作生產或供應貨品或服務或作行政用途的情況下，該項物業方分類為投資物業。本集團按個別物業基準作出判斷，以釐定輔助服務是否極為重大，以致物業不合資格列為投資物業。

估計的不確定性

對未來事項的主要假設及於報告期末估計的不確定性的其他主要來源(存有重大風險可能導致資產及負債賬面值須於下一財政年度內作出重大調整者)於下文論述。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

3. Significant Accounting Judgements and Estimates (Continued)

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details, including a sensitivity analysis of key assumptions, are given in note 17 to the financial statements.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and all unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, which affects the probability of utilisation and the tax rate to be used in the calculations. Details of deferred tax assets are contained in note 19 to the financial statements.

3. 重大會計判斷及估計(續)

商譽減值

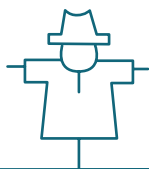
本集團每年最少一次釐定商譽是否減值。釐定商譽是否減值須對獲分派商譽的現金產生單位的使用價值作出估計。估計使用價值時，本集團須估計預期來自現金產生單位之日後現金流量，並挑選合適的折現率以計算該等現金流量的現值。

非金融資產的減值(商譽除外)

集團在每一報告期結束時對所有非金融資產進行評估以確定該資產是否有減值跡象。無限年期的無形資產將每年或者存在減值跡象時進行減值測試。其他非金融資產在賬面價值可能無法回收時進行減值測試。當資產或者現金產生組的賬面價值高於其可回收價值時，即其公允價值減去處置成本和使用價值孰高值，該資產存在減值。交易的公允價值減去成本是根據在一定時期內相似資產的交易或處置資產可觀察的市場價格等相關有效數據進行計算。在計算時，管理者必須估計資產或現金產生組織的預期未來現金流，並選擇合適的折現率來計算現金流的現值。進一步的細節，包括關鍵假設的敏感性分析，在財務報表附註中17披露。

遞延稅項資產

遞延稅項資產就所有可扣減暫時性差異及所有未用稅項虧損加以確認，惟僅限於日後有可能出現應課稅利潤，可用以抵扣該等可扣減暫時性差異及未用稅項虧損的情況。在釐定可予確認的遞延稅項資產金額時，須就會影響可用作扣減的可能性及用於計算的稅率的日後應稅利潤的大致時間及水平，作出重要的管理層判斷。遞延稅項資產的詳情請參閱財務報表附註19。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

3. Significant Accounting Judgements and Estimates (Continued)

Impairment of non-financial assets (other than goodwill) (Continued)

Impairment of trade receivables

The Group determines the provision for impairment of trade and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of its customers and other debtors and the current market condition. Management reassesses the provisions at the end of each reporting period. Details of the impairment of trade receivables are contained in note 21 to the financial statements.

Useful lives, residual values and depreciation of items of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charges where useful lives are different to those previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expenses in the future periods.

When the Group completes a business combination, the identifiable assets acquired and the liabilities assumed are recognised at their fair value. Management estimation is required to determine the fair values of the assets acquired, the liabilities assumed, and the purchase consideration, and on the allocation of the purchase consideration to the identifiable assets and liabilities. The fair values of the identifiable assets acquired and the liabilities assumed are determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable market where possible, but where this is not feasible, a degree of judgement and estimation is required in establishing fair values. Management must estimate the expected future cash flows and discount rate in order to calculate the fair values.

3. 重大會計判斷及估計(續)

非金融資產的減值(商譽除外)(續)

貿易應收款項

本集團按應收款項可收回程度的評估就應收賬款及其他應收款項釐定減值撥備。該等評估乃基於客戶及其他債務人的信貸紀錄及現時市況。管理層於各報告期末重新評估撥備。應收賬款減值的詳情請參閱財務報表附註21。

物業、廠房及設備的使用年期、剩餘價值及折舊

本集團就其物業、廠房及設備釐定估計可使用年期及相關折舊開支。此項估計乃按照性質及用途相似的物業、廠房及設備的實際可使用年期的過往經驗而作出。倘可使用年期與過往的估計年期有出入，本集團將調整折舊開支，或撤銷或撤減技術上陳舊或非策略性而已遭廢棄或出售的資產。實際經濟年期或會與估計可使用年期有所不同；實際剩餘價值亦可能會與估計剩餘價值有所不同。定期審閱可導致可予折舊年期及剩餘價值有所更改，從而導致未來期間的折舊開支有所更改。

當本集團實現企業合併時，將按照公允價值確認可辨認資產和負債。管理層需對取得的資產、承擔的負債、收購對價的公允價值，以及收購對價在可辨認資產和負債之間的分配進行估計。取得的可辨認資產以及承擔的可辨認負債的公允價值的確定需使用折現現金流量模型等估值技術。估值模型的輸入值應從可觀察市場中取得，若不可行，則需執行一定程度的判斷和估計。為計算獲得公允價值，管理層必須估計預期未來現金流和折現率。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

4. Operating Segment Information

Since the acquisition of Oushi Mengniu in 2015 and of Dumex China in 2016, and the operation of Yashili New Zealand at the end of 2015, the Group underwent various group reorganization, including the purchase and sales function.

In the second half of 2016, the Group is reorganized into business units based on their products and services and has three reportable operating segments as follows:

- (a) Production and sale of infant milk formula products — this segment includes the development, manufacture and sale of infant milk formula products in the PRC and overseas.
- (b) Production and sale of nutrition products — this segment includes the development, manufacture and sale of milk powder for adults and teenagers, soymilk powder, rice flour and cereal products in the PRC and overseas.
- (c) Other operations mainly include the production and sale of packing materials which mainly serve the Group's internal use, the sale of surplus raw materials and the sale of base-powder. The results of these operations are included in the "others" column.

The change was made to improve the way in which the business units can be managed. Comparative figures have been adjusted retrospectively.

For the purpose of assessing segment performance and allocating resources among segments, the senior executive management team assesses the performance of the operating segments based on a measure of "reportable segment profit", i.e., "revenue less cost of sales and selling and distribution expenses". The Group does not allocate other income and gains, net finance costs, expenses other than certain selling and distribution expenses to its segments, as the senior executive management does not use this information to allocate resources to or evaluate the performance of the operating segments. Segment assets and liabilities are not regularly reported to the Group's senior executive management and therefore information of reportable segment assets and liabilities are not presented in these financial statements.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. 經營分部資料

自從2015年收購歐世蒙牛、2016年收購多美滋中國，以及2015年底新西蘭乳業的運營，本集團經歷了數次集團重組，包括購銷職能。

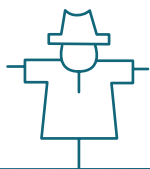
於2016年下半年，本集團根據產品和服務對經營分部進行重新分類，共有下列三個可報告經營分部：

- (a) 生產及銷售嬰幼兒配方奶粉產品 — 該分部包括在中國及海外開發、製造及銷售嬰幼兒配方奶粉產品。
- (b) 生產及銷售營養品 — 該分部包括在中國及海外開發、製造及銷售成人及青少年奶粉、豆奶粉、米粉及麥片產品。
- (c) 其他業務主要包括生產及銷售主要供本集團內部使用的包裝材料，銷售盈餘原材料及出售基粉。該等業務的業績載於「其他」一欄。

可報告經營分部的改變是為了優化業務單元的管理。可比較數字已經過追溯調整。

為便於在分部之間評估分部表現及分配資源，高級行政管理團隊會根據「可呈報分部溢利」的計量（即「收入減去銷售成本和銷售及經銷開支」）來評估經營分部的表現。本集團不會把其他收入及收益、財務成本淨額、部份銷售及經銷開支以外的開支分配至分部中，原因是高級行政管理人員並不會使用上述資料分配資源至經營分部或評估其表現。由於本集團不會定期向高級行政管理人員匯報分部資產及負債，因此，此等財務報表內並無呈列可呈報分部資產及負債的資料。

分部間銷售及轉讓是參考以當時市價向第三者銷售所採用的售價進行交易。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

4. Operating Segment Information (Continued)

4. 經營分部資料(續)

Year ended 31 December 2016

截至2016年12月31日止年度

		Infant milk formula products 嬰幼兒配方 奶粉產品 RMB'000 人民幣千元	Nutrition products 營養品 RMB'000 人民幣千元	Others 其他 RMB'000 人民幣千元	Total 合計 RMB'000 人民幣千元
Segment revenue:	分部收入：				
Sales to external customers	銷售予外部客戶	1,462,414	668,150	72,751	2,203,315
Intersegment sales	分部間銷售	20,436	25,274	—	45,710
		1,482,850	693,424	72,751	2,249,025
<i>Reconciliation:</i>	<i>對賬：</i>				
Elimination of intersegment sales	抵銷分部間銷售	(20,436)	(25,274)	—	(45,710)
Total revenue	總收入				2,203,315
Segment results	分部業績	(164,950)	71,531	(16,589)	(110,008)
<i>Reconciliation:</i>	<i>對賬：</i>				
Finance income	財務收入				130,238
Finance costs	財務成本				(18,825)
Other income and gains	其他收入及收益				227,396
Unallocated other expenses	未分配的其他支出				(561,427)
Loss before tax	除稅前虧損				(332,626)
Other segment information	其他分部資料				
Depreciation and amortisation	折舊及攤銷	130,442	36,136	—	166,578
Unallocated amounts	未分配款項				3,135
Total depreciation and amortisation	折舊及攤銷總額				169,713



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

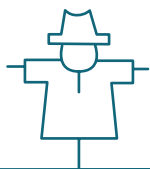
4. Operating Segment Information (Continued)

4. 經營分部資料(續)

Year ended 31 December 2015

截至2015年12月31日止年度

		Infant milk formula products 嬰幼兒配方 奶粉產品 RMB'000 人民幣千元	Nutrition products 營養品 RMB'000 人民幣千元	Others 其他 RMB'000 人民幣千元	Total 合計 RMB'000 人民幣千元
Segment revenue:	分部收入:				
Sales to external customers	銷售予外部客戶	1,991,882	756,982	12,707	2,761,571
Intersegment sales	分部間銷售	54,983	29,586	—	84,569
		2,046,865	786,568	12,707	2,846,140
<i>Reconciliation:</i>	<i>對賬:</i>				
Elimination of intersegment sales	抵銷分部間銷售	(54,983)	(29,586)	—	(84,569)
Total revenue	總收入				2,761,571
Segment results	分部業績	232,136	33,982	311	266,429
<i>Reconciliation:</i>	<i>對賬:</i>				
Finance income	財務收入				187,266
Finance costs	財務成本				(24,249)
Other income and gains	其他收入及收益				178,496
Unallocated other expenses	未分配的其他支出				(485,175)
Profit before tax	除稅前溢利				122,767
Other segment information	其他分部資料				
Depreciation and amortisation	折舊及攤銷	85,029	65,100	—	150,129
Unallocated amounts	未分配款項				7,359
Total depreciation and amortisation	折舊及攤銷總額				157,488



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

4. Operating Segment Information (Continued)

Geographical information

		2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Mainland China	中國大陸	2,146,045	2,761,571
New Zealand	新西蘭	57,270	—
		2,203,315	2,761,571

The revenue information above is based on the locations of the customers.

4. 經營分部資料(續)

地區資料

上述收入信息以客戶所在地區劃分。

5. Revenue, Other Income and Gains

An analysis of the Group's revenue, other income and gains is as follows:

5. 收入、其他收入及收益

本集團的收入、其他收入及收益的分析如下：

		Notes 附註	2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Revenue	收入			
Sales of goods	商品銷售	(a)	2,203,315	2,761,571
Other income and gains	其他收入及收益			
Government grants	政府補助			
— Compensation for expenses incurred	— 對已產生支出的補償		3,582	2,891
— Compensation for acquisition of assets	— 對購買資產的補償		1,084	2,985
— Taxes refund	— 退稅		14,120	29,325
Compensation income	補償收入	(b)	2,252	3,057
Rental income	租金收入		6,053	9,127
Consigned processing income	委託加工收入	(c)	36,731	68,694
Gain on disposal of items of property, plant and equipment, net	處置物業、廠房及設備淨收益	(d)	—	24,035
Foreign exchange gains, net	匯兌收益淨額		16,649	25,071
Promotion service income	推廣服務收入	(e)	134,090	—
Exempted interest expense	受豁免的利息費用		—	10,656
Others	其他		12,835	2,655
			227,396	178,496



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

5. Revenue, Other Income and Gains (Continued)

Notes:

- (a) The Group is principally engaged in the manufacture and sale of dairy and nourishment products. Revenue, represents the sales value of goods supplied to customers. Revenue excludes sales taxes and is after deduction of any trade discounts.

The Group's customer base is diversified and no revenue from transactions with a single customer amounted to 10% or more of the Group's total revenue during the year.

- (b) Compensation income mainly represented forfeitures received from distributor customers during the year for cross territorial sales that breached the terms of distribution agreements.
- (c) This mainly represented consigned processing income and cost of sales from processing milk powder for Inner Mongolia Mengniu, a fellow subsidiary of the Company.
- (d) The gain on disposal of items of property, plant and equipment was mainly due to Yashili (Guangdong)'s disposal of one of its industrial zones in 2015 to Guangdong Yashili Investment Company Limited. The assets disposed of include land use right, property, plant and equipment.
- (e) This represented promotion service income from DAPH and Arla Foods amba during the year.

5. 收入、其他收入及收益(續)

附註：

- (a) 本集團主要從事乳製品及營養品生產及銷售。營業收入，即向客戶供應的貨品的銷售價值。收入不包括銷售稅，並經扣除任何銷售折扣。

本集團的客戶基礎多元化，於年內，並無任何單一客戶的交易所帶來的收入佔本集團總營業額的10%或以上。

- (b) 補償收入主要指於年內就違反經銷協議條的違約而從經銷商客戶沒收的款項。
- (c) 委託加工收入及成本是指受內蒙蒙牛(本公司的同系附屬公司)委託加工乳粉的收入及銷售成本。
- (d) 處置物業、廠房及設備淨收益主要為雅士利(廣東)於2015年向雅士利(廣東)投資有限公司出售一個工業園，處置資產主要包括土地、房屋建築物及機械設備。
- (e) 該款項代表為DAPH和Arla Foods amba的推廣服務收入。

6. Other Expenses

6. 其他開支

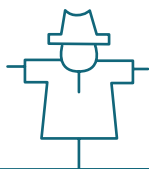
			2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
		Notes 附註		
Loss on disposal of items of property, plant and equipment, net	處置物業、廠房及設備淨損失		2,392	—
Losses on disposal of inventory	存貨報廢損失	(a)	56,091	14,955
Impairment of inventory	存貨跌價準備		31,147	217
Donations	捐贈		4,455	4,701
Cost of consigned processing	委託加工成本	5(c)	31,084	65,394
Others	其他		23,061	7,621
			148,230	92,888

Note:

- (a) Losses on disposal of inventory mainly represented losses arising from stocktake loss, disposal of damped or deteriorated inventory and disposal of packaging.

附註：

- (a) 存貨報廢損失主要指因盤點損失、報廢因潮濕損壞或變質的存貨及報廢包裝物料所產生的損失。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

7. Profit/(Loss) Before Tax

The Group's (loss)/profit before tax is arrived at after charging/(crediting):

		Notes 附註	2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Cost of goods sold	貨品銷售成本		1,166,015	1,359,274
Depreciation of items of property, plant and equipment*	物業、廠房及設備折舊*	13	159,375	139,598
Depreciation of investment properties	投資物業折舊	15	2,457	3,043
Amortisation of land use rights	土地使用權攤銷	16	2,031	2,177
Amortisation of other non-current assets	其他非流動資產攤銷		3,078	7,411
Amortisation of intangible assets	無形資產攤銷	17	2,772	5,259
Total depreciation and amortisation	折舊及攤銷總額		169,713	157,488
Minimum lease payments under operating leases of buildings	房屋的經營租賃最低租金		6,444	11,791
Auditors' remuneration	核數師酬金		3,190	2,930
Employee benefit expense* (excluding directors' and chief executive's remuneration):	僱員福利費* (不包括董事及主要行政人員薪酬):			
Wages, salaries and allowances	工資、薪金及津貼		447,331	374,955
Termination benefits	離職補償		74,132	29,118
Pension scheme contributions (defined contribution schemes)	退休金計劃供款 (定額供款計劃)		38,644	38,570
			560,107	442,643
Interest income	利息收入		(103,522)	(122,540)
Gain on other investments	其他投資的收益		(26,716)	(64,726)
Total financial income	財務收入總額		(130,238)	(187,266)
Impairment of trade receivables	貿易應收賬款減值	21	296	146

* Part of these costs and expenses were included in "Cost of goods sold" as disclosed above.

本集團的稅前(虧損)/利潤乃經扣除/(增加)下列各項後計算所得:

* 部分的該等成本和費用已包含在上述披露的「貨品銷售成本」中。

8. Finance Costs

			2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Interest on bank loans wholly repayable within five years	須於五年內悉數償還的銀行貸款的利息		18,825	26,730
Less: Interest capitalised (note 14)	減: 資本化利息(附註14)		—	2,481
			18,825	24,249

8. 財務成本



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

9. Directors' and Chief Executive's Remuneration

(a) Directors' and chief executive's remuneration

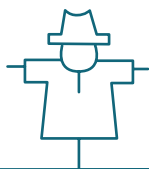
The Directors' and chief executive's remuneration for the years ended 31 December 2015 and 2016, disclosed pursuant to the Hong Kong Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

9. 董事及行政總裁薪酬

(a) 董事及行政總裁薪酬

根據香港公司條例第383條(1)(a)·(b)·(c)和(f)及第二部分(關於董事及行政總裁薪酬的披露)·於截至2016年及2015年12月31日止年度·董事及行政總裁的姓名及其酬金如下:

		2016				
		Salaries, allowances, and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration	
		薪金、津貼及實物利益	與業績有關的獎金	退休金計劃供款	薪酬總額	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Executive directors	執行董事					
– Mr. Jeffrey, Minfang Lu (ii)	– 盧敏放先生(ii)	–	2,200	–	43	2,243
– Mr. Li Dongming (v)	– 李東明先生(v)	–	675	360	38	1,073
– Mr. Hua Li (vi)	– 華力先生(vi)	–	668	3,620	16	4,304
		–	3,543	3,980	97	7,620
Non-executive directors	非執行董事					
– Ms. Sun Yiping (i)	– 孫伊萍女士(i)	–	–	–	–	–
– Mr. Jeffrey, Minfang Lu (ii)	– 盧敏放先生(ii)	–	–	–	–	–
– Mr. Wu Jingshui (iii)	– 吳景水先生(iii)	–	–	–	–	–
– Mr. Qin Peng	– 秦鵬先生	–	–	–	–	–
– Mr. Zhang Ping	– 張平先生	–	–	–	–	–
– Mr. Huang Xiaojun (iv)	– 黃曉軍先生(iv)	–	–	–	–	–
Independent non-executive directors	獨立非執行董事					
– Mr. Mok Wai Bun Ben	– 莫衛斌先生	200	–	–	–	200
– Mr. Cheng Shoutai	– 程守太先生	200	–	–	–	200
– Mr. Lee Kong Wai Conway	– 李港衛先生	200	–	–	–	200
		600	–	–	–	600
		600	3,543	3,980	97	8,220



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

9. Directors' and Chief Executive's Remuneration (Continued)

(a) Directors' and chief executive's remuneration (Continued)

9. 董事及行政總裁薪酬(續)

(a) 董事及行政總裁薪酬(續)

		2015				
		Salaries, allowances, and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration	
		薪金、津貼及實物利益	與業績有關的獎金	退休金計劃供款	薪酬總額	
		Fees				
		RMB'000	RMB'000	RMB'000	RMB'000	
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	
Executive directors	執行董事					
– Mr. Jeffrey, Minfang Lu (ii)	– 盧敏放先生(ii)	1,728	1,152	57	2,937	
– Mr. Zhang Lidian	– 張利鈿先生	–	151	18	463	
– Mr. Li Dongming (v)	– 李東明先生(v)	–	540	57	1,557	
– Mr. Zhang Yanpeng	– 張雁鵬先生	–	107	9	116	
		–	3,089	141	5,073	
Non-executive directors	非執行董事					
– Ms. Sun Yiping (i)	– 孫伊萍女士(i)	–	–	–	–	
– Mr. Wu Jingshui (iii)	– 吳景水先生(iii)	–	–	–	–	
– Mr. Bai Ying	– 白瑛先生	–	–	–	–	
– Mr. Qin Peng	– 秦鵬先生	–	–	–	–	
– Mr. Zhang Ping	– 張平先生	–	–	–	–	
Independent non-executive directors	獨立非執行董事					
– Mr. Mok Wai Bun Ben	– 莫衛斌先生	200	–	–	200	
– Mr. Cheng Shoutai	– 程守太先生	200	–	–	200	
– Mr. Lee Kong Wai Conway	– 李港衛先生	200	–	–	200	
		600	–	–	600	
		600	3,089	141	5,673	

(i) On 15 September 2016, Ms. Sun Yiping resigned as a non-executive director.

(ii) On 15 September 2016, Mr. Jeffrey, Minfang Lu was re-designated as a non-executive director.

(iii) On 29 January 2016, Mr. Wu Jingshui resigned as a non-executive director.

(i) 於2016年9月15日，孫伊萍女士辭任非執行董事。

(ii) 於2016年9月15日，盧敏放先生調任為非執行董事

(iii) 於2016年1月29日，吳景水先生辭任非執行董事。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

9. Directors' and Chief Executive's Remuneration (Continued)

(a) Directors' and chief executive's remuneration (Continued)

- (iv) On 29 January 2016, Mr. Huang Xiaojun was appointed as a non-executive director.
- (v) On 25 August 2016, Mr. Li Dongming resigned as an executive director.
- (vi) On 25 August 2016, Mr. Hua Li was appointed as an executive director.

(b) Five highest paid employees

Two (2015: none) of the five highest paid individuals were directors whose emoluments are shown above. Details of the emoluments paid to the three (2015: five) highest paid individuals who are neither a director nor chief executive of the Company for the year were as follows:

		2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Salaries, allowances and benefits in kind	薪金、津貼及實物利益	1,723	5,767
Performance related bonuses	與業績有關的獎金	5,310	1,656
Pension scheme contributions (defined contribution schemes)	退休金計劃供款 (定額供款計劃)	124	208
		7,157	7,631

The number of the non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

		Number of employees 僱員數目	
		2016	2015
HK\$500,001 to HK\$1,000,000	港幣500,001元至港幣1,000,000元	—	—
HK\$1,000,001 to HK\$1,500,000	港幣1,000,001元至港幣1,500,000元	3	4
HK\$1,500,001 to HK\$2,000,000	港幣1,500,001元至港幣2,000,000元	—	—
HK\$2,000,001 to HK\$2,500,000	港幣2,000,001元至港幣2,500,000元	—	1
HK\$2,500,001 to HK\$3,000,000	港幣2,500,001元至港幣3,000,000元	—	—
		3	5

9. 董事及行政總裁薪酬(續)

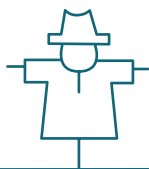
(a) 董事及行政總裁薪酬(續)

- (iv) 於2016年1月29日，黃曉軍先生獲委任為非執行董事。
- (v) 於2016年8月25日，李東明先生辭任執行董事。
- (vi) 於2016年8月25日，華力先生獲委任為執行董事。

(b) 五名最高酬金僱員

五位最高薪人士中包括兩位(2015年：零位)董事，有關彼等的酬金資料已於上文披露。本年度支付予三位(2015年：五位)非董事、非首席執行官的最高薪高級行政人員的酬金如下：

酬金列入以下組別的非董事及非首席執行官的最高薪酬的僱員數目如下：



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

10. Income Tax Expense/(credit)

10. 所得稅開支/(抵減)

		2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Current income tax	即期所得稅	9,722	53,575
Adjustments in respect of current tax of previous periods	本年內確認以往年度的即期稅項調整	13,194	2,836
Deferred income tax	遞延所得稅	(35,324)	(51,900)
Tax charge/(credit) for the year	本年度稅項支出	(12,408)	4,511

A reconciliation of the income tax (credit)/expense applicable to (loss)/profit before tax at the PRC statutory income tax rate and the income tax (credit)/expense at the Group's effective income tax rate for the year is as follows:

在年度內，就除稅前(虧損)/溢利按中國法定所得稅稅率計算的所得稅(抵減)/開支，與按照本集團實際所得稅稅率計算的所得稅(抵減)/開支，對賬如下：

		2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
(Loss)/Profit before tax	除稅前(虧損)/溢利	(332,626)	122,767
At the PRC statutory tax rate of 25% (2015: 25%) (i)	按中國法定稅率25% (2015年：25%) (i)	(83,157)	30,692
Adjustments in respect of current tax of previous periods	本年內確認以往年度的即期稅項調整	13,194	2,836
Effect of non-deductible expenses	不可扣稅開支的影響	10,703	7,078
Effect of tax rate difference (i)	不同稅率的影響(i)	(40,800)	(15,153)
Unrecognised tax losses	未確認稅項虧損	158,485	5,861
Utilisation of previously unrecognised tax losses	動用以往未確認虧損	(50,254)	(6,755)
Effect of non-taxable income	不徵稅收入的影響	(20,579)	(20,048)
Tax (credit)/charge for the year at the effective rate	本年度按實際稅率計算的稅項支出	(12,408)	4,511



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

10. Income Tax Expense/(credit) (Continued)

- (i) Pursuant to the Corporate Income Tax Law of the PRC passed by the Tenth National People's Congress on 16 March 2007 (the "New Tax Law"), the statutory income tax rate of the Group's PRC subsidiaries is 25% from 1 January 2008, except for Oushi Mengniu which is subject to a preferential tax rate of 15%, in accordance with "The notice of tax policies relating to the implementation of Western China Development Strategy".

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

The provision for Hong Kong profits tax for 2016 is calculated at 16.5% (2015: 16.5%) of the estimated assessable profit for the year.

Pursuant to the rules and regulations of New Zealand, the Group is subject to income tax rate of 28% in New Zealand.

10. 所得稅開支／(抵減)(續)

- (i) 根據第十屆全國人民代表大會於2007年3月16日通過的《中華人民共和國企業所得稅法》(「新稅法」)，本集團中國附屬公司自2008年1月1日起的法定所得稅稅率為25%。根據《關於深入實施西部大開發戰略有關稅收政策問題的通知》，歐世蒙牛享有15%的優惠稅率。

根據開曼群島及英屬處女群島(「英屬處女群島」)的規定及法規，本集團無須在開曼群島及英屬處女群島繳納任何所得稅。

本集團2016年香港利得稅撥備是以本年度的估計應課稅溢利，按照16.5%(2015年：16.5%)的稅率計提。

根據新西蘭國家的規定及法規，本集團在新西蘭採納法定28%的所得稅稅率。

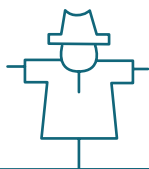
11. Dividends

The dividends for the year are set out below:

11. 股息

本年度的股息載列如下：

		2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Dividends:	股息：		
Declared and paid during the year	本年宣派及支付		
— Equity dividends on ordinary shares (i)	— 普通股股息(i)	35,477	74,505
Proposed:	擬派：		
— Final dividend: Nil (2015: RMB0.75 cents per ordinary share) (ii)	— 末期股息：無 (2015年：每股普通股 人民幣0.75分)(ii)	—	35,477



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

11. Dividends (Continued)

Notes:

- (i) The final dividend of RMB 0.75 cents per ordinary share in respect of the previous financial year was approved at the Company's annual general meeting on 3 June 2016.
- (ii) The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

11. 股息(續)

附註：

- (i) 於2016年6月3日本公司股東周年大會上批准宣派上一財政年度末期股息每股普通股人民幣0.75分。
- (ii) 擬派年度末期股息須由本公司股東於應屆股東周年大會批准。

12. Earnings/(Loss) Per Share Attributable to Ordinary Equity Holders of the Parent

The basic earnings/(loss) per share for each year is calculated by dividing the profit/(loss) for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

The parent has no dilutive potential shares.

The calculations of basic and diluted earnings/(loss) per share are based on:

12. 母公司普通權益持有人應佔的每股盈利/(虧損)

每股基本盈利/(虧損)乃根據年內母公司普通權益持有人應佔利潤/(虧損)除以年內已發行普通股的加權平均數計算。

母公司無潛在攤薄股本。

計算每股基本和攤薄盈利/(虧損)金額基於如下：

		2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Earnings: (Loss)/profit attributable to ordinary equity holders of the parent, used in the basic and diluted (loss)/earnings per share calculation	盈利： 用於計算每股基本和攤薄(虧損)/盈利的母公司普通權益持有人應佔(虧損)/利潤	(320,218)	118,256

		Number of shares 股份數目	
		2016 '000 千股	2015 '000 千股
Shares: Weighted average number of ordinary shares for the purpose of the basic and diluted (loss)/earnings per share calculation	股份： 計算每股基本和攤薄(虧損)/盈利所用的普通股加權平均數	4,745,560	4,612,295



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

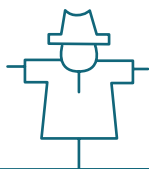
合併財務報表附註(續)

31 December 2016 2016年12月31日

13. Property, Plant and Equipment

13. 物業、廠房及設備

		Freehold land	Plant and buildings	Machinery and equipment	Motor vehicles	Office equipment and others	Total
		自有土地 RMB'000 人民幣千元	廠房及樓宇 RMB'000 人民幣千元	機器及設備 RMB'000 人民幣千元	機動車 RMB'000 人民幣千元	辦公室及 其他設備 RMB'000 人民幣千元	合計 RMB'000 人民幣千元
2016	2016年						
Cost:	成本：						
At 1 January 2016	於2016年1月1日	37,095	832,862	1,438,808	42,465	63,862	2,415,092
Additions	添置	—	7,419	8,926	398	7,883	24,626
Transfer from construction in progress (note 14)	轉撥自在建工程(附註14)	13,625	11,036	46,225	—	84	70,970
Acquisition of a subsidiary (note 32)	收購一家子公司(附註32)	—	59,241	8,263	—	786	68,290
Transfer from assets of disposal group classified as held for sale (note 31)	轉撥自持有待售的處置組資產(附註31)	—	35,083	49,156	5,566	13,657	103,462
Assets of disposal group classified as held for sale (note 31)	分類為持有待售處置組資產(附註31)	—	(2,002)	—	—	(610)	(2,612)
Transfer to construction in progress (note 14)	轉撥至在建工程(附註14)	—	—	(9,060)	—	—	(9,060)
Disposals	處置	—	(1,017)	(4,319)	(15,412)	(40,014)	(60,762)
Transfer to investment properties (note 15)	轉撥至投資物業(附註15)	—	(52,175)	—	—	—	(52,175)
Exchange realignment	匯率調整	3,793	19,074	78,311	74	141	101,393
At 31 December 2016	於2016年12月31日	54,513	909,521	1,616,310	33,091	45,789	2,659,224
Accumulated depreciation and Impairment:	累計折舊及減值：						
At 1 January 2016	於2016年1月1日	—	(142,709)	(474,926)	(31,074)	(51,813)	(700,522)
Depreciation provided during the year (note 7)	年內計提的折舊(附註7)	—	(36,294)	(113,037)	(3,171)	(6,873)	(159,375)
Transfer from assets of disposal group classified as held for sale	轉撥自持有待售的處置組資產(附註31)	—	(13,973)	(33,316)	(4,505)	(11,556)	(63,350)
Disposals	處置	—	210	4,709	12,948	32,964	50,831
Transfer to investment properties (note 15)	轉撥至投資物業(附註15)	—	1,554	—	—	—	1,554
Assets of disposal group classified as held for sale (note 31)	分類為持有待售處置組資產(附註31)	—	905	—	—	518	1,423
Transfer to construction in progress (note 14)	轉撥至在建工程(附註14)	—	—	2,386	—	—	2,386
Exchange realignment	匯率調整	—	(775)	(3,190)	304	148	(3,513)
At 31 December 2016	於2016年12月31日	—	(191,082)	(617,374)	(25,498)	(36,612)	(870,566)
Net carrying amount:	賬面淨值：						
At 31 December 2016	於2016年12月31日	54,513	718,439	998,936	7,593	9,177	1,788,658
At 1 January 2016	於2016年1月1日	37,095	690,153	963,882	11,391	12,049	1,714,570



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

13. Property, Plant and Equipment (Continued)

13. 物業、廠房及設備(續)

		Freehold land	Plant and buildings	Machinery and equipment	Motor vehicles	Office equipment and others	Total
		自有土地 RMB'000 人民幣千元	廠房及樓宇 RMB'000 人民幣千元	機器及設備 RMB'000 人民幣千元	機動車 RMB'000 人民幣千元	辦公室及 其他設備 RMB'000 人民幣千元	合計 RMB'000 人民幣千元
2015	2015年						
Cost:	成本:						
At 1 January 2015	於2015年1月1日	40,103	623,574	763,372	69,392	96,760	1,593,201
Additions	添置	—	3,526	8,651	4,134	3,096	19,407
Transfer from construction in progress (note 14)	轉撥自在建工程 (附註14)	—	363,181	735,312	—	726	1,099,219
Disposals	處置	—	(19,804)	(26,998)	(21,811)	(10,736)	(79,349)
Transfer to investment properties (note 15)	轉撥至投資物業 (附註15)	—	41,932	—	—	—	41,932
Exchange realignment	匯率調整	(3,008)	8,098	16,628	(58)	(47)	21,613
Assets of disposal group classified as held for sale (note 31)	分類為持有待售 處置組資產 (附註31)	—	(187,645)	(58,157)	(9,192)	(25,937)	(280,931)
At 31 December 2015	於2015年12月31日	37,095	832,862	1,438,808	42,465	63,862	2,415,092
Accumulated depreciation and impairment:	累計折舊及減值:						
At 1 January 2015	於2015年1月1日	—	(170,177)	(442,605)	(51,306)	(60,305)	(724,393)
Depreciation provided during the year (note 7)	年內計提的折舊 (附註7)	—	(32,138)	(83,464)	(5,532)	(18,464)	(139,598)
Disposals	處置	—	14,526	13,611	19,476	7,200	54,813
Transfer from investment properties (note 15)	轉撥自投資物業 (附註15)	—	(5,777)	—	—	—	(5,777)
Exchange realignment	匯率調整	—	(62)	(221)	(9)	(117)	(409)
Assets of disposal group classified as held for sale (note 31)	分類為持有待售 處置組資產 (附註31)	—	50,919	37,753	6,297	19,873	114,842
At 31 December 2015	於2015年12月31日	—	(142,709)	(474,926)	(31,074)	(51,813)	(700,522)
Net carrying amount:	賬面淨值:						
At 31 December 2015	於2015年12月31日	37,095	690,153	963,882	11,391	12,049	1,714,570
At 1 January 2015	於2015年1月1日	40,103	453,397	320,767	18,086	36,455	868,808

On 31 December 2015 and 31 December 2016, there were no property, plant and equipment of which the ownership was pledged.

於2016年12月31日及2015年12月31日，本集團無物業、產房及設備的所有權受到限制。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

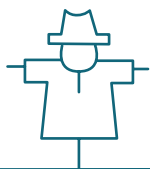
14. Construction in Progress

14. 在建工程

		Notes 附註	2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Carrying amount at 1 January	於1月1日的賬面值		33,151	835,983
Additions	增加		66,300	377,992
Acquisition of a subsidiary	收購一家子公司	32	7,473	—
Transfer from property, plant and equipment	轉撥自物業、廠房及設備	13	6,674	—
Transfer from Assets of disposal group classified as held for sale	轉撥自持有待售的處置組資產		41	—
Transfer to property, plant and equipment	轉撥至物業、廠房及設備	13	(70,970)	(1,099,219)
Transfer to intangible Assets	轉撥至無形資產	17	(2,472)	—
Disposals	處置		—	(4,356)
Assets of disposal group classified as held for sale	分類為持有待售的處置組資產	31	—	(378)
Exchange realignment	匯率調整		327	(76,871)
Accumulated impairment:	累計減值		(1,712)	—
Carrying amount at 31 December	於12月31日的賬面值		38,812	33,151

None of the interest expense was capitalised to construction in progress for the year ended 31 December 2016 (2015: RMB2,481,000) prior to being transferred to buildings and machinery (note 8).

於轉出至樓宇及機器前，於截至2016年12月31日止年度，無被資本化為在建工程的利息費用(2015年：2,481,000元)(附註8)。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

15. Investment Properties

15. 投資物業

		Notes 附註	2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Cost:	成本：			
At beginning of the year	於年初		24,076	119,047
Additions	添置		550	—
Transfer from property, plant and equipment	轉撥自物業、廠房及設備	13	52,175	—
Transfer to property, plant and equipment	轉撥至物業、廠房及設備	13	—	(41,932)
Assets of disposal group classified as held for sale	分類為持有待售的處置資產	31	—	(53,039)
Disposals	處置		(1,769)	—
At end of the year	於年末		75,032	24,076
Accumulated depreciation:	累計折舊：			
At beginning of the year	於年初		(3,998)	(15,233)
Charge for the year	年內折舊	7	(2,457)	(3,043)
Transfer from property, plant and equipment	轉撥自物業、廠房及設備	13	(1,554)	—
Transfer to property, plant and equipment	轉撥至物業、廠房及設備	13	—	5,777
Assets of disposal group classified as held for sale	分類為持有待售的處置資產	31	—	8,501
Disposals	處置		463	—
At end of the year	於年末		(7,546)	(3,998)
Carrying amount at end of the year	於年末賬面價值		67,486	20,078

The fair value of the investment properties, as determined by the directors of the Company, based on market approach with reference to market transaction prices of similar properties, taking into account of other factors, i.e., characteristics of the properties and locations, is estimated to be approximately RMB94,566,000 as at 31 December 2016 (2015: RMB28,547,000).

本公司的董事參照類似物業的市場交易價格，並考慮到其他的因素，如該物業的特徵、位置，以市場法評估出該投資物業於2016年12月31日的公允價值約為人民幣94,566,000元(2015年：人民幣28,547,000元)。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

15. Investment Properties (Continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

15. 投資物業(續)

公允價值層次結構

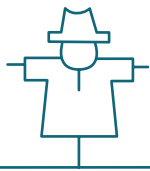
下面表格說明了本集團投資性物業的公允價值計量的層次結構：

		Fair value measurements as at 31 December 2016 using 用於2016年12月31日的公允價值的測量			
		Quoted prices in active markets (Level 1) 活躍市場 之報價 (等級一) RMB'000 人民幣千元	Significant observable inputs (Level 2) 重大可觀察 輸入數據 (等級二) RMB'000 人民幣千元	Significant unobservable inputs (Level 3) 重大不可觀察 輸入數據 (等級三) RMB'000 人民幣千元	Total 合計 RMB'000 人民幣千元
Fair value measurement for:	公允價值計量：				
Commercial properties	商業性物業	—	—	94,566	94,566
Total	合計	—	—	94,566	94,566

		Fair value measurements as at 31 December 2015 using 用於2015年12月31日的公允價值的測量			
		Quoted prices in active markets (Level 1) 活躍市場 之報價 (等級一) RMB'000 人民幣千元	Significant observable inputs (Level 2) 重大可觀察 輸入數據 (等級二) RMB'000 人民幣千元	Significant unobservable inputs (Level 3) 重大不可觀察 輸入數據 (等級三) RMB'000 人民幣千元	Total 合計 RMB'000 人民幣千元
Fair value measurement for:	公允價值計量：				
Commercial properties	商業性物業	—	—	28,547	28,547
Total	合計	—	—	28,547	28,547

During the years of 2016 and 2015, there were no transfers into or out of Level 3.

2016年及2015年均無公允價值計量轉入第三級或自第三級轉出。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

16. Land Use Rights

16. 土地使用權

		2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Carrying amount at beginning of the year	年初賬面價值	53,191	91,689
Disposals	處置	—	(6,056)
Amortisation for the year (note 7)	年內計提攤銷(附註7)	(2,031)	(2,177)
Acquisition of a subsidiary (note 32)	收購一家子公司(附註32)	41,527	—
Transfer from Assets of disposal group classified as held for sale	轉撥自持有待售的處置組資產	2,578	—
Assets of disposal group classified as held for sale (note 31)	分類為持有待售處置組資產(附註31)	—	(30,265)
		95,265	53,191
Current portion included in prepayments, deposits and other receivables	計入流動資產中預付款·押金及其他應收款項	(1,531)	(1,323)
		93,734	51,868

Land use rights represent prepayments of land use rights premium to the PRC authorities by the Group. The Group's leasehold land is located in Mainland China, on which its manufacturing plants were located. The Group is granted land use rights for a period of 50 years. The Group has obtained land title certificates for all the land use rights.

土地使用權為本集團向中國政府機關預付的土地使用權出讓金。本集團的租賃土地位於中國大陸，建有生產廠房。本集團獲授予的土地使用權，為期50年。本集團已經取得帳面記錄的全部土地使用權的權證。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

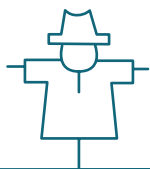
合併財務報表附註(續)

31 December 2016 2016年12月31日

17. Intangible Assets

17. 無形資產

31 December 2016	2016年12月31日	Notes 附註	Software 軟件 RMB'000 人民幣千元	Trademarks 商標 RMB'000 人民幣千元	Total 合計 RMB'000 人民幣千元
Cost at 1 January 2016, net of accumulated amortization	年初淨值		12,651	—	12,651
Additions — Purchased	購置		535	—	535
Additions — Acquisition of a subsidiary	收購一家子公司	32	73	283,047	283,120
Additions — Transfer from assets of disposal group classified as held for sale	轉撥自持有待售的處置組資產		101	—	101
Additions — Transfer from construction in progress	轉撥自在建工程	14	2,472	—	2,472
Amortisation provided during the year	本年攤銷	7	(2,772)	—	(2,772)
Amortisation — Transfer from assets of disposal group classified as held for sale	轉撥自持有待售的處置組資產		(77)	—	(77)
Exchange realignment	匯率變動		1,771	—	1,771
At 31 December 2016	年末淨值		14,754	283,047	297,801
At 31 December 2016	年末				
Cost	成本		29,687	283,047	312,734
Accumulated amortization	累計攤銷		(14,933)	—	(14,933)
Net Carrying Amount	年末淨值		14,754	283,047	297,801



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

17. Intangible Assets (Continued)

17. 無形資產(續)

		Notes	Microsoft 軟件 RMB'000 人民幣千元	Trademarks 商標 RMB'000 人民幣千元	Total 合計 RMB'000 人民幣千元
31 December 2015	2015年12月31日	附註			
Cost at 1 January 2015, net of accumulated amortization	年初淨值				
Cost	成本		17,614	50,000	67,614
Accumulated amortization	累計攤銷		(12,030)	(42,500)	(54,530)
Net Carrying Amount	於年初		5,584	7,500	13,084
31 December 2015					
Cost at 1 January 2015, net of accumulated amortisation	年初淨值		5,584	7,500	13,084
Additions — Purchased	購置		9,387	—	9,387
Deduction	減少		(1,235)	(3,333)	(4,568)
Deduction — Transfer to assets of disposal group classified as held for sale	轉撥至持有待售的處置組資產原值	31	(144)	—	(144)
Amortisation provided during the year	本年攤銷	7	(1,092)	(4,167)	(5,259)
Exchange realignment	匯率變動		151	—	151
At 31 December 2015	年末淨值		12,651	—	12,651
At 31 December 2015	年末				
Cost	成本		24,579	—	24,579
Accumulated Amortization	累計攤銷		(11,928)	—	(11,928)
Net Carrying Amount	於年末		12,651	—	12,651

As at 31 December 2016 and 31 December 2015, the intangible assets represented trademarks with indefinite useful lives identified in acquisition, and purchased and customised software held by the Group. Amortisation of the intangible assets is included in “Administrative expenses”, “Selling and distribution expenses” and “Cost of sales”.

於2016年12月31日及2015年12月31日，無形資產為收購中識別的使用壽命不確定的商標和購買及訂製的由本集團持有的軟件。無形資產攤銷乃計入「行政開支」、「銷售及經銷開支」及「銷售成本」。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

17. Intangible Assets (Continued)

Impairment testing of trademarks

The trademarks are applied for Dumex infant formula products. The recoverable amount of the Dumex infant formula products cash-generating unit to which the trademarks belong has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projection is 14.22%, which is based on the estimated growth rates taking into account the industry growth rates, past experience and the medium or long term growth target of the infant milk formula products.

Assumptions were used in the value in use calculation for 31 December 2016. The following describes each key assumption on which management has based its cash flow projection to undertake impairment testing of trademarks:

- (a) Budgeted gross margin — The basis used to determine the value assigned to the budgeted gross margin is the average gross margin achieved in the year immediately before the budget year, adjusted for expected efficiency improvements and expected increase in production costs.
- (b) Discount rates — The discount rate used is before tax and reflects specific risks relating to the relevant group of CGUs.
- (c) Raw materials price fluctuation — Reference is made to the actual data of the past year of countries from where raw materials are sourced.

The values assigned to key assumptions are consistent with external information sources.

The sensitivity analysis for Dumex infant formula products CGU to which the trademarks belong on the key assumptions used in the calculation of value in use, taken individually, gives the following results:

17. 無形資產(續)

商標減值測試

商標用於多美滋品牌的產品使用，商標所屬於的多美滋嬰兒配方奶粉產品現金產出單位的可收回金額乃以經高級管理人員批准的五年財政預算或預測為基準，採用現金流量預測計算所得的使用價值予以釐定。用於推算五年期以後現金流量的貼現率為14.22%，乃以估計增長率為基準，並考慮行業增長率、過往經驗及嬰兒配方奶粉的中長期增長目標而計算所得。

在計算2016年12月31日的使用價值時採用若干假設。管理層按現金流量預測進行商標減值測試所依據的各項主要假設詳述如下：

- (a) 預算毛利率 — 用於釐定預算毛利率價值的基準乃緊接預算年度前一年所達致的平均毛利率，並因應預計效能提升及預期生產成本增加而予以調整。
- (b) 折現率 — 所用折現率乃稅前並反映有關現金產出單位的特定風險。
- (c) 原材料價格變動 — 參考原料採購國家往年實際數據。

主要假設的價值與外部數據來源一致。

計算商標所屬於的多美滋品牌產品現金產出單位的使用價值時有幾項關鍵假設，通過對其分別進行敏感性分析，得出結果如下：

		Reasonably possible change 可能發生的合理變動	Impairment 減值 RMB'000 人民幣千元	
Revenue growth rate	收入增長率	Decrease 5%	降低5%	86,300
Gross margin rate	毛利率	Decrease 6%	降低6%	38,202

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

18. Goodwill

As at 31 May 2016, Yashili (Guangdong) (the “acquirer”), a subsidiary of the Group, acquired a 100% equity interest in Dumex China (the “acquiree”). The business acquisition gave rise to goodwill of RMB718,476,000. Further details of the acquisition are included in note 32 to the financial statements.

In 2015, Yashili (Guangdong) (the “acquirer”), a subsidiary of the Group, acquired a 100% interest in Oushi Mengniu (the “acquiree”), a subsidiary of Mengniu Dairy, which is also the ultimate holding company of the Group. The acquirer recorded goodwill amounting to RMB272,760,000, which was originally recorded in the book of Mengniu Dairy as a result of the Mengniu Dairy’s acquisition of Oushi Mengniu in previous year.

18. 商譽

於2016年5月31日，雅士利(廣東)(「收購方」)，本集團的一家子公司，收購多美滋中國(「被收購方」)100%股權。此項業務收購帶來價值人民幣718,476,000元之商譽。更多收購詳情載於財務報表附註32。

於2015年雅士利(廣東)(「收購方」)，本集團的一家子公司，收購歐世蒙牛(「被收購方」)(本集團的控股公司蒙牛乳業的一家子公司)的100%股權。收購方賬面記錄了人民幣約272,760,000元的商譽。該商譽為過往年度蒙牛乳業收購歐世蒙牛股權時產生。

		Notes 附註	2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Carrying amount at 1 January	於1月1日賬面值		272,760	272,760
Acquisition of a subsidiary	收購一家子公司	32	718,476	—
Carrying amount at 31 December	於12月31日的賬面價值		991,236	272,760

Impairment testing of goodwill

The above goodwill is reallocated to the following groups of cash-generating units for impairment testing due to the changes to the way in which the Company manages its business from the synergies of the combinations:

- Infant milk formula products cash-generating unit group, and
- Nutrition products cash-generating unit group.

The carrying amounts of goodwill reallocated to infant milk formula products cash-generating unit group and nutrition products cash-generating unit group are RMB917,591,000 and RMB73,645,000, respectively.

商譽減值測試

因本集團改變了各類組合的協同關係下管理業務的方式，上述商譽被重分配到以下兩個現金產出單元組以做減值測試：

- 嬰兒配方奶粉產品現金產出單位組合，和
- 營養品現金產出單位組合

被重新分配到嬰兒配方奶粉現金產生單位組合和營養品現金產生單位組合的商譽分別為人民幣917,591,000元和人民幣73,645,000元。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

18. Goodwill (Continued)

Impairment testing of goodwill (Continued)

The recoverable amounts of the infant milk formula products cash-generating unit group and nutrition products cash-generating unit group have been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 14.17% (2015: 11.85%), which is based on the estimated growth rates taking into account the industry growth rates, past experience and the medium or long term growth target of the infant milk formula products and nutrition products.

Assumptions were used in the value in use calculation for 31 December 2016 and 2015. The following describes each key assumption on which management has based its cash flow projection to undertake impairment testing of goodwill:

- (a) Budgeted gross margin — The basis used to determine the value assigned to the budgeted gross margin is the average gross margin achieved in the year immediately before the budget year, adjusted for expected efficiency improvements and expected increase in production costs.
- (b) Discount rates — The discount rate used is before tax and reflects specific risks relating to the relevant group of CGUs.
- (c) Raw materials price fluctuation — Reference is made to the actual data of the past year of countries from where raw materials are sourced.

The values assigned to key assumptions are consistent with external information sources.

18. 商譽(續)

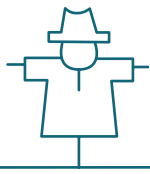
商譽減值測試(續)

嬰兒配方奶粉產品現金產出單位組合和營養品現金產出單位組合的可收回金額乃以經高級管理人員批准的五年財政預算或預測為基準，採用現金流量預測計算所得的使用價值予以釐定。用於推算五年期以後現金流量的貼現率為14.17%(2015年：11.85%)，乃以估計增長率為基準，並考慮行業增長率、過往經驗及嬰兒配方奶粉和營養品的中長期增長目標而計算所得。

在計算2016年及2015年12月31日的使用價值時採用若干假設。管理層按現金流量預測進行商譽減值測試所依據的各項主要假設詳述如下：

- (a) 預算毛利率 — 用於釐定預算毛利率價值的基準乃緊接預算年度前一年所達致的平均毛利率，並因應預計效能提升及預期生產成本增加而予以調整。
- (b) 折現率 — 所用折現率乃稅前並反映有關現金產出單位的特定風險。
- (c) 原材料價格變動 — 參考原料採購國家往年實際數據。

主要假設的價值與外部數據來源一致。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

18. Goodwill (Continued)

The sensitivity analysis for infant milk formula product cash-generating unit group on the key assumptions used in the calculation of value in use, taken individually, gives the following results:

18. 商譽(續)

計算嬰兒配方奶粉產品現金產出單位組合的使用價值時涉及幾項關鍵假設，通過對其分別進行敏感性分析，得出結果如下：

		Reasonably possible change 可能發生的合理變動		Impairment 減值 RMB'000 人民幣千元
Revenue growth rate	收入增長率	Decrease 1%	降低1%	78,162
Perpetual growth rate	永續增長率	Decrease 1%	降低1%	17,317
Gross margin rate	毛利率	Decrease 1%	降低1%	281,451
Discount rate	折現率	Increase 1%	增長1%	76,418

Except for infant milk formula product cash-generating unit group, in the opinion of the Company's directors, any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the nutrition products cash-generating unit group's carrying amount to exceed its recoverable amount.

本集團董事認為，除了嬰兒配方奶粉產品現金產出單位組合，營養品現金產出單位組合的可回收價值所依據的關鍵假設發生任何可能的合理變動，都不會導致賬面價值超過可回收價值。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

19. Deferred Tax

The movements in deferred tax assets and liabilities during the year are as follows:

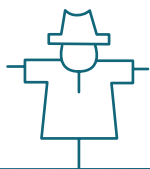
Deferred tax assets

		Inventory provisions	Deferred income	Tax losses	Expense accruals	Cash flow hedges	Others	Total	
		存貨撥備	遞延收益	稅務虧損	預提費用	現金流量套期	其他	合計	
Notes		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
附註		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	
At 1 January 2016	於2016年1月1日	—	1,904	73,749	62,923	—	15,079	153,655	
Debited/(credited) to the statement of profit or loss	年內於損益表計入的遞延稅項	10	8,355	(1,072)	24,935	(185)	—	6,967	39,000
Debited to equity	年內於權益中計入的遞延稅項		—	—	1,720	—	—	—	1,720
Transfer from assets classified as held for sale	轉撥自持有待售	31	471	—	7,851	—	—	253	8,575
At 31 December 2016	於2016年12月31日		8,826	832	108,255	62,738	—	22,299	202,950
At 1 January 2015	於2015年1月1日		622	5,150	5,662	84,228	1,257	18,666	115,585
Debited/(credited) to the statement of profit or loss	年內於損益表計入的遞延稅項	10	(151)	(3,246)	75,938	(21,305)	—	(3,334)	47,902
Debited to equity	年內於權益中計入的遞延稅項		—	—	—	—	(1,257)	—	(1,257)
Transfer to assets classified as held for sale	轉為持有待售	31	(471)	—	(7,851)	—	—	(253)	(8,575)
At 31 December 2015	於2015年12月31日		—	1,904	73,749	62,923	—	15,079	153,655

19. 遞延稅項

年內遞延所得稅資產項和負債項的變動如下：

遞延所得稅資產



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

19. Deferred Tax (Continued)

Deferred tax liabilities

		Note 附註	Interest income for time deposits accruals 定期存款 利息預提 RMB'000 人民幣千元	Others 其他 RMB'000 人民幣千元	Total 合計 RMB'000 人民幣千元
At 1 January 2016 (Debited)/credited to the statement of profit or loss	於2016年1月1日 年內於損益表計入的 遞延稅項		3,742	95	3,837
Debited to equity	年內於權益中計入的 遞延稅項	10	3,740	(64)	3,676
Transfer to assets classified as held for sale	轉為持有待售	31	—	—	—
At 31 December 2016	於2016年12月31日		7,482	31	7,513
At 1 January 2015 (Debited)/credited to the statement of profit or loss	於2015年1月1日 年內於損益表計入的 遞延稅項		7,804	31	7,835
Debited to equity	年內於權益中計入的 遞延稅項	10	(4,062)	64	(3,998)
Transfer to assets classified as held for sale	轉為持有待售	31	—	—	—
At 31 December 2015	於2015年12月31日		3,742	95	3,837

		2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Represented by:	其中包括：		
— Deferred tax assets	— 遞延稅項資產	202,950	153,655
— Deferred tax liabilities	— 遞延稅項負債	(7,513)	(3,837)
		195,437	149,818

Management expects it is probable that taxable profits will be available against which the above tax losses and deductible temporary differences can be utilised in the coming years.

管理層預期未來年度有可能出現應課稅利潤，可用以抵扣上述稅項虧損及可扣減暫時性差異。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

19. Deferred Tax (Continued)

Deferred tax liabilities (Continued)

Deferred tax assets have not been recognised in respect of the following item:

		2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Tax losses arising in Mainland China (i)	於中國大陸產生的稅項虧損(i)	605,022	298,458

- (i) The above tax losses are available for a maximum of five years to offset against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of the above item as it is not considered probable that there will be taxable profit available to against the tax losses in the future.

The following deferred tax liabilities have not been recognised in respect of the following items:

At 31 December 2016, temporary differences relating to the undistributed profits of the subsidiaries established in Mainland China amounted to RMB630,749,000 (2015: RMB953,720,000). Deferred tax liabilities have not been recognised in respect of the withholding tax that would be payable on the distribution of these retained earnings, as the Company controls the dividend policy of these subsidiaries in Mainland China and the directors have determined that these profits are not likely to be distributed in the foreseeable future.

19. 遞延稅項(續)

遞延所得稅負債(續)

遞延稅項資產並未就下列項目確認：

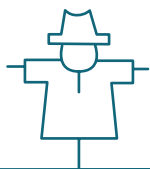
		2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Tax losses arising in Mainland China (i)	於中國大陸產生的稅項虧損(i)	605,022	298,458

- (i) 上述稅項虧損可用以抵銷公司產生虧損日後應課稅利潤最多五年。

就上述各項的遞延稅項資產並無而予以確認，原因是本集團不大可能擁有未來應課稅利潤用以抵銷未動用稅項虧損。

未確認的遞延稅項負債：

於2016年12月31日，與在中國大陸成立的子公司的未分配利潤有關之暫時性差異為人民幣630,749,000元(2015年：人民幣953,720,000元)。由於本公司控制此等在中國大陸的子公司的股息政策，並且董事已確定於可見的將來溢利將不會被分配，故未有確認於分配此等留存溢利時須要繳納的預提稅款為遞延稅項負債。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

20. Inventories

		2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Raw materials	原材料	201,218	192,569
Finished goods	成品	211,591	270,891
Work in progress	半成品	180,259	148,469
Packing materials	包裝材料	25,915	27,600
Low value consumables	低價消耗品	893	1,490
Total	合計	619,876	641,019

20. 存貨

21. Trade and Bills Receivables

		2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Trade and bills receivables	貿易應收款及票據	162,138	72,236
Impairment	減值	(747)	(421)
		161,391	71,815

21. 貿易應收款及票據

In respect of the trade receivables, the Group has established a credit policy in place: fixed credits periods ranging from 60 to 90 days are granted to supermarkets; temporary credit periods ranging from 10 to 90 days are offered on a transaction-by-transaction basis to distributors who have been trading with the Group for years and have a good trading record; special credit period are granted to creditworthy distributors when the Group promotes certain lines of products. All the credits offered are unsecured. Full advances are required for sales to other customers. The Group regularly reviews the aging analysis of the trade receivables to monitor the credit exposure.

就貿易應收款而言，本集團已訂有信貸政策：向大型超級市場提供介乎60至90日的固定信貸；以逐次批核的形式向與本集團交易多年且具有良好交易紀錄的經銷商客戶提供介乎10至90日的臨時信貸。倘本集團推廣某系列產品，信用良好的經銷商可獲得特別信貸。所有信貸均屬無抵押信貸。銷售予其他客戶會要求作全數預付款。本集團定期審閱貿易應收款的賬齡，以監察信貸風險。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

21. Trade and Bills Receivables (Continued)

The aging analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

		2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Within 3 months	三個月以內	117,057	51,759
3 to 6 months	三至六個月	38,521	14,312
More than 6 months	六個月以上	5,813	5,744
		161,391	71,815

The movements in provision for impairment of trade and bills receivables are as follows:

		Notes 附註	2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
At 1 January	於1月1日		421	1181
Impairment losses recognised	已確認的減值損失	7	296	146
Amount written off as uncollectible	因不可收回而撤銷的款額		—	—
Classified as held for sale	轉至持有待售		30	(906)
At 31 December	於12月31日		747	421

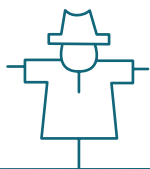
There was no provision made for individually impaired trade and bills receivables at 31 December 2016 and 31 December 2015.

21. 貿易應收款及票據(續)

於報告期末，經扣除撥備的應收賬款及應收票據按發票日期的賬齡分析如下：

貿易應收款及票據減值撥備的變動如下：

2016年12月31日和2015年12月31日均沒有個別減值貿易應收賬款及票據計提的撥備。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

21. Trade and Bills Receivables (Continued)

The aging analysis of the trade receivables, that are neither individually nor collectively considered to be impaired, is as follows:

		2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Neither past due nor impaired	並未逾期或減值	81,656	33,023
Less than 3 months past due	逾期少於三個月	16,318	—
3 to 6 months past due	逾期三至六個月	—	7
		97,974	33,030

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there were no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The amounts due from related parties of the Group included in the trade receivables are as follows:

		2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
A fellow subsidiary	一家同系附屬公司	9,953	13,822

The above amounts are unsecured, non-interest-bearing and repayable on credit terms similar to those offered to the major customers of the Group.

21. 貿易應收款及票據(續)

並未個別或整體被視為已減值之貿易應收款之賬齡分析如下：

既未逾期亦無減值之應收款項乃與大量不同類別的客戶有關，彼等在近期並無拖欠款項之記錄。

到期未付但並無減值之應收款項乃與一些獨立客戶有關，該等客戶在本集團內有良好的交易記錄。根據過往經驗，董事認為無需就該等結餘計提減值撥備，皆因信貸質量並無重大的變化而結餘被認為依然可以全數收回。

列入貿易應收款的應收本集團關聯方款項如下：

上述款項為無抵押、免息及須按給予本集團主要客戶的類似信貸期限償還。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

22. Prepayments, Deposits and Other Receivables

22. 預付款、押金及其他應收款項

		2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Prepaid advertising expenses	預付廣告開支	2,802	2,871
Prepayments for purchase of raw materials	購買原材料的預付款	10,886	6,243
Advances to sales offices	聯絡點備用金	3,365	6,792
Value-added tax recoverable	待抵扣增值稅	35,098	45,414
Deductible interest receivable	應收利息	10,796	942
Promotion service charge	應收市場推廣費用	91,999	—
Others	其他	41,780	29,987
		196,726	92,249
Less: Non-current prepayments	減：一年以上的長期待攤費用	5,496	—
Total	合計	191,230	92,249

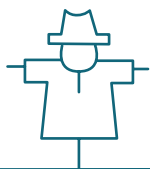
The amounts due from related parties included in prepayments, deposits and other receivables are as follows:

列入預付款、押金及其他應收款項的應收關聯方款項如下：

		2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Fellow subsidiaries	同系附屬公司	3,600	4,484
Entities significantly influenced by key management	受主要高級管理人員施加重大影響的公司	—	140
Companies who can exercise significant influence over the Company	向本集團施加重大影響的公司 — 主要股東的聯屬公司	70,296	—
		73,896	4,624

The amounts due from related parties as at 31 December 2016 and 2015 were unsecured, non-interest-bearing and had no fixed terms of repayment.

2016年12月31日及2015年應收關聯結餘均為無抵押及免息，沒有固定還款日期。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

23. Other Financial Assets

23. 其他金融資產

		Notes 附註	2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Bank wealth management products	商業銀行財富投資產品	(i)	476,994	803,859
Trust products	信托計劃投資	(ii)	—	70,000
			476,994	873,859

(i) As at 31 December 2016, the Group's bank wealth management products were mainly financial products purchased from banks with good credit rating with expected annual interest rates of 3.1% to 4.0% (31 December 2015: 2.6% to 4.3%). These investments were acquired with original maturity of one month to one year and were not allowed to be withdrawn prior to the maturity date without banks' consent.

(ii) During 2015, the Group, as one of the beneficiaries, invested RMB70,000,000 in two unit trust plans set up by a subsidiary of the Company's indirect shareholder who can exercise significant influence over the Company and a related party of the Group. The Group's investments in these trust plans have an expected maximum return of 9.2% to 10% per annum and the maturity period is within 1 year, with the principals and return of the investments guaranteed by third parties. The funding of such unit trust plans was used in the investments in a property development company and a mining company. These trust products matured and settled in 2016.

(i) 於2016年12月31日，本集團的商業銀行財富投資產品主要為從良好的信貸評級的銀行購買的金融產品，預期的年利率為3.1%至4.0%（2015年12月31日：2.6%至4.3%）。這些投資為一個月到一年到期且到期前沒有銀行的同意不得撤回。

(ii) 於2015年，本集團（作為受益人之一）以人民幣70,000,000元對本公司的間接股東（能對本公司施加重大影響）的子公司（本集團的關聯方）設立的兩個單位信托計劃進行投資。本集團於單位信托計劃的投資的預期最高回報率為每年9.2%至10%，一年內到期，本金和回報均有第三方企業進行擔保。該單位信托計劃的資金被用於投資一家基礎設施建設公司及一家礦業公司。2016年，該信托計劃到期並結清。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

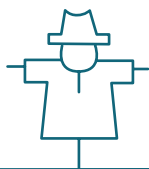
合併財務報表附註(續)

31 December 2016 2016年12月31日

24. Cash and Bank Balances and Other Deposits

24. 現金及銀行結餘及保證金存款

		2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Cash and cash equivalents	現金及現金等價物	581,491	1,307,556
Pledged deposits	受限制的銀行存款	803,123	594,981
Time deposits with original maturity of more than three months	原到期日為三個月以上的定期存款	1,441,254	1,535,527
		2,825,868	3,438,064
Less: Short-term pledged deposits for banking facilities	減：銀行融資之短期保證金存款	803,123	594,981
Less: Long-term bank deposits	減：長期銀行存款	379,927	363,227
Cash and bank balances	現金及銀行結存	1,642,818	2,479,856
		2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
The above balances denominated in:	以下列貨幣列值的現金及銀行結餘：		
— RMB	— 人民幣	2,473,884	3,076,030
— Other currencies	— 其他貨幣	351,984	362,034
		2,825,868	3,438,064



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

24. Cash and Bank Balances and Other Deposits (Continued)

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at the prevailing market interest rates. As at 31 December 2016, the effective annual interest rates of short-term time deposits were approximately 1.5% to 8.5% (31 December 2015: 0.18% to 5.25%), which would be due within a year. The effective interest rates of long-term deposits were approximately 4.55% to 4.88% (31 December 2015: 4.55% to 4.88%). The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

Other than certain bank loans secured by time deposits amounting to RMB798,905,000 (2015: RMB510,356,000), a deposit of RMB4,218,000 (2015: RMB84,625,000) was pledged for letters of credit.

25. Trade Payables

The aging analysis of the Group's trade payables, based on the invoice date, as at the reporting date is as follows:

		2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Within 3 months	三個月以內	222,504	261,147
3 to 6 months	三個月至六個月	12,356	7,103
More than 6 months	六個月以上	2,761	3,854
		237,621	272,104

24. 現金及銀行結餘及保證金存款(續)

人民幣並非可自由兌換為其他貨幣。然而，根據中國大陸的外匯管理條例及結匯、售匯及付匯管理規定，本集團獲准透過獲授權進行外匯業務的銀行，將人民幣匯兌為其他貨幣。

銀行現金按通行市場利率計息。於2016年12月31日，短期定期存款的實際年利率約為1.5%至8.5%（2015年12月31日：0.18%至5.25%），並將於一年內到期。長期定期存款的實際存款利率約為4.55%至4.88%（2015年12月31日：4.55%至4.88%）。銀行結餘及已抵押存款於近期無違約記錄且信譽良好的銀行儲存。

除了一些銀行貸款是通過定期存款人民幣798,905,000元（2015年：人民幣510,356,000元）進行抵押，尚有人民幣4,218,000元存款（2015年：人民幣84,625,000元）被作為開具信用證的保證金。

25. 貿易應付賬款

於報告日期，本集團根據發票日期的貿易應付賬款的賬齡分析如下：



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

25. Trade Payables (Continued)

The amounts due to related parties included in trade payables are as follows:

		2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Entity significantly influenced by key management	受主要高級管理人員施加重大影響的公司	—	100
Fellow subsidiary of parent's significant shareholder	最終控股公司一主要股東的聯屬公司	9,758	—
Fellow subsidiaries	同系附屬公司	2,997	13,541
		12,755	13,641

Trade payables, including amounts due to related parties, are non-interest bearing and are normally settled within one month to three months.

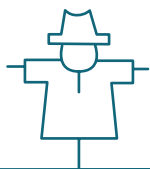
列入貿易應付帳款的應付關聯方的款項如下：

貿易應付賬款，包括應付關聯方的賬款，為不計息且一般於一至三個月內結算。

26. Other Payables and Accruals

		Notes 附註	2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Advances from customers	客戶預付款		135,383	139,709
Accrued payroll	應計薪金		129,581	88,157
Termination benefits payables	應付離職補償		53,595	3,108
Interest payables	應付利息		239	—
Other tax payables	其他應付稅項		15,783	28,913
Other loans	其他借款	(i)	—	202,500
Guarantee deposits	收取客戶的保證金		66,513	61,364
Customer loyalty program	客戶忠誠計劃	(ii)	—	3,203
Accrued expenses	預提費用		363,052	291,215
Others	其他	(iii)	98,087	83,643
			862,233	901,812

26. 其他應付款及應計費用



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

26. Other Payables and Accruals (Continued)

- (i) As at 31 December 2015, a loan of RMB200,000,000 was borrowed from Inner Mongolia Mengniu, which bore interest at a fixed interest rate of 3% per annum from December 2014. The loan was repaid in 2016.
- (ii) Customer loyalty program

		2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
At 1 January	於1月1日	3,203	13,203
Additions	增加	—	40,749
Recognised as revenue during the year	年內已確認收入	(3,203)	(50,749)
At 31 December	於12月31日	—	3,203

- (iii) Others mainly include construction cost payables.

The amount due to a related party included in other payables and accruals is as follows:

		2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
A fellow subsidiary	一家同系附屬公司	414	200,000

26. 其他應付款及應計費用(續)

- (i) 於2015年12月31日，主要來自內蒙蒙牛借款人民幣200,000,000元，2014年12月開始按固定年利率3%計息。該借款已於2016年償還。
- (ii) 客戶忠誠計劃

- (iii) 其他主要包括應付工程款。

列入其他應付款項和應計費用的應付關聯方的款項如下：



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

27. Derivative Financial Instruments

27. 衍生金融工具

		Notes 附註	2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Forward currency contracts and currency collars	遠期外匯合約及外匯上下限合約	(i)	—	—
Interest rate swaps	利率互換合同	(ii)	—	—
			—	—

The fair values of these derivative financial instruments are determined by Westpac Bank, the counterparty of these hedge arrangements, and reviewed by the directors of the Company, based on contracts value with reference to the forecast London Interbank Offered Rate ("LIBOR") and the exchange rate of USD against New Zealand Dollar ("NZD").

- (i) Forward currency contracts and currency collars — cash flow hedge

Forward currency contracts and currency collars are designated as hedging instruments in respect of forecast future contractor payments in NZD from October 2014 to June 2015 for the construction of Yashili New Zealand's plant, to hedge the cash flow change associated with the foreign exchange rate of USD against NZD. The balances of forward currency contracts and currency collars vary with the levels of expected construction payments and changes in foreign exchange forward rates. The execution of these contracts completed in July 2015. There were no such contracts in 2016.

- (ii) Interest rate swap contracts — cash flow hedge

Interest rate swap contracts, which start from September 2014 and mature in August 2017, are designated as hedging instruments in respect of future interests of Westpac Bank's bank loans with floating rates at one month LIBOR to hedge the cash flow change associated with the change of LIBOR during the period. The balances of interest rate swap contracts vary with the levels of expected withdrawal of bank loans.

In August 2015, the Company terminated all these swap contracts, together with those hedged bank loans, before the date of termination. There were no such contracts in 2016.

這些套期交易的交易對手澳大利亞西太平洋銀行，按照合同金額並參考其對LIBOR及美元兌新西蘭元匯率的變動的預期評估出這些衍生工具的公允價值。本公司的董事已復核上述公允價值。

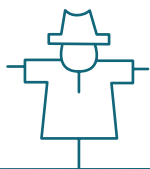
- (i) 遠期外匯合約及外匯上下限合約 — 現金流量套期

本集團將遠期外匯合約及外匯上下限合約指定為以新西蘭元結算的預計於2014年10月至2015年6月的新西蘭乳業工廠建設工程付款的套期工具，以規避因美元兌新西蘭幣的匯率變化而帶來的現金流量變動。遠期外匯合約及外匯上下限合約的餘額隨預期工程款支付的規模以及遠期匯率的變動而變化。該些合同於2015年7月執行完畢。2016年無該類合約。

- (ii) 利率互換合約 — 現金流量套期

本集團將合同期限為2014年9月至2017年8月的利率互換合約指定為與從澳西銀行借入的利率為一個月倫敦同業拆借利率的借款合同未來借款利息相關的套期工具，以規避因LIBOR變動而帶來的現金流量變動。利率互換合約的餘額隨預期借款的提款金額的變動而變化。

2015年8月，公司提前終止了這些互換合同及被套期的銀行借款合同。2016年無該類合約。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

27. Derivative Financial Instruments (Continued)

Since the nominal amounts of the forward currency contracts and currency collars match the terms of the construction payment commitments and the terms of interest rate swaps match the terms of bank loan agreements, the hedged ratio is determined at 1 to 1. The main sources of ineffectiveness include counterparty's non-performance risks, which is considered to be insignificant. No ineffectiveness recognised in profit or loss arose from the above cash flow hedges in 2015.

No fair value gain or loss was recorded in the hedging reserve as all the contracts were completed or terminated as at 31 December 2015. A loss amounting to RMB6,851,000 was transferred to the statement of profit or loss as a result of termination of interest rate swap contracts before the date of expiration. There were no such contracts in 2016.

27. 衍生金融工具(續)

由於遠期外幣合約及貨幣利率上下限的名義金額與建設付款承擔的條款互相配合及利率掉期的條款與銀行貸款協議的條款互相配合，套期比例被確定為1:1。套期無效主要來源於交易對方的不履約風險，該風險被認為不重大。概無與上述現金流量套期相關的套期無效部分計入2015年損益。

於2015年12月31日，因所有合同已執行完畢或終止，無公允價值變動收益或損失計入對沖儲備，因提前終止利率互換套期合同，金額為人民幣6,851,000元的損失被計入損益表，2016年無。

		2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Total fair value losses included in the hedging reserve	計入套期儲備的公允價值變動損失	—	(21,057)
Deferred tax on fair value losses (note 19)	與公允價值變動損失相關的遞延稅項(附註19)	—	3,732
Reclassified from other comprehensive income and included in construction in progress	從其他綜合收益中重分類至在建工程	—	23,851
Deferred tax transferred to construction in progress (note 19)	遞延稅項轉移至在建工程(附註19)	—	(4,989)
Loss transferred in the statement of profit or loss due to early termination	提前終止利率互換合同產生損失轉至損益表中確認	—	6,851
Net losses on cash flow hedges	現金流量套期淨損失	—	8,388



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

28. Interest-Bearing Bank Loans

28. 計息銀行借款

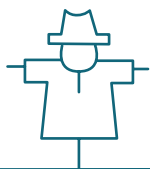
		As at 31 December 2016 於2016年12月31日			As at 31 December 2015 於2015年12月31日		
		Effective interest rate (%) 實際利率 (%)	Maturity 到期時間	RMB'000 人民幣 千元	Effective interest rate (%) 實際利率 (%)	Maturity 到期時間	RMB'000 人民幣 千元
Current	即期						
Short term bank	短期銀行貸款：						
loans:							
— Pledged loans	— 質押借款	LIBOR+0.9/ HIBOR+0.9	2017	743,091	LIBOR+0.9	2016	461,696
— Guaranteed loans	— 擔保借款	1.47 to 3.915	2017	300,000	—	—	—
— Credit loans	— 信用借款	3.915	2017	100,000	—	—	—
				1,143,091			461,696
					2016 RMB'000 人民幣千元		2015 RMB'000 人民幣千元
Bank loans denominated in	銀行貸款						
— CNY	— 以人民幣計值			400,000			—
— USD	— 以美元計值			673,767			461,696
— HKD	— 以港幣計值			69,324			—
				1,143,091			461,696

As at 31 December 2016, bank loans with an aggregate amount of approximately RMB743,091,000 (31 December 2015: RMB461,696,000) were secured by time deposits amounting to RMB 798,905,000 (31 December 2015: RMB510,356,000).

於2016年12月31日，一些總數額約為人民幣743,091,000元(2015年12月31日：人民幣461,696,000元)的銀行貸款以人民幣798,905,000元(2015年12月31日：人民幣510,356,000元)的定期存款進行抵押。

As at 31 December 2016, a bank loan with amount of RMB200,000,000 was guaranteed by Yashili (Guangdong), and a bank loan with amount of RMB100,000,000 was guaranteed by Yashili (Shanxi).

於2016年12月31日，數額為人民幣200,000,000元的銀行貸款由雅士利(廣東)擔保，數額為人民幣100,000,000元的銀行貸款由雅士利(山西)擔保。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

29. Deferred Income

		2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
As at beginning of the year	年初結餘	4,412	7,397
Amortisation for the year	年內攤銷	(1,083)	(2,985)
As at end of the year	年末結餘	3,329	4,412

Deferred income mainly represented the government grants received for the acquisition of a new plant and for certain technical innovation and production line expansion projects. These grants are deferred over the useful lives of the relevant assets and the amount recognised as other income and gains in 2016 was RMB1,083,000 (2015: RMB2,985,000).

29. 遞延收益

遞延收益主要指就購置新廠房及若干技術創新及生產線擴充項目獲得的政府補助。該等補助於有關資產的可使用年期內遞延入賬，於2016年確認為其他收入及收益的與資產支出相關的金額為人民幣1,083,000元(2015年：人民幣2,985,000元)。

30. Share Capital

		Number of shares 股份數目 '000 千股	Nominal value 面值 RMB'000 人民幣千元
Authorised:	已註冊：		
Ordinary shares of HK\$0.1 each	每股面值0.1港元的 普通股	(i) 10,000,000	861,600
Ordinary shares, issued and fully paid:	已發行、已繳足：		
Shares issued upon a Reorganization in 2010	於2010年重組時發行的股份	(ii) 100	9
Capitalisation issue in 2010	於2010年資本化發行	(iii) 2,925,900	251,364
Shares issued by share offer in 2010	於2010年透過股份發售發行股份	(iv) 574,000	49,312
Shares repurchased in 2011	於2011年股份回購	(v) (10,000)	(818)
Accumulated share options exercised up to 2014	2014年前累計股權計劃行權	69,170	5,665
Shares issued to Danone Asia in 2015	於2015年向達能亞洲發行股權	(vi) 1,186,390	93,820
At 31 December 2015 and 2016	於2015年及2016年 12月31日	4,745,560	399,352

30. 股本



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

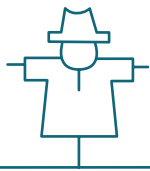
31 December 2016 2016年12月31日

30. Share Capital (Continued)

- (i) The Company was incorporated on 3 June 2010 with authorised capital of 3,800,000 shares at HK\$0.10 per share. As part of a reorganisation of the Group in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange in 2010 (the "Reorganisation"), the authorised share capital of the Company was increased to HK\$1,000,000,000 (equivalent to RMB861,600,000) divided into 10,000,000,000 shares of HK\$0.10 each.
- (ii) On 2 July 2010, as part of the Reorganisation, the Company issued a total of 99,999 shares at HK\$0.10 per share equivalent to RMB9,000 to the shareholder of Yashili (Guangdong) as the consideration to acquire Yashili (Guangdong).
- (iii) Pursuant to the resolution of the Company's shareholders passed on 8 October 2010, the authorised share capital of the Company was increased from HK\$380,000 to HK\$1,000,000,000; in addition, 2,925,900,000 ordinary shares of HK\$0.1 each were issued at par value to the shareholders of the Company as at 8 October 2010 by way of capitalisation of HK\$292,590,000 (equivalent to RMB251,364,000) from the Company's share premium account.
- (iv) A total of 3,500,000,000 shares of the Company were listed on the Stock Exchange on 1 November 2010 ("IPO"), among which 644,000,000 shares (18.4% of the total number of shares of the Company) were issued to the public, comprising 574,000,000 new shares and 70,000,000 sale shares. The gross proceeds received by the Company from the IPO were approximately HK\$2,411 million.
- (v) On 10 June 2011 and 13 June 2011, the Company repurchased all of its own ordinary shares of 10,000,000 at an aggregate price (including a transaction fee and commission) of HK\$18,728,000 (equivalent to RMB15,538,000), which was deducted from reserves.

30. 股本(續)

- (i) 本公司於2010年6月3日註冊成立，法定股本為3,800,000股，每股面值為0.1港元的股份。作為本集團於2010年為籌備本公司股份於聯交所主板上市而進行的重組（「重組」）的一部分，其法定股本增至港幣1,000,000,000元（相當於人民幣861,600,000元），分為10,000,000千股，每股面值0.10港元的股份。
- (ii) 於2010年7月2日，作為重組的一部分，本公司向雅士利（廣東）當時每名股東發行合共99,999股每股面值0.1港元的股份，相等於人民幣9,000元，作為本公司收購雅士利（廣東）的對價。
- (iii) 根據本公司股東於2010年10月8日通過的決議案，本公司的法定股本由380,000港元增加至1,000,000,000港元；此外，透過從本公司股份溢價賬撥充292,590,000港元（相當於人民幣251,364,000元）作資本，本公司於2010年10月8日按面值向其股東發行2,925,900,000股每股面值0.1港元的普通股。
- (iv) 本公司的股份於2010年11月1日在香港聯交所上市（「首次公開發行」），總數為3,500,000,000股，其中644,000,000股（佔本公司股份總數的18.4%）向公眾人士發行，其中包括574,000,000千股新股及70,000,000股銷售股份。本公司收取的首次公開發行的所得款項總額約為2,411百萬港元。
- (v) 於2011年6月10日及6月13日，本公司共回購其自身的普通股10,000,000股，總價格（含手續費及佣金）為港幣18,728,000元（相當於人民幣15,538,000元），並已於儲備中扣除。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

30. Share Capital (Continued)

(v) (Continued)

The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 49H of the Hong Kong Companies Ordinance, an amount equivalent to the par value of the shares cancelled of HK\$1,000,000 (equivalent to RMB818,000) was transferred to the capital redemption reserve. The premium and transaction costs paid on the repurchase and cancellation of the shares of HK\$17,728,000 (equivalent to RMB14,720,000) were charged to reserves.

(vi) On 30 October 2014, the Company, Mengniu International and Danone Asia entered into a Subscription Agreement pursuant to which, among other things, Danone Asia has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 1,186,390,074 subscription shares at the subscription price of HK\$3.70 per subscription share.

The share subscription has been approved by the Company's shareholders at an extraordinary general meeting on 28 November 2014.

On 12 February 2015, the Company received all the share subscription proceeds of HK\$4,389,643,000, equivalent to RMB3,471,330,000, among which RMB93,820,000 was accounted for as share capital, and the remaining, after deducting issuance cost, amounting to RMB3,374,773,000 was accounted for as share premium.

31. Assets of Disposal Group Classified as Held for Sale and Liabilities Directly Associated with the Assets Classified as Held for Sale

At the end of 2016, the Company ceased to classify the assets and liabilities directly related to the disposal group of Yashili (Heilongjiang) as held for sale as its sale was not considered highly probable.

30. 股本(續)

(v) (續)

回購股份已被注銷，而本公司對已發行股本亦已相應減去該等回購股份的面值。依照香港公司條例第49H章節，注銷股份的面值港幣1,000,000元(等值人民幣818,000元)轉入股份回購儲備中。就回購及注銷股份所支付的溢價及交易成本港幣17,728,000元(等值人民幣14,720,000元)已在儲備中扣除。

(vi) 於2014年10月30日，本公司、蒙牛國際及達能亞洲簽訂了認購協定，其中據此，達能亞洲已附條件同意認購，且本公司已附條件同意配發及發行1,186,390,074股認購股份。認購價格為每股認購股份3.70港元。

於2014年11月28日該股份認購已獲本公司股東在股東特別大會上批准。

於2015年2月12日，本公司收到全部股權認購款4,389,643,000港元，約合人民幣3,471,330,000元，其中人民幣93,820,000元計入已發行股本，剩餘金額在扣除發行費用後約人民幣3,374,773,000元計入股本溢價。

31. 分類為持有待售的處置組資產及與分類為持有待售資產直接相關的負債

2016年底，管理層重新評估雅士利(黑龍江)在一年內出售的可能性不大，將其從持有待售資產和負債中轉出。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

31. Assets of a Disposal Group Classified as Held for Sale and Liabilities Directly Associated with the Assets Classified as Held for Sale (Continued)

The negotiation for the sale of Scient (China) is still in the progress and therefore the assets and liabilities directly related to Scient (China) are still classified as disposal group held for sale as at 31 December 2016.

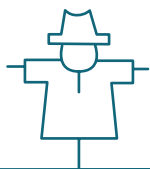
The major classes of assets and liabilities classified as held for sale as at 31 December 2016 are as follows:

31. 分類為持有待售的處置組資產及與分類為持有待售資產直接相關的負債(續)

施恩(中國)的出售仍在協商當中，因此與施恩(中國)之間相關的資產和負債在2016年12月31日仍被分類為持有待售資產組。

於2016年12月31日持有待售資產及負債如下：

		Notes 附註	2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Assets:	資產			
Property, plant and equipment	物業、廠房及設備	13	127,166	166,089
Construction in progress	在建工程		—	378
Land use rights	土地使用權	16	27,687	30,265
Intangible assets	無形資產	17	645	144
Trade receivables	貿易應收款		39	8
Prepayments, deposits and other receivables	預付款項、押金及其他應收款		3,068	5,763
Cash and short term deposits	現金及銀行結存		1,080	961
Inventories	存貨		—	31,229
Deferred tax assets	遞延所得稅資產	19	—	8,575
Investment properties	投資物業	15	44,774	44,538
Assets classified as held for sale	分類為持有待售的處置資產		204,459	287,950
Liabilities:	負債			
Trade payables	貿易應付賬款		(201)	(3,191)
Other payables and accruals	其他應付款及應計費用		(4,787)	(7,103)
Liabilities directly associated with assets classified as held for sale	分類為持有待售資產直接相關的負債		(4,988)	(10,294)
Net assets directly associated with the disposal group	與處置組直接相關的淨資產		199,471	277,656



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

32 Business Combination

Acquisition of Dumex China in 2016

On 31 May 2016, the Group acquired a 100% equity interest in Dumex China from DAPH. Dumex China is mainly engaged in the manufacture and sale of infant formula products under the Dumex brand. The acquisition was made as part of the Group's strategy to expand its market share of infant formula products in Mainland China.

The fair values of the identifiable assets and liabilities of Dumex China as at the date of acquisition were as follows:

32 業務合併

於2016年收購多美滋中國

於2016年5月31日，本集團向DAPH收購其全資子公司多美滋中國100%股權。該公司主要從事多美滋品牌嬰幼兒配方奶粉產品的生產與銷售。作出收購事項乃本期團擴張中國大陸嬰幼兒配方奶粉業務的一部分。

於收購日期，多美滋中國之可識別資產淨值及負債之公允值如下：

		Notes 附註	Fair value recognized on acquisition 收購時確認 之公允值 RMB'000 人民幣千元
Assets	資產		
Property, plant and equipment	物業、廠房及設備	13	68,290
Construction in progress	在建工程	14	7,473
Land use rights	土地使用權	16	41,527
Intangible assets	無形資產	17	283,120
Inventories	存貨		64,945
Trade and bills receivables	貿易應收款及票據		63,887
Prepayments, deposits and other receivables	預付款項、押金及其他應收款項		14,116
Cash and bank balances	現金及銀行結存		112,071
Total assets	資產總額		655,429
Liabilities	負債		
Trade payables	貿易應付款		(43,626)
Other payables and accruals	其他應付款及應計費用		(302,909)
Current tax payable	應付所得稅		(112)
Total liabilities	負債總額		(346,647)
Total identifiable net assets at fair value	按公允值列值之可識別資產總額		308,782
Add: Goodwill arising on acquisition	加：收購產生商譽		718,476
Purchase consideration at fair value	按公允值列值之購買代價		1,027,258



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

32 Business Combination (Continued)

Acquisition of Dumex China in 2016 (continued)

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB63,887,000 and RMB14,116,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB63,887,000 and RMB14,116,000.

The Group incurred transaction costs of RMB5,510,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

An analysis of the cash flows in respect of the acquisition of Dumex China is as follows:

32 業務合併(續)

於2016年收購多美滋中國(續)

於收購日，應收和其他應收賬款的公允價值分別為人民幣63,887,000元和人民幣14,116,000元，賬面價值分別為人民幣63,887,000元和人民幣14,116,000元。

本集團該次收購產生交易費用人民幣5,510,000元，此等交易費用已被費用化，並載入合併利潤表中的行政開支支出項。

有關多美滋中國收購事項之現金流分析列載如下：

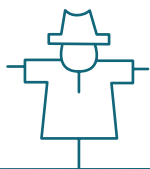
		RMB'000 人民幣千元
Cash consideration	現金代價	1,099,695
Receipt of adjustments to purchase consideration	收到收購代價補償款	(72,437)
		1,027,258
Cash and cash equivalents acquired	已收購現金及現金等價物	(112,071)
Net outflow of cash and cash equivalents included in cash flows from investing activities	計入投資活動產生的現金流量之現金及現金等價物流出淨額	915,187
Transaction costs of the acquisition included in cash flows from operating activities	計入經營活動產生的現金流量之收購事項交易成本	5,510
		920,697

Since the acquisition, Dumex China contributed RMB101,089,000 to the Group's revenue and RMB55,905,000 to the consolidated loss for the year ended 31 December 2016.

Had the combination taken place at the beginning of the year, the revenue of the Group and the loss of the Group for the year would have been RMB2,332,773,000 and RMB469,437,000, respectively.

自收購後，截至2016年12月31日止年度，多美滋中國為本集團的收入貢獻了人民幣101,089,000元，產生了人民幣55,905,000的損失。

若該收購發生於年初，本集團將分別產生收入人民幣2,332,773,000元，虧損人民幣469,437,000元。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

33. Pledge of Assets

Details of the pledged assets are included in note 24 to the financial statements.

34. Operating Lease Arrangements**As Lessee**

At the reporting date, the total future minimum lease payments under non-cancellable operating leases in respect of buildings were payable as follows:

		2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Within one year	一年內	7,835	7,570
In the second to fifth years, inclusive	第二至第五年(包括首尾兩年)	9,914	3,553
		17,749	11,123

35. Commitments

In addition to the operating lease commitments detailed in note 34, the Group had the following capital commitments as at the end of the reporting period:

		2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Contracted, but not provided for:	已訂約但未撥備		
Land and buildings	房屋及建築物	19	14,266
Plant and machinery	機械設備	36,276	6,871
Investment commitment	投資承諾	—	1,064,280
		36,295	1,085,417

33. 資產抵押

有關資產作抵押的詳情，載於財務報表附註24。

34. 經營租賃安排**作為承租人**

於報告日期，不可取消經營租賃項下就房屋建築物應付的未來最低租賃款項如下：

35. 承擔

除附註34詳述的經營租賃承擔外，於報告期末，本集團的資本承擔如下：



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

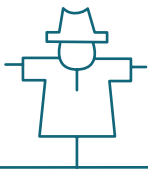
36. Related Party Transactions

- (a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the years ended 31 December 2016 and 2015:

36. 關聯方交易

- (a) 除去在本財務報表其他附註中提及的關聯交易，本集團於截至2016年及2015年12月31日止年度曾與關聯方進行以下重大交易：

		2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Transactions with fellow subsidiaries of the parent	與同系附屬公司的關聯方交易		
Sale of maltodextrin and sugar, etc.	銷售麥芽糊精、糖等*	—	24
Sale of raw materials	銷售原料*	115	—
Sale of milk powder products	銷售奶粉產品*	4,028	557
Sale of power	銷售電力*	232	—
Purchase of milk powder products	購買奶粉產品*	105,357	13,381
Purchase of base powder	採購基粉*	72,778	88,944
Purchase of raw materials	購買原料*	5,179	2,049
Income from consigned processing	委託加工奶粉產品*	36,731	20,007
Income from consigned processing [#]	委託加工奶粉產品 [#]	—	49,515
Income from Rental of property	出租物業及廠房*	—	836
Interest income from cash pool	資金池利息收入*	—	743
Service expense	服務費*	200	—
Interest expense from entrusted loan	委託貸款的利息支出*	—	8,625
Entrusted loan	委託貸款*	—	200,000
Trademark license fee (note)	商標使用許可費*(附註)	—	—
Transactions with fellow subsidiaries of the parent's substantial shareholder	與最終控股公司的主要股東的附屬公司的關聯方交易		
Purchase of packing materials	購買包裝材料	2,526	5,685
Purchase of starch and sugar, etc.	購買澱粉、糖等	24,046	10,107
Purchase of trust plan	購買信託產品	—	70,000
Transactions with a substantial shareholder and its subsidiaries	與一名主要股東及其附屬公司的交易		
Sale of raw materials	銷售原料*	6,341	—
Sale of base powder	銷售基粉*	32,464	—
Purchase of base powder	採購基粉*	4,143	—
Reimbursements income	補償收入	582	—
Income of cost sharing	費用分攤*	803	—
Service expense	服務費*	6,686	—
Sponsorship for marketing promotion	市場推廣費*	96,324	—
Rental of property and plant	租賃物業及廠房*	—	2,680



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

36. Related Party Transactions (Continued)

(a) (Continued)

The directors of the Company are of the opinion that the above related party transactions were conducted on normal commercial terms during the ordinary course of business. The directors have confirmed that the above transactions will continue in the future.

* The above transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

These represent Oushi Mengniu's consigned processing income of milk powder for Inner Mongolia Mengniu. These transactions don't constitute connected transactions as defined in the Listing Rules as all the transactions took place before the acquisition date of Oushi Mengniu by the Group.

Note: As agreed with Inner Mongolia Mengniu, the group shall be liable to pay the trademark license fee from 1 January 2017

(b) Outstanding balances with related parties

Details of the outstanding balances with related parties are set out in notes 21, 22, 23, 25 and 26 to the financial statements.

(c) Compensation of key management personnel of the Group

Key management compensation is detailed in note 9 to the financial statements.

36. 關聯方交易(續)

(a) (續)

本公司董事認為，以上關連方交易乃按一般商業條款進行，並在日常業務過程中進行。董事已確認，以上交易將會於未來繼續進行。

* 上述交易也構成上市規則14A章所界定的關連交易或持續關連交易。

這些交易為歐世蒙牛受內蒙蒙牛委託加工奶粉收入。這些交易因發生在本集團收購歐世蒙牛前，並不構成上市規則所界定的關連交易。

附註：經與內蒙蒙牛協商，本集團有義務從2017年1月1日開始支付該商標使用許可費。

(b) 與關聯方的未償還結餘

有關與關聯方的未償還結餘詳情載於財務報表附註21、22、23、25及26。

(c) 本集團主要管理人員的酬金

主要管理人員的報酬詳載於財務報表附註9。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

37. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

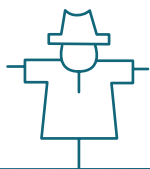
31 December 2016

37. 按類別劃分的金融工具

於報告期末，各類金融工具的賬面值如下：

2016年12月31日

		Financial assets at fair value through profit or loss 以公允價值變動計入損益計量的金融資產 RMB'000 人民幣千元	Financial assets at amortised cost 以攤餘成本計量的金融資產 RMB'000 人民幣千元	Total 合計 RMB'000 人民幣千元
Financial assets	金融資產			
Trade and bills receivables	貿易應收款及票據	—	161,391	161,391
Prepayments, deposits and other receivables	預付款、押金及其他應收款項	—	114,932	114,932
Other current financial assets	其他金融資產	426,884	50,110	476,994
Pledged deposits	受限制銀行存款	—	803,123	803,123
Long-term bank deposits	長期銀行存款	—	379,927	379,927
Cash and cash equivalents	現金及銀行結存	—	1,642,818	1,642,818
		426,884	3,152,301	3,579,185
		Financial liabilities at fair value through profit or loss 以公允價值變動計入損益的金融負債 RMB'000 人民幣千元	Financial liabilities at amortised cost 以攤餘成本計量的金融負債 RMB'000 人民幣千元	Total 合計 RMB'000 人民幣千元
Financial liabilities	金融負債			
Trade payables	貿易應付帳款	—	237,621	237,621
Other payables and accruals	其他應付款及應計費用	—	253,496	253,496
Short-term interest-bearing bank loans	短期計息銀行借款	—	1,143,091	1,143,091
		—	1,634,208	1,634,208



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

37. Financial Instruments by Category (Continued) 37. 按類別劃分的金融工具(續)

31 December 2015

2015年12月31日

		Financial assets at fair value through profit or loss 以公允價值變 動計入損益計 量的金融資產 RMB'000 人民幣千元	Financial assets at amortised cost 以攤餘成本計 量的金融資產 RMB'000 人民幣千元	Total 合計 RMB'000 人民幣千元
Financial assets	金融資產			
Trade and bills receivables	貿易應收款及票據	—	71,815	71,815
Prepayments, deposits and other receivables	預付款、押金及其他 應收款項	—	13,807	13,807
Other current financial assets	其他金融資產	873,859	—	873,859
Pledged deposits	受限制銀行存款	—	594,981	594,981
Long-term bank deposits	長期銀行存款	—	363,227	363,227
Cash and cash equivalents	現金及銀行結存	—	2,479,856	2,479,856
		873,859	3,523,686	4,397,545

		Financial liabilities at fair value through profit or loss 以公允價值變 動計入損益的 金融負債 RMB'000 人民幣千元	Financial liabilities at amortised cost 以攤餘成本計 量的金融負債 RMB'000 人民幣千元	Total 合計 RMB'000 人民幣千元
Financial liabilities	金融負債			
Trade payables	貿易應付帳款	—	272,104	272,104
Other payables and accruals	其他應付款及應計費用	—	410,585	410,585
Short-term Interest-bearing bank loans	短期計息銀行 借款	—	461,696	461,696
		—	1,144,385	1,144,385



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

38. Fair Value and Fair Value Hierarchy of Financial Instruments

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

38. 金融工具之公允值及公允值層級

本集團的金融工具的賬面值及公允價值,不包括近似於公允價值的賬面值,詳情如下:

		Carrying amount 賬面價值		Fair value 公允價值	
		2016年 12月31日 RMB'000 人民幣千元	2015年 12月31日 RMB'000 人民幣千元	2016年 12月31日 RMB'000 人民幣千元	2015年 12月31日 RMB'000 人民幣千元
Financial assets	金融資產				
Long-term bank deposits	長期銀行存款	379,927	363,227	389,524	352,758
		379,927	363,227	389,524	352,758

Management has assessed that the fair values of cash and cash equivalents, the current portion of pledged deposits, trade and bills receivables, other current financial assets, trade payables, financial assets included in prepayments and deposits, interest receivable, and other receivables, financial liabilities included in accruals and customers' deposits, interest payables and other payables and accruals, short-term bank loans approximate to their carrying amounts largely due to the short-term maturities of these instruments.

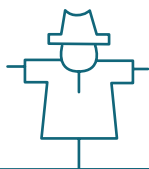
The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to management. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by management. The valuation process and results are discussed with management twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

管理部門已評估現金和現金等價物、計入流動資產部分的抵押存款、貿易應收款及應收票據、其他金融資產、貿易應付款項、計入預付款及按金、應收利息及其他應收款項的金融資產、計入預提費用及客戶訂金、應付利息及其他應付款項的金融負債、短期計息銀行借款的公允價值與其賬面價值相同,由於這些金融工具的大部分將在短期內到期。

本集團由財務經理負責的財務團隊負責確定金融工具公允價值計量的政策和程序。財務團隊直接向管理層報告。在每個報告日,公司財務團隊分析金融工具價值的變動並確定應用於估值的主要輸入值。該估值由管理層審核與批准。為了中期和年度財務報告,估值過程和結果與管理層每年討論兩次。

金融資產及負債的公允價值以該工具自願交易方(強迫或清盤出售除外)當前交易下之可交易金額入賬。下列方法及假設乃用以估計公允價值。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

38. Fair Value and Fair Value Hierarchy of Financial Instruments (Continued)

The fair values of long-term bank deposits, interest-bearing bank loans have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets for which fair values are disclosed:

38. 金融工具之公允值及公允值層級(續)

計入非流動資產的長期銀行存款、計息銀行借款的公允值乃採用類似條款、信貸風險及餘下到期日的工具現時可獲得的利率折現預期未來現金流量的方式計算。

公允值層級

本集團採用以下層級以說明金融工具的公允值計量：

按公允值計量的資產：

Fair value measurement using 公允值計量的應用

	Significant unobservable inputs (Level 3) 重大不可觀察輸入數據 (第三等級) As at 31 December 2016 於2016年12月31日 RMB'000 人民幣千元	Significant unobservable inputs (Level 3) 重大不可觀察輸入數據 (第三等級) As at 31 December 2015 於2015年12月31日 RMB'000 人民幣千元
Long-term bank deposits 長期銀行存款	389,524	352,758

39. Financial Risk Management Objectives and Policies

The Group's principal financial instruments, other than derivatives, comprise interest-bearing bank loans and other borrowings, cash and cash equivalents and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade payables, which arise directly from its operations.

39. 財務風險管理目標及政策

本集團除衍生工具外的主要金融工具包括計息銀行貸款、現金及現金等價物及已抵押存款。該等金融工具的主要目的乃為本集團運營籌措資金。本集團擁有多種由其運營直接產生的其他金融資產及負債，如貿易應收款項及應收票據及貿易應付款項。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

39. Financial Risk Management Objectives and Policies (Continued)

The Group also enters into derivative transactions, including principally interest swap contracts, forward currency contracts and currency collars. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are fair value and cash flow interest rate risks, foreign currency risk, credit risk and liquidity risk. Generally, senior management of the Company meets regularly to analyse and formulate measures to manage the Group's exposure to these risks. In addition, the board of directors of the Company holds meetings regularly to analyse and approve the proposals made by senior management of the Company. Generally, the Group introduces conservative strategies on its risk management. The Group's accounting policies in relation to derivative financial instruments are set out in note 2.4 above.

(a) Fair value and cash flow interest rate risks

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. With its borrowings issued at fixed and floating interest rates, the Group is exposed to both fair value and cash flow interest rate risks.

The Group regularly reviews and monitors the mix of fixed and floating interest rate borrowings in order to manage its interest rate risk. The Group's interest-bearing bank loans and short-term deposits are stated at amortised cost and not revalued on a periodic basis. Floating rate interest income and expenses are credited/charged to profit or loss as earned/incurred.

39. 財務風險管理目標及政策(續)

本集團亦開展衍生交易，主要包括利率掉期合約，遠期外匯合約及外匯上下限合約。目的是為了管理利率及本集團之營運及融資來源所產生的貨幣風險。

本集團金融工具產生的主要風險為公允價值及現金流量利率風險，外幣風險，信貸風險及流動資金風險。一般而言，本公司高級管理層會定期召開會議分析及制定政策，管理本集團面臨的該等風險。此外，本公司董事會定期召開會議分析及批准本公司高級管理層提出的建議。一般而言，本集團於其風險管理中採取保守策略。本集團有關衍生金融工具的會計政策載於上文註釋2.4。

(a) 公允價值及現金流量利率風險

公允價值利率風險是指金融工具的價值將因市場利率變動而出現波動的風險。現金流量利率風險是指金融工具的未來現金流量將因市場利率變動而出現波動的風險。由於借款按固定及浮動利率借出，本集團面臨公允價值及現金流量利率風險。

本集團定期審查並監督固定及浮動利率的借款組合，以管理其利率風險。本集團計息銀行貸款及短期存款按攤銷成本列值，而不會定期重估。浮動利率利息收入及開支按賺取／引致的收入及開支計入／扣自損益。

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

39. Financial Risk Management Objectives and Policies (Continued)**(a) Fair value and cash flow interest rate risks (Continued)**

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. To manage this mix in a cost-effective manner, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 31 December 2016, after taking into account the effect of the interest rate swaps, none of the Group's interest-bearing borrowings bore interest at fixed rates (2015: no fixed rates).

If there was a general increase/decrease in the interest rates of bank loans with floating interest rates by one percentage point, with all other variables held constant, the consolidated pre-tax profit would have decreased/increased by approximately RMB11,431,000 (2015: RMB4,617,000) for the year ended 31 December 2016, with no impact on other components of the consolidated equity, except for retained earnings of the Group. The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and the Group has applied the exposure to interest rate risk to those financial instruments in existence at those dates. The estimated one percentage point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period.

(b) Foreign currency risk

The Group is exposed to foreign currency risk primarily on bank deposits, other receivables, trade payables and bank loans of the operations to which the transactions relate. The currencies giving rise to this risk are primarily the Hong Kong dollar, the United States dollar and NZD.

39. 財務風險管理目標及政策 (續)**(a) 公允價值及現金流量利率風險(續)**

本集團的政策是利用固定及浮動利率債務組合以管理利息成本。要有效的管理此組合，本集團訂立利率掉期，其中本集團在指定的時間間隔，參照商定的名義本金計算的固定和浮動利率利息金額之間的差額量交換。於2016年12月31日，考慮到利率掉期的影響後，本集團無固定利率計息借款(2015年：無固定利率計息借款)。

倘按浮動利率計算的銀行貸款的利率整體加息/減息一個百分點，而所有其他變量不變，則截至2016年12月31日止年度，合併稅前利潤將減少/增加約人民幣11,431,000元(2015年：人民幣4,617,000元)，其對本集團合併權益的其他部分並無影響，惟未分配利潤除外。上述敏感度分析是假設利率變動已於各報告期末發生而釐定，本集團已將面臨的利率風險應用於該等日期存在的金融工具。估計一個百分點的增減是管理層對期內直至下一個報告期末為止利率能合理變動的評估。

(b) 外幣風險

本集團的外匯風險主要來自以外幣計價之銀行存款，其他應收款、貿易應付款項以及銀行貸款，即與營運相關交易之功能貨幣以外的貨幣。引致風險之貨幣主要為港幣、美元及紐幣。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

39. Financial Risk Management Objectives and Policies (Continued)

(b) Foreign currency risk (Continued)

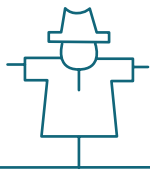
The following table demonstrates the sensitivity to a reasonably possible change in the RMB exchange rates to the United States dollar, the Hong Kong dollar and NZD with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities):

39. 財務風險管理目標及政策(續)

(b) 外幣風險(續)

下表列示在所有其他變數維持不變的情況下，人民幣與美元、港幣及紐幣的兌換率可能出現的合理變動(因貨幣資產及負債的公允值變動導致)對本集團稅前利潤的影響。

	Increase/ (decrease) in RMB exchange rate % 人民幣匯率 上升/(下降)%	Increase/(decrease) in profit before tax	
		稅前利潤上升/(下降)	
		2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
If RMB weakens against the United States dollar	倘人民幣兌美元貶值 (5)	(22,415)	3,028
If RMB strengthens against the United States dollar	倘人民幣兌美元升值 5	22,415	(3,028)
If RMB weakens against the Hong Kong dollar	倘人民幣兌港元貶值 (5)	(50,042)	(46,734)
If RMB strengthens against the Hong Kong dollar	倘人民幣兌港元升值 5	50,042	46,734
If RMB weakens against NZD	倘人民幣兌紐元貶值 (5)	6,570	31,597
If RMB strengthens against NZD	倘人民幣兌紐元升值 5	(6,570)	(31,597)
If RMB weakens against Euro	倘人民幣兌歐元貶值 (5)	2,597	—
If RMB strengthens against Euro	倘人民幣兌歐元升值 5	(2,597)	—



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

39. Financial Risk Management Objectives and Policies (Continued)

(c) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Exposure to the credit risk is monitored by management on an ongoing basis.

Details of the Company's credit policy are contained in note 21 to the financial statements.

Majority of the Group's customers have been trading with the Group for years and the Group did not record significant bad debt losses during 2016 and 2015. At the end of the reporting period, the Group had certain concentration of credit risk of the trade receivables as the receivables from the five largest trade debtors represented 49.35% of the total trade receivables as at 31 December 2016 (31 December 2015: 43.2%). All the trade receivables are due from customers with a good trading record and no impairment allowance is made against these customers.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position. The Group does not provide any other guarantees which would expose the Group to credit risk.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 21 to the financial statements.

(d) Liquidity risk

The Group's approach to manage liquidity is to ensure, as far as possible, that the Group as a whole has always maintained sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or damage to the Group's reputation.

39. 財務風險管理目標及政策(續)

(c) 信貸風險

本集團的信貸風險主要來自貿易及其他應收款。信貸風險乃由管理層持續監察。

本公司的信用政策載於財務報表註釋21。

本集團大部分客戶一直與本集團交易多年，而2016年與2015年中本集團於相關期間內並無錄得重大壞賬虧損。於結算日，本集團有若干集中貿易應收款信貸風險，於2016年12月31日，五大貿易應收款佔總貿易應收款的49.35%（2015年12月31日：43.2%）。所有貿易應收款均為應收具有良好交易記錄的客戶，且並無就該等客戶作出減值撥備。

最高信貸風險指合併資產負債表內各金融資產的賬面值。本集團並無提供任何其他擔保致使本集團面臨信貸風險。

有關本集團因應收賬款而須面對之信貸風險之其他量化數據，披露於財務報表附註21。

(d) 流動性風險

本集團管理流動資金的方式為盡可能確保本集團整體於一般及壓力情況下經常保有充裕流動資金，以滿足其到期負債，而毋須產生不可接納的虧損或導致損害本集團的聲譽。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

39. Financial Risk Management Objectives and Policies (Continued)

(d) Liquidity risk (Continued)

The maturity profile of the Group's financial liabilities as at 31 December 2016 and 2015, based on the contractual undiscounted payments, is as follows:

		Within 1 year or on demand 一年內或按 要求 RMB'000 人民幣千元	1 to 2 years 一至兩年 RMB'000 人民幣千元	2 to 5 years 二至五年 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
31 December 2016	2016年12月31日				
Interest-bearing bank loans	計息銀行借款	1,149,344	—	—	1,149,344
Trade payables	貿易應付賬款	237,621	—	—	237,621
Other payables and accruals	其他應付款及應計費用	253,496	—	—	253,496
		1,640,461	—	—	1,640,461
31 December 2015	2015年12月31日				
Interest-bearing bank loans	計息銀行借款	462,116	—	—	462,116
Trade payables	貿易應付賬款	272,104	—	—	272,104
Other payables and accruals	其他應付款及應計費用	410,585	—	—	410,585
		1,144,805	—	—	1,144,805

(e) Capital management

The Group's objectives for managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

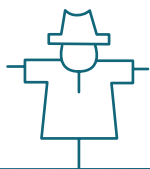
39. 財務風險管理目標及政策(續)

(d) 流動性風險(續)

本集團及本公司金融負債於2016年及2015年12月31日的到期情況(按合同未折現付款計算)如下:

(e) 資本管理

本集團管理資本的目標為保障本集團持續的能力，以為股東及其他有關人士提供回報及利益，及維持優化資本結構以減低資本成本。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

39. Financial Risk Management Objectives and Policies (Continued)**(e) Capital management (Continued)**

The Group uses different measures including adjusted net debt-to-equity ratios to monitor its capital. Net debt is calculated as interest-bearing bank loans, as shown in the consolidated statement of financial position less cash and bank deposits (excluding frozen bank deposits). Total capital is calculated as equity holders' funds (i.e., total equity attributable to equity holders of the parent), as shown in the consolidated statement of financial position.

39. 財務風險管理目標及政策(續)**(e) 資本管理(續)**

本集團使用不同措施，包括經調整淨債務權益比率，以監察其資本。淨債務以合併資產負債表所示的貸款及借款減現金及銀行存款(不包括被凍結的銀行存款)計算得出。總資本以合併資產負債表所示的股權持有人資金(即母公司股權持有人應佔總權益)計算得出。

		2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Interest-bearing bank loans (note 28)	計息銀行借款(附註28)	1,143,091	461,696
Less:	減：		
Cash and cash equivalents (note 24)	現金及現金等價物 (附註24)	581,491	1,307,556
Short-term bank deposits (note 24)	短期銀行存款(附註24)	1,061,327	1,172,300
Long-term bank deposits (note 24)	長期銀行存款(附註24)	379,927	363,227
Pledged bank deposits (note 24)	受限制銀行存款 (附註24)	803,123	594,981
Net debt	負債淨額	(1,682,777)	(2,976,368)
Total equity attributable to owners of the parent	母公司股權持有人應佔權益總額	5,701,614	5,980,642
Adjusted net debt-to-equity ratio	經調整淨債務權益比率	(30%)	(50%)

Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements.

無論是本公司或其任何子公司概無受限於外部施加的資本要求。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

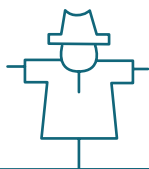
40. Statement of Financial Position of the Company

40. 公司財務狀況報表

Information about the statement of financial position of the Company at the end of reporting period is as follows:

報表期末本公司的財務狀況信息如下：

		2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
NON-CURRENT ASSETS	非流動資產		
Investments in subsidiaries	於子公司的權益	6,184,284	5,108,392
Total non-current assets	非流動資產總額	6,184,284	5,108,392
CURRENT ASSETS	流動資產		
Cash and cash equivalents	現金及現金等價物	2,068	3,661
Prepayments, deposits and other receivables	預付款項、押金及其他應收款項	—	679,299
Total current assets	流動資產總額	2,068	682,960
CURRENT LIABILITIES	流動負債		
Loans and borrowings	短期借款	43,774	—
Other payables and accruals	其他應付款項及應計費用	11,503	11,874
Total current liabilities	流動負債總額	55,277	11,874
NET CURRENT (LIABILITIES)/ASSETS	流動負債淨額	(53,209)	671,086
Net assets	資產淨額	6,131,075	5,779,478
EQUITY	權益		
Share capital	股本	399,352	399,352
Reserves (note 30)	儲備	5,731,723	5,380,126
Total equity	權益總額	6,131,075	5,779,478



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

40. Statement of Financial Position of the Company (Continued)

Note:

A summary of the Company's reserves is as follows:

40. 公司財務狀況報表(續)

附註：

本公司的儲備變動如下：

		Share premium	Capital redemption reserve	Contributed surplus	Translation reserve	Retained earnings	Total
		股份溢價	資本回購儲備	實繳盈餘	匯兌儲備	保留盈利	總額
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
		(i) & (note 30)		(ii)	(iii)		
		(i) & (附註30)					
At 1 January 2015	於2015年1月1日的結餘	580,825	818	1,449,863	(285,702)	4,579	1,750,383
Total comprehensive income for the year	全面收益總額	—	—	—	327,802	1,673	329,475
Dividends approved in respect of the previous year	前期股利分配	(74,505)	—	—	—	—	(74,505)
Issue of shares	發行股本	3,374,773	—	—	—	—	3,374,773
At 31 December 2015	於2015年12月31日的結餘	3,881,093	818	1,449,863	42,100	6,252	5,380,126
Total comprehensive income for the year	全面收益總額	—	—	—	387,459	(385)	387,074
Dividends approved in respect of the previous year	前期股利分配	(35,477)	—	—	—	—	(35,477)
At 31 December 2016	於2016年12月31日的結餘	3,845,616	818	1,449,863	429,559	5,867	5,731,723

Notes:

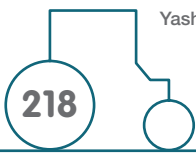
(i) Share premium

The excess of the issued price net of any issuance expenses over the par value of the shares issued has been credited to the share premium account of the Company. Under the Companies Law (Revised) of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

附註：

(i) 股本溢價

發行價(扣除任何發行開支)超出已發行股本面值的數額已計入本公司的股份溢價賬。根據開曼群島公司法(經修訂)，本公司股本溢價賬的資金可分派予本公司股東，惟緊隨建議分派股息日期後，本公司須有能力償還其於日常業務過程中已到期之債務。



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

合併財務報表附註(續)

31 December 2016 2016年12月31日

40. Statement of Financial Position of the Company (Continued)

Note : (Continued)

(ii) Contributed surplus

As part of the Reorganisation, the shareholders of Yashili (Guangdong) transferred their equity interests in Yashili (Guangdong) to Yashili (HK) on 2 July 2010. A contributed surplus of RMB1,367,204,000 was resulted from these transfers for the purpose of the Group's consolidated financial statements.

In addition, for the purpose of the Company's financial statements, a contributed surplus of RMB1,449,863,000 arose from the issuance of shares by the Company in exchange for the equity interests in the subsidiaries held by the shareholders of this subsidiary pursuant to the Reorganisation.

(iii) Translation reserve

Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

41. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 29 March 2017.

40. 公司財務狀況報表(續)

附註：(續)

(ii) 實繳盈餘

於2010年7月2日，作為重組的一部份，雅士利(廣東)當時的股東將其在雅士利(廣東)的權益轉讓於雅士利(香港)。本集團在合併財務報表中因該轉讓產生實繳盈餘人民幣1,367,204,000元。

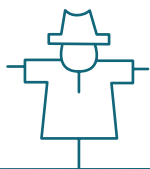
此外，於本公司財務報表中，因重組本公司發行股票以換取子公司股東在子公司持有的權益產生實繳盈餘人民幣1,449,863,000元。

(iii) 匯兌儲備

換算儲備包括因換算海外業務的財務報表而產生的所有外匯差額。

41. 批准財務報表

董事會已於2017年3月29日批准及授權刊發財務報表。



FIVE-YEAR FINANCIAL SUMMARY

五年財務概要

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below.

摘自經審核財務報表之本集團過往五個財政年度已公佈之業績、資產及負債概要如下。

The table below sets forth our summary income statement information for the periods indicated:

下表載列本集團於所示期間的收益表概要資料：

RMB million	人民幣百萬元	2012	2013	2014	2015	2016
				Restated 經重述		
Revenue	營業額	3,655.1	3,890.0	3,553.5	2,761.6	2,203.3
Cost of sales	銷售成本	(1,693.4)	(1,809.9)	(1,734.7)	(1,359.3)	(1,166.0)
Gross profit	毛利	1,961.7	2,080.1	1,818.8	1,402.3	1,037.3
Other revenue	其他收入	37.6	26.2	198.6	178.5	227.4
Other net (loss)/income	其他(虧損)/收益淨額	(0.4)	(0.8)	—	—	—
Selling and distribution expenses	銷售及經銷開支	(1,222.7)	(1,393.8)	(1,368.3)	(1,320.3)	(1,170.9)
Administrative expenses	行政開支	(202.1)	(219.2)	(224.7)	(207.9)	(389.5)
Other expenses	其他開支	(15.1)	(11.6)	(86.0)	(92.9)	(148.3)
Profit/(loss) from operations	經營溢利/(虧損)	559.0	480.9	338.4	(40.3)	(444.0)
Finance income	財務收入	89.7	108.2	61.8	187.3	130.2
Finance costs	財務成本	(2.8)	(13.2)	(6.7)	(24.2)	(18.8)
Net finance income/(expense)	淨財務收入/(開支)	86.9	95.0	55.1	163.1	111.4
Profit/(loss) before income tax	除所得稅前溢利/(虧損)	646.3	576.7	393.5	122.8	(332.6)
Income tax expense	所得稅開支	(175.8)	(137.4)	(60.9)	(4.5)	12.4
Profit/(loss) from continuing operations	持續經營業務溢利/(虧損)	470.5	439.3	332.6	118.3	(320.2)
Discontinued operation	終止經營業務					
Loss from discontinued operation (net of income tax)	終止經營業務虧損(扣除所得稅)					
Profit/(loss) for the year	年度溢利/(虧損)	470.5	439.3	332.6	118.3	(320.2)
Profit/(loss) attributable to	以下人士分佔溢利/(虧損)					
Non-controlling interests	非控股權益	2.0	1.7	—	—	—
Profit/(loss) for the year	年度溢利/(虧損)	470.5	439.3	332.6	118.3	(320.2)



FIVE-YEAR FINANCIAL SUMMARY (CONTINUED)

五年財務概要(續)

The table sets forth our summary balance sheet information as of 31 December 2012, 2013, 2014, 2015 and 2016:

下表載列本集團於2012年、2013年、2014年、2015年及2016年12月31日的資產負債表概要資料：

RMB million	人民幣百萬元	2012	2013	2014 Restated 經重述	2015	2016
Non-current assets	非流動資產	1,568.8	2,129.7	2,299.5	2,622.0	3,866.1
Current assets	流動資產	4,001.0	2,386.9	3,393.7	5,041.7	4,099.9
Current liabilities	流動負債	1,450.9	1,335.0	1,598.9	1,674.8	2,253.5
Net current assets/(liabilities)	流動資產/(負債)淨額	2,550.1	1,051.9	1,794.8	3,366.9	1,846.4
Total assets less current liabilities	總資產減流動負債	4,118.9	3,181.6	4,094.3	5,988.9	5,712.5



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