



# 2019 ANNUAL REPORT

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

内蒙古伊利实业集团股份有限公司董事长：

潘刚



## Important Notice<sup>1</sup>

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

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

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

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

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

According to the audit report numbered “Da Hua Shen Zi No. [2020]001121” issued by Da Hua Certified Public Accountants (Special General Partnership), the Company (parent company) recorded a net profit of RMB7,493,903,744.43 for the year 2019 (in addition to the undistributed profit of RMB8,109,863,775.78 at the beginning of the year), appropriated RMB161,238,411.87 from the statutory surplus reserve and distributed dividend in the amount of RMB4,254,689,325.60 for the year 2018. For the year under review, due to the resign of some employees under equity incentives plans and other reasons, the distributed cash dividend of RMB1,104,250.00 was recovered. As at the end of the reporting period, total comprehensive income attributable to shareholder was 11,188,944,032.74.

According to “Law of Corporation” and “Articles of Association”, the Company planned to pay 4,913,183,654.73 cash dividend based on the Company’s total share of 6,096,378,858 as of December 31, 2019, deducting the share of 30,720,025 repurchased through the special accounts, and 8.10 (tax included) every 10 (ten) shares. If the total share changes during the period from the announcement of the profit distribution plan to the registration date, the Company intends to maintain the distribution ratio per share unchanged and adjust the total distribution amount accordingly.

VI. Risk statement with respect to forward-looking statements

Applicable  Not applicable

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

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

No

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

No

IX. Notice of material risks

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

X. Others

Applicable  Not applicable

<sup>1</sup> This Report has been prepared in both Chinese and English. Should there be any discrepancies or misunderstandings between the two versions, the Chinese version shall prevail.

# CONTENTS

## 1 伊利即品质

Section I Definitions.....	6
Section II Company Profile and Principal Financial Indicators .....	7
Section III Business Overview .....	12
Section IV Discussion and Analysis on Operations .....	16

## 2 鉴证·品质

Section V Important Matters .....	40
Section VI Changes in Ordinary Share and Particulars of Shareholders.....	59
Section VII Information of Preferred Shares .....	66
Section VIII Particulars of Directors, Supervisors, Senior Management and Employees.....	67

## 3 诚信·品质

Section IX Corporate Governance .....	74
Section X Particulars of Corporate Bonds.....	79
Section XI Financial Report.....	83
Section XII List of Documents Available for Inspection .....	202



「伊利即  
品质」



# Section I Definitions

## I. Definitions

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

### Definitions of Frequently-used Terms

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



“伊利现代智慧健康谷”正式启动



伊利集团成为北京 2022 年冬奥会合作伙伴俱乐部轮值主席单位



董事长潘刚参加中国首届可持续发展论坛



董事长潘刚与全球员工代表共同发布伊利文化 5.0

## Section II Company Profile and Principal Financial Indicators

### I. Corporate Information

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

### II. Contact Persons and Contact Information

	Secretary to the Board	Representative for securities affairs
Name	Qiu Xiangmin (邱向敏)	Liu Yanan (刘雅男)
Address	No.1 Jinshan Avenue, Jinshan Development Zone, Hohhot	No.1 Jinshan Avenue, Jinshan Development Zone, Hohhot
Telephone	0471-3350092	0471-3350092
Fax	0471-3601621	0471-3601621
Email	qxm@yili.com	ytnliuyan@yili.com

### III. Basic Information

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

### IV. Place of Information Disclosure and Document Inspection

Designated newspapers for information disclosure	“China Securities Journal” and “Shanghai Securities News”
Website designated by the CSRC for publishing annual reports	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a>
Annual reports available at	Office of the Board of Directors of the Company

### V. Particulars of the Company's Shares

Particulars of the Company's Shares				
Class of shares	Stock exchange	Stock abbreviation	Stock code	Previous stock abbreviation
A Shares	Shanghai Stock Exchange	YILI	600887	/



## VI. Other Relevant Information

Accounting firm engaged by the Company (domestic)	Name	Da Hua Certified Public Accountants (Special General Partnership)
	Place of business	12/F, 7 <sup>th</sup> Building, No.16 Xi Si Huan Zhong Road, Haidian District, Beijing
	Signature of accountants	Wu Shaohua (吴少华), Zhou Jinru (周金茹)

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

### (I) Principal accounting data

Unit: Yuan Currency: RMB

Principal accounting data	2019	2018	Increase/Decrease compared with the same period of last year (%)	2017
Operating revenue	90,009,132,852.26	78,976,388,687.29	13.97	67,547,449,530.32
Net profit attributable to the shareholders of the listed company	6,933,763,430.47	6,439,749,610.82	7.67	6,000,884,926.88
Net profit attributable to the shareholders of the listed company after deducting non-recurring gains and losses	6,268,158,933.70	5,878,050,473.25	6.64	5,328,249,297.18
Net cash flows from operating activities	8,455,480,282.43	8,624,771,799.80	-1.96	7,006,297,178.98
	<b>As at the end of 2019</b>	<b>As at the end of 2018</b>	<b>Increase/Decrease compared with the end of the same period of last year (%)</b>	<b>As at the end of 2017</b>
Net assets attributable to the shareholders of the listed company	26,131,025,017.47	27,915,583,839.88	-6.39	25,103,389,199.94
Total assets	60,461,267,016.42	47,606,204,460.43	27.00	49,300,355,318.14

### (II) Principal financial indicators

Principal financial indicators	2019	2018	Increase/Decrease compared with the same period of last year (%)	2017
Basic earnings per share (RMB/share)	1.15	1.06	8.49	0.99
Diluted earnings per share (RMB/share)	1.15	1.06	8.49	0.99
Basic earnings per share after deducting non-recurring gains and losses (RMB/share)	1.04	0.97	7.22	0.88
Weighted average ROE (%)	26.38	24.33	Increased by 2.05 percentage points	25.22
Weighted average ROE after deducting non-recurring gains and losses (%)	23.85	22.21	Increased by 1.64 percentage points	22.40

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

Applicable Not applicable

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

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

Applicable Not applicable



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

Applicable Not applicable

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

Applicable Not applicable

## IX. Principal Financial Data for the Year 2019 by Quarter

Unit: Yuan Currency: RMB

	The first quarter (January – March)	The second quarter (April – June)	The third quarter (July – September)	The fourth quarter (October – December)
Operating revenue	23,077,373,617.97	21,887,760,617.31	23,552,042,711.66	21,491,955,905.32
Net profit attributable to the shareholders of the listed company	2,275,767,650.20	1,504,763,880.66	1,850,160,423.81	1,303,071,475.80
Net profit attributable to the shareholders of the listed company after deducting non-recurring gains and losses	2,181,704,582.46	1,336,982,393.94	1,745,179,625.08	1,004,292,332.22
Net cash flows from operating activities	1,349,987,110.18	2,415,148,883.22	2,437,777,598.11	2,252,566,690.92

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

□Applicable √Not applicable

## X. Non-recurring Gains and Losses and Amounts

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item of non-recurring gains and losses	2019	Note (if applicable)	2018	2017
Profit or loss from disposal of non-current assets	126,664,298.28		-85,047,999.60	-9,052,222.31
Tax refunds, deductions from unauthorized approval, or approval without formal documents or under contingency situations				
Government subsidies recognized in the current profit or loss (except those closely relating to normal business, complying with the provisions of government policy and continually obtaining according by certain standard or quantity)	718,148,524.10		832,019,423.61	849,342,304.85
Fund possession cost of non-financial enterprises recognized in the current profit or loss				
Gains generated by the Company when cost spent on acquiring subsidiaries, associates and joint enterprises is less than the fair value of the identifiable net assets of investees upon acquisition				
Profit or loss from exchange of non-monetary assets				
Profit or loss from entrusted investment or management of assets				
Provisions for asset impairment due to force majeure factors such as natural disasters				
Profit or loss from debt restructuring				
Corporate restructuring charges, such as employee settlement fees, integration costs, etc.				
Profit or loss from transactions with obvious unfair transaction price				
Net profit or loss of subsidiaries acquired through business combination under common control from the beginning of the period to the date of combination				
Profit or loss from contingent events non-related to the Company's normal operations Except the effective hedging business associated with the Company's normal operations, profit or loss from changes in fair value of financial assets held for trading and financial liabilities held for trading, as well as investment income from the disposal of financial assets held for trading, financial liabilities held for trading and financial assets available for sale				
Except the effective hedging business associated with the Company's normal operations, profit or loss from changes in fair value of financial asset held for trading, derivative financial assets, financial liabilities held for trading and derivative financial liabilities, as well as investment income from the disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other debt and equity investment	78,163,067.12		378,925.66	
Reversal of the provision for receivables that had been subject to individual impairment assessment	95,073.87		115,950.00	105,194.30
Profit or loss from external entrusted loan				
Profit or loss from changes in fair value of investment real estate that is subsequently measured at fair value				
Effect of one-time adjustment on profit or loss for the period according to the laws or regulations in relation to tax and accounting				
Custody income from entrusted operations				
Other non-operating income and expenses not listed above	-91,735,807.11		-66,904,123.08	-25,236,502.99
Other profit or loss items meet the definition of non-recurring gains or losses				
Effect on minority shareholders' interest	-2,358,446.54		3,285,009.94	-603,714.09
Effect on income tax	-163,372,212.95		-122,148,048.96	-141,919,430.06
<b>Total</b>	<b>665,604,496.77</b>		<b>561,699,137.57</b>	<b>672,635,629.70</b>

## XI. Items Measured at Fair Value

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Beginning balance	Ending balance	Change for the period	Effect on profit for the period
Investment in other equity instruments	1,183,948,702.18	1,147,896,142.44	-36,052,559.74	168,020,073.57
Financial assets held for trading	262,123,843.46	389,993,987.17	127,870,143.71	59,643,468.55
Other non-current financial asset		142,167,713.34	142,167,713.34	567,713.34
Financial liabilities held for trading		37,079,015.63	37,079,015.63	-667,866.77
Total	1,446,072,545.64	1,717,136,858.58	271,064,312.94	227,563,388.69

## XII. Others

□Applicable √Not applicable



## Section III Business Overview

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

#### (I) Principal business and business model of the Company during the reporting period

##### 1. Business scope

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

During the reporting period, the healthy drink product business of the Company is still in its infancy. The following analysis on the industry refers to the dairy industry.

##### 2. Business models

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

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

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

(4) Production model: Pursuant to several industrial regulations like the Entry Conditions of the “Dairy Product Processing Industry” and the “Industrial Policies on the Dairy Product Industry”, the Company follows the “Global Networking” scheme to deploy its production base, strictly complies with the product quality and safety standards, and provides products and services both domestically and overseas.

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

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

(7) Management and control models of overseas business: The Company carries out the planning of general coordination and the design of operation process of overseas business.

During the reporting period, Oceania Dairy Limited, PT. Green Asia Food Indonesia, Westland Dairy Company Limited, THE CHOMTHANA COMPANY LIMITED, subsidiaries of the Company, are mainly engaged in the production and sales of milk powder, lactoferrin, milk fat, ice cream and other food products that are sold all over the world.



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### 3. Key performance drivers

During the reporting period, the Company has remained its commitment to the principle that “Yili Means Quality” put forward by Chairman Pan Gang and adhered to the “Quality Leadership” strategy, and continued to offer customers with healthy and nutritious products. We have built a “global health ecosystem” jointly with our partners while helping every customer to pursue a healthy life. Under the development concept of “Open and Inclusive, Innovation-driven, Win-win Cooperation”, the Company maintained healthy growth in its overall business.

In recent years, by following the trend of consumption upgrade closely, the Company has actively developed new categories and expanded new businesses. During the reporting period, sales revenue of new products accounted for 19.4%, representing an increase of 4.6 percentage points compared with the same period of last year. During the same period, businesses such as dairy drinks, cheese, milk fat and packaged drinking water have been launched successively, which would be the new growth point of the Company.

During the reporting period, as the Company adhered to the concept of “Nature, Nutrition and Health”, continued to improve its brand value and implemented precision marketing, the sales revenue of key products such as “Satine”, “Ambrosial”, “Chang Qing”, “Pro-Kido”, “Chocliz” and “Changyi 100%” has recorded a year-on-year increase of 22.3%.

During the reporting period, the Company accelerated its pace of global high-quality resources integration and continued to promote its business in Southeast Asian market by way of investment and mergers and acquisitions, which brought stable development to its international business. We acquired Westland Co-Operative Dairy Company Limited in New Zealand and completed the phased layout of international business.

During the reporting period, relying on global resources, the Company continued to comprehensively improve its consumption insight and supply chain operation efficiency via technologies such as big data and intelligent manufacturing.

#### (II) Development stage, cyclical characteristics, and position of the Company in the industry

##### 1. Development stage and cyclical characteristics of the industry

As dairy consumption upgrades and consumption scene diversifies, the domestic dairy market maintains a steady growth trend.

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

##### 2. Industrial position of the Company

During the reporting period, the Company seized the opportunity and maintained a good momentum of development continuously driven by innovation and international business. In respect of overall performance, it maintained a leading position in the industry and retained the top in Asia.

During the reporting period, research data on retailing released by Nielsen showed that the Company’s market share of its retail sales of liquid dairy products was 32.4%, representing an increase of 1.2 percentage points compared with the same period of last year; and the market share of its retail sales of infant formula milk powder was 6.0%, representing an increase of 0.4 percentage points as compared with the same period of last year.





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

Applicable Not applicable

## III. Analysis on Core Competitiveness during the Reporting Period

Applicable Not applicable

During the reporting period, the Company's core competitiveness has been further strengthened and improved:

### 1. Synergetic advantage of efficient global supply chain

The Company continues to build a "sustainable network for global supply chain". During the reporting period, the Company further enhanced its level of overall planning and synergy worldwide at each segment of supply, production and sales by taking a series of initiatives such as acquiring Westland Co-Operative Dairy Company Limited in New Zealand, constructing a production base in Indonesia and expanding South East Asia market, so as to ensure the efficient operation of its global supply chain. By the end of December 2019, the overall production capacity of the Company has reached 11,850,000 tons each year.

During the reporting period, by deepening the cooperation mechanism of the healthcare industry chain across the board, the Company joined hands with more than 100 partners around the world to build a "global healthcare ecosphere" to gather high-quality global resources and enhance global resource protection and risk emergency capabilities.

### 2. Outstanding brand advantage

During the reporting period, the Company continuously pushed forward the construction of its global brand system, pursued the goal of "nurturing life and vitality and sharing the health of the world" and kept strengthening its communication and interaction between its brand and customers to build a healthy brand image with quality product and service.

During the reporting period, among the BrandZ™ "Top 100 Most Valuable Chinese Brands in 2019" list, the Company ranked first in the food and dairy rankings for 7 consecutive years, and was awarded the world's most promising dairy brand honor by Brand Finance.

### 3. Excellent channel penetration capability

During the reporting period, the Company actively explored new retailing models such as “membership marketing”, “community marketing” and “O2O delivery”. While expanding channels, the Company promoted the integration of on-line and off-line channels; at the same time, the Company continued to implement its channel cultivation plans to keep improving its channel penetration level. By the end of December 2019, village-and-town market sales points which the Company served has reached approximately 1,039,000, representing an increase of 8.0% compared with last year.

### 4. Leading product innovation ability

During the reporting period, leveraging on the innovation mechanism throughout the whole industry chain, the Company optimized its innovation model and continued to increase input in research and development, technology and innovation, vigorously tapped into the field of Comprehensive Health. It launched “Yiran” Milk Minerals Water, “Inikin” volcanic chilled mineral water, “Pro-Kido” infant formula Goat milk powder, “Pro-Kido Seine Mouiller” organic infant formula milk powder and other new products. By the end of December 2019, Yili has accumulatively obtained 2,703 patent authorizations, of which 515 inventions were authorized patents, and 4 patents won China Patent Excellence Award.

### 5. More cohesive corporate culture

During the reporting period, the Company further promoted corporate culture construction, actively pushed forward the materialization of global cross-cultural integration projects, which further enhanced all staff’s morale, focus and competitiveness. Its corporate belief of “Yili represents the highest quality” was deeply planted in everyone’s heart, while ownership mindset, strong sense of responsibility and powerful execution ability have become the unique core spirit of Yili people. Its corporate culture guides, gathers and motivates Yili people around the world that continuously injects robust spirit and momentum into our strategic goals. Corporate culture has already become the Company’s core competitive advantage that could not be imitated.





## Section IV Discussion and Analysis on Operations

### I. Discussion and Analysis on Operations

During the reporting period, regions across the country accelerated the pace of revitalizing and vigorously supported the dairy industry to improve its quality and efficiency to enable high-quality development under the guidance of “Several Opinions of the CPC Central Committee and the State Council on Prioritizing the Development of Agricultural and Rural Areas to Address the Issues Relating to Agriculture, Rural Areas and Farmers”. At the same time, the implementation of a series of policies which focus on people’s livelihood and promote consumption, including Healthy China related strategy, rural revitalization strategy, tax cut and fee reduction, further promoted the release of potential in the domestic demand and provided new growth momentum for domestic dairy consumption. During the reporting period, the dairy industry maintained a steady development trend, and the market penetration of dairy products increased continuously.

1. During the reporting period, seven departments including National Development and Reform Commission and Ministry of Industry and Information Technology issued “the Action Plan for Improving Infant Formula Milk Powder Produced Domestically”, which proposed various measures that focus on “comprehensive improvement in the quality, competitiveness, and reputation of infant formula milk powders which are produced domestically” and put forward higher requirements on the quality of infant formula milk powders, in order to further boost consumer confidence in domestic dairy products.

2. As domestic per capita income level increase and food consumption continues to upgrade, development of the dairy market has been driving towards nutrition, function, freshness, and convenience. During the reporting period, research data on retailing released by Nielsen indicated that the retail sales of the adult milk powder segment, organic dairy products segment and chilled milk segment increased by 11.1%, 27.4% and 14.8% respectively compared with the same period of last year.

3. During the reporting period, domestic milk supply was relatively tight and purchase price of raw milk showed an upward trend. At the same time, the purchase prices of raw and auxiliary materials such as imported whey powder and skimmed milk powder increased, weighing heavier pressure on the enterprises to control costs. In addition, the impact of Sino-US trade frictions and fluctuations in import and export trade policies and exchange rates added the uncertainties to the dairy import and export trade flows, prices, and industry growth.

4. During the reporting period, with the wide application of big data technology along the entire industry chain, the development of domestic dairy industry became increasingly intelligent. By applying the Internet and big data analysis technology to all industrial chain segments including breeding, research and development, production, distribution and consumption, it is possible to achieve an all-round interaction with consumers and better cater different needs of the consumers.



伊利生产车间实景拍摄

## II. Business Operation during the Reporting Period

During the reporting period, the Company actively seized the market growth opportunities. When adhering to the principle of “Yili Represents the Highest Quality” and implementing the “Quality Leadership” strategy, the Company continued to make breakthroughs in its innovation development and international business expansion, and executed its policy of “Precise Marketing, Lean



Operation and Precise Management” to continuously improve operational efficiency and promote steady business growth

During the reporting period, the Company recorded total revenue of RMB90.223 billion and net profit of RMB6.951 billion, representing an increase of 13.41% and 7.73% over the same period of last year, respectively.

During the reporting period, revenue of the liquid milk series, the milk powder and dairy products series and the ice cream products series increased by 12.31%, 24.99% and 12.70% respectively over the previous year.

The implementation of the Company’s 2019 operational plans is as follows:

1. Adhered to “Yili Represents the Highest Quality”, and further consolidated the leading quality management system.

During the reporting period, by building a global food safety risk analysis platform and the continuing to improve food safety risk prevention and control system, the Company constructed quality evaluation system based on consumer needs, continued to strengthen independent quality control, further consolidated the leading quality management system, and upgraded quality management with the help of big data technology.

2. Actively explored innovative management models to promote the healthy and sustainable development of the Company’s business and satisfy the needs of consumers.

During the reporting period, the Company insisted on innovation-driven development and, by leveraging on its innovation centers in Europe and Oceania, achieved a comprehensive exploration of cutting-edge technology in the field of health food. When establishing a global innovation network platform, the Company introduced a co-creation model and continued its efforts in professional fields such as maternal and infant nutrition research and probiotics, where relevant research results have been applied to various product series, which successfully protected the health of consumers as well as increased product added value and effectively promoted the continued growth of the Company’s results.

The Company actively expanded new business and accelerated its layout in the big health industry. During the reporting period, the Company first launched “inikin” volcanic chilled mineral water and “Yiran” Milk Minerals Water. In the same period, “Satine” Dream Cap Organic Pure Milk, “Satine” Organic Skim Milk, “Pro-Kido” infant formula Goat milk powder, “Pro-Kido Seine Mouiller” organic infant formula milk powder, Yili children cheese sticks, Yili mozzarella cheese and other new products were also launched, which were well received by the market.

3. Accelerated the pace of international business development and efficiently promoted the implementation of the Company’s strategies.

In recent years, guided by the concept of “Global Health Ecosphere”, the Company has firmly taken the path of international development. By establishing an operation management platform and a team of talents for international business, the Company has focused and strengthened its international business management capabilities and steadily promoted overseas business. During the reporting period, the Company acquired Westland Co-Operative Dairy Company Limited in New Zealand, and officially introduced “Westpro”, “Westgold” butter and other dairy products that sold well in the global dairy market to the Chinese market to achieve a comprehensive integration of quality, technology, resources and market, which boosted overseas market development of the

Company.

For the same period, the Company's high-end ambient yogurt Ambrosial series were officially launched in Southeast Asia, which were favored by consumers in Singapore, Myanmar, and other countries.

4. Actively carried out business innovation and built excellent operational capacity with "Precise Marketing, Lean Operation and Precise Management" as the core.

During the reporting period, the Company relied on the big data platform to accurately set the targeted consumer groups, and continuously accelerated the pace of innovation and upgrading of flavors, packaging and production technology for key products, thereby improving consumer satisfaction and promoting product sales. During the reporting period, research data on retailing released by Nielsen showed that "Satine" organic ambient liquid milk accounted for 45.7% of the retail market share, ranking the first in the corresponding market segment. Kantar Consumer Index "Asian Brand Footprint Report 2019" indicates that Yili has continuously increased its penetration and become the choice of over 90% of Chinese households, which is the most popular brand among Chinese consumers.

In recent years, in order to capture new business growth opportunities, the Company has been optimizing the service capacity of the existing channels continuously by actively expanding new retail sales channels such as social e-commerce and O2O delivery. During the reporting period, the Company recorded a 49% increase in the revenue from its e-commerce operation compared with last year. For the same period, research data on retailing released by Nielsen showed a 27.1% year-on-year growth in retail sales through the maternal-and-infant channel, and year-on-year increase of 4.2 percentage points in the market share of ambient liquid milk for convenience stores in terms of retail sales.

During the reporting period, the Company focused on building a brand-new development model for the country town business and its market penetration rate continued to rise. Survey data released by Kantar showed that, as of December 2019, the penetration rate of the Company's ambient liquid dairy products was 84.3%, an increase of 1.9 percentage points from the same period of last year. For the same period, the number of the Company's offline liquid milk points of sale reached 1,910,000, increased by 9.1% over the same period of last year.

During the reporting period, the Company actively explored and innovated in the areas of consumer demand insight, intelligent manufacturing, and optimization of supply chain operations with the help of technologies such as the Internet of Things, big data, and AI to promote sustainable business development.

5. Joined hands with partners to build a "Health Industry Ecosystem".

In recent years, the Company has continuously provided capacity building and financing services to upstream and downstream partners in the dairy industry and continued to give them finance support through financial inclusion platform of the industry chain and innovating fund-raising support models. During the reporting period, the Company granted facilities of RMB18.3 billion, providing financing services to 4,137 upstream and downstream partners. From 2014 to 2019, the Company has accumulatively granted facilities of about RMB46.4 billion and has cumulatively served 5,992 customers.

During the reporting period, the Company successively launched health industry projects such as "Yili Modern Smart Health Valley" and "Yili Green Intelligent Demonstration Zone". With the advancement of the projects above, the Company could gather global partners and give full play to the industry ecosystem,



thereby promoting the sustainable development of the health industry.

6. Upgraded Yili culture and consolidated the Company's everlasting cultural foundation.

Based on its corporate strategy direction of diversification, globalization and intelligence, corporate culture of the Company has been refreshed and enhanced with a global-oriented vision. During the reporting period, adhering to the philosophy of "inheriting excellence + keeping abreast of times", the Company interpreted its culture of "nurturing life and vitality and sharing the health of the world as our value and meaning" and took "guarding global nutrition and health" as the dream of all Yili people, which also strengthened their sense of mission. In the context of accelerated globalization, the Company iteratively sublimates its core values to "Excellence, Responsibility, Innovation, Win-win, Respect", which not only gathered more diverse talents from different countries, regions, cultures, experiences, and educational backgrounds, but also promoted global communication and collaboration to build a "Global Health Ecosystem".

Upgraded corporate culture injects new spiritual impetus into the Company's strategic goals, and ideological and spiritual reserves into its "post-100 billion era", which will continue to inspire and mobilize the enthusiasm and creativity of employees, helping Yili to march forward in the vision of becoming "the most trusted global healthy food provider".

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## (I) Analysis of principal business

### 1. Table of analysis of changes to relevant items in income statement and cash flows statement

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the same period of last year	Percentage of change (%)
Operating revenue	90,009,132,852.26	78,976,388,687.29	13.97
Operating cost	56,391,712,740.25	49,106,034,372.73	14.84
Selling expenses	21,069,657,465.10	19,772,683,750.68	6.56
Administrative expenses	4,284,927,666.71	2,979,735,487.22	43.80
R&D expenses	495,170,756.89	426,873,117.32	16.00
Finance expenses	8,002,122.74	-60,271,167.99	N/A
Net cash flows from operating activities	8,455,480,282.43	8,624,771,799.80	-1.96
Net cash flows from investing activities	-9,999,339,533.71	-5,373,984,091.44	N/A
Net cash flows from financing activities	-1,016,469,192.49	-10,748,984,826.40	N/A

### 2. Analysis of revenue and cost

√ Applicable □ Not applicable

The main business revenue from liquid milk products amounted to RMB73.761 billion for the period, representing an increase of RMB8.082 billion over the previous period and a 12.31% year-on-year increase. The cost of its main business amounted to RMB47.798 billion for the period, representing an increase of RMB 5.245 billion over the previous period and a 12.33% year-on-year growth. In particular, an increase in sales volume contributed to RMB5.113 billion in revenue growth and RMB3.313 billion in cost increment. Apart from that, product restructuring contributed to a revenue increase of RMB2.501 billion, while changes to sales

price resulted in a revenue increase of RMB468 million and an additional cost of RMB1.932 billion was generated by changes to material prices and product restructuring.

During the period, the main business revenue from milk powder and dairy products amounted to RMB10.055 billion, representing an increase of RMB2.010 billion over the previous period and a 24.99% year-on-year growth. The cost of main business amounted to RMB5.216 billion for the period, representing an increase of RMB1.578 billion over the previous period and a 43.38% year-on-year growth. In particular, an increase in sales volume contributed to RMB1.237 billion in revenue growth and RMB1.033 billion in cost increment. Apart from that, product restructuring contributed to a revenue increase of RMB556 million, while changes to sales price resulted in a revenue increase of RMB217 million and an additional cost of RMB545 million was generated by changes to material prices and product restructuring.

During the period, the main business revenue from ice cream products amounted to RMB5.631 billion, representing an increase of RMB634 million over the previous period and an 12.70% year-on-year growth. The cost of main business amounted to RMB3.012 billion for the period, representing an increase of RMB267 million over the previous period and a 9.73% year-on-year growth. In particular, an increase in sales volume resulted in an increase of RMB239 million and RMB136 million in revenue and cost respectively. Apart from that, product restructuring contributed to a revenue increase of RMB297 million, while changes to sales price resulted in a revenue increase of RMB98 million and an additional cost of RMB131 million was generated by changes to material prices and product restructuring.

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

Unit: Yuan Currency: RMB

Principal Business by Segment						
Segment	Operating revenue	Operating cost	Gross profit margin (%)	Increase/Decrease in operating revenue compared with last year (%)	Increase/Decrease in operating cost compared with last year (%)	Increase/Decrease in gross profit margin compared with last year (%)
Production of liquid milk and dairy products	89,446,993,373.75	56,026,357,227.35	37.36	13.63	14.49	Decreased by 0.48 percentage points
Others	62,024,782.36	40,432,966.38	34.81	N/A	N/A	N/A
Principal Business by Product						
Product	Operating revenue	Operating cost	Gross profit margin (%)	Increase/Decrease in operating compared with last year (%)	Increase/Decrease in operating cost compared with last year (%)	Increase/Decrease in gross profit margin compared with last year (%)
Liquid milk	73,760,792,953.68	47,797,827,472.75	35.20	12.31	12.33	Decreased by 0.01 percentage points
Milk powder and dairy products	10,054,722,527.83	5,216,304,992.17	48.12	24.99	43.38	Decreased by 6.66 percentage points
Ice cream products	5,631,477,892.24	3,012,224,762.43	46.51	12.70	9.73	Increased by 1.45 percentage points
Other products	62,024,782.36	40,432,966.38	34.81	N/A	N/A	N/A
Principal Business by Region						
Region	Operating revenue	Operating cost	Gross profit margin (%)	Increase/Decrease in operating revenue compared with last year (%)	Increase/Decrease in operating cost compared with last year (%)	Increase/Decrease in gross profit margin compared with last year (%)
Northern China	26,541,664,929.95	16,950,659,286.11	36.14	11.28	12.40	Decreased by 0.63 percentage points
Southern China	23,721,724,826.63	14,785,459,229.12	37.67	11.50	10.20	Increased by 0.74 percentage points
Others	39,245,628,399.53	24,330,671,678.50	38.00	16.82	19.05	Decreased by 1.16 percentage points

Description of principal business by segment, product and region

Not applicable

## (2) Table of analysis on production and sales

√ Applicable □ Not applicable

Major Products	Unit	Production	Sales	Inventory	Increase/Decrease in production compared with last year (%)	Increase/ Decrease in sales compared with last year (%)	Increase/ Decrease in inventory compared with last year (%)
Liquid milk	Ton	8,758,252	8,709,404	267,065	8.03	7.77	22.39
Milk powder and dairy products	Ton	181,468	143,412	48,889	65.76	31.56	351.30
Ice cream products	Ton	410,050	405,850	15,680	2.90	3.25	36.59
Other products	Ton	14,104	10,528	3,576	N/A	N/A	N/A

Description of production and sales

The increase in production, sales and inventory of milk powder and dairy products was mainly due to the combination of Westland Co-Operative Dairy Company Limited during the period.

The increase in inventory of ice cream products was mainly due to the combination of THE CHOMTHANA COMPANY LIMITED during the period.

(3) Table of cost analysis

Unit: Yuan

By Segment							
Segment	Cost component	Amount for the period	Proportion in total cost for the period (%)	Amount of the same period of last year	Proportion in total cost for the same period of last year (%)	Changes in the amount for the period compared with the same period of last year	Explanation
Liquid milk and dairy products manufacturing industry	Direct materials	49,162,641,855.26	87.75	42,997,821,789.76	87.86	14.34	
	Direct labor	1,711,491,704.78	3.05	1,457,142,451.07	2.98	17.46	
	Production expenses	5,152,223,667.31	9.20	4,480,909,447.87	9.16	14.98	
Others	Direct materials	35,981,286.07	88.99		N/A	N/A	
	Direct labor	327,970.90	0.81		N/A	N/A	
	Production expenses	4,123,709.41	10.20		N/A	N/A	



By Product							
Product	Cost component	Amount for the period	Proportion in total cost for the period (%)	Amount of the same period of last year	Proportion in total cost for the same period of last year (%)	Changes in the amount for the period compared with the same period of last year (%)	Explanation
Liquid milk	Direct materials	42,595,698,013.92	89.11	37,992,556,422.91	89.29	12.12	
	Direct labor	1,232,457,582.66	2.58	1,061,369,757.15	2.49	16.12	
	Production expenses	3,969,671,876.17	8.31	3,498,592,164.75	8.22	13.46	
Milk powder and dairy products	Direct materials	4,330,803,249.36	83.03	2,962,614,598.24	81.43	46.18	
	Direct labor	217,159,280.65	4.16	149,872,363.22	4.12	44.90	
	Production expenses	668,342,462.16	12.81	525,643,034.71	14.45	27.15	
Ice cream products	Direct materials	2,236,140,591.98	74.24	2,042,650,768.61	74.40	9.47	
	Direct labor	261,874,841.47	8.69	245,900,330.70	8.96	6.50	
	Production expenses	514,209,328.98	17.07	456,674,248.41	16.64	12.60	
Other products	Direct materials	35,981,286.07	88.99		N/A	N/A	
	Direct labor	327,970.90	0.81		N/A	N/A	
	Production expenses	4,123,709.41	10.20		N/A	N/A	

#### Other information relating to cost analysis

The increase in direct materials and direct labor of milk powder and dairy products was mainly due to the increase in production resulted from the combination of Westland Co-Operative Dairy Company Limited during the period.

#### (4) Major customers and suppliers

√ Applicable □ Not applicable

Sales to the top five customers amounted to RMB3,710,139,300, accounting for 4.13% of the total annual sales. Of the aforementioned amount, sales to related parties was RMB0, accounting for 0% of the total annual sales.

Purchase from the top five suppliers amounted to RMB 9,717,682,400, accounting for 19.76% of the total annual purchase. Of the aforementioned amount, the purchase from related parties amounted to RMB2,847,996,100, accounting for 5.79% of the total annual purchase.

Other explanations

Not applicable

#### 3. Expenses

√ Applicable □ Not applicable

Unit: Yuan

Item	Amount for the period	Amount for the same period of last year	Amount of change	Range of change
Interest income	213,942,619.01	576,888,837.20	-362,946,218.19	-62.91%
Administrative expenses	4,284,927,666.71	2,979,735,487.22	1,305,192,179.49	43.80%
Finance expenses	8,002,122.74	-60,271,167.99	68,273,290.73	N/A
Investment income	544,865,656.23	260,913,183.17	283,952,473.06	108.83%
Gains on fair value changes	78,163,067.12	230,980.46	77,932,086.66	33739.69%
Credit impairment loss	-60,553,096.10		-60,553,096.10	N/A
Impairment loss of assets	-241,442,275.91	-75,655,773.01	-165,786,502.90	N/A
Gains on asset disposal	-25,124,790.06	-38,491,702.03	13,366,911.97	N/A

(1) The decrease in interest income was due to the decrease in deposits of a subsidiary, Yili Finance Co., Ltd., with banks and other financial institutions during the period and the decrease in interest income resulted from the lower interest rate compared with the corresponding period.

(2) The increase in administrative expenses was mainly due to the increase in remuneration of employee, which was attributable to the expansion of the Company's business scale, the acquisition of subsidiaries, the adjustment of staff salaries and the increase in equity incentive expenses during the period.

(3) The increase in finance expenses was mainly due to the increase in interest expenses during the current period.

(4) The increase in investment income was mainly due to the disposal of part of the equity of Shandong New Jufeng Technology Packaging Co., Ltd. and the increase in investment gain arising from long-term equity investment accounted under equity method during the current period.

(5) The increase in gains on fair value changes was mainly due to the increase of the fair values of the commodity futures contracts held by the subsidiaries and the increase of the fair values of Chengdu Bank Co., Ltd. during the current period.

(6) The increase in credit impairment loss was mainly due to the classification of the impairment provision for various financial instruments originally recognized in impairment loss of assets into credit impairment loss upon the initial adoption of new standards for financial instruments during the current period.

(7) The increase in impairment loss of assets was mainly due to the provision of inventory impairment by the subsidiary, Westland Dairy Company Limited as the inventory cost was higher than the net realizable value, and the impairment provisions for idle fixed assets of some subsidiaries during the current period.

(8) The increase in gains on asset disposal was mainly due to the decrease of loss on disposal of machinery and equipment during the current period.

#### 4. R&D investment

##### (1) Table of R&D investment

√ Applicable □ Not applicable

	Unit: Yuan
R&D investment expensed for the current period	495,170,756.89
R&D investment capitalized in the current period	46,632,279.01
Total R&D investment	541,803,035.90
Percentage of total R&D investment in operating revenue (%)	0.60
Number of R&D personnel in the Company	411
Percentage of R&D personnel in the total number of personnel of the Company (%)	0.70
Percentage of capitalized R&D investment (%)	8.61

##### (2) Explanation

√ Applicable □ Not applicable

During the reporting period, the Company continuously promoted innovation work, expanded leading domestic and foreign scientific research innovation platforms, enriched global intelligence resources, continuously expanding research and product development fields, and carried out in-depth research on breast milk, dairy nutrition, food safety risk, and the characteristics and health efficacy of a variety of food ingredients. The Company insists on following market demand by leveraging big data technology to conduct potential customer demand insight and research. The research results were then applied to guide technology upgrading and product development, not only optimized existing products, but also introduced new healthy food to meet the diversified needs of consumers.





The Company continuously strengthened standardization system construction and strategic layout of intellectual property rights, continuously promoting open innovation, having close cooperation with top scientific research institutions in global agriculture, food and life science, as well as upstream and downstream enterprises to further strengthen innovation support and service, improve the Company's performance in innovation, and take the lead in the development of the industry.

## 5. Cash flows

√ Applicable □ Not applicable

Unit: Yuan

Item	Amount for the current period	Amount for the same period of last year	Amount of change	Range of change
Cash received from interest income, charges, and commissions	21,609,380.00	565,817,378.40	-544,207,998.40	-96.18%
Cash from tax return		1,123,140.80	-1,123,140.80	-100.00%
Cash received from disposal of investments	846,917,213.89	1,448,575,837.42	-601,658,623.53	-41.53%
Cash received from returns on investments	209,199,931.77	116,056,383.93	93,143,547.84	80.26%
Net cash received from disposal of subsidiaries and other business entities	2,000,000.00		2,000,000.00	N/A
Other cash received related to investing activities		516,218.89	-516,218.89	-100.00%
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	9,242,858,743.28	5,090,600,464.62	4,152,258,278.66	81.57%
Cash paid for acquisition of investments	152,853,521.31	1,625,000,000.00	-1,472,146,478.69	-90.59%
Net cash paid for the acquisition of subsidiaries and other business entities	1,616,983,173.08		1,616,983,173.08	N/A
Other cash paid related to investing activities	79,000,989.89	270,700,593.29	-191,699,603.40	-70.82%
Cash received from capital contributions	274,893,825.00	18,000,000.00	256,893,825.00	1427.19%
Cash received from borrowings	16,569,725,526.64	4,983,000,000.00	11,586,725,526.64	232.53%
Other cash received relating to financing activities	2,353,012,000.00		2,353,012,000.00	N/A
Other cash paid related to financing activities	5,871,460,724.50	37,382,061.11	5,834,078,663.39	15606.63%

(1) The decrease in cash received from interest income, charges and commissions was mainly due to the decrease in deposits of the subsidiary, Yili Finance Co., Ltd. during the current period and the decrease in interest income resulted from the lower interest rate compared with that of same period of last year.

(2) The decrease in cash from tax return was mainly due to the tax refund received by subsidiary during the previous period did not occur during the current period.

(3) The decrease in cash received from disposal of investments was mainly due to the less amount received upon the maturity of wealth management products during the current period compared with the previous period.

(4) The increase in cash received from returns on investments was mainly due to the increase in cash dividends received from equity instrument investment during the current period.

(5) The increase in net cash received from disposal of subsidiaries and other business entities was mainly due to the recovery of equity funds during the current period from the sale of the subsidiary, Zhalantun Yili Dairy Co., Ltd. during the previous period.

(6) The decrease in other cash received related to investment activities was mainly due to the time deposit received by the subsidiary, Oceania daily limited upon maturity during the previous period did not incur for current period.

(7) The increase in cash paid for acquisition of fixed assets, intangible assets and other long-term assets was mainly due to the increase in cash paid for the investment in new projects and reconstruction projects during the current period.

(8) The decrease in cash paid for acquisition of investments was mainly due to that the purchase amount of wealth management products was less compared with the previous period.

(9) The increase in net cash paid for the acquisition of subsidiaries and other business entities was mainly due to the cash outflow incurred by the business combination not under the common control during the current period.

(10) The decrease in other cash paid related to investing activities was mainly due to the larger amount of pledged repurchase transaction by quotation purchased by the subsidiary, Yili Finance Co., Ltd. for the previous period.

(11) The increase in cash received from capital contributions was due to the exercise of Share Options held by equity incentive targets for the current period and the receipt of cash from the issuance of new shares.

(12) The increase in cash received from borrowings was mainly due to the issuance of bonds and increase in short-term borrowings in the current period.

(13) The increase in other cash received relating to financing activities was mainly due to the receipt of subscription monies of restricted shares granted to equity incentive targets in the current period.

(14) The increase in other cash paid related to financing activities was mainly due to the repurchase of Shares by the Company in the current period.

(II) Explanation on the material change in profit due to non-main business

Applicable  Not applicable





(III) Analysis of assets and liabilities

√ Applicable □ Not applicable

1. Table of assets and liabilities

Unit: Yuan

Item	Amount as at the end of the current period	Percentage of total assets as at the end of the current period (%)	Amount as at the end of the previous period	Percentage of total assets as at the end of the previous period (%)	Percentage of change in the amount as at the end of the current period compared to that as at the previous period (%)	Explanation
Financial assets held for trading	389,993,987.17	0.65			N/A	
Financial assets measured at VSOE and of which the variation is booked in current period P&L			498,843.46		-100.00	
Accounts receivable	1,615,510,453.56	2.67	1,101,026,608.06	2.31	46.73	
Inventories	7,715,031,334.22	12.76	5,507,073,963.85	11.57	40.09	
Non-current assets due within one year	303,240,656.65	0.50			N/A	
Other current assets	2,783,098,811.83	4.60	5,000,433,575.10	10.50	-44.34	
Available-for-sale financial assets			831,010,989.62	1.75	-100.00	
Investments in other equity instruments	1,147,896,142.44	1.90			N/A	
Other non-current financial assets	142,167,713.34	0.24			N/A	
Real estate investment	533,295,854.46	0.88			N/A	
Construction in progress	6,165,050,218.38	10.20	2,686,705,865.46	5.64	129.47	
Intangible assets	1,408,682,162.74	2.33	639,268,640.97	1.34	120.36	
Goodwill	527,543,825.21	0.87	10,678,610.25	0.02	4,840.19	
Long-term deferred expenses	678,728,012.92	1.12	58,537,612.15	0.12	1,059.47	
Other non-current assets	3,150,959,048.48	5.21	1,718,472,140.06	3.61	83.36	
Short-term borrowings	4,559,631,340.89	7.54	1,523,000,000.00	3.20	199.38	

Item	Amount as at the end of the current period	Percentage of total assets as at the end of the current period (%)	Amount as at the end of the previous period	Percentage of total assets as at the end of the previous period (%)	Percentage of change in the amount as at the end of the current period compared to that as at the previous period (%)	Explanation
Financial liabilities held for trading	37,079,015.63	0.06			N/A	
Receipts in advance	6,020,058,284.82	9.96	4,400,761,321.98	9.24	36.80	
Other payables	3,821,658,464.62	6.32	1,221,000,408.98	2.56	212.99	
Non-current liabilities due within one year	306,192,224.58	0.51	33,128,853.96	0.07	824.25	
Other current liabilities	3,069,386,047.58	5.08	10,405,666.01	0.02	29,397.26	
Long-term borrowings	471,124,135.41	0.78	289,000.00		162,918.73	
Bonds payable	1,500,000,000.00	2.48			N/A	
Deferred tax liabilities	505,136,715.80	0.84	105,918,440.05	0.22	376.91	
Capital reserve	844,438,895.39	1.40	2,841,336,959.07	5.97	-70.28	
Other comprehensive income	984,142,651.34	1.63	375,236,186.82	0.79	162.27	

#### Other explanations

(1) The decrease in available-for-sale financial assets, financial assets measured at VSOE and of which the variation is booked in current period P&L and the increase in financial assets held for trading, investments in other equity instruments and other comprehensive income were mainly due to the impact of initial application of new financial instrument standards. For details, please refer to "41. (3) Application of new financial instrument standards, new income standards or new lease standards since 2019 to adjust the application of the relevant items in the financial statements at the beginning of the year" under "V. Significant Accounting Policies and Accounting Estimates" in Section XI in this report.

(2) The increase in accounts receivable was mainly due to the increase in accounts receivable by acquiring Westland Co-Operative Dairy Company Limited, and the increase in sales accounts receivable from supermarkets and e-commerce.

(3) The increase in inventories was mainly due to the increase of purchase of raw materials, and the increase in inventory as a result of the acquisition of Westland Co-Operative Dairy Company Limited in the current period.

(4) The increase in non-current assets due within one year was due to the increase in medium- and long-term small loans due within one year by the subsidiary, Inner Mongolia Huishang Internet Microcredit Co., Ltd. in the current period.

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

(6) The increase in other non-current assets was due to the reclassification of financial assets for trading purpose held for a term of more than one year to other non-current financial assets.

(7) The increase in real estate investment was due to the leasing of self-owned properties in the current period.

(8) The increase in construction in progress was mainly due to the increase of renovation and extension projects in respect of liquid milk, and projects under Beijing Business Operation Centre in the current period.

(9) The increase in intangible assets was mainly due to the purchase of land use rights, software information, and the increase of intangible assets as a result of acquisition of subsidiaries in the current period.

(10) The increase in goodwill was due to goodwill arising from the acquisition of THE CHOMTHANA COMPANY LIMITED, Westland Co-Operative Dairy Company Limited, and Arxan Yili Natural Mineral Beverage Co., Ltd..

(11) The increase in long-term deferred expenses was mainly due to the increase in advertising and marketing expenses in the current period.

(12) The increase in other non-current assets was mainly due to the increase in advanced payment for engineering and equipment.

(13) The increase in short-term borrowings was mainly due to the discount of banker's acceptance bills issued among enterprises within the consolidated financial statements in the current period, and the increase of short-term borrowings as a result of the mergers of Westland Co-Operative Dairy Company Limited.

(14) The increase in financial liabilities for trading purpose was mainly due to the decrease in fair value of the forward foreign exchange contracts held by a subsidiary and interest rate swaps in the current period.

(15) The increase in receipts in advance was mainly due to increase in product payments received from distributors in advance in the current period.

(16) The increase in other payables and treasury shares was mainly due to the grant of restricted shares with repurchase obligation to equity incentive targets in the current period.

(17) The increase in non-current liabilities due within one year was mainly due to the increase in long-term borrowings due within one year by merging Westland Co-Operative Dairy Company Limited in the current period.

(18) The increase in other current liabilities was mainly due to the issuance of super short-term bonds to raise funds.

(19) The increase in long-term borrowings was due to the increase in long-term borrowings by merging Westland Co-Operative Dairy Company Limited and THE CHOMTHANA COMPANY LIMITED in the current period.

(20) The increase in bonds payable was due to the issuance of corporate bonds and medium-term notes in the current period.

(21) The increase in deferred tax liabilities was mainly due to the impacts of recognizing deferred income tax liabilities for the appreciation of assets of the acquired subsidiary, and the initial application of new financial instrument standards in the current period.

(22) The decrease in capital reserve was due to the grant of restricted shares to equity incentive targets after the Company's repurchase of shares in the current period.

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

Applicable  Not applicable

3. Other explanation

Applicable  Not applicable

(IV) Analysis on industry operating information

Applicable  Not applicable

Survey data from Nielsen and Syntun initially suggested that during the reporting period, the end market (including online and offline) retail sales of domestic liquid dairy products and milk powder increased by 6.8% as compared with that of the same period of last year, among which, online and offline retail sales saw an increase of 22.0% and 5.0% year-on-year, respectively.

Analysis on operating information of food industry

1. Breakdown of products during the reporting period

Applicable  Not applicable

Categories of product	Output (ton)	Sales (ton)	Inventory (ton)	Increase/ decrease in output compared with last year (%)	Increase/ decrease in sales compared with last year (%)	Increase/ decrease in inventory compared with last year (%)
Liquid milk	8,758,252	8,709,404	267,065	8.03	7.77	22.39
Milk powder and dairy products	181,468	143,412	48,889	65.76	31.56	351.30
Ice cream products	410,050	405,850	15,680	2.90	3.25	36.59
Other products	14,104	10,528	3,576	N/A	N/A	N/A
Total	9,363,874	9,269,194	335,210	8.69	7.99	39.36

## 2. The composition of main business during the reporting period

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Principal Business by Product During the Reporting Period						
Categories of product	Sales revenue	Cost of sales	Gross profit margin (%)	Increase /decrease in sales revenue compared with last year(%)	Increase/ decrease in cost of sales compared with last year (%)	Increase /decrease in gross profit margin compared with last year (%)
Liquid milk	73,760,792,953.68	47,797,827,472.75	35.20	12.31	12.33	-0.01
Milk powder and dairy products	10,054,722,527.83	5,216,304,992.17	48.12	24.99	43.38	-6.66
Ice cream products	5,631,477,892.24	3,012,224,762.43	46.51	12.70	9.73	1.45
Other products	62,024,782.36	40,432,966.38	34.81	N/A	N/A	N/A
Sub-total	89,509,018,156.11	56,066,790,193.73	37.36	13.70	14.57	-0.48

Principal Business by Sales Model During the Reporting Period						
Sales model	Sales revenue	Cost of sales	Gross profit margin (%)	Increase/ decrease in sales revenue compared with last year (%)	Increase/ decrease in cost of sales compared with last year (%)	Increase /decrease in gross profit margin compared with last year (%)
Dealers sales	86,762,734,316.64	54,609,110,861.65	37.06	14.01	14.90	-0.49
Direct sales	2,746,283,839.47	1,457,679,332.08	46.92	4.90	3.38	0.78
Sub-total	89,509,018,156.11	56,066,790,193.73	37.36	13.70	14.57	-0.48

Principal Business by Regional Segments During the Reporting Period						
Regional segments	Sales revenue	Cost of sales	Gross profit margin (%)	Increase/ decrease in sales revenue compared with last year(%)	Increase/decrease in operating cost compared with last year (%)	Increase /decrease in gross profit margin compared with last year (%)
Northern China	26,541,664,929.95	16,950,659,286.11	36.14	11.28	12.40	-0.63
Southern China	23,721,724,826.63	14,785,459,229.12	37.67	11.50	10.20	0.74
Others	39,245,628,399.53	24,330,671,678.50	38.00	16.82	19.05	-1.16
Sub-total	89,509,018,156.11	56,066,790,193.73	37.36	13.70	14.57	-0.48
Total	89,509,018,156.11	56,066,790,193.73	37.36	13.70	14.57	-0.48

## 3. R&amp;D expenses

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Amount of R&D investment	Expensed amount of R&D investment	Capitalized amount of R&D investment	Percentage of R&D investment in sales revenue (%)	Percentage of R&D investment in cost of sales (%)	Change of amount in the current period over the same period of last year (%)	Explanation
541,803,035.90	495,170,756.89	46,632,279.01	0.60	0.96	16.98	

## 4. Profitability of online sales model during the reporting period

□ Applicable √ Not applicable

## (V) Investment analysis

## 1. General analysis of external equity investment

√Applicable □ Not applicable

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

Unit: Yuan Currency: RMB

Name of investee	Opening balance	Change in increase/decrease	Closing balance	Percentage of shareholding in the investee (%)	Cash dividend for the current period
Hulunbeier Shengxin Investment Co., Ltd.	18,671,174.86	-211,421.97	18,459,752.89	40.00	
China Youran Dairy Holding Limited	1,699,995,989.02	199,400,378.26	1,899,396,367.28	40.00	
Beijing Jiuyang Wisdom Investment Fund Management Limited	46,089,474.46	-3,040,703.21	43,048,771.25	30.82	
Chengdu Bank Co., Ltd.	261,625,000.00	33,150,000.00	294,775,000.00	0.90	11,375,000.00
Shandong Xinjufeng Technology packaging Co., Ltd.	144,630,475.11	-62,462,761.77	82,167,713.34	4.80	3,600,000.00
Jiangsu Jijia Pet Supplies Co. Ltd.		60,000,000.00	60,000,000.00	3.93	
Mianyang Science and Technology City Industrial Investment Fund (Limited Partnership)	104,561,028.01	-76,735,924.39	27,825,103.62	2.22	31,878,177.95
CITIC Industrial Investment Fund Management Co., Ltd.	219,691,534.42	-1,013,906.35	218,677,628.07	5.00	31,500,000.00
Inner Mongolia Yisheng Biological Technology Co., Ltd.	202,284.80	615.98	202,900.78	10.00	
Shenzhen Huatai Ruilin Equity Investment Fund Partnership (Limited Partnership)	53,109,792.13	-10,672,438.05	42,437,354.08	10.00	13,317,605.00
Hezhong Chuangya (Hohhot) Packaging Co., Ltd.	15,356,712.73	489,323.03	15,846,035.76	18.64	
CITICPE Holdings Limited	66,570,583.11	-10,306,334.11	56,264,249.00	5.00	20,759,100.00
CDB Boyu Phase I (Shanghai) Equity Investment Partnership	582,266,475.55	45,565,611.29	627,832,086.84	4.09	70,565,190.62
Inner Mongolia Collaborative Innovation Equity Investment Fund Co., Ltd.	21,578,217.57	337,740.53	21,915,958.10	2.70	
Beijing Huatai New Industry Growth Investment Fund (Limited Partnership)	76,097,214.43	16,503,907.61	92,601,122.04	1.98	
Inner Mongolia Steppe Culture Film and Television Industry Fund (Limited Partnership)	44,514,859.43	-221,155.28	44,293,704.15	9.00	
Total	3,354,960,815.63	190,782,931.57	3,545,743,747.20		182,995,073.57

(1) Significant equity investment

□Applicable √Not applicable

(2) Significant non-equity investment

√Applicable □Not applicable

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

Unit: 0,000 Yuan Currency: RMB

Name of item	Amount of item	Progress of item	Investment for the year	Accumulated investment	Source of funding
Liquid milk	1,038,344.90	46.50%	393,528.71	482,782.68	Self-owned funds
Milk powder	86,679.28	53.63%	32,968.60	46,487.93	Self-owned funds
Ice cream	140,326.37	31.30%	26,873.33	43,922.64	Self-owned funds
Yogurt	143,488.25	65.57%	71,047.05	94,085.89	Self-owned funds
Others	493,748.93	72.87%	217,129.62	359,770.66	Self-owned funds
Total	1,902,587.73		741,547.31	1,027,049.80	

The above is the classification of construction in progress disclosed by categories of product as of 31 December 2019. There are more than 900 construction projects in progress, with no single significant construction in progress.

(3) Financial assets measured at fair value

√Applicable □Not applicable

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

Unit: 0,000 Yuan Currency: RMB

Name of investee/item	Initial investment cost	Percentage of shareholding in such company as at the end of the current period (%)	Opening balance	Amount incurred for the period	Closing balance	Investment gain for the current period
Chengdu Bank Co., Ltd.	81,250,000.00	0.90	261,625,000.00	33,150,000.00	294,775,000.00	11,375,000.00
Shandong Xinjufeng Technology packaging Co., Ltd.	81,600,000.00	4.80		82,167,713.34	82,167,713.34	
Jiangsu Jijia Pet Supplies Co. Ltd.	60,000,000.00	3.93		60,000,000.00	60,000,000.00	
Mianyang Science and Technology City Industrial Investment Fund (Limited Partnership)	202,866,236.04	2.22	104,561,028.01	-76,735,924.39	27,825,103.62	31,878,177.95
CITIC Industrial Investment Fund Management Co., Ltd.	121,500,000.00	5.00	219,691,534.42	-1,013,906.35	218,677,628.07	31,500,000.00
Inner Mongolia Yisheng Biological Technology Co., Ltd.	400,000.00	10.00	202,284.80	615.98	202,900.78	
Shenzhen Huatai Ruilin Equity Investment Fund Partnership (Limited Partnership)	50,000,000.00	10.00	53,109,792.13	-10,672,438.05	42,437,354.08	13,317,605.00
Hezhong Chuangya (Hohhot) Packaging Co., Ltd.	11,000,000.00	18.64	15,356,712.73	489,323.03	15,846,035.76	
CITICPE Holdings Limited	7,673,820.00	5.00	66,570,583.11	-10,306,334.11	56,264,249.00	20,759,100.00
CDB Boyu Phase I (Shanghai) Equity Investment Partnership	204,436,048.00	4.09	582,266,475.55	45,565,611.29	627,832,086.84	70,565,190.62
Inner Mongolia Collaborative Innovation Equity Investment Fund Co., Ltd.	20,000,000.00	2.70	21,578,217.57	337,740.53	21,915,958.10	
Beijing Huatai New Industry Growth Investment Fund (Limited Partnership)	50,000,000.00	1.98	76,097,214.43	16,503,907.61	92,601,122.04	
Inner Mongolia Steppe Culture Film and Television Industry Fund (Limited Partnership)	45,000,000.00	9.00	44,514,859.43	-221,155.28	44,293,704.15	
Derivative financial assets			498,843.46	94,720,143.71	95,218,987.17	
Total	935,726,104.04		1,446,072,545.64	233,985,297.31	1,680,057,842.95	179,395,073.57

#### (VI) Major assets and equity disposal

Applicable  Not applicable





## (VII) Analysis of major holding and joint stock companies

√ Applicable □ Not applicable

### 1. Principal subsidiaries

Unit: 0'000 Yuan Currency: RMB

Full name of subsidiaries	Business scope	Registered capital	Total assets	Net assets	Net profit
Hong Kong Jingang Trade Holding Co., Limited	Trading and investment.	USD1,099.25 million	759,179	752,421	5,304
Yili Finance Co., Ltd.	Provision of wealth and financing advisory services, credit verification and related consultation and agency services to member units; assisting member units in completion of collection and payment of transaction funds; offering approved insurance agency services; providing guarantee to member units; handling entrusted loans among member units; handling bill acceptance and discount for member units; handling internal transfer and corresponding settlement among member units and formulating liquidation plans; absorbing deposits from member units; handling loans and financial leasing for member units; engaging interbank lending; and buyer's credits for products of member units.	100,000	341,111	132,717	6,191
Westland Dairy Company Limited	Production and sale of dairy products.	NZD243.77 million	318,001	108,733	-25,829
Huishang Commercial Factoring Co., Ltd.	Factoring (not bank financing).	200,000	298,247	203,601	3,046
Inner Mongolia Jinderui Trade Co., Ltd.	Sale of pre-packaged food and dairy products (excluding infant formula milk powder); sale of livestock and poultry products, forage grass, agricultural by-products (excluding food purchase) and mechanical equipment; and self-operation and agency of import and export of goods.	5,000	277,731	16,582	3,154
Ningxia Yili Dairy Co., Ltd.	Production and sale of dairy products (liquid milk (sterilized milk, modified milk and pasteurized milk) and other dairy products (cream, baking cream and specialty dairy products)), beverages (protein beverages and drinks containing milk) and fermented milk; production and sale of relevant raw and auxiliary materials, and packaging materials; purchase and sale of agricultural machinery, mechanical and electrical equipment and accessories; purchase and sale of agricultural products; and self-operation and agency of import and export of various goods and technologies.	28,000	263,558	140,415	35,733
Hubei Huanggang Yili Dairy Co., Ltd.	Production and sale of beverages (protein beverages), dairy products (liquid milk, sterilized milk and modified milk), cold drinks (ice cream, ice frost, ice popsicle, edible ice and sweet ice), plastic containers for food, cakes and pastries (baked cakes); purchase and sale of raw and fresh milk; production of nitrogen for food (operated by branches with valid licenses); production and sale of relevant raw and auxiliary materials as well as packaging materials, and import of production equipment; and import and export of goods.	79,700	231,728	122,943	17,095
Oceania Dairy Limited	Production, processing and sale of dairy products.	NZD475.83 million	211,616	187,320	-4,833
Hefei Yili Dairy Co., Ltd.	Feeding of dairy cattle and purchase and sale of milk; production and sale of milk, dairy products (excluding infant formula milk powder), beverages and cold drinks; sale of pre-packaged food; sale of mechanical equipment; production and sale of relevant raw and auxiliary materials as well as packaging materials; export of self-owned products and technologies and import of necessary raw and auxiliary materials and technologies; production and sale of plastic products; production of food additives; and production and sale of bean products.	110,000	196,429	146,483	22,780
Jinan Yili Dairy Co., Ltd.	Purchase and sale of raw and fresh milk: production and sale of pasteurized milk, fermented milk, sterilized milk, modified milk, baking cream, cream, anhydrous butter, drinks containing milk, vegetable protein drinks, tea drinks and cold drinks; production and sale of bean products; production and sale of pre-packaged foods; production and sale of plastic products; production and sale of relevant raw and auxiliary materials as well as packaging materials; import of production equipment.	69,000	191,827	87,650	9,150

## 2. Newly added subsidiaries

Unit: 0'000 Yuan Currency: RMB

Name of subsidiary	Business scope	Method of acquisition	Registered capital	Net assets as at the end of current period	Net profit for the current period
PT.Yili Indonesia Dairy	Production and sale of frozen products.	Established by investment	USD53.2929 million	37,637.39	-387.84
Wuwei Yili Dairy Co. Ltd.	Production and sale of liquid milk (sterilized milk and modified milk), beverages (protein beverages), other dairy products (cream, baking cream), fermented milk; production and sale of relevant raw and auxiliary materials and packaging materials; import and export of production mechanical equipment, meters, instruments, components and raw and auxiliary materials.	Established by investment	19,000.00	18,943.04	-56.96
Antu Yili Changbai Mountain Natural Mineral Drink Co., Ltd.	Production of drinking natural mineral water; production, processing, R&D, sale of mineral water-based beverages; production, processing, sale of packaging materials; sale of production mechanical equipment, meters, instruments, components and raw and auxiliary materials; sale of laboratory equipment, laboratory reagent; self-operation and agency of import and export of various goods and technologies.	Established by investment	13,400.00	13,381.85	-18.15
THE CHOMTHANA COMPANY LIMITED and its subsidiaries	Production and sale of frozen products.	Acquisition	THB154.39 million	25,149.99	-3,048.58
SAARK FOOD(M) SDN.BHD.	Wholesale, distribution, import and export of frozen food, ice cream, yogurt, packaged beverages (milk, lactic acid beverages), packaged food (e.g. milk powder).	Established by investment	RM8.3709 million	1,289.88	-130.05
Beijing Yili Technology Development Co., Ltd.	Technology development, technology services, technology transfer, technology consulting.	Established by investment	2,500.00	2,592.13	92.13
Yili Yinuo Technology (Shanghai) Co., Ltd.	Technology development, technology consulting, technology services, technology transfer, industrial design, food packaging design, marketing planning in respect of industrial technology, packaging technology, food technology, health technology, biotechnology, R&D and testing of food, raw and auxiliary materials for food and relevant areas; food production; sale of raw materials and mechanical equipment for food; packaging decoration and printing, sale of packaging materials, sale of food.	Established by investment	2,600.00	2,426.58	-173.42
Yili Innovation Investment Management (Zhuhai) Co., Ltd.	Investment consulting, investment management.	Established by investment	2,000.00	2,004.53	4.53
Yili Venture Capital (Suzhou) Co., Ltd.	Venture investment.	Established by investment	15,000.00	14,845.80	-154.20
Zhuhai Jianling Equity Investment Fund Management Partnership (Limited Partnership)	Equity investment.	Established by investment	2,000.00	1,799.72	-200.28
Westland Dairy Company Limited and its subsidiaries	Production and sale of dairy products.	Acquisition	NZD243.77 million	119,644.13	-25,228.15
Arxan Yili Natural Mineral Drink Co., Ltd.	Production and sale of mineral water and drinking water; processing and sale of bottle preform; processing and sales of bottle cap, processing and sale of vaporless beverage bottle, processing and sale of bottle label, processing and sale of packaging box, processing and sale of local specialty; wholesale and retail of beverage, Cola, alcoholic, non-alcoholic juice drink, lactic acid beverage (fruit products, non-dairy), milk tea, coffee, dairy products, health food, water purification equipment, ski supplies (ski equipment); accommodation, catering services, conference services, exhibition services	Acquisition	30,740.43	25,214.00	-593.17
GREEN ASIA FOOD VIETNAM COMPANY LIMITED	Production of dairy products; processing of food and beverages; sale of pre-packaged foods.	Established by investment	USD1.50 million	1,021.05	-27.35

Name of subsidiary	Business scope	Method of acquisition	Registered capital	Net assets as at the end of current period	Net profit for the current period
Hulunbeier Yili Dairy Industry Co., Ltd.	Production and sale of liquid milk (sterilized milk and modified milk), beverages (protein beverages), other dairy products (cream, baking cream) and fermented milk; production and sale of relevant raw and auxiliary materials and packaging materials; import and export of production mechanical equipment, meters, instruments, components and raw and auxiliary materials, self-operation and agency of selling, import and export of various goods (including used equipment) and sale of technologies, and import and export.	Established by investment	2,000.00	1,999.44	-0.56
Inner Mongolia Jinze Yili Dairy Co., Ltd.	Production of infant formula milk powder (by dry-wet composite technology), dairy products (whole milk powder, modified milk powder, rice noodles, solid beverages), and food additive (nitrogen).	Established by investment	1,052.04	1,052.21	0.17

### 3. Former subsidiaries

Name of subsidiary	Reason for disposal
Xiwuqi Tai Qin Water Co., Ltd.	Cancellation
Duerbote Jinshan Co., Ltd.	Cancellation

### (VIII) Structured entities controlled by the Company

Applicable  Not applicable



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

#### (I) Industry landscape and trend

Applicable  Not applicable

As for the future, the development characteristics of the domestic dairy and healthy drinks industry are as follows:

1. As the purchasing power of consumers will continue to rise in the long run, customers are paying more attention to a healthy, health-oriented lifestyle, thus the healthy food industry represented by dairy products is likely to have a promising prospect.
2. As the awareness and behaviors of customers are changing, as well as the new developments of new retail modes such as Online-to-Offline doorstep delivery platform, WeChat business and community marketing, the target consumer group of dairy products and its market size will grow and expand continuously.
3. The infant birth rate is slowing down, and the aging of the population structure is accelerating. Infant food continues to be driven by diversification of categories and innovation on nutrition service. The innovative categories of adult nutrition products are speeding up and market penetration rate will maintain its growth.

#### (II) Development strategies of the Company

Applicable  Not applicable

In the future, the Company will continue to head toward the vision of “becoming the most reliable healthy food provider in the world”, adhering to its principle of “Yili means quality” and proactively deploying a big health layout by innovation and globalization, so as to become the pioneer in the development in the healthy food industry. At a later stage, the Company will adopt the following key strategic initiatives:

1. Focus on the acceleration of production innovation in the healthy food industry by capitalizing on the Company’s global platform of technological innovation and product R&D, while taking customers’ demand as guidance.
2. Continue to propel the development in overseas market and enhance the operation ability of our brands around the world.
3. Actively explore emerging channels and create brand-new business model by using Internet technology.
4. Enhance the overall operation efficiency of the Company by leveraging on the synergistic effects of global supply chain.
5. Continue to follow the requirements of “Striving for Excellence, Pursuing Excellence, and Constantly Exceeding Ourselves” to strengthen the cultural foundation of Yili for long-term development.

#### (III) Operational plans

Applicable  Not applicable

Based on the development of the industry, the Company plans to achieve a total operating revenue of RMB97 billion with a total profit before tax of RMB6.1 billion for the year 2020.

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

In early 2020, the sudden emergence of COVID-19 epidemic has posed a huge challenge to the operation of dairy enterprises that are in the peak season of production and sales. It has also had certain impacts on each upstream and downstream sector of the industry. Facing the COVID-19 epidemic, the Company has responded and initiated emergency mechanism immediately. With the unified leadership of the Company’s Epidemic Prevention and Control Command Center, we have actively undertaken a series of measures such as “helping the upstream, stabilizing the middle stream, and smoothing the downstream”, and joined hands with partners to fight the epidemic, strengthen the industrial chain, identify the industrial potentials, and actively fulfill our social responsibility as a leading enterprise in the industry.

While fighting against the epidemic, tens of thousands of employees in the Company stick to their own position, in addition to ensuring their own safety during the prevention and control, to overcome difficulties such as poor logistics and transportation and obstruction in terminal goods distribution for maintaining the orderly operation of each section of production and sales, thereby protecting the health of Chinese people with Yili products that are full of love and nutrition. At the same time, the Company gave full play to the synergistic advantages of global supply chain resources. For example, at the beginning of the epidemic, it sent scarce supplies such as masks and disinfectants from afar to the frontline of the epidemic prevention and control across 31 provinces and regions in the country, which provided security for the “guardians” on the front line of the epidemic prevention.

As the domestic epidemic prevention and control situation continues to improve, the order of production and life in all parts of the country is gradually restored. As an important necessity of daily life, dairy products are getting more and more attention for their role in strengthening immunity and promoting nutrition absorption. On 20 February 2020, the General Office of the National Development and Reform Commission issued the “Letter on the Specific Scope of Providing Key Protection Supplies for Epidemic Prevention and Control”, in which milk was listed as one of the key protected supplies for the epidemic prevention and control. In addition, with the implementation of a series of national policies aiming at tax reduction and supporting the resumption of work and production of enterprises, the recovery of social and economic order will be speeded up. Therefore, the Company predicts that the impact of the epidemic on the domestic dairy industry is short-term. In medium- and long-term run, the health food industry represented by dairy products will continue to maintain a good development momentum.

Subsequently, the Company will actively and consistently implement the call for epidemic prevention and control, as well as resumption of work and production, and continue to make all-out efforts to meet the dairy consumption demand from urban and rural residents. While paying close attention to the changes in the epidemic and ensuring the safety of business operations, we will actively identify and capture new market opportunities and strive to mitigate the impact of the epidemic. In 2020, the Company will focus on the followings:

1. Stay committed to the responsibility of safeguarding the well-being of Chinese people, and produce 100% safe and 100% healthy and high-quality products for consumers.
2. Actively pursue and develop new business in the field of health food, accelerate the pace of innovation in adult nutrition products, cheese, healthy drinks and other products to promote the healthy development of business.
3. Establish overseas production bases to continue to expand overseas markets, and promote the steady development of overseas businesses by building our capabilities in global brand operation.
4. Take the “home consumption” model as an entry point to actively explore emerging channels and new consumption scenarios and create new business models with Internet technology.
5. Build a “global health ecosystem”, integrate global supply chain resources, and continuously optimize operational efficiency.
6. Continue to follow the principle of “Striving for Excellence, Pursuing Excellence, and Constantly Exceeding Ourselves” to strengthen the cultural foundation of Yili for long-term development.

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

In line with its operating strategy and investment plan for 2020, the Company plans to invest RMB22.692 billion in the projects of its principal industries projects and their supportive projects. The Company intends to meet its capital requirement through self-financing, bank loans and other modes of financing.

#### (IV) Potential risk exposure

Applicable  Not applicable

##### 1. Industrial risks

In terms of the supply and demand of fresh and raw milk at home and abroad, the price of imported raw materials, the growth rate of market demand and the expansion of overseas markets, etc., enterprises are still subject to various uncertainties in the future. The Company will at all times monitor any changes in the market environment in order to take timely countermeasures, and proactively address those risks by taking strategic steps.

##### 2. Financial risks

With the continuous advancement of its globalization strategies, the overseas business of the Company will be increasingly subject to exchange rate, trade policies and tariff fluctuations. Therefore, the Company will continue to enhance risk prevention and further improve the internal control system in subsequent periods.

##### 3. Product quality risks

Food safety is a top risk concerned by food enterprises. In this regard, the Company remains committed to its belief on endlessly pursuing product quality. With international standards and concrete actions, the Company continuously improves, optimizes and updates its global quality management system to ensure product quality and safety.

(V) Others

Applicable  Not applicable

IV. Circumstances of and Explanation on Non-disclosure under the Standards Owing to Special Reasons such as the Standards Not Applicable to the Company or State Secrets and Trade Secrets

Applicable  Not applicable





# 「鉴证 品质」







## Section V Important Matters

### I. Proposal on Profit Distribution of Ordinary Shares or Conversion of Capital Reserve into Capital Stock

(I) Formulation, implementation, or adjustment of cash dividend policy

Applicable  Not applicable

On 21 March 2019, the “2018 Profit Distribution Proposal of the Company” was considered and approved at the 2018 Annual General Meeting of Stockholders of the Company, which sets out the distribution of cash dividend of RMB7.00 (tax inclusive) for every 10 shares to all shareholders based on the total share capital of 6,078,127,608 shares as of 4 April 2019 (the share record date for the purpose of profit distribution), with total cash dividend of RMB4,254,689,325.60 distributed. The Announcement on Implementing the “2018 Annual Equity Distribution of Inner Mongolia Yili Industrial Group Co., Ltd.” was published on China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange (<http://www.sse.com.cn>) on 1 April 2019.

The Company implemented its cash dividend policy strictly in accordance with the provisions of the Articles of Association. During the reporting period, the profit distribution of the Company complied with the provisions in the Articles of Association and the requirements stated in the resolutions approved at the General Meeting of Stockholders; the review procedures and mechanisms for profit distribution were complete with clear standards and proportion of dividend distribution clearly specified; the independent directors have exercised due diligence in discharging their duties and played their due roles; and minority shareholders had opportunities to fully express their opinions and appeals, thus protecting their legitimate interests.

(II) Plans or proposals for profit distribution on ordinary shares and conversion of capital reserve into share capital in the past three years (including the reporting period)

Unit: Yuan Currency: RMB

Year of dividend distribution	Number of bonus shares per 10 shares	Amount of dividends per 10 shares (RMB) (tax inclusive)	Number of shares capitalized per 10 shares (share)	Amount of cash dividends (tax inclusive)	Net profit attributable to the ordinary shareholders of the listed company in the consolidated financial statements for the years of dividend distribution	Percentage of net profit attributable to the ordinary shareholders of the listed company in the consolidated financial statements (%)
2019	0	8.10	0	4,913,183,654.73	6,933,763,430.47	70.86
2018	0	7.00	0	4,254,689,325.60	6,439,749,610.82	66.07
2017	0	7.00	0	4,254,944,825.60	6,000,884,926.88	70.91

(III) Shares repurchased by cash included in cash dividend

Applicable  Not applicable

Unit: Yuan Currency: RMB

	Amount of cash dividend	Percentage (%)
2019	5,792,641,502.01	83.54

(IV) If earnings and distributable profits available for ordinary shareholders during the reporting period are positive while the plan for profit distribution of ordinary shares in cash is not yet proposed, the Company shall disclose in details the reasons and the purpose and proposed application of undistributed profits

Applicable  Not applicable

## II. Performance of Undertakings

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

Applicable  Not applicable

(II) Explanation of whether the Company fulfilled its original profit forecast in relation to assets or projects, whether there is a profit forecast for such assets or projects of the Company and whether they were still in the profit forecast period during the reporting period and the reasons thereof

Fulfilled  Not fulfilled  Not applicable

(III) Fulfillment of performance undertakings and its effects on goodwill impairment test

Applicable  Not applicable

## III. Appropriation and Settlement of Funds during the Reporting Period

Applicable  Not applicable

## IV. Explanation of the Company on the “Non-standard Audit Report” Prepared by the Accounting Firm

Applicable  Not applicable

## V. Analysis and Explanation of the Company on the Reasons and Impacts of Changes in Accounting Policies and Estimates or Correction of Material Accounting Errors

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

Applicable  Not applicable

For details, please refer to “41. Changes in accounting policies and accounting estimates” under “V. Significant Accounting Policies and Accounting Estimates” in section XI of this Report.

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

Applicable  Not applicable

(III) Communication with previous accounting firm

Applicable  Not applicable

(IV) Other information

Applicable  Not applicable



## VI. Appointment and Dismissal of Accounting Firms

Unit: 0,000Yuan Currency: RMB

	Current appointment
Name of domestic accounting firm	Da Hua Certified Public Accountants (Special General Partnership)
Remuneration of domestic accounting firm	150
Audit term of domestic accounting firm	24

	Name	Remuneration
Accounting firm for internal control audit	Da Hua Certified Public Accountants (Special General Partnership)	100

Explanation on the appointment and dismissal of accounting firms

Applicable  Not applicable

Explanation on the change in accounting firm during the audit period

Applicable  Not applicable

## VII. Risk of Suspension of Listing

(I) Causes of suspension of listing

Applicable  Not applicable

(II) Corresponding measures intended by the Company

Applicable  Not applicable

## VIII. Circumstances and Reasons for Termination of Listing

Applicable  Not applicable





### IX. Matters Relating to Bankruptcy and Restructuring

Applicable  Not applicable

### X. Material Litigation and Arbitration

The Company had material litigation and arbitration during the year  
 The Company did not have material litigation and arbitration during the year

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

Applicable  Not applicable

### XII. Explanation on the Credibility of the Company and its Controlling Shareholders and Actual Controllers during the Reporting Period

Applicable  Not applicable

During the reporting period, the Company had no such events as unsatisfied judgments or unsatisfied debt of substantial amounts.

### XIII. The Company's Equity Incentive Scheme, Employee Stock Ownership Plan or Other Employee Incentive Measures and Their Impact

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

√Applicable □Not applicable

Overview of Matter	Query Index
<p>On 7 January 2019, the Company convened the extraordinary meeting of the ninth session of the Board of Directors, during which the “Resolution of the Company on the Cancellation of Certain Stock Options and the Repurchase and Cancellation of Certain Restricted Shares” and the “Resolution of the Company on Fulfilling the Conditions for Exercising/Unlocking Phase I of Stock Options and Restricted Shares in 2016” were considered and approved.</p>	<p>For details, please refer to the “Announcement of Inner Mongolia Yili Industrial Group Co., Ltd. on the Cancellation of Certain Stock Options and Repurchase and Cancellation of Certain Restricted Shares” and the “Resolution of Inner Mongolia Yili Industrial Group Co., Ltd. on the Exercise/Fulfillment of the Unlocking Conditions of Phase I of Stock Options and Restricted Shares in 2016” published on the Shanghai Stock Exchange by the Company on 8 January 2019.</p>
<p>Unlocking and listing of Phase I restricted shares under the 2016 Stock Options and Restricted Stock Incentive Plan.</p>	<p>For details, please refer to the “Announcement of Inner Mongolia Yili Industrial Group Co., Ltd. on the First Phase of Unlocking and Listing of Restricted Shares of 2016 Stock Options and Restricted Stock Incentive Plan” published on the Shanghai Stock Exchange by the Company on 16 January 2019.</p>
<p>On 26 February 2019, the Company convened the sixth meeting of the ninth session of the Board of Directors, during which the “Resolution of the Company on the Cancellation of Certain Stock Options and Repurchase and Cancellation of Certain Restricted Shares” was considered and approved.</p>	<p>For details, please refer to the “Announcement of Inner Mongolia Yili Industrial Group Co., Ltd. on the Cancellation of Certain Stock Options and Repurchase and Cancellation of Certain Restricted Shares” published on the Shanghai Stock Exchange by the Company on 28 February 2019.</p>
<p>On 21 March 2019, the Company convened the 2018 Annual General Meeting of Stockholders, during which the “Resolution of the Company on the Cancellation of Certain Stock Options and Repurchase and Cancellation of Certain Restricted Shares” was considered and approved.</p>	<p>For details, please refer to the “Announcement on the Resolutions of the 2018 Annual General Meeting of Stockholders of Inner Mongolia Yili Industrial Group Co., Ltd.” published on the Shanghai Stock Exchange by the Company on 22 March 2019.</p>
<p>On 10 April 2019, the Company convened the extraordinary meeting of the ninth session of the Board of Directors, during which the “Resolution of Inner Mongolia Yili Industrial Group Co., Ltd. on the Adjustment of the Exercise Price of Stock Options and the Repurchase Price of Restricted Shares” was considered and approved.</p>	<p>For details, please refer to the “Announcement of Inner Mongolia Yili Industrial Group Co., Ltd. on the Adjustment of the Exercise Price of Stock Options and the Repurchase Price of Restricted Shares” published on the Shanghai Stock Exchange by the Company on 11 April 2019.</p>
<p>The result of first exercise and listing of shares of Phase I stock options under the 2016 Stock Options and Restricted Stock Incentive Plan.</p>	<p>For details, please refer to the “Announcement of Inner Mongolia Yili Industrial Group Co., Ltd. on the Result of First Exercise and Share Listing of the First Phase of 2016 Stock Options and Restricted Stock Incentive Plan” published on the Shanghai Stock Exchange by the Company on 26 April 2019.</p>
<p>The result of second exercise and listing of shares of Phase I stock options under the 2016 Stock Options and Restricted Stock Incentive Plan.</p>	<p>For details, please refer to the “Announcement of Inner Mongolia Yili Industrial Group Co., Ltd. on the Result of Second Exercise and Share Listing of the First Phase of 2016 Stock Options and Restricted Stock Incentive Plan” published on the Shanghai Stock Exchange by the Company on 31 May 2019.</p>
<p>The repurchase and cancellation of certain restricted shares under the 2016 Stock Options and Restricted Stock Incentive Plan.</p>	<p>For details, please refer to the “Announcement of Inner Mongolia Yili Industrial Group Co., Ltd. on Repurchase and Cancellation of Certain Restricted Shares of 2016 Stock Options and Restricted Stock Incentive Plan” published on the Shanghai Stock Exchange by the Company on 26 December 2019.</p>

Overview of Matter	Query Index
<p>On 22 March 2019, the Company convened the extraordinary meeting of the ninth session of the Board of Directors, during which the “Employee Stock Ownership Plan (Phase VI) of Inner Mongolia Yili Industrial Group Co., Ltd.” was considered and approved.</p>	<p>For details, please refer to the “Announcement on the Resolutions of the Extraordinary Meeting of the Ninth Session of the Board of Directors of Inner Mongolia Yili Industrial Group Co., Ltd.” published on the Shanghai Stock Exchange by the Company on 23 March 2019.</p>
<p>On 2 April 2019, the Company convened the first holders’ meeting of Employee Stock Ownership Plan (Phase VI), during which the “Daily Management Measures for Holders of Employee Stock Ownership Plan of Inner Mongolia Yili Industrial Group Co., Ltd.” and the “Resolution on the Election of Members of the Management Committee of Employee Stock Ownership Plan (Phase VI)” were considered and approved.</p>	<p>For details, please refer to the “Announcement on the Resolutions of the First Holder’s Meeting of Employee Stock Ownership Plan (Phase VI) of Inner Mongolia Yili Industrial Group Co., Ltd.” published on the Shanghai Stock Exchange by the Company on 3 April 2019.</p>
<p>Disclosure of the progress on the implementation of the Employee Stock Ownership Plan (Phase VI).</p>	<p>For details, please refer to the “Announcement on the Progress on the Implementation of the Employee Stock Ownership Plan (Phase VI) of Inner Mongolia Yili Industrial Group Co., Ltd.” published on the Shanghai Stock Exchange by the Company on 30 April 2019.</p>
<p>Disclosure of the progress on the implementation of the Employee Stock Ownership Plan (Phase VI).</p>	<p>For details, please refer to the “Announcement on the Progress on the Implementation of the Employee Stock Ownership Plan (Phase VI) of Inner Mongolia Yili Industrial Group Co., Ltd.” published on the Shanghai Stock Exchange by the Company on 31 May 2019.</p>
<p>Completion of the sale of shares under the Employee Stock Ownership Plan (Phase III) of the Company.</p>	<p>For details, please refer to the “Announcement on the Completion of the Sale of Shares under the Employee Stock Ownership Plan (Phase III) of Inner Mongolia Yili Industrial Group Co., Ltd.” published on the Shanghai Stock Exchange by the Company on 28 June 2018.</p>
<p>On 4 August 2019, the Company convened the extraordinary meeting of the ninth session of the Board of Directors, during which the “Resolution on the 2019 Restricted Stock Incentive Plan of Inner Mongolia Yili Industrial Group Co., Ltd. (Draft) and its Summary” and the “Resolution on the Management Measures for the Implementation and Assessment of the 2019 Restricted Stock Incentive Plan of Inner Mongolia Yili Industrial Group Co., Ltd.” were considered and approved.</p>	<p>For details, please refer to the “2019 Restricted Stock Incentive Plan of Inner Mongolia Yili Industrial Group Co., Ltd. (Draft)” and the “Management Measures for the Implementation and Assessment of the 2019 Restricted Stock Incentive Plan of Inner Mongolia Yili Industrial Group Co., Ltd.” published on the Shanghai Stock Exchange by the Company on 6 August 2019.</p>
<p>On 6 September 2019, the Company convened the extraordinary meeting of the ninth session of the Board of Directors, during which the “Resolution on the Adjustment of the 2019 Restricted Stock Incentive Plan of Inner Mongolia Yili Industrial Group Co., Ltd. (Draft) and its Summary” and the “Resolution on the Adjustment of the Management Measures for the Implementation and Assessment of the 2019 Restricted Stock Incentive Plan of Inner Mongolia Yili Industrial Group Co., Ltd.” were considered and approved.</p>	<p>For details, please refer to the “2019 Restricted Stock Incentive Plan of Inner Mongolia Yili Industrial Group Co., Ltd. (Revised Draft)” and the “Management Measures for the Implementation and Assessment of the 2019 Restricted Stock Incentive Plan of Inner Mongolia Yili Industrial Group Co., Ltd. (Amendment)” published on the Shanghai Stock Exchange by the Company on 7 September 2019.</p>

**Overview of Matter**

**Query Index**

On 27 September 2019, the Company convened the first extraordinary meeting in 2019, during which the “Resolution on the 2019 Restricted Stock Incentive Plan of Inner Mongolia Yili Industrial Group Co., Ltd. (Revised Draft) and its Summary”) and the “Resolution on the Management Measures for the Implementation and Assessment of the 2019 Restricted Stock Incentive Plan of Inner Mongolia Yili Industrial Group Co., Ltd. (Amendment)” were considered and approved.

On 30 September 2019, the Company convened the extraordinary meeting of the ninth session of the Board of Directors, during which the “Resolution on the Adjustment of the Number of Incentive Targets under the 2019 Restricted Stock Incentive Plan” and the “Resolution for the Grant of Restricted Shares to Incentive Targets” were considered and approved.

Progress of the 2019 Restricted Stock Incentive Plan.

The results of the grant under the 2019 Restricted Stock Incentive Plan.

For details, please refer to the “Announcement on the Resolutions of the First Extraordinary Meeting in 2019 of Inner Mongolia Yili Industrial Group Co., Ltd.” published on the Shanghai Stock Exchange by the Company on 28 September 2019.

For details, please refer to the “Announcement on the Adjustment of the Number of Incentive Targets under the 2019 Restricted Stock Incentive Plan of Inner Mongolia Yili Industrial Group Co., Ltd.” and the “Announcement of Inner Mongolia Yili Industrial Group Co., Ltd. for the Grant of Restricted Shares to Incentive Targets under the 2019 Restricted Stock Incentive Plan” published on the Shanghai Stock Exchange by the Company on 1 October 2019.

For details, please refer to the “Announcement of Inner Mongolia Yili Industrial Group Co., Ltd. on the Progress on the Grant of Equity under the 2019 Restricted Stock Incentive Plan” published on the Shanghai Stock Exchange by the Company on 21 November 2019.

For details, please refer to the “Announcement of Inner Mongolia Yili Industrial Group Co., Ltd. on the Results of Grant of 2019 Restricted Shares” published on the Shanghai Stock Exchange by the Company on 26 November 2019.



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

Equity incentives

Applicable  Not applicable

Other information

Applicable  Not applicable

Employee stock ownership plan

Applicable  Not applicable

Other incentive measures

Applicable  Not applicable

#### XIV. Significant Connected Transactions

(I) Connected transactions related to daily operations

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

Applicable  Not applicable

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

Applicable  Not applicable

3. Matters not disclosed in provisional announcements

Applicable  Not applicable

(II) Connected transactions in relation to the acquisition and disposal of assets or equity

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

Applicable  Not applicable

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

Applicable  Not applicable

3. Matters not disclosed in provisional announcements

Applicable  Not applicable

4. Performance with agreed target shall be disclosed during the reporting period

Applicable  Not applicable

(III) Material connected transactions in relation to joint external investment

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

Applicable  Not applicable

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

Applicable  Not applicable

3. Matters not disclosed in provisional announcements

Applicable  Not applicable

(IV) Transactions relating to creditor's right and debts

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

Applicable  Not applicable

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





Applicable  Not applicable

### 3. Matters not disclosed in provisional announcements

Applicable  Not applicable

### (V) Others

Applicable  Not applicable

## XV. Material Contracts and the Implementation Thereof

### (I) Custody, contracting and leasing

#### 1. Custody

Applicable  Not applicable

#### Contracting

Applicable  Not applicable

#### 2. Leasing

Applicable  Not applicable

### (II) Guarantee

Applicable  Not applicable

Unit: 0'000 Yuan Currency: RMB

External guarantee provided by the Company (excluding those for subsidiaries)													
Guarantor	Relationship between the guarantor and the listed company	Guaranteed party	Amount of guarantee	Date of guarantee (date of agreement)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	Guarantee fully fulfilled	Guarantee overdue	Overdue amount of the guarantee	Any counter guarantee	Related party guarantee	Related party relationship
Inner Mongolia Huishang Financing Guarantee Co., Ltd.	Wholly-owned subsidiary	Suppliers and customers	469,677.02	21 June 2018	1 January 2019	31 December 2022	Guarantee with joint liability	No	Yes	1,164.13	Yes	No	
Total amount of guarantees incurred during the reporting period (excluding those for subsidiaries)													469,677.02
Total balance of guarantees at the end of the reporting period (A) (excluding those for subsidiaries)													193,469.95
Guarantees for subsidiaries provided by the Company and its subsidiaries													
Total amount of guarantees incurred for subsidiaries during the reporting period													
Total balance of guarantees for subsidiaries at the end of the reporting period (B)													5,000.00
Total amount of guarantees provided by the Company (including those for subsidiaries)													
Total amount of guarantees (A+B)													198,469.95
Percentage of total amount of guarantees in the Company's net assets (%)													7.60
Among which:													
The amount of guarantees provided to shareholders, actual controllers and their related parties (C)													
Amount of debt guarantees directly or indirectly provided to guaranteed parties whose gearing ratio exceeds 70% (D)													
Total amount of guarantees exceeding 50% of net assets (E)													
Aggregate of the above three guarantees (C+D+E)													
Statement on contingent joint and several liability in connection with unexpired guarantee													
Statement on guarantee													

As of 31 December 2019, Inner Mongolia Huishang Financing Guarantee Co., Ltd., a subsidiary of the Company, had accumulated a total external guarantee of RMB4,696,770,200, a balance of guarantee liability of RMB1,934,699,500 and 1,020 guaranteed parties under the external guarantees for the year. A summary of all external guarantees is set out in the above table headed "External guarantees provided by the Company (excluding those for subsidiaries)".

### (III) Entrusted management of cash assets

#### 1. Entrusted wealth management

##### (1) Overview of entrusted wealth management



Applicable  Not applicable

Unit: 0'000Yuan Currency: RMB

Type	Source of funds	Amount incurred	Outstanding balance	Amount overdue but yet to be recovered
Principal-protected securities wealth management products with non-guaranteed returns	Own funds	20,000.00		

Others

Applicable  Not applicable

(2) Individual entrusted wealth management

Applicable  Not applicable

Unit: 0'000Yuan Currency: RMB

Trustee	Type of entrusted wealth management	Amount of entrusted wealth management	Commencement date of entrusted wealth management	Termination date of entrusted wealth management	Source of funds	Usage of proceeds	Yield determination method	Annualized yield	Estimated yield (if any)	Actual profit or loss	Actual amount recovered	Whether undergoing a legal procedure	Whether there is a future entrusted wealth management plan	Amount of provision for impairment (if any)
China Merchants Securities Co., Ltd.	Principal-protected securities wealth management products with non-guaranteed returns	20,000.00	27 September 2018	7 January 2019	Own funds	Fixed income products	Principal-protected with non-guaranteed returns	3.50%-8.50%		195.62	recovered	Yes	No	

Others

Applicable  Not applicable

(3) Impairment provision for entrusted wealth management

Applicable  Not applicable

2. Entrusted loan

(1) Overview of entrusted loan

Applicable  Not applicable

Others

Applicable  Not applicable

(2) Individual entrusted loan

Applicable  Not applicable

Others

Applicable  Not applicable

(3) Impairment provision for entrusted loan

Applicable  Not applicable

3. Others

Applicable  Not applicable

(IV) Other material contract

Applicable  Not applicable



## XVI. Other Significant Events

Applicable  Not applicable

The Company considered and approved the “Resolution on Repurchase of the Shares of the Company through Centralized Bidding” at the extraordinary meeting of the ninth session of the Board of Directors convened on 8 April 2019, in which the Company agreed to repurchase A Shares of the Company with its own funds for the purpose of implementing equity incentives. On 25 July 2019, the Company convened the extraordinary meeting of the ninth session of the Board of Directors, during which the “Resolution on the Completion of the Repurchase of the Shares of the Company” was considered and approved. On 26 July 2019, the Company published the “Announcement of Inner Mongolia Yili Industrial Group Co., Ltd. on the Implementation Results of Share Repurchase and Movements in Shares”.

On 27 September 2019, the Company convened the first extraordinary general meeting in 2019, during which the resolutions such as the “Resolution on the Change of the Use of Repurchased Shares”, the “Resolution on the 2019 Restricted Stock Incentive Plan of Inner Mongolia Yili Industrial Group Co., Ltd. (Revised Draft) and its Summary”, the “Resolution on the Management Measures for the Implementation and Assessment of the 2019 Restricted Stock Incentive Plan of Inner Mongolia Yili Industrial Group Co., Ltd. (Amendment)” were considered and approved. On 26 November 2019, the Company published the “Announcement of Inner Mongolia Yili Industrial Group Co., Ltd. on the Results of Grant of 2019 Restricted Shares”. On 25 March 2020, the Company published the “Announcement of Inner Mongolia Yili Industrial Group Co., Ltd. on the Cancellation of Certain Repurchased Shares”. For details, please refer to the relevant announcements published on the website of the Shanghai Stock Exchange (<http://www.sse.com.cn>).

## XVII. Active Fulfillment of Social Responsibility

(I) Poverty alleviation of the listed company

Applicable  Not applicable

1. Targeted poverty alleviation plan

Applicable  Not applicable

The Company is active in fulfilling its corporate social responsibility. Adhering to Yili’s code of “Balance and Responsibility First”

and the concept of “Solid Results over Speed, Industrial Prosperity over Personal Glory and Social Value over Business Fortune”, the Company continues to devote in public welfare practices with a clear focus on nutrition and health, focusing on rural revitalization and targeted poverty alleviation to improve the effectiveness of poverty alleviation.

Under its plan for targeted poverty alleviation in 2019, the Company fully acted in the spirit of the “Notice of the State Council on Issuing the “13th Five-Year Plan” for Poverty Alleviation” and the requirements of the “National Nutrition Plan (2017-2030)” by incorporating nutrition interventions into poverty alleviation in relation to health to carry out nutrition interventions among key groups in poverty-stricken areas and by tapping into the merits of its core business to promote poverty alleviation. During the reporting period, the Company made continuous investments in poverty alleviation through health, education, and social involvement, continuously promoting the targeted poverty alleviation model of “comprehensive industry-based poverty alleviation with specific responsibilities”.

## 2. Overview of targeted poverty alleviation for the year

√ Applicable □ Not applicable

During the reporting period, the Sustainable Development Committee of the Company made comprehensive planning for key tasks in 2019, further promoting the four major fields of a win-win situation along the industrial chain, quality and innovation, public welfare and nutrition and healthcare. In terms of public welfare, the targeted poverty alleviation plan, as a charitable project of the Company with strategic significance, is subject to the planning and implementation of the Sustainable Development Committee.

During the reporting period, the Company invested RMB40,240,300 to firmly promote the targeted poverty alleviation model of “comprehensive industry-based poverty alleviation with specific responsibilities”, and promoted poverty alleviation through health, education and social involvement based on the Company’s industrial characteristics, so as to achieve tangible results in the efforts of poverty alleviation.

### (1) Poverty alleviation through health

During the reporting period, the Company cooperated with Chinese Red Cross Foundation to promote the Milk Action to Build a Well-off Society in China of “Yili Nutrition 2020” with a focus on the demand for nutritional improvement from children in poverty-stricken areas, which took place in the form of charity donation and health education to bring health and care to the children from such areas. During the reporting period, the Company invested RMB17,695,800 to donate milk, milk powder and other health foods to Yili students, covering 59 cities and counties in 19 provinces such as Sichuan, Ningxia and Gansu, especially the “three regions and three prefectures” including Liangshan Prefecture in Sichuan and Linxia Prefecture in Gansu, which benefited more than 200,000 students, allowing more people to access the nutrition and health of milk.

During the reporting period, the Company cooperated with the China Population Welfare Foundation and the China Family Planning Association to promote the nutrition project for poverty alleviation of “Yili Nutrition 2020”. It focused on contiguous areas of extreme poverty and poor regions such as Daning County and Yonghe County in Shanxi, as well as Zizhou County and Qingjian County in Shaanxi, where we donated approximately RMB10 million worth of health products to poor households registered in files, low-income urban households and households with special difficulties under family planning. It provided comprehensive and sustainable nutrition support for infants, the maternal and the elderly from poverty-stricken areas, benefiting more than 41,700 people.

During the reporting period, the Company cooperated with the Chinese Red Cross Foundation to carry out screenings and visits for congenital heart disease of “Yili Nutrition 2020”. During the reporting period, the Company invested RMB3.6 million in the project, covering regions such as Guangxi, Sichuan, Ningxia and Heilongjiang to conduct screening, relief and visit for children aged 0-14 with congenital heart disease. By doing so, more people can have an understanding of the prevention and care of congenital heart disease, helping more children with congenital heart disease in poor families, delivering warmth from the society to the poverty-stricken children and their families. The project covered a total of approximately 98,000 children, benefited more than 90,000 families, and helped 323 poverty-stricken children with congenital heart disease.

During the reporting period, the Company cooperated with the China Red Ribbon Foundation to undertake “Everything for Children” Liangshan Care Project of “Yili Nutrition 2020”, under which we donated RMB2.15 million worth of Pro-Kido Infant Formula Milk Powder to families with newborns aged 0-1 in Puge, Yuexi and Jinyang areas in Liangshan Prefecture in Sichuan. The Company also conducted public lectures of “Feeding Guidance” for medical personnel, AIDS prevention and control personnel, women’s health care workers, and lactating women in Liangshan to provide them with supports of scientific parenting knowledge and skills. The public lectures directly benefited more than 240 people from nearly 200 families.

During the reporting period, the Company cooperated with Beijing Chunhui Children's Foundation to launch "Pro-Kido Motherly Love", under which we donated RMB214,600 worth of Yili Milk Powder to provide nutrition support to more than 200 orphans and disabled children with severe disease.

## (2) Poverty alleviation through education

During the reporting period, the Company promoted "Yili Future Garden" in collaboration with China Children and Teenagers' Fund to build a network interactive platform, which was based on online youth popular science video collection, in combination with offline activities such as popular science classes in schools to cater for the demands for popular science and technology education among Chinese youth, in order to focus on improving the growth and progress in science and technology education of students in areas with scarce educational resources. During the reporting period, the Company invested RMB2 million in activities such as "Popular Science Charity Sharing Sessions of Yili Future Garden", "Winter Camp for Dreams", "Summer Camp for Dreams", "Micro-video Collection on Teenagers' Technological Innovation" and "Popular Science Tour to Red Sacred Places". These activities involved nearly 800 schools in 138 cities of 25 provinces, covering more than 350,000 primary and middle school students and approximately 10,000 left-behind children in old revolutionary base areas such as Zunyi in Guizhou, Yan'an in Shaanxi, Jingtangshan in Jiangxi, Qujing in Yunnan and Fuping in Hebei.

During the reporting period, the Company cooperated with the Western China Human Resources Development Foundation to promote the child safety charity project "Yili Ark", which implemented the concept of "safety, growth and dreams" and committed to improving child safety education in the central and western regions based on the actual needs of local schools and with a focus on the construction of eco-safety schools. During the reporting period, the Company invested RMB3,579,900 to carry out 155 child safety education and training activities at 109 eco-safety schools in 10 counties (cities), including Oroqen Autonomous Banner and Wuchuan County in Inner Mongolia, Lantian County in Shaanxi, Dagan County and Mojiang County in Yunnan, Daozhen County in Guizhou, Yangxin County in Hubei, Daming County in Hebei, Anyuan County in Jiangxi and Ningde City in Fujian, covering more than 30 topics on child safety, such as anti-abduction, anti-bullying, anti-lost, and benefiting more than 100,000 teachers and students. During these activities, we promoted eco-safety school healthy recipes of "Yili Ark" to 54 primary schools in Daming County in Hebei, benefiting 24,000 teachers and students.



## (3) Poverty alleviation through social involvement

During the reporting period, the Company connected with Zhuguanlong Village, Shouning County, Ningde City, Fujian Province through conducting field research in collaboration with the Organization Department of Ningde Municipal Committee, the Party Committee Shouning County and the County Government to understand the economic development and the main development direction of Zhuguanlong Village. We donated RMB500,000 in support of Zhuguanlong Village to combine the construction of beautiful village with characteristic industries, so as to develop industries and provide financial assistance for needy students.

During the reporting period, the party committee of the Company organized 10 party branches and signed party building and co-building agreements with 10 village party branches in Tumut Left Banner in Hohhot City, to offer support and conduct co-building by centering on industrial poverty alleviation, technical poverty alleviation and cultural poverty alleviation. During the reporting period, the Company invested approximately RMB500,000 in working with industrial chain suppliers to plan industrial poverty alleviation projects on silage planting and acquisition. We added RMB20 per ton on top of the market price as a poverty alleviation subsidy, and acquired a total of 30,468 tons of silage, which generated approximately RMB10 million for partnered village farmers.

## 3. Effectiveness of targeted poverty alleviation

√ Applicable □ Not applicable

Unit: 0,000Yuan Currency: RMB

Indicator	Amount and Development
I. Overview	
Among which: 1. Capital	1,517.99
2. Supplies converted into cash	2,506.04
II. Investment by category	
1. Poverty alleviation through education	
Among which: 1.1 Number of impoverished students funded (headcount)	450,000
1.2 Investment in improving educational resources in poverty-stricken areas	557.99
2. Poverty alleviation through healthcare	
Among which: 2.1 Investment of medical and healthcare resources in poverty-stricken areas	3,366.04
3. Poverty alleviation through social involvement	
Among which: 3.1 Investment in targeted poverty alleviation	100
III. Awards received (content and rank)	
1. In March 2019, the Company was awarded the “Top 50 Cases of Targeted Poverty Alleviation by Chinese Enterprises (2018)” in the first “Press Conference on Excellent Cases of Targeted Poverty Alleviation by Chinese Enterprises (2018)” jointly organized by the Social Poverty Alleviation Department of the State Council Leading Group Office of Poverty Alleviation and Development.	
2. In April 2019, the Company was honored with the “Social Responsibility Award” in the “2019 (Second) CEIBS Alumni Social Responsibility Selection”.	
3. In August 2019, the Company was honored with the “Excellent Enterprise for Poverty Alleviation through Milk” at the 25th Annual Meeting of China Dairy Industry Association and the 2019 China (International) Dairy Technology Expo.	
4. In September 2019, the Company was honored with the “2019 CSR and Welfare Model “ in the “2019 World Conference on Farm Animal Welfare” jointly organized by the FAO and the CAPIAC.	
5. In September 2019, the Company was awarded the "Excellent Cases of Enterprise Poverty Alleviation" at the Press Conference on the “Blue Book of Poverty Alleviation for Enterprises (2018) ” and the Summit Forum on Targeted Poverty Alleviation by Enterprises organized by the Social Poverty Alleviation Department of the State Council Leading Group Office at Poverty Alleviation and Development.	

## 4. Subsequent plan for targeted poverty alleviation

√ Applicable □ Not applicable

2020 is the final year of our nation’s targeted poverty alleviation. The Company will continue to implement the “Decision of the CPC Central Committee and the State Council on Winning the Tough Battle against Poverty”. In accordance with the requirements



of the two major national strategies of “poverty alleviation” and “rural vitalization”, we will further march into the three key poverty alleviation areas of extreme poverty of the “three regions and three prefectures”, border areas and old revolutionary base areas, where we will implement targeted poverty alleviation proposals including industrial support, education support and healthcare support and engage in poverty alleviation by combining regional characteristics, giving full consideration to the factors leading to poverty and focusing on nutrition improvement in poverty-stricken areas, as well as through multiple ways such as nutrition research, health education and charitable donations, in order to promote the steady poverty alleviation in poverty-stricken areas. We will join hands with different sectors of the community to ensure poverty-stricken areas and underprivileged people can enter an overall moderately affluent society with the whole nation by 2020, laying a solid foundation for the implementation of the strategy of rural vitalization.

(II) Works on social responsibility

Applicable  Not applicable

For details of the Company’s 2019 Sustainability Report, please refer to the website of the Shanghai Stock Exchange (<http://www.sse.com.cn>).

(III) Environment

1. Explanation on environmental protection of the Company and its subsidiaries falling into the category of key pollution discharging units listed by the environmental protection authorities

Applicable  Not applicable

(I) Information on discharge of pollutions

Applicable  Not applicable

The Company attaches great importance to environment protection and strictly implements relevant laws and regulations such as the “Environmental Protection Law of the People’s Republic of China” the “Law on Prevention and Control of Water Pollution of the People’s Republic of China”, the “Law on Prevention and Control of Atmospheric Pollution of the People’s Republic of China” and the “Law on Prevention and Control of Environmental Pollution by Solid Wastes of the People’s Republic of China”. During the reporting period, all the subsidiaries of the Company discharged pollutants pursuant to the pollutant emission standards and total emission limits implemented, with no environmental pollution accidents or penalties imposed by environmental authorities.

Below sets out the environmental information of key pollutant discharging subsidiaries of the Company in the year 2019:

Name of subsidiary	Major pollutant	Method of emission	Emission	Benchmark	Excessive emission	2019 emission (unit: ton)	Total emissions approved (unit: ton)	Number and distribution of emission outlets
			intensity (Unit: water mg/L, fume mg/m <sup>3</sup> )	value				
Inner Mongolia Yili Industrial Group Co., Ltd. Dynamic Environment Protection Branch	COD	Intermittent emission	73.07	≤150	Nil	144.06	547.5	One sewage discharging outlet located within the factory area.
	Ammonia nitrogen	Intermittent emission	5.76	≤25	Nil	11.19	91.25	
Bayannur Yili Dairy Co., Ltd.	COD	Continuous emission	43.07	≤500	Nil	23.45	No total emissions approved	One sewage discharging outlet located within the factory area.
	Ammonia nitrogen	Continuous emission	6.45	≤45	Nil	3.51		
	Total phosphorus	Continuous emission	4.40	≤8	Nil	2.44		
	Total nitrogen	Continuous emission	28.32	≤70	Nil	15.78		
Jinan Yili Dairy Co., Ltd.	COD	Continuous emission	37.50	≤420	Nil	26.8	1,010	One sewage discharging outlet located within the factory area.
	Ammonia nitrogen	Continuous emission	1.94	≤30	Nil	1.23	90	
	Total nitrogen	Continuous emission	21.40	≤70	Nil	14.90	210	
Liaoning Yili Dairy Co., Ltd.	COD	Continuous emission	61.27	≤450	Nil	39.57	409.5	One sewage discharging outlet located within the factory area.
	Ammonia nitrogen	Continuous emission	10.75	≤30	Nil	6.94	27.3	
	Total phosphorus	Continuous emission	1.41	≤5	Nil	0.91	No total emissions approved	
	Total nitrogen	Continuous emission	16.04	≤50	Nil	10.36	No total emissions approved	
Langfang Yili Dairy Products Co., Ltd.	COD	Continuous emission	53.68	≤500	Nil	21.52	48	One sewage discharging outlet located within the factory area.
	Ammonia nitrogen	Continuous emission	3.59	≤25	Nil	1.44	3	
Luanzhou Yili Dairy Co., Ltd. (Workshop I)	COD	Continuous emission	26	≤400	Nil	25.89	27.63	One sewage discharging outlet and two exhaust emission outlets located within the factory area.
	Ammonia nitrogen	Continuous emission	0.32	≤60	Nil	2.31	3.21	
	Sulfur dioxide	Continuous emission	4	≤50	Nil	1.96	2.83	
	Nitrogen oxides	Continuous emission	61	≤80	Nil	4.39	4.53	
	Particulates	Continuous emission	4	≤20	Nil	0.82	1.13	
Luanzhou Yili Dairy Co., Ltd. (Workshop II)	COD	Continuous emission	40	≤400	Nil	31.24	32.14	One sewage discharging outlet and three exhaust emission outlets located within the factory area.
	Ammonia nitrogen	Continuous emission	12.4	≤60	Nil	5.33	6	
	Sulfur dioxide	Continuous emission	4	≤50	Nil	5.02	5.88	
	Nitrogen oxides	Continuous emission	43	≤80	Nil	8.43	9.4	
	Particulates	Continuous emission	1.6	≤20	Nil	2.03	2.35	
Guangdong Yili Dairy Co., Ltd.	COD	Continuous emission	14.39	≤60	Nil	11.58	47.58	One sewage discharging outlet located within the factory area.
	Ammonia nitrogen	Continuous emission	0.22	≤8	Nil	0.17	9.51	
	Total phosphorus	Continuous emission	0.15	≤1	Nil	0.12	No total emissions approved	
	Total nitrogen	Continuous emission	8.73	≤20	Nil	7.09	No total emissions approved	
Hefei Yili Dairy Co., Ltd.	COD	Continuous emission	35.33	≤420	Nil	69.93	1,017.95	One sewage discharging outlet located within the factory area.
	Ammonianitrogen	Continuous emission	3.35	≤28	Nil	7.05	90.38	
	Total phosphorus	Continuous emission	1.45	≤4	Nil	2.91	16.29	
	Total nitrogen	Continuous emission	22.46	≤40	Nil	43.88	159.01	
Jiyuan Yili Dairy Co., Ltd.	COD	Continuous emission	58.26	≤500	Nil	51.69	516.51	One sewage discharging outlet located within the factory area.
	Ammonia nitrogen	Continuous emission	0.88	≤45	Nil	0.78	46.49	
	Total nitrogen	Continuous emission	16.27	≤70	Nil	14.44	72.31	
Ningxia Yili Dairy Co., Ltd.	COD	Continuous emission	51	≤500	Nil	115	148.92	One sewage discharging outlet located within the factory area.
	Ammonia nitrogen	Continuous emission	10	≤45	Nil	22.55	29.2	
Fuxin Yili Dairy Co., Ltd.	COD	Continuous emission	21.08	≤450	Nil	17.01	298	One sewage discharging outlet located within the factory area.
	Ammonia Nitrogen	Continuous emission	1.76	≤30	Nil	1.42	19.9	
	Total phosphorus	Continuous emission	1.48	≤5	Nil	1.92	No total emissions approved	
	Total nitrogen	Continuous emission	21.96	≤50	Nil	18.53	No total emissions approved	



Name of subsidiary	Major pollutant	Method of emission	Emission	Benchmark	Excessive emission	2019	Total emissions approved (unit: ton)	Number and distribution of emission outlets
			intensity	value		emission		
			(Unit: water mg/L, fume mg/m <sup>3</sup> )			(unit: ton)		
Xilinhot Yili Dairy Products Co., Ltd.	COD	Continuous emission	120.5	≤500	Nil	79.09	170.75	One sewage discharging outlet located within the factory area.
	Ammonia nitrogen	Continuous emission	10.22	≤45	Nil	5.50	15.59	
	Total phosphorus	Continuous emission	1.3	≤8	Nil	0.88	No total emissions approved	
	Total nitrogen	Continuous emission	26.11	≤70	Nil	13.58	No total emissions approved	
Zhangbei Yili Dairy Co., Ltd.	COD	Continuous emission	36.89	≤100	Nil	45.04	146	One sewage discharging outlet located within the factory area.
	Ammonia Nitrogen	Continuous emission	2.31	≤15	Nil	3.00	21.9	
	Total phosphorus	Continuous emission	0.37	≤3	Nil	0.66	No total emissions approved	
	Total nitrogen	Continuous emission	7.63	≤50	Nil	8.04	No total emissions approved	
Dingzhou Yili Dairy Co., Ltd.	COD	Continuous emission	18.29	≤50	Nil	23.01	44.46	One sewage discharging outlet located within the factory area.
	Ammonia nitrogen	Continuous emission	0.71	≤8	Nil	0.90	6.13	
	Total nitrogen	Continuous emission	6.77	≤15	Nil	7.3	No total emissions approved	
Lindian Yili Dairy Co., Ltd.	COD	Continuous emission	32.24	≤60	Nil	27.81	50	One sewage discharging outlet located within the factory area.
	Ammonia nitrogen	Continuous emission	5.3	≤8	Nil	4.57	7	
	Total phosphorus	Continuous emission	0.3	≤1	Nil	0.25	No total emissions approved	
	Total nitrogen	Continuous emission	12.4	≤20	Nil	10.70	No total emissions approved	
Inner Mongolia Jinhai Yili Dairy Co., Ltd.	COD	Continuous emission	26.69	≤100	Nil	31.69	65.7	One sewage discharging outlet located within the factory area.
	Ammonia nitrogen	Continuous emission	0.65	≤15	Nil	1.12	11.88	
Inner Mongolia Jinshan Yili Dairy Co., Ltd.	COD	Continuous emission	30.45	≤100	Nil	17.55	114	One sewage discharging outlet located within the factory area.
	Ammonia nitrogen	Continuous emission	0.52	≤15	Nil	0.42	17.1	
Duolun Yili Dairy Co., Ltd.	COD	Continuous emission	48.54	≤100	Nil	5.04	No total emissions approved	One sewage discharging outlet located within the factory area.
	Ammonia nitrogen	Continuous emission	0.29	≤15	Nil	0.117	No total emissions approved	
Tianjin Yili Dairy Products Co., Ltd.	COD	Continuous emission	37.29	≤500	Nil	33.79	675	One sewage discharging outlet located within the factory area.
	Ammonia nitrogen	Continuous emission	0.6	≤35	Nil	2.12	47.25	
	Total phosphorus	Continuous emission	2.88	≤8	Nil	5.94	No total emissions approved	
	Total nitrogen	Continuous emission	27	≤70	Nil	48.94	142.8	
Beijing Dairy Products Factory of Inner Mongolia Yili Industrial Group Co., Ltd.	COD	Continuous emission	68	≤500	Nil	16.96	No total emissions approved	One sewage discharging outlet located within the factory area.
	Ammonia nitrogen	Continuous emission	0.75	≤45	Nil	0.19		
	Total phosphorus	Continuous emission	2.44	≤8	Nil	0.61		
	Total nitrogen	Continuous emission	13.77	≤70	Nil	3.42		
Chengdu Yili Dairy Co., Ltd.	COD	Continuous emission	55	≤500	Nil	66.4	395.45	One sewage discharging outlet located within the factory area.
	Ammonia nitrogen	Continuous emission	17	≤45	Nil	14.9	16.61	
Hubei Huanggang Yili Dairy Co., Ltd.	COD	Continuous emission	43	≤500	Nil	77.38	97.2	One sewage discharging outlet located within the factory area.
	Ammonia nitrogen	Continuous emission	13	≤45	Nil	9.7	9.72	
Zhejiang Yili Dairy Co., Ltd.	COD	Continuous emission	50	≤500	Nil	11	12	One sewage discharging outlet located within the factory area.
	Ammonia nitrogen	Continuous emission	5	≤45	Nil	1.068	1.2	
Duerbote Yili Dairy Co., Ltd.	COD	Continuous emission	53.47	≤150	Nil	28.89	No total emissions approved	One sewage discharging outlet located within the factory area.
	Ammonia nitrogen	Continuous emission	0.56	≤25	Nil	0.30	No total emissions approved	
Heilongjiang Yili Dairy Co., Ltd.	COD	Continuous emission	33.35	≤150	Nil	27.05	No total emissions approved	One sewage discharging outlet located within the factory area.
	Ammonia nitrogen	Continuous emission	0.70	≤25	Nil	0.55	No total emissions approved	
Weifang Yili Dairy Co., Ltd.	COD	Continuous emission	40.6	≤500	Nil	106.02	924.12	One sewage discharging outlet located within the factory area.
	Ammonia nitrogen	Continuous emission	10.4	≤45	Nil	8.69	147.12	

## (2) The construction and operation of pollution prevention facilities

√ Applicable □ Not applicable

The construction of pollution prevention facilities is designed, constructed and put into operation concurrently with main works as required. In accordance with the requirements of the local environmental protection authorities, all branches and subsidiaries have installed online environment monitoring systems, which are connected with the local environmental protection authority to realize

real-time monitoring of enterprises' sewage data by the environmental protection authority.

The Company actively implements sustainable development. In 2019, the Company invested approximately RMB170 million in the transformation of environmental protection equipment. The Company continued to reduce greenhouse gas emissions and make efforts to improve ambient air quality by upgrading coal-fired boilers to natural gas boilers or changing to externally purchased steam; continued to renovate and expand the sewage system by installing systems for phosphorus removal, nitrogen removal and deodorization; and added online monitoring equipment for total nitrogen and phosphorus in wastewater to strengthen monitoring capabilities and improve the treatment capacity of pollution prevention facilities, thereby reducing pollutant emissions. During the reporting period, the Company's environmental protection facilities operated steadily.

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

Applicable  Not applicable

All construction projects of the Company have undergone environmental impact assessments, discharge permit and other administrative approval procedures on environmental protection, pursuant to the national laws and regulations on environmental protection.

(4) Contingency plans for environmental emergencies

Applicable  Not applicable

According to the requirements of relevant laws and regulations such as the "Environmental Protection Law of the People's Republic of China" (《中华人民共和国环境保护法》), the Company has formulated emergency plans for environmental emergencies based on its actual situations in an effort to establish and complete the emergency mechanism for environmental emergencies, improve the ability to respond to emergencies and prevent environmental emergencies and any damage caused. The Company has filed its contingency plans for environmental incidents with the local environmental protection bureau and such filing remains valid as of the disclosure date of this report. The Company stresses on the daily management of pollution prevention and emergency-handling facilities. Each of its branches and subsidiaries regularly organizes emergency drills for environmental emergencies to ensure that incidents can be addressed quickly, orderly and efficiently.

(5) Environmental self-monitoring plan

Applicable  Not applicable

In accordance with the requirements of laws and regulations such as the "Measures for Self-monitoring and Information Disclosure by Enterprises under Key Supervision of the State (Trial)" the Company devised a detailed monitoring plan for various types of pollutants with effective monitoring of different pollutant indicators. Meanwhile, to ensure the accuracy and completeness of its monitoring results, the Company regularly compares its results with those from third-party professional monitoring institutions to ensure standard emissions of each pollutant.

(6) Other disclosable environmental information

Applicable  Not applicable

The Company has formed a green industrial chain development path covering a full life cycle by way of source control, process



control and terminal tracking. The Company continued to carry out greenhouse gas inspection for 10 consecutive years and managed to reduce energy consumption of products per ton, lower the generation of pollutants and reduce greenhouse gas emissions year by year through strengthening energy and environmental protection management, for the purpose of achieving a harmonious and win-win situation in pursuing economic, social and environmental efficiencies.

2. Environmental protection of companies other than key pollutant discharging units

Applicable  Not applicable

The subsidiaries other than those identified as key pollutant discharging units have strictly implemented the laws and regulations on environmental protection, maintained and operated their environmental protection facilities in accordance with the Company's unified requirements on environmental protection management, and managed to deliver standard pollutant emissions. Environmental protection files and systematic documents such as administrative approval on environmental protection, environmental self-monitoring plan, contingency plans for environmental emergencies and discharge permit are complete and effective.

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

Applicable  Not applicable

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

Applicable  Not applicable

(IV) Other Explanations

Applicable  Not applicable

### XVIII. Convertible Bonds of the Company

Applicable  Not applicable



# Section VI Changes in Ordinary Share and Particulars of Shareholders

## I. Changes in Ordinary Share Capital

### (I) Table of changes in ordinary shares

#### 1. Table of changes in ordinary shares

Unit: Share

	Before the change		Increase (+) / Decrease (-) in the change				After the change		
	Number	Percentage (%)	Issuing new share	Bonus shares	Scrp issue	Others	Sub-total	Number	Percentage (%)
I. Shares subject to trading restrictions	44,758,446	0.7364				145,028,750	145,028,750	189,787,196	3.1131
1. Shares held by the state									
2. Shares held by state-owned legal persons									
3. Other domestic shares:	44,733,446	0.7360				143,981,250	143,981,250	188,714,696	3.0955
Including: domestic shares held by non-state-owned legal persons	31,430,946	0.5171						31,430,946	0.5156
shares held by domestic natural persons	13,302,500	0.2189				143,981,250	143,981,250	157,283,750	2.5800
4. Shares held by foreign capital	25,000	0.0004				1,047,500	1,047,500	1,072,500	0.0176
Including: shares held by overseas legal persons									
shares held by overseas natural persons	25,000	0.0004				1,047,500	1,047,500	1,072,500	0.0176
II. Negotiable shares not subject to trading restrictions	6,033,369,162	99.2636	18,997,500			-145,775,000	-126,777,500	5,906,591,662	96.8869
1. RMB ordinary shares	6,033,369,162	99.2636	18,997,500			-145,775,000	-126,777,500	5,906,591,662	96.8869
2. Domestically-listed foreign shares									
3. Overseas-listed foreign shares									
4. Others									
III. Total number of ordinary shares	6,078,127,608	100	18,997,500			-746,250	18,251,250	6,096,378,858	100

#### 2. Description of changes in ordinary shares

√ Applicable □ Not applicable

(1) On 16 January 2019, the Company published the “Announcement of Inner Mongolia Yili Industrial Group Co., Ltd. on the First Phase of Unlocking and Listing of Restricted Shares of 2016 Stock Options and Restricted Stock Incentive Plan”, with 6,425,000 restricted shares unlocked and listed for trading. Prior to the listing of restricted shares, there were 44,758,446 outstanding shares subject to trading restrictions and 6,033,369,162 outstanding shares not subject to trading restrictions; after the listing of restricted shares, there were 38,333,446 outstanding shares subject to trading restrictions and 6,039,794,162 outstanding shares not subject to trading restrictions.

(2) On 26 April 2019, the Company published the “Announcement of Inner Mongolia Yili Industrial Group Co., Ltd. on the Result of First Exercise and Share Listing of the First Phase of 2016 Stock Options and Restricted Stock Incentive Plan”, with 18,528,750 outstanding shares listed upon the exercise. Before the change, the Company’s share capital was 6,078,127,608 shares, and the share capital after the change was 6,096,656,358 shares.

(3) On 31 May 2019, the Company issued the “Announcement of Inner Mongolia Yili Industrial Group Co., Ltd. on the Result of Second Exercise and Share Listing of the First Phase of 2016 Stock Options and Restricted Stock Incentive Plan”, with 468,750 outstanding shares listed upon the exercise. Before the change, the share capital of the Company was 6,096,656,358 shares, and the share capital after the change was 6,097,125,108 shares.

(4) On 26 November 2019, the Company published the “Announcement of Inner Mongolia Yili Industrial Group Co., Ltd. on Results

of Grant of 2019 Restricted Shares”. The number of restricted shares registered was 152,200,000, which were the Company’s ordinary A shares repurchased by the Company from the secondary market. Before the registration of restricted shares, there were 38,333,446 outstanding shares subject to trading restrictions and 6,058,791,662 outstanding shares not subject to trading restrictions; after the registration of restricted shares, there were 190,533,446 outstanding shares subject to trading restrictions and 5,906,591,662 outstanding shares not subject to trading restrictions.

(5) On 26 December 2019, the Company published the “Announcement of Inner Mongolia Yili Industrial Group Co., Ltd. on Repurchase and Cancellation of Certain Restricted Shares of 2016 Stock Options and Restricted Stock Incentive Plan”. The number of restricted shares repurchased and cancelled was 746,250. Before the change, the Company’s share capital was 6,097,125,108 shares, including 190,533,446 outstanding shares subject to trading restrictions and 5,906,591,662 outstanding shares not subject to trading restrictions; after the change, the share capital was 6,096,378,858 shares, including 189,787,196 outstanding shares subject to trading restrictions and 5,906,591,662 outstanding shares not subject to trading restrictions.

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

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

Applicable  Not applicable

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

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

Applicable  Not applicable



## (II) Changes in shares subject to trading restrictions

√ Applicable □ Not applicable

Unit: Share

Name of shareholder	Number of shares subject to trading restrictions at the beginning of the year	Number of shares subject to trading restrictions unlocked for the year	Increase in the number of shares subject to trading restrictions for the year	Number of shares subject to trading restrictions at the end of the year	Reasons for trading restrictions	Date of release from trading restrictions
Incentive targets of restricted shares	13,327,500	6,425,000	152,200,000	158,356,250	Trading restrictions on equity incentives	
Total	13,327,500	6,425,000	152,200,000	158,356,250	/	/

Notes:

## 1. Changes in shares

(1) On 16 January 2019, the Company published the “Announcement of Inner Mongolia Yili Industrial Group Co., Ltd. on the First Phase of Unlocking and Listing of Restricted Shares of 2016 Stock Options and Restricted Stock Incentive Plan”. The number of restricted shares unlocked and listed for trading was 6,425,000, and the date of release from trading restrictions was 22 January 2019. After the unlocking, the number of restricted shares held by the Company’s incentive targets of restricted shares became 6,902,500.

(2) On 26 November 2019, the Company published the “Announcement of Inner Mongolia Yili Industrial Group Co., Ltd. on Results of Grant of 2019 Restricted Shares”. The number of restricted shares registered was 152,200,000. After the registration, the number of restricted shares held by the Company’s incentive targets of restricted shares became 159,102,500.

(3) On 26 December 2019, the Company published the “Announcement of Inner Mongolia Yili Industrial Group Co., Ltd. on Repurchase and Cancellation of Certain Restricted Shares of 2016 Stock Options and Restricted Stock Incentive Plan”. The number of restricted shares repurchased and cancelled was 746,250. After the cancellation, the number of the restricted shares held by the Company’s incentive targets of restricted shares became 158,356,250.

## 2. Date of release from trading restrictions

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

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

(2) On 7 September 2019, the Company published the “Inner Mongolia Yili Industrial Group Co., Ltd. 2019 Restricted Stock Incentive Plan (Revised Draft)”, stating that restricted shares can be released from trading restrictions by phases upon fulfillment of agreed conditions of release from trading restrictions after 12 months from the grant date and such date of release from trading restrictions must be a trading date. The schedule for release from trading restrictions is specified as follows:

Period of release from trading restrictions	Time of release from trading restrictions	Proportion of shares releasable from trading restrictions
First period of release from trading restrictions	Starting on the first trading date after 12 months from the grant date, and ending on the last trading date within 24 months from the grant date	20%
Second period of release from trading restrictions	Starting on the first trading date after 24 months from the grant date, and ending on the last trading date within 36 months from the grant date	20%
Third period of release from trading restrictions	Starting on the first trading date after 36 months from the grant date, and ending on the last trading date within 48 months from the grant date	20%
Fourth period of release from trading restrictions	Starting on the first trading date after 48 months from the grant date, and ending on the last trading date within 60 months from the grant date	20%
Fifth period of release from trading restrictions	Starting on the first trading date after 60 months from the grant date, and ending on the last trading date within 72 months from the grant date	20%

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

## II. Issuance and Listing of Securities

(I) Issuance of securities during the reporting period

Applicable  Not applicable

Unit: Share      Currency: RMB

Types of stock and its derivative securities	Date of issue	Issue price (or interest rate)	Volume of issue	Listing date	Volume authorized for listing and trading	Date of termination of trading
Convertible corporate bonds, convertible bonds attached with warrants, corporate debentures						
Corporate bonds	26 November 2019	3.37%	10,000,000	6 December 2019	10,000,000	27 November 2022

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

Applicable  Not applicable

(II) Changes in the total number of ordinary shares, shareholding structure and the structure of assets and liabilities of the Company

Applicable  Not applicable

For details of changes in the total number of shares and shareholding structure of the Company, please refer to “I. Table of changes in ordinary shares” and “2. Description of changes in ordinary shares” under “I. Changes in Ordinary Shares” in this section. The equity incentive scheme of the Company will have no significant impact on its shareholding structure and the structure of assets and liabilities.

(III) Existing internal employee shares

Applicable  Not applicable

## III. Shareholders and Actual Controllers

(I) Total Number of Shareholders

Total number of ordinary shareholders as at the end of the reporting period (number of accounts)	228,366
Total number of ordinary shareholders as at the end of last month prior to the date of disclosure of the annual report (number of accounts)	266,664

(II) Table of shareholding of top ten shareholders and top ten holders of negotiable shares (or shareholders not subject to trading restrictions) as of the end of the reporting period

Unit: Share

Shareholding of top ten shareholders							
Full name of shareholder	Increase/decrease during the reporting period	Number of shares held at the end of the period	Percentage (%)	Number of shares subject to trading restrictions held	Shares pledged or locked up		Nature of shareholders
					Share status	Number	
Hong Kong Securities Clearing Company Limited	-168,396,726	737,140,650	12.09		Unknown		Other
Hohhot Investment Co., Ltd.	0	538,535,826	8.83		Pledged	249,000,000	Other
Pan Gang	50,660,000	286,746,628	4.70	50,660,000	Pledged	159,447,769	Domestic natural person
China Securities Finance Corporation Limited	0	182,421,501	2.99		Unknown		Other
Sunshine Life Insurance Company Limited – Participating Insurance Product	0	109,108,607	1.79		Unknown		Other
Zhao Chengxia	8,330,000	92,420,140	1.52	8,330,000	Pledged	62,905,037	Domestic natural person
Liu Chunhai	8,330,000	91,638,288	1.50	8,330,000	Pledged	61,345,531	Domestic natural person
Hu Liping	0	79,340,536	1.30		Pledged	57,439,129	Domestic natural person
China Life Insurance Company Limited – Dividend – Individual Dividend – 005L – FH002 Shanghai	30,858,281	72,116,215	1.18		Unknown		Other
Bank of Communications – E Fund 50 Index Securities Investment Fund	7,899,752	60,609,462	0.99		Unknown		Other

Shareholding of top ten shareholders not subject to trading restrictions			
Name of shareholder	Number of negotiable shares not subject to trading restrictions held	Class and number of shares	
		Class	Number
Hong Kong Securities Clearing Company Limited	737,140,650	RMB ordinary shares	737,140,650
Hohhot Investment Co., Ltd.	538,535,826	RMB ordinary shares	538,535,826
Pan Gang	236,086,628	RMB ordinary shares	236,086,628
China Securities Finance Corporation Limited	182,421,501	RMB ordinary shares	182,421,501
Sunshine Life Insurance Company Limited – Participating Insurance Product	109,108,607	RMB ordinary shares	109,108,607
Zhao Chengxia	84,090,140	RMB ordinary shares	84,090,140
Liu Chunhai	83,308,288	RMB ordinary shares	83,308,288
Hu Liping	79,340,536	RMB ordinary shares	79,340,536
China Life Insurance Company Limited – Dividend – Individual Dividend – 005L – FH002 Shanghai	72,116,215	RMB ordinary shares	72,116,215
Bank of Communications – E Fund 50 Index Securities Investment Fund	60,609,462	RMB ordinary shares	60,609,462

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

√Applicable □Not applicable

Unit: Share

No.	Name of shareholders subject to trading restrictions	Number of shares subject to trading restrictions held	Particulars of shares subject to the trading restrictions available for listing and trading		Trading restrictions
			Permissible time for listing and trading	Increase in the number of shares available for listing and trading	
1	Pan Gang	50,660,000			Trading restrictions on equity incentives. For details, please refer to the “Inner Mongolia Yili Industrial Group Co., Ltd. 2019 Restricted Stock Incentive Plan (Revised Draft)” published on the Shanghai Stock Exchange by the Company on 7 September 2019



No.	Name of shareholders subject to trading restrictions	Number of shares subject to trading restrictions held	Particulars of shares subject to the trading restrictions available for listing and trading		Trading restrictions
			Permissible time for listing and trading	Increase in the number of shares available for listing and trading	
2	Shanghai Yunyingtai Investment and Consulting Co., Ltd.	19,008,000			Statutory trading restrictions as stipulated in the “Measures for the Reform and Management of Equity Division of Listed Companies”
3	Hohhot Powdered Sugar Factory – Yili Company Shareholders’ Meeting	12,403,788			Statutory trading restrictions as stipulated in the Measures for the Reform and Management of Equity Division of Listed Companies
4	Liu Chunhai	8,330,000			Trading restrictions on equity incentives. For details, please refer to the “Inner Mongolia Yili Industrial Group Co., Ltd. 2019 Restricted Stock Incentive Plan (Revised Draft)” published on the Shanghai Stock Exchange by the Company on 7 September 2019
5	Zhao Chengxia	8,330,000			Trading restrictions on equity incentives. For details, please refer to the “Inner Mongolia Yili Industrial Group Co., Ltd. 2019 Restricted Stock Incentive Plan (Revised Draft)” published on the Shanghai Stock Exchange by the Company on 7 September 2019
6	Sun Donghong	3,330,000			Trading restrictions on equity incentives. For details, please refer to the “Inner Mongolia Yili Industrial Group Co., Ltd. 2019 Restricted Stock Incentive Plan (Revised Draft)” published on the Shanghai Stock Exchange by the Company on 7 September 2019
7	Han Yutang	2,580,000			Trading restrictions on equity incentives. For details, please refer to the “Inner Mongolia Yili Industrial Group Co., Ltd. 2019 Restricted Stock Incentive Plan (Revised Draft)” published on the Shanghai Stock Exchange by the Company on 7 September 2019
8	Zhang Yujun	1,254,500			Trading restrictions on equity incentives. For details, please refer to the “Inner Mongolia Yili Industrial Group Co., Ltd. Stock Options and Restricted Stock Incentive Plan (Draft)” published on the Shanghai Stock Exchange by the Company on 22 October 2016 and the “Inner Mongolia Yili Industrial Group Co., Ltd. 2019 Restricted Stock Incentive Plan (Revised Draft)” published on the Shanghai Stock Exchange by the Company on 7 September 2019
9	Xu Jun	1,250,000			Trading restrictions on equity incentives. For details, please refer to the “Inner Mongolia Yili Industrial Group Co., Ltd. 2019 Restricted Stock Incentive Plan (Revised Draft)” published on the Shanghai Stock Exchange by the Company on 7 September 2019
10	Zhang Jianqiu	1,000,000			Trading restrictions on equity incentives. For details, please refer to the “Inner Mongolia Yili Industrial Group Co., Ltd. 2019 Restricted Stock Incentive Plan (Revised Draft)” published on the Shanghai Stock Exchange by the Company on 7 September 2019

(III) Strategic investors or ordinary legal persons who became top ten shareholders due to placing of new shares

Applicable Not applicable

#### IV. Controlling Shareholders and Actual Controllers

(I) Controlling shareholders

1. Legal person

Applicable Not applicable

2. Natural person

Applicable Not applicable

3. Special explanation on the absence of controlling shareholders in the Company

Applicable Not applicable

The Company has no controlling shareholder.

4. Index and date of changes in controlling shareholders during the reporting period

Applicable Not applicable

5. Diagram of ownership and control relationship between the Company and its controlling shareholders

Applicable Not applicable

(II) Actual Controllers

1. Legal person

Applicable Not applicable

2. Natural person

Applicable Not applicable

3. Special explanation on the absence of actual controllers in the Company

Applicable Not applicable

The Company has no actual controller.

4. Index and date of changes in actual controllers during the reporting period

Applicable Not applicable

5. Diagram of ownership and control relationship between the Company and its actual controllers

Applicable Not applicable

6. Control over the Company by actual controllers by way of trust or other means of asset management

Applicable Not applicable

(III) Other explanation on controlling shareholders and actual controllers

Applicable Not applicable

#### V. Other Legal Person Shareholders with Shareholding of Over 10%

Applicable Not applicable

#### VI. Explanation on Reduced Shareholding

Applicable Not applicable

## Section VII Information of Preferred Shares

□Applicable √Not applicable



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

## I. Changes in Shareholding and Remuneration

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

√Applicable □Not applicable

Unit: Share

Name	Position (Note)	Gender	Age	Date of commencement of term of office	Date of termination of term of office	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Changes in shareholding during the year	Reason for changes in shareholding	Total remuneration before tax received from the Company during the reporting period ('0000)	Remuneration received from related parties of the Company
Pan Gang	Chairman and President	M	49	21 April 2017	20 April 2020	236,086,628	286,746,628	50,660,000	Equity incentives	1,934.4699	No
Liu Chunhai	Director and Vice President	M	56	21 April 2017	20 April 2020	83,308,288	91,638,288	8,330,000	Equity incentives	876.1985	No
Zhao Chengxia	Director, Vice President and Financial Controller	F	49	11 September 2017	20 April 2020	84,090,140	92,420,140	8,330,000	Equity incentives	877.4505	No
Hu Liping	Director and Vice President	M	49	21 April 2017	20 April 2020	79,340,536	79,340,536	0		652.1912	No
Yan Junrong	Director	F	47	21 April 2017	20 April 2020	111,400	678,400	567,000	Equity incentives	209.7460	No
Zhang Junping	Director	M	57	21 April 2017	20 April 2020	0	0	0		0	Yes
Gao Debu	Independent director	M	64	21 April 2017	20 April 2020	0	0	0		25	No
Gao Hong	Independent director	M	53	21 April 2017	20 April 2020	0	0	0		25	No
Zhang Xinling	Independent director	F	54	21 April 2017	20 April 2020	0	0	0		25	No
Lyu Gang	Independent director	M	50	21 April 2017	20 April 2020	0	0	0		25	No
Xiao Bin	Director	F	53	21 April 2017	20 April 2020	0	0	0		20	No
Wang Xiaogang	Chairman of the Board of Supervisors	M	46	7 September 2017	20 April 2020	720,000	720,000	0		180.4592	No
Li Jianqiang	Supervisor	M	50	21 April 2017	20 April 2020	0	0	0		232.1967	No
Zhan Yiwen	Supervisor	F	52	21 April 2017	20 April 2020	0	0	0		15	No
Peng Heping	Supervisor	M	69	21 April 2017	20 April 2020	0	0	0		15	No
Wang Caiyun	Supervisor	F	40	21 April 2017	20 April 2020	0	0	0		46.8100	No
Qiu Xiangmin	Secretary to the Board	M	44	7 December 2018		0	330,000	330,000	Equity incentives	35.8283	No
Total	/	/	/	/	/	483,656,992	551,873,992	68,217,000	/	5,195.3503	/



Name	Major working experience
Pan Gang	Chairman and President of the Company.
Liu Chunhai	Director and Vice President of the Company.
Zhao Chengxia	Previously served as the director and Vice President of the Company and now the director, Vice President and Financial Controller of the Company.
Hu Liping	Previously served as the director, Vice President and Secretary to the Board of the Company and now the director and Vice President of the Company.
Yan Junrong	Previously served as the Deputy Quality Controller of Ice Cream Department, Director of the President Office and Deputy Head of the President Office and now the director, Assistant to President and Director of the President Office and Head of the Management Promotion Office.
Zhang Junping	Previously served as a member of the Party Working Committee and Deputy Director of the Administrative Committee of the Hohhot Economic and Technological Development Zone and now the director of the Company, Secretary to the Party Committee and Chairman of Inner Mongolia Financial Investment Group Co., Ltd. and Chairman and General Manager of Hohhot Investment Co., Ltd..
Gao Debu	Previously served as the director of the Company and Professor of School of Economics at Renmin University of China and now the independent director of the Company and Professor of School of Economics at Renmin University of China.
Gao Hong	Previously served as the supervisor of the Company, Manager of the Operation Management Department of Beijing Tianheng Real Estate Co., Ltd. and Chief Operating Officer of Beijing Tianhengzhengyu Investment Development Co., Ltd. and now the independent director of the Company and Chief Operating Officer of Beijing Tianhengzhengyu Investment Development Co., Ltd..
Zhang Xinling	Independent director of the Company, Professor and Doctoral Tutor of College of Economics and Management of Inner Mongolia Agricultural University.
Lyu Gang	Previously served as the President of Dalian Haite Ecological Agriculture Co., Ltd. and now the independent director of the Company and General Manager of Dalian Ruichang Financial Leasing Co., Ltd..
Xiao Bin	Director of the Company and Executive Officer of CEIBS Beijing Campus).
Wang Xiaogang	Previously served as the Chairman of the Board of Supervisors, director and General Manager of the Information Engineering Department of the Company and now the Chairman of the Board of Supervisors, Chairman of the Trade Union Committee and General Manager of the Information Technology Center of the Company.
Li Jianqiang	Previously served as the supervisor, Deputy General Manager of the Ice Cream Department, Deputy General Manager of the Quality Control Department, Director of the Supply Division of the Liquid Milk Department, Deputy General Manager of the Raw Milk Department and Deputy General Manager of the Liquid Milk Department of the Company, and now the supervisor and Assistant to President of the Company.
Zhan Yiwen	Supervisor of the Company and lawyer and partner of Beijing Guoyuan Law Firm.
Peng Heping	Previously served as the Assistant to President, Secretary General of the Alumni Association, Secretary General of the Education Fund Committee and researcher of Renmin University of China and now the supervisor of the Company.
Wang Caiyun	Previously served as the supervisor of the Company, the R&D Manager of the Innovation Center and the R&D Manager of advanced process technology of the Dairy Technology Institute and now the supervisor of the Company and the R&D Manager of advanced process technology of the Dairy Technology Institute.
Qiu Xiangmin	Previously served as the Deputy Financial Director of the Raw Milk Department, Deputy Financial Director of the Liquid Milk Department of the Company and Deputy Director of the President Office of the Company and now the Secretary to the Board of the Company.

Explanation of other information

Applicable  Not applicable

## (II) Equity incentives granted to directors and senior management during the reporting period

√ Applicable □ Not applicable

Unit: Share

Name	Position	Number of stock options held at the beginning of the year	Number of stock options newly granted during the reporting period	Exercisable stock options during the reporting period	Stock options exercised during the reporting period	Exercise price of stock options (RMB)	Number of stock options held at the end of the period	Market price at the end of the reporting period (RMB)
Yan Junrong	Director	300,000	0	150,000	150,000	14.47	150,000	30.94
Total	/	300,000	0	150,000	150,000	/	150,000	/

Note: On 21 April 2017, the Company convened the 2016 Annual General Meeting of Stockholders and considered and passed the “Resolution on Election of Directors for the New Session of the Board of the Company”, at which Ms. Yan Junrong was selected as the director of the ninth session of the Board of the Company. Ms. Yan Junrong was an incentive target of the 2016 Stock Options and Restricted Stock Incentive Plan of the Company.

Unit: Share

Name	Position	Number of restricted shares at the beginning of the year	Number of restricted shares newly granted during the reporting period	Grant price of restricted stocks (RMB)	Shares unlocked	Shares subject to lock-up	Number of restricted shares at the end of the period	Market price at the end of the reporting period (RMB)
Pan Gang	Chairman and President	0	50,660,000	15.46	50,660,000	50,660,000	30.94	
Liu Chunhai	Director and Vice President	0	8,330,000	15.46	8,330,000	8,330,000	30.94	
Zhao Chengxia	Director, Vice President and Financial Controller	0	8,330,000	15.46	8,330,000	8,330,000	30.94	
Yan Junrong	Director	100,000	417,000	15.46	50,000	467,000	30.94	
Qiu Xiangmin	Secretary to the Board	0	330,000	15.46	330,000	330,000	30.94	
Total	/	100,000	68,067,000	/	50,000	68,117,000	/	

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

## (I) Positions in shareholder's entity

√ Applicable □ Not applicable

Name of person in office	Name of shareholder's entity	Position in shareholder's entity	Date of commencement of term of office	Date of termination of term of office
Zhang Junping	Hohhot Investment Co., Ltd.	Chairman and General Manager		

## (II) Positions in other entities

√ Applicable □ Not applicable

Name of person in office	Name of other entities	Position in other entities	Date of commencement of term of office	Date of termination of term of office
Gao Debu	School of Economics at Renmin University of China	Professor		
Gao Hong	Beijing Tianhengzhengyu Investment Development Co., Ltd.	Chief Operating Officer		
Zhang Xinling	Inner Mongolia Agricultural University	Professor and Doctoral Tutor		
Lyu Gang	Dalian Ruichang Financial Leasing Co., Ltd.	General Manager		
Zhan Yiwen	Beijing Guoyuan Law Firm	Partner		
Xiao Bin	CEIBS Beijing Campus	Executive Officer		

## III. Remuneration of Directors, Supervisors and Senior Management

Applicable  Not applicable

Decision-making procedures for the remuneration of directors, supervisors and senior management	The remuneration of the directors and supervisors shall be determined after consideration and approval at the General Meeting of Stockholders of the Company. The remuneration standard for the senior management of the Company shall be determined after consideration and approval by the Board of the Company.
Basis for the determination of remuneration of directors, supervisors, and senior management	Based on the principle of “benefit, incentive and fairness”, the remuneration of directors and supervisors is determined in accordance with the “Resolution on the Allowance of Directors of the Board of the Company” and the “Resolution on the Allowance of Supervisors of the Board of Supervisors of the Company” approved at the 2016 Annual General Meeting of Stockholders. The remuneration of the senior management of the Company is implemented in accordance with the relevant provisions of the Company.
Actual remuneration paid to directors, supervisors, and senior management	See the table under “(I) Changes in shareholding of directors, supervisors and senior management in office and resigned during the reporting period and their remuneration” of “I. Changes in Shareholding and Remuneration” of this section.
Total actual remuneration received by all directors, supervisors, and senior management as at the end of the reporting period	Total remuneration received by all directors, supervisors and senior management was RMB51,953,503 as at the end of the reporting period.

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

Applicable  Not applicable

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

Applicable  Not applicable

## VI. Employees of the Parent Company and Major Subsidiaries

### (I) Employees

Number of existing employees of the parent company	27,519
Number of existing employees of major subsidiaries	31,533
Total number of existing employees	59,052
Number of resigned and retired employees whose expenses shall be undertaken by the parent company and major subsidiaries	0

## Specialization composition

Category of specialization	Headcount of specialization
Production personnel	19,467
Sales personnel	17,854
Technician	11,648
Finance personnel	1,752
Administration personnel	8,331
Total	59,052

## Education level

Category of education level	Headcount
Doctoral students	49
Postgraduate	1,146
Undergraduate	19,968
College and vocational secondary school graduate	31,844
Below vocational secondary school	6,045
Total	59,052

## (II) Remuneration policy

Applicable  Not applicable

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

## (III) Training program

Applicable  Not applicable

While exploring and promoting talent development, the Company always adheres to the guiding ideology of "Creating Talents Supply Chain" through continuous implementation and upgrading of the talent strategy and core talent management process of "equal focus on organization development and business development" to constantly improve the dynamic talent management model that is aligned with its business. The Company attaches great importance to the career development of employees by building multi-development paths, continuously upgrading the talent management system, optimizing the internal talents supply chain, and vigorously promoting the cultivation of potential young talents and international talents from a long-term perspective.

## (IV) Labor outsourcing

Applicable  Not applicable

Total working hours of outsourced labors	511,778.61 hours
Total remuneration paid for outsourced labors	RMB12,282,700

## VII. Others

Applicable  Not applicable





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## Section IX Corporate Governance

### I. Information on Corporate Governance

√Applicable □Not applicable

#### (I) Corporate governance of the Company

During the reporting period, the Company strictly complied with the requirements of the Company Law, the Governance Standards for Listed Companies and the relevant national laws and regulations to further improve the establishment of a modern corporate system for the Company and the structure of corporate governance, taking into account the development of the Company. The details are as follows:

##### 1. About the General Meeting of Stockholders

The General Meeting of Stockholders of the Company had clear duties and rules of procedure which had been effectively implemented. The procedures for calling and convening, and proposing at, the General Meeting of Stockholders of the Company are in compliance with the relevant provisions in the Company Law, Articles of Association and the Rules of Procedure for the General Meeting of Stockholders of the Company, to ensure that all shareholders, minority shareholders in particular, could enjoy equal status and enable all shareholders could fully exercise their own rights. There were no material matters bypassing the General Meeting of Stockholders, nor implementation without prior consideration and approval.

##### 2. About the directors and the Board

The Company's Board had clear duties which all directors could perform seriously and responsibly. The procedures for calling and convening the Board meetings are in compliance

with the provisions of the Company Law, Articles of Association, the Rules of Procedure for the Company's Board of Directors and other relevant laws, regulations and systems. The Board of the Company elected directors in strict compliance with the election and appointment procedures prescribed in the Company Law and Articles of Association.

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

In order to meet the needs of corporate development, the Company established four special committees under the Board, namely the Strategy Committee, Nomination Committee, Remuneration and Appraisal Committee and Audit Committee, according to the Governance Standards for Listed Companies, Articles of Association, the Rules of Procedure for the Company's Board of Directors and other relevant regulations, and formulated the Implementation Regulations for the Work of the Company's Special Committees under the Board of Directors. Except for the Strategy Committee, all of the special committees under the Board are chaired by independent directors. Independent directors play an important role in making major decisions and investments of the Company, making the Company's decision-making more efficient, standardized and scientific.



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### 3. About the supervisors and the Board of Supervisors

The Company's Board of Supervisors had clear duties which all supervisors could perform seriously and responsibly. The procedures for calling and convening the meetings of the Board of Supervisors are in compliance with the provisions of the Company Law, Articles of Association, the Rules of Procedure for the Company's Supervisory Committee and other relevant laws, regulations and systems. The Board of Supervisors of the Company elected supervisors in strict compliance with the election and appointment procedures prescribed in the Company Law and Articles of Association.

During their terms of office, all supervisors were diligent and responsible for their work, actively participated in the meetings of the Company's Board of Supervisors and performed their duties in earnest. They conducted supervision on the legality and compliance of the Company's accountants, directors, and senior management in the course of their duties in a responsible manner for shareholders, safeguarding the legal rights and interests of the Company and all shareholders.

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

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

### 5. About information disclosure and transparency

The Company has formulated and strictly implemented the Management System for Information Disclosure of the Company, clearly specifying the person responsible for information disclosure and ensuring that the information disclosed is true, accurate, complete, timely and fair.

The Company appointed the Secretary to the Board to be responsible for the information disclosure and reception of visits and consultations of investors, and designated the newspapers, namely China Securities Journal and Shanghai Securities News, for the information disclosure of the Company. The Company discloses relevant information in a true, accurate, complete and timely manner in strict accordance with the requirements of relevant laws and regulations and ensures that all shareholders have equal opportunities to access the information.



## 6. About stakeholders

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

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

In order to further standardize the inside information management of the Company, enhance the confidentiality of inside information, maintain the principle of fairness in information disclosure and protect the legal rights and interests of public investors, the Company strictly complies with the Registration System for Insiders of Inside Information of the Company, enhances the management for the confidentiality of inside information and improves the registration and filing of insiders of inside information. No insider of inside information was found using inside information in trading of shares of the Company before the disclosure of material and sensitive information affecting the share price of the Company.

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

Applicable Not applicable

## II. Summary of the General Meetings of Stockholders

Meeting session	Date of meeting	Search index on the designated websites publishing the resolutions	Disclosure date for publishing the resolutions
2018 General Meeting of Stockholders	21 March 2019	Website of the Shanghai Stock Exchange ( <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> )	22 March 2019
2019 First Extraordinary General Meeting of Stockholders	27 September 2019	Website of the Shanghai Stock Exchange ( <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> )	28 September 2019

Description of the General Meeting of Stockholders

Applicable Not applicable

## III. Performance of Duties by Directors

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

Name of director	Independent director	Attendance at Board meetings						Attendance at General Meetings of Stockholders	
		Number of Board meetings required to be attended during the year	Attended in person	Attended via communication	Attended by representative	Absence	Failed to attend in person at two meetings in a row	Number of attendance at General Meetings of Stockholders	
Pan Gang	No	44	44	42	0	0	No	2	
Liu Chunhai	No	44	44	42	0	0	No	2	
Zhao Chengxia	No	44	44	42	0	0	No	2	
Hu Liping	No	44	43	42	1	0	No	1	
Yan Junrong	No	44	44	42	0	0	No	2	
Zhang Junping	No	44	42	42	2	0	No	0	
Gao Debu	Yes	44	44	42	0	0	No	2	
Gao Hong	Yes	44	44	42	0	0	No	1	
Zhang Xinling	Yes	44	44	42	0	0	No	2	
Lyu Gang	Yes	44	44	42	0	0	No	2	
Xiao Bin	No	44	43	42	1	0	No	1	

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

Applicable Not applicable

Number of Board meetings held during the year	44
Including: number of meetings held on-site	2
Number of meetings held via communication	42
Number of meetings held on-site with communication	0

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

Applicable Not applicable

(III) Others

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

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

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

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

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

#### VIII. Disclosure of the Self-assessment Report on Internal Control

Applicable Not applicable

For details of the "2019 Assessment Report on Internal Control of the Company", please refer to the website of the Shanghai Stock

Exchange (<http://www.sse.com.cn>).

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

Applicable Not applicable

## IX. Relevant Issues on the Audit Report on Internal Control

Applicable Not applicable

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

For details of the “2019 Audit Report on Internal Control of the Company”, please refer to the website of the Shanghai Stock Exchange (<http://www.sse.com.cn>).

Disclosure of the audit report on internal control: Yes

## X. Others

Applicable Not applicable



# Section X Particulars of Corporate Bonds

## Bonds

Applicable Not applicable

### I. Basic information of Corporate Bonds

Unit: Yuan  Currency: RMB

Name of bonds	Abbreviation	Code	Issue date	Maturity date	Balance of bonds	Rate (%)	Payment method of principal and interest	Trading market
2019 Corporate Bonds (Phase I) publicly issued by Inner Mongolia Yili Industrial Group Co., Ltd.	19 Yili 01	163035	26 November 2019	27 November 2022	1,000,000,000	3.37	Interest is payable annually, One-off payment of principal upon maturity	Shanghai Stock Exchange

Payment of interest and redemption of corporate bonds

Applicable Not applicable

Explanation on other information on corporate bonds

Applicable Not applicable

### II. Contact Information of Corporate Bond Trustee and Credit Rating Agency

Bond trustee	Name	China International Capital Corporation Limited
	Office address	27th and 28th Floors, China World Tower 2, No. 1 Jianguomen Outer Street, Chaoyang District, Beijing
	Contact person	Zhang Lei
	Contact number	010-65051166
Credit rating agency	Name	United Credit Ratings Co., Ltd.
	Office address	12th Floor, PICC Office Tower, No. 2 Jianguomen Outer Street, Chaoyang District, Beijing.

Other explanation:

Applicable Not applicable





## III. Application of Funds Raised from Corporate Bonds

Applicable Not applicable

As of the end of the reporting period, all funds raised from corporate bonds have been fully applied in accordance with the purposes disclosed in the prospectus.

## IV. Information on Credit Rating of Corporate Bonds

Applicable Not applicable

On 18 November 2019, United Credit Ratings Co., Ltd. issued the “Credit Rating Report for Public Issuance of 2019 Corporate Bonds (Phase I) by Inner Mongolia Yili Industrial Group Co., Ltd.”, which granted an AAA rating for corporate credit rating of the issuer with a stable rating outlook. The meaning of this rating is that the ability to repay debts is highly reliable, which is basically not affected by adverse economic environment with extremely low risk of default. The current bonds were rated as AAA by United Credit. The meaning of this rating is that the ability to repay debts is highly reliable, which is basically not affected by adverse economic environment with extremely low risk of default.

## V. Credit Enhancements of Corporate Bonds, Repayment Schedules and Other Relevant Information during the Reporting Period

Applicable Not applicable

The current bonds have a term of three years, with issuer’s option of adjusting the coupon rate and investors’ buy-back option at the end of the first and second years, the repayment schedules are decided based on the market conditions after one year.

## VI. Corporate Bonds Holders’ Meetings

Applicable Not applicable

## VII. Performance of Trustee of Corporate Bonds

Applicable Not applicable

China International Capital Corporation Limited, the trustee of corporate bonds, plans to disclose reports on entrusted management businesses on the Shanghai Stock Exchange before 30 June 2020.

## VIII. Accounting Data and Financial Indicators of the Company for Past Two Years as of the End of the Reporting Period

Applicable Not applicable

Unit: Yuan Currency: RMB

Major indicators	2019	2018	Increase/decrease during the period from last year (%)	Reasons of changes
EBITDA	10,424,488,217.54	9,317,895,072.42	11.88	
Current ratio	0.82	1.28	-35.94	
Quick ratio	0.57	0.99	-42.42	
Gearing ratio (%)	56.54	41.11	37.53	
EBITDA total debt ratio	1.01	4.74	-78.69	
Interest coverage ratio	31.08	58.58	-46.94	
Cash interest coverage ratio	60.61	68.93	-12.07	
EBITDA interest coverage ratio	38.27	70.80	-45.95	
Loan repayment rate (%)	100.00	100.00		
Interest payment rate (%)	100.00	100.00		

(I) Decrease in current ratio, quick ratio and EBITDA total debt ratio and increase in gearing ratio was primarily due to the increase of liabilities resulting from the increase of bonds issued during the current period and short-term borrowings.

(II) Decrease in interest coverage ratio and EBITDA interest coverage ratio was primarily due to the increase of the interest expenses of the current period.

## IX. Interest Payment and Redemption of Other Bonds and Debt Financing Instruments of the Company

√ Applicable □ Not applicable

### 1. Basic information about the medium-term notes

Name of bonds	2019 Phase I Medium-term Notes of Inner Mongolia Yili Industrial Group Co., Ltd.
Abbreviation	19 Yili Industrial MTN001
Code	101900069
Value date	21 January 2019
Redemption date	21 January 2022
Balance of bonds	RMB500 million
Interest rate	3.70%
Payment method of principal and interest	Payment of principal upon maturity and interest to be paid annually
Trading market	Inter-bank bond market

### 2. Issuance and redemption of super & short-term commercial papers

Tranche	Abbreviation of bonds	Code of bonds	Total Amount of Issuance (100 million Yuan)	Term of bonds (days)	Interest rate of issuance	Value date	Payment date	Payment completion
2019 first tranche of super & short-term commercial papers	19 Yili Industrial SCP001	011900138	5	270	3.37%	21 January 2019	18 October 2019	Yes
2019 second tranche of super & short-term commercial papers	19 Yili Industrial SCP002	011900749	25	270	2.99%	27 March 2019	22 December 2019	Yes
2019 third tranche of super & short-term commercial papers	19 Yili Industrial SCP003	011901111	30	143	3.32%	7 May 2019	27 September 2019	Yes
2019 fourth tranche of super & short-term commercial papers	19 Yili Industrial SCP004	011901571	10	270	3.28%	16 July 2019	11 April 2020	Yes
2019 fifth tranche of super & short-term commercial papers	19 Yili Industrial SCP005	011901777	10	270	3.30%	8 August 2019	4 May 2020	No
2019 sixth tranche of super & short-term commercial papers	19 Yili Industrial SCP006	011902975	10	210	3.35%	16 December 2019	13 July 2020	No

Note: The redemption of the Company's 2019 fourth tranche of super & short-term commercial papers was completed on 13 April 2020. For details, please refer to the "Announcement on Completion of Redemption of 2019 Fourth Tranche of Super & Short-term Commercial Papers of Inner Mongolia Yili Industrial Group Co., Ltd. (Announcement No.: Lin 2020-026) disclosed on the website of the Shanghai Stock Exchange (www.sse.com.cn) on 14 April 2020.

## X. Banking Facilities of the Company during the Reporting Period

Applicable Not applicable

As of the end of the reporting period, the Company had unused facilities from principal banks of RMB33.827 billion.

## XI. Execution of Agreements or Commitments as Provided in the Prospectus in Connection with the Issuance of Corporate Bonds by the Company During the Reporting Period

Applicable Not applicable

## XII. Material Events Occurred in the Company and Impacts thereof on the Operations and Solvency of the Company

Applicable Not applicable

# Section XI Financial Report

## Auditor's Report

D.H.S.Z. [2020]001121

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

### I. Audit Opinion

We have audited the financial statements of Inner Mongolia Yili Industrial Group Co., Ltd. (Here after as “the Group” or “Yili”) which comprise the consolidated and parent company balance sheets as at 31 December 2019, the consolidated and parent company income statements, the consolidated and parent company cash flow statements and the consolidated and parent company statements of changes in equity for the year then ended, and notes to the relevant financial statements.

In our opinion, the accompanying financial statements present in all material respects in accordance with the requirements of Accounting Standards for Business Enterprises and fairly reflect the Group’s consolidated and parent financial situation as at 31 December 2019 and the financial performance and cash flow for the year then ended.

### II. Basis of Audit Opinion

We conducted our audit in accordance with China Standards on Auditing (“CSAs”). In VI. Certified Public Accountant’s Responsibilities for the Audit of Financial Statements of the report, our responsibilities under these standards are described. Those standards require that we comply with CICPA professional ethical requirements, that we are independent from the Group and have fulfilled all other ethical obligations. We believe that we have obtained sufficient and appropriate audit evidence as basis of our audit opinion.

### III. Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significant in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following matters as the key audit matters needed to be communicated in our auditor’s report.

1. Revenue recognition
2. Share-based payment in 2019

#### (I) Revenue recognition

##### 1. Description

Please refer to Revenue in Significant Accounting Policies and Accounting Estimates and Operating Revenue and Operating Cost in Notes to the Consolidated Financial Statements of the financial statements. In 2019, the Group main operating revenue is RMB 89,509,018,156.11, and increased by 13.70%. Revenue is one of the key indicators of the Group and is a significant component of the consolidated income statement, having significant influence on financial statements. Therefore, we considered revenue recognition as the key audit matters.

##### 2. Audit Response

Significant audit procedures that we performed in auditing revenue include:

- (1) Understood and evaluated the key internal control and the operating effectiveness of processes related to revenue recognition designed by management.
- (2) Performed substantive analysis procedures, including comparing the main operating revenue of the current period with that of the last period; analyzed the revenue and gross margin of the current period and the last period on the basis of monthly data; compared the revenue and gross margin of the main products of the current period with that of the last period.
- (3) Performed the test of details of revenue, selecting samples to check the supporting documents of revenue recognition, including

transaction schedules, sales orders, delivery orders, customer receiving records and other documents.

(4) Conducted the cut-off test of revenue, selecting samples of recorded income transactions around balance sheet date to evaluate whether the revenue is recorded in the appropriate accounting period.

(5) Selected samples to execute the confirmation procedure, confirming the sales amount and balance of payment for goods with the customers, and checking the regular reconciliation between the Group and the customers.

(6) To verify the authenticity of the revenue, checked whether the recognized revenue in the current period has a significant sales return after the period.

Based upon our audit procedures, we confirm that the Group's revenue recognition conforms with the Accounting Standards for Business Enterprises.

## (II) Share-based payment in 2019

### 1. Description

Please refer to Share-based payment in Significant accounting policies and accounting estimates and Share-based payment in Notes to Financial Statements. According to the approval and authorization of the first extraordinary general meeting of 2019 held on 27 September 2019 by the Group, the Group actually granted 152,200,000 restricted shares to 473 incentive objects at a price of RMB 15.46 per share. The source of the restricted shares granted by the above restricted shares incentive plan is the A-shares (common shares) repurchased by the Group from the secondary market. Due to the large amount of share-based payment involved in this period, we considered the recognition of share-based payment as a key audit matter.

### 2. Audit Response

Significant audit procedures that we performed in auditing share-based payment in 2019 include:

(1) Checked the documents of the board of directors, board of supervisors and shareholders' general meeting related to the restricted shares incentive plan in 2019, as well as the independent opinions expressed by the independent directors and the law firm's legal opinions on this incentive plan and other related materials.

(2) Checked the authenticity of share repurchases and its accuracy of accounting treatment.

(3) Checked the authenticity of the granted restricted stock and the accuracy of the accounting treatment on the grant date.

(4) Checked whether the accounting treatment related to amortization of share-based payment during the waiting period is accurate or not.

(5) Checked the capital verification reports related to the share-based payment in 2019.

(6) Checked the cancellation of ungranted shares after share repurchase.

(7) Checked whether the disclosure and presentation related to share-based payment is correct or not.

Based upon our audit procedures, we confirmed that the Group's accounting treatment related to share-based payment conforms with the Accounting Standards for Business Enterprises

## IV. Other Information

The Group's Management is responsible for other information, which includes the information covered in the 2019 annual report, but excludes the financial statements and our auditor's report.

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

In combination with our audit of the financial statements, our responsibility is to read the other information and, in doing so, to consider whether the other information is materially inconsistent with the financial statements or the information we obtained in the auditing process appears to be materially misstated.

Based on the work we have performed, if we determine that there is a material misstatement of other information, we are required to report that fact. We have nothing to report in this regard.

## V. Responsibility of Group's Management and Governance for the Financial Statements

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

In preparing these financial statements, The Group's Management is responsible for assessing the Group's ability to continue as a

going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group, or to cease operations, or has no realistic alternative but to do so.

Group governance is responsible for supervising the Group's financial reporting process.

#### VI. Certified Public Accountant's Responsibility for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs 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 financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional skepticism throughout the audit, as well as performing following procedures:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosure made by management.
4. Conclude on the appropriateness of management's use of the going-concern basis of accounting. Meanwhile, based on the audit evidence obtained, conclude on whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such 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.
5. Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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 those charged with governance 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 those charged with governance, we determine those matters that were of most significance in the audit of the 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 matters 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.

Da Hua Certified Public Accountants  
(Special General Partnership)

China CPA: Wu Shaohua (吴少华)  
(Engagement Partner)

China CPA: Zhou Jinru (周金茹)

Beijing China

27 April 2020

## Consolidated Balance Sheet

As at 31 December 2019

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

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

Assets	Notes VI	31 December 2019	31 December 2018
Current assets:			
Cash and cash equivalents	Note 1	11,325,320,836.33	11,051,003,654.02
Financial assets measured at VSOE and of which the variation is booked in current period P&L			498,843.46
Financial assets held for trading	Note 2	389,993,987.17	
Derivative financial assets			
Notes receivable	Note 3	221,720,000.00	181,100,000.00
Accounts receivable	Note 4	1,615,510,453.56	1,101,026,608.06
Accounts receivable financing			
Prepayments	Note 5	1,157,175,226.98	1,459,600,976.55
Other receivables	Note 6	194,759,131.74	154,559,158.76
Inventories	Note 7	7,715,031,334.22	5,507,073,963.85
Held-for-sale assets			
Non-current assets due within one year	Note 8	303,240,656.65	
Other current assets	Note 9	2,783,098,811.83	5,000,433,575.10
<b>Total current assets</b>		<b>25,705,850,438.48</b>	<b>24,455,296,779.80</b>
Non-current assets:			
Available-for-sale financial assets			831,010,989.62
Held-to-maturity investments			
Debt investments			
Other debt investments			
Long-term receivable			
Long-term equity investments	Note 10	1,960,904,891.42	1,909,387,113.45
Investments in other equity instruments	Note 11	1,147,896,142.44	
Other non-current financial assets	Note 12	142,167,713.34	
Real estate investment	Note 13	533,295,854.46	
Fixed assets	Note 14	18,296,214,255.28	14,687,762,476.26
Construction in progress	Note 15	6,165,050,218.38	2,686,705,865.46
Biological assets			
Oil and gas assets			
Intangible assets	Note 16	1,408,682,162.74	639,268,640.97
Development expenditure			
Goodwill	Note 17	527,543,825.21	10,678,610.25
Long-term deferred expenses	Note 18	678,728,012.92	58,537,612.15
Deferred tax assets	Note 19	743,974,453.27	609,084,232.41
Other non-current assets	Note 20	3,150,959,048.48	1,718,472,140.06
<b>Total non-current assets</b>		<b>34,755,416,577.94</b>	<b>23,150,907,680.63</b>
<b>Total assets</b>		<b>60,461,267,016.42</b>	<b>47,606,204,460.43</b>

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

Legal Representative: Pan Gang

Chief Financial Officer: Zhao Chengxia

Financial Manager: Wang Aiying

## Consolidated Balance Sheet(Continue)

As at 31 December 2019

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

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

Liabilities and Equity	Notes VI	31 December 2019	31 December 2018
Current liabilities:			
Short-term borrowings	Note 21	4,559,631,340.89	1,523,000,000.00
Financial liabilities measured at VSOE and of which the variation is booked in current period P&L			
Financial liabilities held for trading	Note 22	37,079,015.63	
Derivative financial liabilities			
Notes payable	Note 23	300,097,580.53	276,249,155.54
Accounts payable	Note 24	10,501,125,559.06	8,839,462,231.78
Receipts in advance	Note 25	6,020,058,284.82	4,400,761,321.98
Contract liabilities			
Payroll payable	Note 26	2,420,354,605.79	2,513,392,737.25
Taxes payable	Note 27	396,691,576.79	353,379,593.66
Other payables	Note 28	3,821,658,464.62	1,221,000,408.98
Held-for-sale liabilities			
Non-current liabilities due within one year	Note 29	306,192,224.58	33,128,853.96
Other current liabilities	Note 30	3,069,386,047.58	10,405,666.01
Total current liabilities		31,432,274,700.29	19,170,779,969.16
Non-current liabilities:			
Long-term borrowings	Note 31	471,124,135.41	289,000.00
Bonds payable	Note 32	1,500,000,000.00	
Including: Preferred Shares Perpetual Bonds			
Long-term payables	Note 33	164,015,105.94	133,664,814.17
Long-term employee benefits payable			
Provisions			
Deferred income	Note 34	114,577,567.48	158,330,316.61
Deferred tax liabilities	Note 19	505,136,715.80	105,918,440.05
Other non-current liabilities			
Total non-current liabilities		2,754,853,524.63	398,202,570.83
Total liabilities		34,187,128,224.92	19,568,982,539.99
Equity:			
Share capital	Note 35	6,096,378,858.00	6,078,127,608.00
Other equity instruments			
Including: Preferred Shares Perpetual Bonds			
Capital reserve	Note 36	844,438,895.39	2,841,336,959.07
Less: Treasury shares	Note 37	3,327,740,903.12	97,462,825.00
Other comprehensive income	Note 38	984,142,651.34	375,236,186.82
Specialised reserve			
Surplus reserve	Note 39	3,206,966,880.76	3,045,728,468.89
Retained earnings	Note 40	18,326,838,635.10	15,672,617,442.10
Equity attributable to parent company		26,131,025,017.47	27,915,583,839.88
Minority interests		143,113,774.03	121,638,080.56
Total shareholders' equity		26,274,138,791.50	28,037,221,920.44
Total liabilities and shareholders' equity		60,461,267,016.42	47,606,204,460.43

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

Legal Representative: Pan Gang

Chief Financial Officer: Zhao Chengxia

Financial Manager: Wang Aiying



## Consolidated Income Statement

For the year ended 31 December 2019

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

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

Items	Notes VI	2019	2018
I. Total revenue		90,223,075,471.27	79,553,277,524.49
Operating revenue	Note 41	90,009,132,852.26	78,976,388,687.29
Interest income	Note 42	213,942,619.01	576,888,837.20
Less: Operating costs	Note 41	56,391,712,740.25	49,106,034,372.73
Interest expenses			
Taxes and surcharges	Note 43	576,987,745.45	530,952,383.82
Selling expenses	Note 44	21,069,657,465.10	19,772,683,750.68
Administrative expenses	Note 45	4,284,927,666.71	2,979,735,487.22
Research and development expenses	Note 46	495,170,756.89	426,873,117.32
Financial expenses	Note 47	8,002,122.74	-60,271,167.99
Including: Interest expenses		272,425,922.01	131,602,571.41
Interest income		349,438,584.66	199,095,685.13
Add: Other income	Note 48	587,791,450.91	746,562,694.87
Investment income	Note 49	544,865,656.23	260,913,183.17
Including: Investment income from associates and joint ventures		213,681,494.32	144,202,016.70
Investment income from derecognition of financial assets at amortised cost			
Gains or losses from net exposure hedging			
Gains or losses from fair-value changes	Note 50	78,163,067.12	230,980.46
Credit impairment losses	Note 51	-60,553,096.10	
Assets impairment losses	Note 52	-241,442,275.91	-75,655,773.01
Gains or losses on disposal of assets	Note 53	-25,124,790.06	-38,491,702.03
II. Operating profit		8,280,316,986.32	7,690,828,964.17
Add: Non-operating income	Note 54	29,837,557.40	34,818,932.66
Less: Non-operating expenses	Note 55	116,049,405.51	148,015,518.65
III. Profit before tax		8,194,105,138.21	7,577,632,378.18
Less: Income tax expenses	Note 56	1,243,378,983.09	1,125,636,269.91
VI. Net profit		6,950,726,155.12	6,451,996,108.27
Including: Net profit realized by the combined party in a business combination under the same control before merging			
1. Classified by going concern			
Net profit from continuing operations		6,950,726,155.12	6,451,996,108.27
Net profit from discontinued operations			
2. Classified by ownership			
Net profit attributable to shareholders of parent company		6,933,763,430.47	6,439,749,610.82
Minority interests		16,962,724.65	12,246,497.45
V. Other comprehensive income after tax		263,185,815.74	446,629,504.63
Other comprehensive income after tax attributable to shareholders of parent company		262,253,261.23	446,629,504.63
1. Items that may not be reclassified subsequently to profit or loss		18,166,384.81	
(1) Changes in remeasurement of defined benefit plans			
(2) Other comprehensive income that cannot be converted into profit or loss under the equity method			
(3) Changes in fair value of investments in other equity instruments		18,166,384.81	
(4) Changes in fair value of the Company's own credit risk			
2. Items that may be reclassified subsequently to profit or loss		244,086,876.42	446,629,504.63
(1) Other comprehensive income that can be converted into profit or loss under the equity method			
(2) Changes in fair value of other debt investments			
(3) Gain & loss due to VSOE changes of available-for-sale financial assets			157,311,580.46
(4) Gains or losses from reclassification of held-to-maturity investments to available-for-sale financial assets			
(5) Amount of financial assets reclassified into other comprehensive income			
(6) Provisions for credit impairment of other debt investments			
(7) Cash flow hedges		55,449,740.12	498,843.49
(8) Exchange differences on translation of foreign currency financial statements		188,637,136.30	288,819,080.68
(9) Investment income of package disposal subsidiary before the loss of control			
(10) Other assets transferred to Investment Real Estate of fair value model			
(11) Others			
Other comprehensive income attributable to minorities after tax		932,554.51	
VI. Total comprehensive income		7,213,911,970.86	6,898,625,612.90
Total comprehensive income attributable to shareholders of parent company		7,196,016,691.70	6,886,379,115.45
Total comprehensive income attributable to minorities		17,895,279.16	12,246,497.45
VII. Earnings per share:			
1. Basic earnings per share		1.15	1.06
2. Diluted earnings per share		1.15	1.06

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

Legal Representative: Pan Gang

Chief Financial Officer: Zhao Chengxia

Financial Manager: Wang Aiyang

## Consolidated Cash Flow Statement

For the year ended 31 December 2019

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

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

Items	Notes VI	2019	2018
<b>I. Cash flows from operating activities</b>			
Cash received from sale of goods and provision of services		101,461,733,317.21	89,269,789,975.27
Cash received from interest income, charges and commissions		21,609,380.00	565,817,378.40
Cash from tax return			1,123,140.80
Other cash received relevant to operating activities	Note 57	1,665,098,107.37	1,632,687,993.87
Sub-total of operating cash inflows		103,148,440,804.58	91,469,418,488.34
Cash paid for goods and services		79,679,806,748.35	70,245,753,476.89
Net increase in loans and advances to customers			
Net increase in balance with the central bank and due from banks and other financial institutions			-731,619,758.55
Cash paid for interest expense, charges and commissions			
Cash paid to and for employees		9,109,057,329.20	7,208,172,775.39
Cash paid for taxes		4,411,320,305.74	4,668,349,033.86
Other cash paid related to operating activities	Note 57	1,492,776,138.86	1,453,991,160.95
Sub-total of operating cash outflows		94,692,960,522.15	82,844,646,688.54
Net cash flows from operating activities		8,455,480,282.43	8,624,771,799.80
<b>II. Cash flows from investing activities</b>			
Cash received from disposal of investments		846,917,213.89	1,448,575,837.42
Cash received from returns on investments		209,199,931.77	116,056,383.93
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		34,239,748.19	47,168,526.23
Net cash received from disposal of subsidiaries and other business entities		2,000,000.00	
Other cash received related to investing activities	Note 57		516,218.89
Sub-total of investing cash inflows		1,092,356,893.85	1,612,316,966.47
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		9,242,858,743.28	5,090,600,464.62
Cash paid for acquisition of investments		152,853,521.31	1,625,000,000.00
Net cash paid for the acquisition of subsidiaries and other business entities		1,616,983,173.08	
Other cash paid related to investing activities	Note 57	79,000,989.89	270,700,593.29
Sub-total of investing cash outflows		11,091,696,427.56	6,986,301,057.91
Net cash flows from investing activities		-9,999,339,533.71	-5,373,984,091.44
<b>III. Cash flows from financing activities</b>			
Cash received from capital contributions		274,893,825.00	18,000,000.00
Including: Cash received from minority shareholders' capital contributions to subsidiaries			18,000,000.00
Cash received from borrowings		16,569,725,526.64	4,983,000,000.00
Other cash received relating to financing activities	Note 57	2,353,012,000.00	
Sub-total of financing cash inflows		19,197,631,351.64	5,001,000,000.00
Cash repayments of borrowings		9,936,968,482.24	11,320,000,000.00
Cash paid for dividends, profits distribution or interest		4,405,671,337.39	4,392,602,765.29
Including: Subsidiaries' cash payments for distribution of dividends or profits to minority shareholders		13,708,044.67	19,208,903.09
Other cash paid related to financing activities	Note 57	5,871,460,724.50	37,382,061.11
Sub-total of financing cash outflows		20,214,100,544.13	15,749,984,826.40
Net cash flows from financing activities		-1,016,469,192.49	-10,748,984,826.40
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>			
		62,112,193.43	307,147,818.96
<b>V. Net increase in cash and cash equivalents</b>			
		-2,498,216,250.34	-7,191,049,299.08
Add: Beginning balance of cash and cash equivalents		13,564,930,612.93	20,755,979,912.01
<b>VI. Ending balance of cash and cash equivalents</b>			
		11,066,714,362.59	13,564,930,612.93

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

Legal Representative: Pan Gang

Chief Financial Officer: Zhao Chengxia

Financial Manager: Wang Aiyang

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

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

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

Items	2019							Total shareholders' equity	
	Share capital	Other equity instruments	Capital reserve	Less: Treasury shares	Other comprehensive income	Specialised reserve	Surplus reserve		Retained earnings
I. Ending balance of the prior year	6,078,127,608.00		2,841,336,959.07	97,462,825.00	375,236,186.82	3,045,728,468.89	15,672,617,442.10	121,638,080.56	28,037,221,920.44
Add: Changes in accounting policies					346,653,203.29		135,281,250.00		481,934,453.29
Corrections of prior period errors									
Business combinations involving enterprises under common control									
Others									
II. Beginning balance of the current year	6,078,127,608.00		2,841,336,959.07	97,462,825.00	721,889,390.11	3,045,728,468.89	15,807,898,692.10	121,638,080.56	28,519,156,373.73
III. Change for the current year	18,251,250.00		-1,996,898,063.68	3,230,278,078.12	262,253,261.23	161,238,411.87	2,518,939,943.00	21,475,693.47	-2,245,017,582.23
1. Total comprehensive income					262,253,261.23	6,933,763,430.47		17,895,279.16	7,213,911,970.86
2. Shareholders' contributions and reduction in capital	18,251,250.00		-1,992,538,929.05	3,230,278,078.12	-	1,104,250.00		8,984,679.90	-5,194,476,827.27
(1) Common stock contributed by shareholders	18,997,500.00		255,896,325.00						274,893,825.00
(2) Capital contributed by other equity instruments holders									
(3) Share-based payment recognized in shareholders' equity									
(4) Others	-746,250.00		-2,248,435,254.05	-2,563,058,719.74		1,104,250.00			314,981,465.69
3. Profit distribution				5,793,336,797.86				8,984,679.90	-5,784,352,117.96
(1) Transfer to surplus reserve									
(2) Distribution to shareholders									
(3) Others									
4. Transfers within shareholders' equity									
(1) Capital reserve transferred to share capital									
(2) Surplus reserve transferred to share capital									
(3) Loss offset by surplus reserve									
(4) Changes in remeasurement of defined benefit plans transferred to retained earnings									
(5) Other comprehensive income transferred to retained earnings									
(6) Others									
5. Specific reserve									
(1) Appropriated during the current year									
(2) Used during the current year									
Others			-4,359,134.63						-4,359,134.63
IV. Ending balance of the current year	6,096,378,858.00		844,438,895.39	3,327,740,903.12	984,142,651.34	3,206,966,880.76	18,326,838,635.10	143,113,774.03	26,274,138,791.50

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

Legal Representative: Pan Gang

Chief Financial Officer: Zhao Chengxia

Financial Manager: Wang Aiying

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

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

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

Items	2018						Minority interests	Total shareholders' equity	
	Share capital	Other equity instruments	Capital reserve	Less: Treasury shares	Other comprehensive income	Specialised reserve			Retained earnings
I. Ending balance of the prior year	6,078,492,608.00		2,765,534,558.98	201,690,525.00	-71,393,317.81	2,422,653,944.48	14,109,791,931.29	136,428,305.28	25,239,817,505.22
Add: Changes in accounting policies									
Corrections of prior period errors									
Business combinations involving enterprises under common control									
Others									
II. Beginning balance of the current year	6,078,492,608.00		2,765,534,558.98	201,690,525.00	-71,393,317.81	2,422,653,944.48	14,109,791,931.29	136,428,305.28	25,239,817,505.22
III. Change for the current year	-365,000.00		75,802,400.09	-104,227,700.00	446,629,504.63	623,074,524.41	1,562,825,510.81	-14,790,224.72	2,797,404,415.22
1. Total comprehensive income					446,629,504.63		6,439,749,610.82	12,246,497.45	6,898,625,612.90
2. Shareholders' contributions and reduction in capital							1,095,250.00		
(1) Common stock contributed by shareholders									18,000,000.00
(2) Capital contributed by other equity instruments holders									
(3) Share-based payment recognized in shareholders' equity									
(4) Others									
3. Profit distribution									
(1) Transfer to surplus reserve									
(2) Distribution to shareholders									
(3) Others									
4. Transfers within shareholders' equity									
(1) Capital reserve transferred to share capital									
(2) Surplus reserve transferred to share capital									
(3) Loss offset by surplus reserve									
(4) Changes in remeasurement of defined benefit plans transferred to retained earnings									
(5) Other comprehensive income transferred to retained earnings									
(6) Others									
5. Specific reserve									
(1) Appropriated during the current year									
(2) Used during the current year									
(3) Others									
IV. Ending balance of the current year	6,078,127,608.00		2,841,336,959.07	97,462,825.00	375,236,186.82	-	15,672,617,442.10	121,638,080.56	28,037,221,920.44

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

Legal Representative: Pan Gang

Chief Financial Officer: Zhao Chengxia

Financial Manager: Wang Aiying

## Parent Company Balance Sheet

As at 31 December 2019

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

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

Assets	Notes XVI	31 December 2019	31 December 2018
Current assets:			
Cash and cash equivalents		6,368,374,639.17	3,005,604,575.71
Financial assets measured at VSOE and of which the variation is booked in current period P&L			
Financial assets held for trading			
Derivative financial assets			
Notes receivable		221,720,000.00	181,100,000.00
Accounts receivable	Note 1	1,299,989,151.36	1,057,879,215.00
Accounts receivable financing			
Prepayments		2,914,182,393.02	2,009,243,973.00
Other receivables	Note 2	116,840,212.41	130,405,933.16
Inventories		2,174,222,784.80	2,107,611,240.72
Held-for-sale assets			
Current portion of non-current assets			
Other current assets		1,415,618,996.18	1,223,996,434.54
<b>Total current assets</b>		<b>14,510,948,176.94</b>	<b>9,715,841,372.13</b>
Non-current assets:			
Available-for-sale financial assets			304,987,454.75
Held-to-maturity investments			
Debt investments			
Other debt investments			
Long-term receivable			
Long-term equity investments	Note 3	29,407,073,916.49	25,192,607,533.12
Investments in other equity instruments		441,883,848.50	
Non-current assets due within one year		82,167,713.34	
Real estate investment		533,295,854.46	
Fixed assets		1,435,331,912.33	1,220,725,426.30
Construction in progress		2,362,935,766.03	1,393,487,894.90
Bearer biological assets			
Oil and gas assets			
Intangible assets		403,122,625.05	229,218,015.63
Development expenditure			
Goodwill			
Long-term deferred expenses		632,171,525.75	1,280,240.97
Deferred tax assets		202,705,433.57	206,562,611.47
Other non-current assets		263,715,174.73	29,072,137.23
<b>Total non-current assets</b>		<b>35,764,403,770.25</b>	<b>28,577,941,314.37</b>
<b>Total assets</b>		<b>50,275,351,947.19</b>	<b>38,293,782,686.50</b>

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

Legal Representative: Pan Gang

Chief Financial Officer: Zhao Chengxia

Financial Manager: Wang Aiying

## Parent Company Balance Sheet (Continue)

As at 31 December 2019

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

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

Liabilities and Equity	Notes XVI	31 December 2019	31 December 2018
Current liabilities:			
Short-term borrowings		3,040,242,029.16	1,300,000,000.00
Financial liabilities measured at VSOE and of which the variation is booked in current period P&L			
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable		3,250,097,580.53	296,258,814.50
Accounts payable		9,812,201,086.65	9,091,376,023.58
Receipts in advance		5,984,891,921.33	4,391,078,079.33
Contract liabilities			
Payroll payable		1,843,744,723.97	2,036,345,412.01
Taxes payable		191,381,775.68	143,430,926.11
Other payables		3,474,878,424.72	1,092,708,113.60
Held-for-sale liabilities			
Non-current liabilities due within one year		24,316,074.20	4,784,061.67
Other current liabilities		3,029,773,770.49	
Total current liabilities		30,651,527,386.73	18,355,981,430.80
Non-current liabilities:			
Long-term borrowings		289,000.00	289,000.00
Bonds payable		1,500,000,000.00	
Including: Preferred Shares			
Perpetual Bonds			
Long-term payables		17,554,214.80	
Long-term employee benefits payable			
Provisions			
Deferred income		18,946,180.91	63,270,629.93
Deferred tax liabilities		27,209,014.81	
Other non-current liabilities			
Total non-current liabilities		1,563,998,410.52	63,559,629.93
Total liabilities		32,215,525,797.25	18,419,541,060.73
Equity:			
Share capital		6,096,378,858.00	6,078,127,608.00
Other equity instruments			
Including: Preferred Shares			
Perpetual Bonds			
Capital reserve		741,086,534.42	2,737,984,598.10
Less: Treasury shares		3,327,740,903.12	97,462,825.00
Other comprehensive income		154,190,747.14	
Specialised reserve			
Surplus reserve		3,206,966,880.76	3,045,728,468.89
Retained earnings		11,188,944,032.74	8,109,863,775.78
Total shareholders' equity		18,059,826,149.94	19,874,241,625.77
Total liabilities and shareholders' equity		50,275,351,947.19	38,293,782,686.50

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

Legal Representative: Pan Gang

Chief Financial Officer: Zhao Chengxia

Financial Manager: Wang Aiying

## Parent Company Income Statement

For the year ended 31 December 2019

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

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

Items	Notes XVI	2019	2018
I. Total revenue	Note 4	88,927,685,460.68	80,389,142,444.00
Less: Operating costs	Note 4	64,997,096,946.14	59,113,724,122.52
Taxes and surcharges		337,605,258.59	297,663,615.88
Selling expenses		18,066,447,704.20	16,873,210,531.22
Administrative expenses		1,901,705,973.64	1,112,970,372.73
Research and development expenses		495,357,351.54	412,286,853.71
Financial expenses		78,365,812.27	54,680,308.07
Including: Interest expenses		200,294,624.83	103,077,474.34
Interest income		134,056,846.91	52,469,803.55
Add: Other income		317,081,892.80	485,262,123.03
Investment income	Note 5	4,661,225,626.67	3,698,103,854.23
Including: Investment income from associates and joint ventures		213,892,916.29	144,191,435.71
Investment income from derecognition of financial assets at amortised cost			
Gains or losses from net exposure hedging			
Gains or losses from fair-value changes		567,713.34	
Credit impairment losses		-34,512,846.55	
Assets impairment losses		-19,837,634.21	-47,273,011.11
Gains or losses on disposal of assets		1,878,973.72	-1,523,637.77
II. Operating profit		7,977,510,140.07	6,659,175,968.25
Add: Non-operating income		14,253,809.30	17,682,194.44
Less: Non-operating expenses		79,926,588.18	97,071,380.30
III. Profit before tax		7,911,837,361.19	6,579,786,782.39
Less: Income tax expenses		417,933,616.76	349,041,538.25
IV. Net profit		7,493,903,744.43	6,230,745,244.14
Net profit from continuing operations		7,493,903,744.43	6,230,745,244.14
Net profit from discontinued operations			
V. Other comprehensive income after tax		-23,073,328.38	
1. Items that may not be reclassified subsequently to profit or loss		-23,079,658.32	
(1) Changes in remeasurement of defined benefit plans			
(2) Other comprehensive income that cannot be converted into profit or loss under the equity method			
(3) Changes in fair value of investments in other equity instruments		-23,079,658.32	
(4) Changes in fair value of the Company's own credit risk			
(5) Others			
2. Items that may be reclassified subsequently to profit or loss		6,329.94	
(1) Other comprehensive income that can be converted into profit or loss under the equity method			
(2) Changes in fair value of other debt investments			
(3) Gain & loss due to VSOE changes of available-for-sale financial assets			
(4) Gains or losses from reclassification of held-to-maturity investments to available-for-sale financial assets			
(5) Amount of financial assets reclassified into other comprehensive income			
(6) Provisions for credit impairment of other debt investments			
(7) Cash flow hedges			
(8) Exchange differences on translation of foreign currency financial statements		6,329.94	
(9) Investment income of package disposal subsidiary before the loss of control			
(10) Other assets transferred to Investment Real Estate of fair value model			
(11) Others			
VI. Total comprehensive income		7,470,830,416.05	6,230,745,244.14
VII. Earnings per share:			
1. Basic earnings per share			
2. Diluted earnings per share			

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

Legal Representative: Pan Gang

Chief Financial Officer: Zhao Chengxia

Financial Manager: Wang Aiying

## Parent Company Cash Flow Statement

For the year ended 31 December 2019

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

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

Items	Notes XVI	2019	2018
I. Cash flows from operating activities			
Cash received from sale of goods and provision of services		99,195,823,655.52	90,231,683,793.74
Cash from tax return			
Other cash received relevant to operating activities		768,814,057.42	756,730,060.17
Sub-total of operating cash inflows		99,964,637,712.94	90,988,413,853.91
Cash paid for goods and services		83,599,599,712.48	80,117,030,736.15
Cash paid to and for employees		5,648,024,556.84	4,279,804,081.51
Cash paid for taxes		2,590,014,221.40	2,756,602,324.64
Other cash paid related to operating activities		1,170,537,450.81	1,558,105,066.82
Sub-total of operating cash inflows		93,008,175,941.53	88,711,542,209.12
Net cash flows from operating activities		6,956,461,771.41	2,276,871,644.79
II. Cash flows from investing activities			
Cash received from disposal of investments		218,897,038.26	1,232,462,655.76
Cash received from returns on investments		4,402,172,870.58	3,467,794,787.22
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		9,651,076.01	14,417,558.54
Net cash received from disposal of subsidiaries and other business entities		2,000,000.00	27,217,758.26
Other cash received related to investing activities		600,000,000.00	900,000,000.00
Sub-total of investing cash inflows		5,232,720,984.85	5,641,892,759.78
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		2,351,166,920.93	1,403,843,552.88
Cash paid for acquisition of investments		4,029,401,183.43	3,437,000,000.00
Net cash paid for the acquisition of subsidiaries and other business entities		103,536,000.00	
Other cash paid related to investing activities		1,000,000,000.00	1,200,000,000.00
Sub-total of investing cash outflows		7,484,104,104.36	6,040,843,552.88
Net cash flows from investing activities		-2,251,383,119.51	-398,950,793.10
III. Cash flows from financing activities			
Cash received from capital contributions		274,893,825.00	
Cash received from borrowings		14,500,000,000.00	4,200,000,000.00
Other cash received related to financing activities		2,353,012,000.00	
Sub-total of financing cash inflows		17,127,905,825.00	4,200,000,000.00
Cash repayments of borrowings		8,300,000,000.00	9,430,000,000.00
Cash paid for dividends, profits distribution or interest		4,348,171,986.25	4,341,176,930.24
Other cash paid related to financing activities		5,822,031,708.55	10,920,950.00
Sub-total of financing cash outflows		18,470,203,694.80	13,782,097,880.24
Net cash flows from financing activities		-1,342,297,869.80	-9,582,097,880.24
IV. Effect of foreign exchange rate changes on cash and cash equivalents		-10,718.64	
V. Net increase in cash and cash equivalents		3,362,770,063.46	-7,704,177,028.55
Add: Beginning balance of cash and cash equivalents		3,005,604,575.71	10,709,781,604.26
VI. Ending balance of cash and cash equivalents		6,368,374,639.17	3,005,604,575.71

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

Legal Representative: Pan Gang

Chief Financial Officer: Zhao Chengxia

Financial Manager: Wang Aiying



# Parent Company Statement of Changes in Equity

For the year ended 31 December 2019

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

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

Items	2019							Total shareholders' equity	
	Share capital	Other equity instruments	Capital reserve	Less: Treasury shares	Other comprehensive income	Specialised reserve	Surplus reserve		Retained earnings
I. Ending balance of the prior year	6,078,127,608.00		2,737,984,598.10	97,462,825.00	177,264,075.52		3,045,728,468.89	8,109,863,775.78	19,874,241,625.77
Add: Changes in accounting policies									
Corrections of prior period errors									
Others									
II. Beginning balance of the current year	6,078,127,608.00		2,737,984,598.10	97,462,825.00	177,264,075.52		3,045,728,468.89	8,109,863,775.78	20,051,505,701.29
III. Change for the current year	18,251,250.00		-1,996,898,063.68	3,230,278,078.12	-23,073,328.38		161,238,411.87	3,079,080,256.96	-1,991,679,551.35
1. Total comprehensive income					-23,073,328.38			7,493,903,744.43	7,470,830,416.05
2. Shareholders' contributions and reduction in capital	18,251,250.00		-1,992,538,929.05	3,230,278,078.12				1,104,250.00	-5,203,461,507.17
(1) Common stock contributed by shareholders	18,997,500.00		255,896,325.00						274,893,825.00
(2) Capital contributed by other equity instruments holders									
(3) Share-based payment recognized in shareholders' equity	-746,250.00		-2,248,435,254.05	-2,563,058,719.74				1,104,250.00	314,981,465.69
(4) Others				5,793,336,797.86					-5,793,336,797.86
3. Profit distribution									
(1) Transfer to surplus reserve							161,238,411.87	-4,415,927,737.47	-4,254,689,325.60
(2) Distribution to shareholders							161,238,411.87	-161,238,411.87	
(3) Others								-4,254,689,325.60	-4,254,689,325.60
4. Transfers within shareholders' equity									
(1) Capital reserve transferred to share capital									
(2) Surplus reserve transferred to share capital									
(3) Loss offset by surplus reserve									
(4) Changes in remeasurement of defined benefit plans transferred to retained earnings									
(5) Other comprehensive income transferred to retained earnings									
(6) Others									
5. Specific reserve									
(1) Appropriated during the current year									
(2) Used during the current year									
6. Others			-4,359,134.63						-4,359,134.63
IV. Ending balance of the current year	6,096,378,858.00		741,086,534.42	3,327,740,903.12	154,190,747.14		3,206,966,880.76	11,188,944,032.74	18,059,826,149.94

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

Legal Representative: Pan Gang

Chief Financial Officer: Zhao Chengxia

Financial Manager: Wang Aiyang

# Parent Company Statement of Changes in Equity

For the year ended 31 December 2019

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

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

Items	2018						Total shareholders' equity	
	Share capital	Other equity instruments	Capital reserve	Less: Treasury shares	Other comprehensive income	Specialised reserve		Surplus reserve
I. Ending balance of the prior year	6,078,492,608.00		2,662,182,198.01	201,690,525.00		2,422,653,944.48	6,756,042,631.65	17,717,680,857.14
Add: Changes in accounting policies								
Corrections of prior period errors								
Others								
II. Beginning balance of the current year	6,078,492,608.00		2,662,182,198.01	201,690,525.00		2,422,653,944.48	6,756,042,631.65	17,717,680,857.14
III. Change for the current year	-365,000.00		75,802,400.09	-104,227,700.00		623,074,524.41	1,353,821,144.13	2,156,560,768.63
1. Total comprehensive income							6,230,745,244.14	6,230,745,244.14
2. Shareholders' contributions and reduction in capital							1,095,250.00	180,760,350.09
(1) Common stock contributed by shareholders								
(2) Capital contributed by other equity instruments holders								
(3) Share-based payment recognized in shareholders' equity								
(4) Others								
3. Profit distribution							1,095,250.00	180,760,350.09
(1) Transfer to surplus reserve								
(2) Distribution to shareholders								
(3) Others								
4. Transfers within shareholders' equity								
(1) Capital reserve transferred to share capital								
(2) Surplus reserve transferred to share capital								
(3) Loss offset by surplus reserve								
(4) Changes in remeasurement of defined benefit plans transferred to retained earnings								
(5) Other comprehensive income transferred to retained earnings								
(6) Others								
5. Specific reserve								
(1) Appropriated during the current year								
(2) Used during the current year								
6. Others								
IV. Ending balance of the current year	6,078,127,608.00		2,737,984,598.10	97,462,825.00		3,045,728,468.89	8,109,863,775.78	19,874,241,625.77

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

Legal Representative: Pan Gang

Chief Financial Officer: Zhao Chengxia

Financial Manager: Wang Aiyong

## Inner Mongolia Yili Industrial Group Co., Ltd.

Notes to Financial Statements for the year of 2019

### I. Corporate basic information

#### (I) Registration information

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

Legal Representative: Pan Gang.

Inner Mongolia Yili Industrial Group Co., Ltd. (hereinafter referred to as “the company” or “company”) was approved by Inner Mongolia Securities Commission in 1995 with <N.Z.Q.W.Z. [1995] No. 9>, and reviewed by the China Securities Regulatory Commission. With the initial public offering of 17.15 million shares in 25 January, 1996, the company was listed on the Shanghai Stock Exchange on 12 March 1996 and the stock code is “600887”.

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

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

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

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

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

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

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

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

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

In June and July 2013, the incentive objects exercised 153,963,908 shares and 18,092,114 shares. The two exercises increased 172,056,022 shares and the total share capital after exercise was 2,042,914,022 shares.

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

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

In 2016, the company’s second extraordinary shareholders general meeting examined and approved the Proposal on Stock Options and Restricted Stock Incentive Plan (Draft) and Abstracts, and granted 45 million stock options and 15 million restricted shares to the incentive objects. In February 2017, the company issued 14.2 million restricted shares and the total capital stock was 6,079,000,108 shares.

In 2017, the company’s first extraordinary shareholders general meeting reviewed and approved the Proposal on Cancellation of Partial Stock Options and Repurchase and Cancellation of Partial Restricted Stocks by the Company. In November 2017, the

company repurchased and cancelled 507,500 shares of restricted stocks. The total capital stock was changed to 6,078,492,608 shares. In 2018, the company's 2017 annual general meeting of shareholders reviewed and approved the Proposal on Cancellation of Partial Stock Options and Repurchase and Cancellation of Partial Restricted Stocks by the Company. In November 2018, the company repurchased and cancelled 365,000 shares of restricted stocks. The total capital stock was changed to 6,078,127,608 shares. In 2019, the company's ninth extraordinary meeting of the board of directors reviewed and approved the Proposal of the Accomplishment of the Exercising or Unlocking Conditions of the First Period for the Stock Options and Restricted Shares for 2016. From April to May 2019, the incentive objects exercised and increased 18,997,500 shares. The total share capital after exercise was 6,097,125,108 shares. The company's 2018 annual general meeting of shareholders approved the Proposal on Cancellation of Partial Stock Options and Repurchase and Cancellation of Partial Restricted Stocks by the Company, and in December 2019, 746,250 restricted stocks were repurchased and cancelled. The total share capital was then changed to 6,096,378,858 shares.

#### (II) Main business activities

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

The financial statements are approved and published by the Board of Directors of the company on April 27<sup>th</sup>, 2020.

## II. Scope of consolidated financial statements

There are 93 subsidiaries included in the consolidation scope in this period. For details, please refer to Note VIII "Equities in other entities". Compared with the previous financial period, twenty-three subsidiaries were added to the consolidation scope and two subsidiaries were eliminated from the consolidation scope. For details, please refer to Note VII "Changes in consolidation scope".

## III. Basis of financial statement preparations

#### (I) Basis of financial statement preparations

The company's financial statements are prepared on a going concern basis. The group's transactions and events are recognised and measured in accordance with the Accounting Standards for Business Enterprises - Basic Standard, and the specific accounting standards for business enterprises, application guidelines and interpretations for the accounting standards, and other relevant regulations (hereafter, referred to as "the Accounting Standards for Business Enterprises" or "CAS"). On this basis, the financial statements are prepared in conjunction with the disclosure requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 – General Rules on Financial Reporting (amendment in 2004) issued by the China Securities Regulatory Commission.

#### (II) Going concern

The company does not have any events or conditions that may cast significant doubt on the company's ability to continue as a going concern for 12 months from the end of the reporting period.

## IV. Summary of significant accounting policies and accounting estimates

Specific accounting policies and estimates:

The company determines the specific accounting policies and estimates based on its features of production and operation, primarily comprising depreciation of fixed assets (Note IV. 18) and revenue recognition (Note IV. 28).

## (I) Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements prepared by the company are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position, operating performance, changes in equity, cash flows, and other information of the company.

## (II) Accounting period

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

## (III) Operating cycle

The company operates with 12 months as an operating cycle.

## (IV) Recording currency

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

## (V) Accounting treatment of business combination involving entities under common control and non-common control

1. If a business combination is achieved in stages and the terms, conditions and economic impact of transactions meet following criteria, these multiple transactions shall be treated as a package deal.

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

### 2. Business combinations involving entities under common control

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

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

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

### 3. Business combinations involving entities under non-common control

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

- (1) The business acquisition contract or agreement has been approved by the internal authority of the company;

- (2) Business acquisition needs to be or has been approved by the relevant government department;
- (3) The necessary procedures of property transfer have been processed;
- (4) The company has paid the majority consideration and has the ability and plan to pay the remaining;
- (5) In fact, the company has controlled the financial and operational policies of the acquiree, enjoyed corresponding interests and assumed corresponding risks.

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

The company shall recognise the difference between the cost of acquisition and the fair value of the net identifiable assets as goodwill; if the acquisition cost is lower than the fair value of the net identifiable assets, it shall be recognised in current profit and loss after evaluation.

The business combination under non-common control achieved by step-by-step which belongs to the one package deal is treated as one transaction; for transactions not in one package, where the equity investment is measured under equity method before acquisition, the sum of the book value of the equity investment held by the acquiree before the purchase date and the new investment cost on the purchase date shall be taken as the initial investment cost of the investment. Other comprehensive income arises under equity method before acquisition, the same accounting treatment as invested entity to directly dispose of relevant assets or liabilities shall be adopted when disposal of the investment. If the equity investment held before the acquisition date is measured by the recognition and measurement standards of financial instruments, the sum of the fair value of the equity investment on the acquisition date plus the newly increased investment cost shall be taken as the initial investment cost on the acquisition date. The difference between the fair value of the originally held equity and the book value, as well as the accumulated fair value changes originally included in other comprehensive income, shall all be transferred to the current investment income on the date of acquisition.

#### 4. Costs related to acquisition

Acquisition-related costs, such as audit fee, legal service, assessment and consulting fees and other directly attributable costs are recorded in current profit or loss when the related services occurs. The transaction costs of issuing equity securities for business combination can be deducted from equity if they are directly attributable to equity transactions.

### (VI) Preparation of consolidated financial statements

#### 1. Consolidation scope

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

#### 2. Consolidation procedure

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

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

The impact of internal transactions between the parent company and its subsidiaries and among the subsidiaries are offset on consolidation to reduce their effects on consolidated financial statements. If the recognition of one internal transaction between the parent company and the subsidiary is different in preparing consolidated financial statements, it shall be adjusted in the perspective of the parent company.

The portion of subsidiaries' equity, net profits and losses and other comprehensive income for the period that is not attributable to parent company shall be recognised as non-controlling interests and presented separately in the consolidated financial statements as minority shareholders' equity, minority interest income and total comprehensive income attributable to minority shareholders. If the losses attributed to minority shareholders exceed its carrying value in the owners' equities at the beginning of the period, the difference shall be adjusted against the minority shareholders' equity.

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

shall base on this value.

For a subsidiary acquired under non-common control, any adjustment made on consolidation should be based on the fair value of net identifiable assets at the acquiring date.

(1) Increasing subsidiaries or transactions

During the reporting period, if a subsidiary or business is added due to a business combination under common control, the beginning balance of the consolidated balance sheet is adjusted; incorporates the revenue, expenses, and profits of the subsidiary from the beginning of the period for consolidation to the end of the reporting period into consolidated income statement, includes its cash flow into consolidated cash flow statement, and adjusts relevant items in the comparative statements. It shall be deemed that the consolidated reporting entity has existed since the final controlling party began to control.

If the investee under the same control can be controlled due to additional investment or other reasons, the parties involved in the combination shall be deemed to adjust consolidated FS for beginning balance according to the current combination status from the final controller beginning to control the two merged party. For the equity investment held prior to the acquisition of the control right of the combined party, the relevant profit and loss, other comprehensive income and other changes in net assets have been recognized that depends on the later of the date of acquisition of the original equity and the date when the combined parties are under the same control to the date of combination, and the retained income at the beginning of the period or the current profit and loss compared with the statement period shall be offset respectively.

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

When a subsidiary acquired through increase investment that not under same control, the value of equity acquired before acquisition date shall be re-measured at fair value on the acquisition date. The difference between the book value and fair value shall be recognised as current investment income. If the equity measured under equity method before acquisition, the changes in other comprehensive income and other owner's equity (excluding net profit or loss, other comprehensive income and profit distribution) that attributed to the acquirer shall recognise as investment income on the acquisition date; nevertheless, it excludes other comprehensive income arising from changes in the net liabilities or net assets due to re-measurement of the defined benefit plan.

(2) Disposal of subsidiary or transactions

1) General method

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

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

2) Disposal subsidiaries by steps

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

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

Where the equity investment for a subsidiary is disposed of step by step through multiple transactions till the control right is lost and all the transactions belong to a package deal, accounting treatment shall be performed for the transactions by deeming all the transactions as one Items for disposing of the subsidiary and losing the control right; however, prior to loss of the control right,

the difference between every disposal price and the share of net assets of this subsidiary to be enjoyed accordingly for investment disposal shall be recognised as other comprehensive income in the consolidated financial statements and, at the time of losing the control right, be jointly transferred to the profits or losses in the period when the control right is lost.

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

### 3) Purchase minority interests of subsidiary

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

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

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

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

### 1. The classification of joint arrangements

The classification of joint arrangements shall consider its structure, legal form, agreed terms and other facts and conditions. Joint arrangements are either classified as joint operations or joint ventures.

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

- (1) Each joint operator has rights to assets and obligations for liabilities according to the legal form of joint arrangement;
- (2) Each joint operator has rights to assets and obligations for liabilities according to the contractual arrangement;
- (3) Other facts and conditions show that the joint operators have rights and obligations for the relevant assets and liabilities in the arrangement. For example, the joint operators take majority output of the joint arrangement and the arrangement continuously rely on joint operators to pay off debts.

### 2. The accounting treatment of joint operation

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

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

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

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



to the investment proportion.

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

## (VIII) Cash and cash equivalents

Cash refers to all cash on hand and deposit held at banks for payment at any time. Cash equivalents refer to short-term, highly liquid investments with maturities of three months or less from initial recognition by the company that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

## (IX) Foreign currency transactions and translation of financial statements denominated in foreign currency

### 1. Reporting for foreign currency transactions

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

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

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

### 2. Translation of foreign currency financial statements

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

For the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognised in other comprehensive income and accumulated in the separate component of equity, are reclassified from equity to profit or loss. For the disposals of partial equity interests or other reasons leading to the decrease in shares without losing control of the foreign subsidiaries, the exchange differences relating to the disposal of the foreign operation are attributable to the minority shareholders rather than being transferred to profit or loss. For the disposals of equity interests in the foreign operation of which the form is the associates or the joint ventures, the proportionate share of the accumulated exchange difference arising on the translation of financial statements of foreign operations is reclassified to profit or loss.

## (X) Financial instruments

A financial asset or a financial liability is recognised when the company becomes a party to the contractual provisions of the instrument.

The effective interest rate method, is the method of calculating the amortised cost of a financial asset or a financial liability and allocating interest income or interest expense into each accounting period.

The effective interest rate, is the rate used to discount the estimated future cash flow of a financial asset or financial liability over the expected lifetime to the book balance of the financial asset or the amortised cost of the financial liability. allocating interest income or interest expense into each accounting period. When determining the effective interest rate, the expected cash flow is estimated on the basis of considering all contractual terms of financial assets or financial liabilities (such as early repayment, rollovers, call options or other similar options, etc.), but the expected credit losses are not considered.

The amortised cost of a financial asset or financial liability is the initial recognition amount of the financial asset or financial liability

minus the principal repaid, plus or minus the accumulated amortization formed by amortizing the difference between the initial recognition amount and the amount due through the effective interest rate method, and then minus the accumulated loss provision (only applicable to financial assets).

#### 1. Classification and measurement of financial assets

Based on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, financial assets are classified as:

- (1) financial assets at amortised cost (AC);
- (2) financial assets at fair value through other comprehensive income (FVOCI);
- (3) financial assets at fair value through profit or loss (FVTPL).

The financial assets are measured at fair value at initial recognition. Accounts receivable or notes receivable arising from sales of products or rendering of services, excluding significant financing components or without regard to financing components no more than one year, are initially recognised at the transaction price.

For financial assets measured at fair value through profit or loss, the relevant transaction costs are recognised in profit or loss. The transaction costs for other financial assets are included in the initially recognised amount.

Subsequent measurement of financial assets depends on their classification, and only if the company changes its business model for managing financial assets, all affected related financial assets will be reclassified.

##### (1) Classified as financial assets at amortised cost

The contract terms of financial assets stipulate that the cash flows generated on specific dates are solely payments of principal and interest on the principal amount outstanding, and the business model for managing such financial assets is to collect the contractual cash flows, and then the company classifies the financial assets as financial assets measured at amortised cost.

The interest income of such financial assets is recognised using the effective interest method, subsequently measured based on amortised cost. The gains or losses arising from the impairment or termination of recognition and modification are included in the current profit and loss.

1) For the financial assets purchased or originated that have had credit impairment, the company recognised its interest income based on the amortised cost of the financial asset and the credit-adjusted effective interest rate.

2) For the financial assets purchased or originated without credit impairment, but have credit impairment in the subsequent period, the interest income is recognised according to the amortised cost of the financial asset and the effective interest rate in the subsequent period. If the financial instrument has no credit impairment due to the improvement of its credit risk in the subsequent period, the company would use the effective interest rate multiplied by the financial asset book balance to calculate and determine the interest income.

##### (2) Classified as financial assets at fair value through other comprehensive income

The contract terms of financial assets stipulate that the cash flows generated on specific dates are solely payments of principal and interest on the principal amount outstanding, and the business model for managing such financial assets is to is both to collect contractual cash flows and to sell the financial assets, and then the company classifies the financial assets as financial assets at fair value through other comprehensive income.

Interest income calculated using the effective interest rate method, Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, foreign exchange gains and losses and interest income calculated using the effective interest rate method, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gains or losses previously included in other comprehensive income are transferred out of other comprehensive income and included in the current profit and loss.

Notes receivable and accounts receivable that are measured at fair value through other comprehensive income are reported as receivable financing, and other such financial assets are reported as other debt investments, other debt investments due within one year from the balance sheet date are reported as current portion of non-current assets, and other debt investments with original maturity dates within one year are reported as other current assets.

##### (3) Designated as a financial asset measured at fair value through other comprehensive income

At initial recognition, the company may irrevocably designate non-trading equity instrument investments as financial assets measured at fair value through other comprehensive income on the basis of individual financial assets.

The changes in the fair value of such financial assets are included in other comprehensive income, and no impairment provision is

required. When the financial asset is derecognised, the cumulative gains or losses previously included in other comprehensive income are transferred out of other comprehensive income and included in retained earnings. During the period when the company holds the equity instrument investment, the company's right to receive dividends has been established, and the economic benefits related to the dividends are likely to flow into the company, and the amount of dividends can be reliably measured, the dividend income is recognised and included in the current profit and loss. The company reports such financial assets as investment in other equity instruments.

Equity instrument investment that meets one of the following conditions is a financial asset that is measured at fair value through profit and loss: the purpose of acquiring the financial asset is mainly for sale; At the time of initial recognition, it is part of the identifiable financial asset instrument portfolio under centralized management, and there is objective evidence that there is actually a short-term profit model; Belong to derivatives (except those that meet the definition of financial guarantee contract and are designated as effective hedging instruments).

(4) Classified as financial assets measured at fair value through profit or loss

Financial assets that do not meet the requirements for classification as a financial asset measured at amortised cost or measured at fair value through other comprehensive income, and are not designated as financial assets measured at fair value through other comprehensive income are classified as Financial assets measured at fair value through profit and loss.

The company uses fair value for subsequent measurement of such financial assets, and the gains or losses resulting from changes in fair value, as well as dividends and interest income related to such financial assets, are included in the current profit and loss.

The company reports such financial assets in Financial assets held for trading and Other non-current financial assets based on their liquidity.

(5) Designated as a financial asset that is measured at fair value through profit or loss

At initial recognition, in order to eliminate or significantly reduce accounting mismatches, the company may irrevocably designate financial assets as financial assets measured at fair value through profit or loss based on individual financial assets.

If the hybrid contract contains one or more embedded derivatives, and the main contract does not belong to the above financial assets, the company may designate the whole as a financial instrument measured at fair value through profit and loss. Except for the following situations:

- 1) Embedded derivatives will not significantly change the cash flow of hybrid contracts;
- 2) When determining whether a similar hybrid contract needs to be split for the first time, it is clear that the embedded derivatives it contains should not be split without analysis. If the prepayment right of the embedded loan allows the holder to repay the loan in advance at an amount close to the amortised cost, the prepayment right does not need to be split.

The company uses fair value for subsequent measurement of such financial assets, and the gains or losses resulting from changes in fair value, as well as dividends and interest income related to such financial assets, are included in the current profit and loss.

The company reports such financial assets in Financial assets held for trading and Other non-current financial assets based on their liquidity.

## 2. Classification and measurement of financial liabilities

Based on the contractual terms of the financial instruments issued and the economic substance reflected, not just in legal form, combined with the definition of financial liabilities and equity instruments, The company classifies the financial instrument or its component parts as financial liabilities or equity instruments at initial recognition. At initial recognition Financial liabilities can be classified as: financial liabilities measured at fair value through profit and loss, other financial liabilities, and derivatives designated as effective hedging instruments.

Financial liabilities are measured at fair value at initial recognition. For financial liabilities measured at fair value through profit or loss, the relevant transaction costs are recognised in profit or loss; The related transaction costs for other financial liabilities are included in the initially recognised amount.

The subsequent measurement of financial liabilities depends on their classification:

(1) Financial liabilities measured at fair value through profit and loss

Such financial liabilities include Financial liabilities held for trading (including derivatives that are financial liabilities) and financial liabilities designated as measured at fair value through current profit or loss.

Meeting one of the following conditions is Financial liabilities held for trading: the purpose of assuming related financial liabilities is mainly for sale or repurchase; it is part of the identifiable financial asset instrument portfolio under centralized management, and

there is objective evidence that the company adopts short-term profit-making methods model; It belongs to derivatives, except those designated as valid hedging instruments and derivatives that comply with financial guarantee contracts. Financial liabilities held for trading (including derivatives that are financial liabilities) are subsequently measured at fair value. Except for hedge accounting, all changes in fair value are included in the current profit and loss.

At initial recognition, in order to provide more relevant accounting information, the company irrevocably designates financial liabilities that meet one of the following conditions as financial liabilities measured at fair value through profit and loss:

- 1) Ability to eliminate or significantly reduce accounting mismatches;
- 2) According to the corporate risk management or investment strategy stated in the formal written documents, the management and performance evaluation of the financial liability portfolio or financial asset and financial liability portfolio based on fair value, and use this as a basis to report to key management personnel within the company.

The company uses fair value for subsequent measurement of such financial liabilities. In addition to changes in the fair value caused by the company's own credit risk changes are included in other comprehensive income, other changes in fair value are included in the current profit and loss. Unless the fair value changes caused by the company's own credit risk changes are included in other comprehensive income and will cause or expand the accounting mismatch in profit or loss, the company will include all fair value changes (including the amount of the impact of its own credit risk changes) into the current profit and loss.

#### (2) Other financial liabilities

Except for the following items, the company classifies financial liabilities as financial liabilities measured at amortised cost, adopts the effective interest rate method for such financial liabilities, performs subsequent measurement based on amortised cost, and Gains or losses resulting from derecognition or amortization are included in the current profit and loss:

- 1) Financial liabilities measured at fair value through profit and loss.
- 2) The transfer of financial assets does not meet the conditions for derecognition or Financial liabilities due to continued involvement in the transferred financial assets.
- 3) Financial guarantee contracts that are not in the first two categories of this article and those that do not fall under category 1) of this article: Loan commitment to lend at a market rate below.

Financial guarantee contract refers to a contract that requires the issuer to pay a specific amount to the contract holder who has suffered a loss when the specific debtor fails to pay the debt in accordance with the original or modified debt instrument terms. Financial guarantee contracts that are not designated as financial liabilities measured at fair value through profit or loss. After the initial confirmation, it is measured according to the higher of the loss reserve amount and the initial confirmation amount after deducting the accumulated amortization amount during the guarantee period.

#### 3. Derecognition of financial assets and financial liabilities

(1) If a financial asset meets one of the following conditions, the financial asset is derecognised, that is to be resold from its account and balance sheet:

- 1) The contractual rights to receive the cash flows from the financial asset expire.
- 2) The financial asset has been transferred, and the transfer meets the provisions for the derecognition of financial assets.

#### (2) Conditions for derecognition of financial liabilities

If the current obligation of the financial liability (or part of it) has been discharged, the recognition of the financial liability (or part of the financial liability) shall be terminated.

The company and the lender sign an agreement to replace the original financial liability by assuming a new financial liability, and the contract terms of the new financial liability and the original financial liability are substantially different, or If the contractual terms of the original financial liability (or part of it) are substantially modified, the original financial liability will be derecognised and a new financial liability will be recognised, the difference between the book value and the consideration paid (including non-cash assets transferred out or liabilities assumed) is included in the current profit and loss.

If the company repurchases part of its financial liabilities, the book value of the financial liabilities as a whole will be allocated according to the proportion of the fair value of the continuing confirmation part and the fair value of the termination confirmation part to the overall fair value at the repurchase date. The difference between the book value allocated to the derecognised portion and the consideration paid (including non-cash assets transferred out or liabilities assumed) shall be included in the current profit and loss.

#### 4. Confirmation basis and measurement method of financial asset transfer

When the company transfers financial assets, it assesses the degree of risk and reward of retaining the ownership of financial assets and handles them in the following situations:

(1) If almost all risks and rewards in the ownership of a financial asset are transferred, the financial asset is derecognised, and the rights and obligations generated or retained during the transfer are separately recognised as assets or liabilities.

(2) If almost all risks and rewards in the ownership of financial assets are retained, the financial assets will continue to be recognised.

(3) Neither transfer nor retain almost all risks and rewards in the ownership of financial assets (In other cases than (1) and (2) of this article), according to whether they retain control of financial assets, deal with the following situations respectively:

1) If the control of the financial asset is not retained, the confirmation of the financial asset shall be terminated, and the rights and obligations generated or retained during the transfer shall be separately recognised as assets or liabilities.

2) If the control of the financial asset is retained, the relevant financial assets will be recognised and the relevant liabilities will be recognised accordingly according to the extent to which they continue to be involved in the transferred financial assets. The degree of continued involvement in the transferred financial assets refers to the degree of risk or reward for the value change of the transferred financial assets undertaken by the company.

When judging whether the transfer of financial assets meets the above conditions for derecognition of financial assets, the principle of substance over form is adopted. The company distinguishes the transfer of financial assets into overall transfer and partial transfer of financial assets.

(1) If the overall transfer of financial assets meets the conditions for termination confirmation, the difference between the following two amounts shall be included in the current profit and loss:

1) The book value of the transferred financial assets on the termination confirmation date.

2) The consideration received for the transfer of financial assets corresponds to the amount of the derecognised portion of the cumulative amount of changes in fair value that were originally directly included in other comprehensive income (the financial assets involved in the transfer are measured at fair value and their changes are included in other comprehensive income Financial assets).

(2) If the financial asset is partially transferred and the transferred part as a whole meets the conditions for termination of confirmation, the book value of the entire financial asset before the transfer will be allocated between the termination confirmation part and the continued confirmation part according to their respective fair values on the transfer date (In this case, the service assets retained shall be deemed to continue to be recognised as part of the financial assets), And the difference between the following two amounts is included in the current profit and loss:

1) The book value of the termination confirmation part on the termination confirmation day.

2) The consideration received in the termination confirmation part corresponds to the amount of the termination confirmation part in the accumulated amount of fair value changes originally included in other comprehensive income (the financial assets involved in the transfer are measured at fair value and their changes are included in other comprehensive income Financial assets).

If the transfer of financial assets does not satisfy the conditions for termination of confirmation, continue to confirm the financial asset, and the received consideration is recognised as a financial liability.

##### 5. Method for determining the fair value of financial assets and financial liabilities

If there is an active market for a financial asset or financial liability, the quoted price in the active market is used to measure fair values, unless the financial asset has a restricted period for the asset itself. Active market quotation refers to easy and regular quotation of related assets or liabilities from exchanges, dealers, brokers, industry groups, pricing agencies or regulatory agencies, etc., and it can represent the actual and frequently occurring market transactions on the basis of fair transactions.

Financial assets initially acquired or derived and financial liabilities assumed are based on market transaction prices as the basis for determining their fair value.

If no active market exists for financial assets or financial liabilities, valuation techniques are used to measure fair values. In valuation, the company adopts valuation techniques that are applicable in the current situation and have sufficient available data and other information to support it, and selects input values that are consistent with the asset or liability characteristics considered by market participants in the transaction of relevant assets or liabilities, and gives priority to relevant observable input values. Use of unobservable input values where relevant observable input values cannot be obtained or are not practicable. The input values used by valuation techniques are divided into the following levels and used in order:

(1) The first level of input value is the unadjusted quoted price of the same asset or liability in the active market that can be obtained on the measurement date;

(2) The second level of input value is the input value of the related assets or liabilities that is directly or indirectly observable except the input value of the first level, including: the quotation of similar assets or liabilities in the active market; the quotation of the same or similar assets or liabilities in the inactive market ; Other observable input values other than quotes, such as observable interest rate and yield curves during normal quote intervals; market-validated input values, etc .;

(3) The third level of input value is the unobservable input value of the relevant assets or liabilities, including interest rates that cannot be directly observed or cannot be verified by observable market data, stock volatility, future cash flows of the disposal obligations undertaken in business combinations, and financial forecasts made using own data, etc.

#### 6. Impairment of financial instruments

Based on expected credit losses, the company performs impairment accounting and recognises losses on financial assets classified as amortised costs, financial assets classified as fair value through other comprehensive income, and financial guarantee contracts ready. Expected credit loss refers to the weighted average of financial instrument credit losses weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows receivable under the contract and all expected cash flows discounted by the company at the original effective interest rate, that is the present value of all cash shortages. Among them, the financial assets purchased or originated by the company that have suffered credit impairment should be discounted according to the credit-adjusted actual interest rate of the financial asset.

For financial assets purchased or originated that have suffered credit impairment, On the balance sheet date, only the cumulative changes in expected credit losses for the entire duration of the period since initial recognition are recognised as loss provisions. On each balance sheet date, the amount of change in expected credit losses for the entire duration is included in the current profit and loss as an impairment loss or gain. Even if the expected credit loss for the entire lifetime determined on the balance sheet date is less than the amount of expected credit loss reflected in the estimated cash flow at initial recognition, the favourable change in expected credit loss is recognised as an impairment gain.

In addition to the above-mentioned simplified measurement methods and other financial assets that have been purchased or originated from credit impairment, On each balance sheet date, the company assesses whether the credit risk of the relevant financial instruments has increased significantly since the initial recognition, and measures their loss reserves, confirms the expected credit losses and their changes according to the following circumstances:

(1) For financial instruments that have no significant increase in credit risk since the initial recognition, on first stage, the company measures the loss allowance at an amount equal to 12-month expected credit losses, and calculate the interest income according to the book balance and the actual interest rate.

(2) If there has been a significant increase in credit risk since the initial recognition of a financial instrument but credit impairment has not occurred, on second stage, the company recognised a loss allowance at an amount equal to lifetime expected credit losses, and interest income is calculated based on the book balance and the actual interest rate.

(3) If credit impairment has occurred since the initial recognition of a financial instrument, on third stage, the company recognised a loss allowance at an amount equal to lifetime expected credit losses, and calculate interest income at the amortised cost and actual interest rate.

The increase or reversal of the credit loss provisions of financial instruments is included in the current profit and loss as an impairment loss or gain. Except for financial assets that are classified as fair value and whose changes are included in other comprehensive income, credit loss provisions are used to offset the book balance of financial assets. For financial assets classified as measured at fair value and whose changes are included in other comprehensive income, the company recognises its credit loss provisions in other comprehensive income and does not reduce the book value of the financial asset listed on the balance sheet.

In the previous accounting period, the company has measured the loss provision according to the amount of expected credit losses for the entire duration of the financial instrument, but On the current balance sheet date, If the financial instrument is no longer in a situation where the credit risk has increased significantly since the initial recognition, the company measures the loss provision for the financial instrument at the current balance sheet date by the amount equivalent to the expected credit loss in the next 12 months. The reversal amount of the loss provision formed is included in the current profit and loss as an impairment gain.

##### (1) Credit risk increased significantly

The company uses the available reasonable and evidence-based forward-looking information, by comparing the risk of financial instruments defaulting on the balance sheet date and the initial confirmation date, to determine whether the credit risk of financial instruments has increased significantly since initial recognition. For financial guarantee contracts, when the company applies the

financial instrument impairment provisions, the day when the company becomes the party making the irrevocable commitment is used as the initial confirmation date.

The company will consider the following factors when assessing whether the credit risk has increased significantly:

- 1) Whether the actual or expected operating results of the debtor have changed significantly;
- 2) Whether the debtor's regulatory, economic or technological environment has undergone significant adverse changes;
- 3) Whether there has been a significant change in the value of the collateral used as debt collateral or the guarantee provided by a third party or the quality of credit enhancement, and these changes are expected to reduce the economic motivation of the debtor to repay within the contract period or affect the probability of default;
- 4) Whether the debtor's expected performance and repayment behaviour have changed significantly;
- 5) Whether the company's credit management methods for financial instruments have changed, etc.

On the balance sheet date, if the company judges that a financial instrument has only a low credit risk, the company assumes that the credit risk of the financial instrument has not increased significantly since initial recognition.

On the balance sheet date, if the company judges that a financial instrument has only a low credit risk, the company assumes that the credit risk of the financial instrument has not increased significantly since initial recognition. If the default risk of financial instruments is low, The borrower's ability to fulfil its contractual cash flow obligations in the short term is strong, And even if there are unfavourable changes in the economic situation and operating environment over a long period of time, however, it may not necessarily reduce the borrower's ability to fulfill its contractual cash flow obligations, then the financial instrument is considered to have lower credit risk.

## (2) Financial assets that have suffered credit impairment

When one or more events that adversely affect the expected future cash flow of a financial asset occur, the financial asset becomes a financial asset that has suffered credit impairment. Evidence of credit impairment of financial assets includes the following observable information:

- 1) The issuer or debtor has major financial difficulties;
- 2) The debtor violates the contract, such as default or overdue payment of interest or principal;
- 3) Due to economic or contractual considerations related to the debtor's financial difficulties, the creditor gave the debtor a concession that would not be made under any other circumstances;
- 4) The debtor is likely to go bankrupt or undergo another financial reorganization;
- 5) The disappearance of an active market for that financial asset due to the financial difficulties of the issuer or the debtor;
- 6) Purchase or source a financial asset at a substantial discount, the discount reflects the fact that credit losses have occurred.

Credit impairment of financial assets may be caused by the joint action of multiple events, not necessarily by individually identifiable events.

## (3) Determination of expected credit losses

The company assesses the expected credit losses of financial instruments based on individual items and portfolios. When evaluating expected credit losses, considering reasonable and supportable information about the relevant past events, current conditions and forecasts of future economic conditions.

Based on the characteristics of common credit risk, the company divides financial instruments into different combinations. The common credit risk characteristics adopted by the company include the types of financial instruments, the nature of payments and the ageing combination. For the individual evaluation criteria of the relevant financial instruments and the characteristics of the combined credit risk, please refer to the accounting policies of the relevant financial instruments.

The company determines the expected credit losses of related financial instruments according to the following methods:

- 1) For financial assets, the credit loss is the present value of the difference between the contractual cash flow that the company should charge and the expected cash flow.
- 2) For a financial guarantee contract, the credit loss is the present value of the difference between the company's estimated payment to the contract holder's credit losses and the amount the company expects to collect from the contract holder, debtor or any other party.
- 3) For financial assets that have suffered credit impairment on the balance sheet date but are not purchased or originated from credit impairment, the credit loss is the difference between the book balance of the financial asset and the present value of the estimated future cash flow discounted at the original effective interest rate.

The company’s method of measuring the expected credit loss of financial instruments reflects the following factors: Unbiased probability weighted average amount determined by evaluating a series of possible outcomes; the time value of money; No unnecessary extra cost or effort is required on the balance sheet date to obtain reasonable and supportable information about the relevant past events, current conditions and forecasts of future economic conditions.

(4) Write-down of financial assets

When the company no longer reasonably expects that the contractual cash flow of financial assets can be fully or partially recovered, the book balance of the financial asset is directly written down. Such write-downs constitute the derecognition of related financial assets.

7. Offset of financial assets and financial liabilities

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

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

(XI) Notes receivable

The determination and accounting treatment method of the expected credit loss of the company’s notes receivable. For details, please refer to Note IV (X) 6“Impairment of financial instruments”.

The company’s note settlement only uses bank acceptance notes. This type of note is issued by a bank with low credit risk and has low credit risk. Due to the shorter term of the note receivable, it is capable of fulfilling its contractual cash flow obligations in the short term, the company regards notes receivable as financial instruments with lower credit risk. Based on the case where the historical default rate is zero, the expected credit loss rate of notes receivable by the company is zero. If there is objective evidence that a note receivable has suffered credit impairment, the expected credit loss of the note receivable will be determined individually.

(XII) Accounts receivable

The determination and accounting treatment method of the expected credit loss of the company’s accounts receivable. For details, please refer to Note IV (X) 6“Impairment of financial instruments”.

For accounts receivable with obvious individual risk characteristics, if there is objective evidence that a certain account receivable has undergone credit impairment, the expected credit loss of the account receivable shall be determined by individual items. When the single account receivable cannot evaluate the expected credit loss information at a reasonable cost, the company refers to the experience of historical credit loss, combines the current situation and the prediction of the future economic situation, and divides the account receivable into several combinations based on the characteristics of credit risk. Calculate the expected credit loss on the basis of the combination. The basis for determining the combination is as follows:

Combination	Basis of Combination	Accruing Method
Combination 1: Subsidiaries related receivables	Related subsidiaries within the scope of consolidation	With reference to the experience of historical credit loss, combined with the current situation and the prediction of the future economic situation, the expected credit loss is calculated through the default risk exposure and the expected credit loss rate of the entire duration. The expected credit loss rate for this combination is zero.
Combination 2: Other external receivables (customer receivables)	Aging portfolio	With reference to the experience of historical credit loss, combined with the current situation and the prediction of the future economic situation, the expected credit loss is calculated by compiling a comparison table of the aging of accounts receivable and the expected credit loss rate of the entire duration.

(XIII) Other receivables

The determination and accounting treatment method of the expected credit loss of the company’s other receivables is three-stage



method of expected credit loss model. For details, please refer to Note IV (X) 6“Impairment of financial instruments”.

For other receivables with obvious individual risk characteristics, if there is objective evidence that a certain other receivable has been impaired in credit, the expected credit loss of the other receivable shall be determined individually. When a single financial asset cannot estimate the expected credit loss information at a reasonable cost, the company refers to the experience of historical credit loss, combines the current situation and the prediction of the future economic situation, and divides other receivables into several combinations based on the characteristics of credit risk. Calculate the expected credit loss on the basis of the combination. The basis for determining the combination is as follows:

Combination	Basis of Combination	Accruing Method
Combination 1: Interest receivable	Characteristics of credit risk	With reference to the experience of historical credit loss, combined with the current situation and the prediction of the future economic situation, the expected credit loss is calculated through the default risk exposure and the expected credit loss rate within the next 12 months or the entire duration. The expected credit loss rate of this combination is zero.
Combination 2: Dividends receivable	Characteristics of credit risk	
Combination 3: Subsidiaries related to other receivables	Related subsidiaries within the scope of consolidation	With reference to the experience of historical credit loss, combined with the current situation and the prediction of the future economic situation, the expected credit loss is calculated through the default risk exposure and the expected credit loss rate within the next 12 months or the entire duration.
Combination 4: Other external receivables	Aging portfolio	

## (XIV) Inventory

### 1. The classification of inventory

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

### 2. The measurement of inventories

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

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

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

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

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

### 4. Inventory system

The company uses perpetual inventory system.

### 5. The amortization of low value consumables and packaging materials

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

(2) The company uses one-off amortization method for packaging materials.

#### (XV) Assets held for sale

##### 1. Standards of classification of the assets held for sale

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

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

(2) The sale is highly probable, the management is committed to a plan to sell, the actions required to complete the plan indicate that it is unlikely that plan will be significantly changed or withdrawn and the sale is expected to complete within one year. A confirmed purchase commitment is a legally binding purchase agreement with other parties that contains important terms such as the price of a transaction, time, and severe penalties for breach of contract, so that the likelihood of a major adjustment or revocation of the agreement is remote.

##### 2. Measurement of assets held for sale

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

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

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

#### (XVI) Long-term equity investment

##### 1. Measurement of investment cost

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

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

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

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

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

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

##### 2. Subsequent measurement and profit or loss recognition

##### (1) Cost method

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

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

##### (2) Equity method

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

investment and risk funds, these equity investments shall be measured at fair value through profit or loss.

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

Under equity method, the Company recognises the investment income and other comprehensive income according to its share of net profit or loss and other comprehensive income of the invested organization, and the carrying amount of the long-term equity investments shall be adjusted accordingly; the carrying amount of the long-term equity investments shall be adjusted accordingly; the carrying amount of the investment is reduced by the Company's share of the profit distribution or cash dividends declared by an invested organization; for changes in owner's equity of the invested organization other than those arising from its net profit or loss, other comprehensive income and profit distribution, the carrying value of the long-term equity investment shall be adjusted and recorded into the owners' equities.

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

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

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

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

#### (1) Fair value method changes to equity method

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

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

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

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

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

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

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

#### (3) Equity method transfer to fair value method

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

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

#### (4) Cost method transfer to equity method

The company loses the control over the invested entity as a result of partial disposal of equity investment. When prepare individual financial statements, the company still has joint control or significant influence over the invested organizations, the equity method shall be adopted and the adjustments are made to remaining equity investment as the equity method is applied from the very beginning.

#### (5) Cost method transfer to fair value method

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

#### 4. Disposal of long-term equity investment

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

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

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

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

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

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

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

(1) In individual financial statements, the difference between consideration received and carrying value arising from disposal of long-term equity investment before the company lose control shall be recognised as other comprehensive income. When the company lose control, it shall be reclassified as profit or loss;

(2) In consolidated financial statements, the difference between consideration received and share of net assets attributed to the parent company should be recognised as other comprehensive income and reclassified to profit or loss when it loses control.

## 5. Criteria for judgment of joint control and significant influence

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

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

Significant influence is the investor has power to participate in the financial and operating policies making and decisions of invested organization but does not control or joint control in policy-making. An entity could demonstrate that it has significant influence over an investment in the following ways:

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

## (XVII) Investment properties

### Method of depreciation or amortization

Investment properties refers to real estate held to earn rent or capital appreciation, or both, including land use rights that have been leased out, land use rights held and prepared for transfer after appreciation, and buildings that have been leased out. In addition, for the vacant buildings that the company holds for operating lease, if the board of directors makes a written resolution that clearly states that it will be used for operating lease and the intention to hold will not change in the short term, it is also presented as investment properties.

The investment properties of the company are based initially measured at cost. The cost of purchasing investment properties includes the purchase price, relevant taxes and other expenses directly attributable to the asset; The cost of self-construction of investment properties consist of the necessary expenses incurred for bringing the asset to the condition which is capable for use.

The company uses the cost model for subsequent measurement of investment properties, and depreciates or amortises buildings and land use rights based on their estimated useful life and net residual value rate. The estimated useful life, net residual value rate and annual depreciation (amortization) rate of investment properties are listed as follows:

Classification	Expected service life (years)	Expected net salvage value rate (%)	Annual depreciation (amortization) rate (%)
Houses and buildings	40	5	2.375

When the use of investment properties is changed to self-use, the company will convert the investment properties into fixed assets or intangible assets from the date of change. When the purpose of self-use properties is changed to earn rent or capital appreciation, the company will convert fixed assets or intangible assets into investment properties from the date of change. When a conversion occurs, the book value before conversion is used as the book value after conversion.

The carrying amount of investment properties should be derecognised on disposal or withdraw permanently and no future economic benefits are expected from its disposal. The gain or loss, which shall be included in current profit or loss, arising from the disposal, transfer, retirement or damage of an Items of investment properties shall be determined as the difference between the net disposal proceeds and the carrying amount of the Items, taking relevant taxes into consideration.

## (XVIII) Fixed assets

### 1. Criteria for recognition of Fixed assets

Fixed assets are tangible assets held for the purpose of producing goods, providing services, leasing or operating management and

benefit the entity during more than one fiscal year. A fixed asset shall be recognised when the following conditions are met:

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

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

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

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

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

## 2. Depreciation

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

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

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

- (1) When the lease term expires, all the risks and rewards of the ownership of the asset is substantially transferred to the Company;
- (2) The Company has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
- (3) The lease term accounts for the majority of the useful life of the leased asset, even if the ownership of the asset is not transferred;
- (4) At the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset;

(5) The leased assets are of such a specialized nature that only the Company can use them without major modifications.

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

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

#### (XIX) Construction in progress

##### 1. Classification of construction in progress

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

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

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

#### (XX) Borrowing Costs

##### 1. Principles of capitalization of Borrowing costs

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

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

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

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

##### 2. Capitalization period of borrowing costs

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

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

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

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

##### (1) Suspension period of capitalization

Capitalization of borrowing costs shall be suspended continuously for over 3 months when the acquisition, construction or production of a qualifying asset is interrupted by unexpected activities. The Company does not suspend capitalizing borrowing costs when a

temporary delay is a necessary part of the process of getting an asset ready for its intended use or sale. Borrowing costs incurred during the period in which capitalization of borrowing costs is suspended shall be recorded into the current profit and loss.

(2) Method for calculating the capitalized amounts of borrowing costs

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

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

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

(XXI) Biological assets

1. Recognition of biological assets

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

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

2. Classification of Biological assets

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

3. The initial measurement of biological assets

The biological assets are initially measured at cost.

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

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

4. Subsequent measurement of biological assets

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

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

(XXII) Intangible assets and research and development expenditure

1. Measurement of intangible assets

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

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

Intangible assets acquired during debt restructuring are measured on initial recognition at fair value. The difference between the



carrying value and fair value is recognised in current profit and loss.

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

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

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

## (2) Subsequent measurement

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

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

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

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

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

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

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

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

## 3. The basis of intangible assets with indefinite useful life

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

## 4. Provision of impairment for intangible assets

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

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

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

When the recoverable amount of an intangible asset is lower than its carrying value, the carrying amount of the asset shall be its revalued amount, which is equal to the recoverable amount. The impairment loss, the amount by which the carrying amount of an asset exceeds its recoverable amount, should be recognised in profit or loss and provisions for impairment of intangible assets should be made.

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

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

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

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

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

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

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

#### 6. Criteria of capitalization of development expenditure

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

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

#### (XXIII) Impairment of long-term assets

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

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

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

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

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

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

#### (XXIV) Long-term deferred expenses

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

The prepaid rent for operating lease of fixed assets shall be amortised on the basis of the period stipulated in the lease contract or other reasonable methods;

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

## (XXV) Employee benefits

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

### 1. Accounting for short-term benefits

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

### 2. Accounting treatment of post-employment benefits

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

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

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

### 3. The accounting treatment of termination benefits

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

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

### 4. Accounting for other long-term employee benefits

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

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

## (XXVI) Provisions

### 1. Criteria for recognition of provisions

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

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

### 2. Methods for the measurement of provisions

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

balance sheet date.

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

The best estimates are treated as follow:

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

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

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

#### (XXVII) Share-based payment

##### 1. The type of share-based payment

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

##### 2. Methods to determine fair value of equity instruments

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

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

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

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

##### 4. Accounting treatment methods

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

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

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

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

#### (XXVIII) Revenue

##### 1. Timing of revenue recognition

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

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

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

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

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

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

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

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

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

- (1) the amount of revenue can be measured reliably;
- (2) The economic benefits associated with the transaction are probable flow to the enterprise;
- (3) The stage of the completion of the transaction can be measured reliably;
- (4) The relevant costs incurred and to be incurred the transaction can be measured reliably.

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

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

- (1) If the cost incurred are expected to be compensated, revenue shall be recognised as actual costs incurred and the cost of service should be recognised at the same amount;
- (2) If the cost incurred is not expected to be compensated, the cost incurred shall be recognised in current profit and loss and no revenue from rendering service should be recognised.

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

##### 4. Sale and repurchase agreement

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

#### (XXIX) Government grants

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

If there is evidence that the Company can comply with the relevant conditions stipulated in the financial support policy at the end of the period and is expected to receive financial support funds, the government grants shall be recognised according to the amount receivable. Otherwise, government grants are recognised when they are actually received.

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

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

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

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

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

If a government grant related to income is related to daily operation and used for compensating the related future expenses or losses, the grant shall be recorded into the deferred income. Other income should reflect it when expenses or losses incurred. If a grant is used for compensating expenses or losses which already incurred, other income should reflect it immediately once the grant obtained.

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

### (XXX) Deferred tax assets and deferred tax liabilities

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

#### 1. Recognition of deferred tax assets

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

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

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

#### 2. Recognition deferred tax liabilities

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

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

or joint venture is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future.

#### (XXXI) Lease

##### 1. Accounting Treatments of operating lease

###### (1) Accounting by lessees

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

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

###### (2) Accounting by lessors

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

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

##### 2. Accounting treatments of finance lease

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

The Company adopts the effective interest method to amortise the unrecognised financing expenses over the lease term; meanwhile, recognise financial expenses.

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

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

##### 1. Discontinued operations

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

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

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

##### 2. Repurchase share

When the Company repurchases shares, they are all recognised in treasury shares. Corresponding account processing is carried out according to the subsequent use.

##### 3. Hedge accounting

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

###### (1) Fair value hedge

Fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment. Its change in value arises from a particular type of risk and will have an impact on current profit and loss.

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

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

#### (2) Cash flow hedge

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

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

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

#### 4. Major accounting judgments and estimates

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

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

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

##### (1) Depreciation and amortization

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

##### (2) Deferred tax asset

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

##### (3) Corporate income tax

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



## (XXXIII) Changes in accounting policies and accounting estimates

### 1. Changes in accounting policies

Reason of changes in accounting policies and accounting estimates	Authority approval	Remarks (affected accounting items)
Comply with the Accounting Standards related to financial instruments (referred to as "New Financial Instrument Standards") issued by the Ministry of Finance, including Accounting Standards for Enterprise No.22 - Recognition and Measurement of Financial Instruments, Accounting Standards for Enterprise No.23 - Transfer of Financial Assets, Accounting Standards for Enterprise No.24 - Hedge Accounting, Accounting Standards for Enterprise No.37 - Presentation of Financial Instruments, the company adjusted the relevant content of the original accounting policy.	On 26 February 2019, the company's sixth meeting of the Ninth Board of directors reviewed and approved the "Company's Proposal on change in accounting policy".	According to the relevant requirements of the new financial instruments standards, there is no need to adjust the comparative financial statement data, and it will not affect the financial status and operating results of 2018. Due to the first implementation of the relevant standards for new financial instruments, the adjusted statement items and amounts are described in the following No .3.
Comply with Notice of Revising the format of 2019 General Corporate Financial Statements (Finance and Accounting (2019) No.6) issued by the Ministry of Finance in April 2019. The company revises the format of financial statements and previous comparative data.	On 28th August 2019, the company's eighth meeting of the Ninth Board of directors reviewed and approved the "Company's Proposal on change in accounting policy"	Please see the other descriptions for the impact of the items because of the changes in the consolidated balance sheet on 31 December 2018

Other description:

The items affected in the financial statements for the year of 2018

Previous financial statement item	Amount	Adjusted financial statement item	Amount
Notes receivable& Accounts receivable	1,282,126,608.06	Notes receivable	181,100,000.00
		Accounts receivable	1,101,026,608.06
Notes payable& Accounts payable	9,115,711,387.32	Notes payable	276,249,155.54
		Accounts payable	8,839,462,231.78

### 2. Changes in accounting estimates

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

3. The impact of the implementation of the New Accounting Standards of Financial Instruments on the company. Implementation of the New Accounting Standards of Financial Instruments, Revenue or lease, adjust relevant items in the financial statements for the beginning balance from 2019

Item	31 December 2018	1 January 2019	Adjusted amount
Financial assets held for trading		262,123,843.46	262,123,843.46
Financial liabilities measured at VSOE and of which the variation is booked in current period P&L	498,843.46		-498,843.46
Available-for-sale financial assets	831,010,989.62		-831,010,989.62
Investment in other equity instruments		1,183,948,702.18	1,183,948,702.18
Deferred tax liabilities	105,918,440.05	238,546,699.32	132,628,259.27
Other comprehensive income	375,236,186.82	721,889,390.11	346,653,203.29
Retained earnings	15,672,617,442.10	15,807,898,692.10	135,281,250.00

## V. Taxation

### (I) Primary taxes and tax rates

Type	Tax base	Tax rate
Value-added tax (VAT)	Taxable value-added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible VAT input of the current period)	Output VAT rate were 6%, 9%,10%, 13%, 16%, and zero.
City maintenance and construction tax	The amount of VAT paid multiplied by the applicable tax rate	1%, 5%, 7%
Corporate income tax	Levied based on adjusted taxable income	15%, 25%, 28% (New Zealand), 16.5% (Hong Kong), 20% (Netherland, Thailand, Vietnam), 24%(Malaysia), 19% (United Kingdom), USA Federal rate 21%, State rate 7.5%

Disclosure of the existence of different corporate taxpayer income tax rates

Entities	Tax rate (%)
YILI INTERNATIONAL DEVELOPMENT CO., LIMITED	16.5
HONGKONG JINGANG TRADE HOLDING CO., LIMITED	16.5
SILVER HARBOR LLC.	USA Federal rate 21, State rate 7.5
Yili Innovation Centre Europe B.V.	20
Oceania Dairy Limited	28
SA ARK FOOD(M) SDN.BHD.	24
THE CHOMTHANA COMPANY LIMITED	20
MAXX DRINK CO., LTD	20
COOL TRAIN LOGISTICS CO., LTD	20
BDC SPECIALTY FOOD CO., LTD	20
GREEN ASIA FOOD VIETNAM COMPANY LIMITED	20
Westland Dairy Company Limited	28
Westland Milk Products Investments Limited	28
EasiYo Products (UK) Limited	19
EasiYo Products Limited	28
EasiYo Products (Aust) Limited	28

### (II) Basis for Taxation incentives

Corporate tax

(1) In accordance with the Circular of the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation on the Implementation of the Relevant Tax Policies on the Strategy of Developing the Western Region (Cai Shui [2011] No. 58), and On the Implementation of the Western Development Strategy (The State Administration of Taxation Announcement No. 12 of 2012), the Company and some of the subsidiaries located in the application areas of the western development policy applied a preferential tax rate of 15% in 2019.

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

shall be exempted from the enterprise income tax.

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

## VI. Notes to the consolidated financial statements

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

### Note 1. Cash and cash equivalents

Item	Ending balance	Beginning balance
Cash on hand	60,870.13	618.83
Bank deposits	10,912,217,817.58	10,437,379,717.25
Other monetary items	413,042,148.62	613,623,317.94
Total	11,325,320,836.33	11,051,003,654.02
Include: Total cash and cash equivalent deposit overseas	4,516,413,342.95	6,357,499,926.75

The Other monetary items mentioned above detailed as follows:

Item	Ending balance	Beginning balance
Funds in transit with POS	151,616,565.26	263,700,276.85
Deposited investment fund	79,633,664.48	
Guarantee	31,201,010.57	67,704,917.27
Legal deposit reserve in central bank	146,740,908.31	278,368,123.82
Excess deposit reserve in central bank	3,850,000.00	3,850,000.00
Total	413,042,148.62	613,623,317.94

Restricted monetary items detailed as follows:

Item	Ending balance	Beginning balance
Legal deposit reserve in central bank	146,740,908.31	278,368,123.82
Deposits not available before maturity	2,327,855.11	
Guarantee deposit	31,201,010.57	67,704,917.27
Performance bond	56,197,720.89	
Futures margin	22,138,978.86	
Total	258,606,473.74	346,073,041.09

Statement of restricted monetary items:

(1) The legal deposit reserve in the central bank is deposited by the Company’s subsidiary, Yili Financial Co., Ltd., as the statutory deposit reserve.

(2) The deposits not available before maturity are the time deposits deposited by the Company’s subsidiary, THE CHOMTHANA COMPANY LIMITED, in the Kasikorn Bank of Thailand.

(3) The guarantee deposit is mainly the deposit of the subsidiary Inner Mongolia Huishang Financing Guarantee Co., Ltd. for the

company's customers and suppliers to provide guarantee for bank loans.

(4) The performance bond is the balance of the initial consideration of the acquisition of THE CHOMTHANA COMPANY LIMITED by the subsidiary of the Company, HONGKONG JINGANG TRADE HOLDING CO., LIMITED. The balance has been deposited in the designated bank account and cannot be withdrawn before payment.

(5) The futures margin is the margin deposited by the Company's subsidiary, Inner Mongolia Kindairy Trading Co., Ltd., for the futures commodity trading..

As of 31 December 2019, except for the above restricted monetary funds, the company has no other restricted funds due to pledge, freezing and other reasons.

## Note 2. Financial assets held for trading

Item	Ending balance	Beginning balance
Financial assets at fair value through profit or loss for the period	389,993,987.17	262,123,843.46
Including:		
Equity instrument investment	294,775,000.00	261,625,000.00
Derivative financial assets	95,218,987.17	498,843.46
Designated as Financial assets measured at VSOE and of which the variation is booked in current period P&L		
Including:		
Total	389,993,987.17	262,123,843.46

Other instructions:

Derivative financial assets include futures contracts and forward foreign exchange contracts.

The main reasons for the increase in financial assets held for trading: the increased fair value of equity instruments investment and futures contracts held by subsidiaries, as well as the increase of forward foreign exchange contracts due to the acquisition of Westland Co-Operative Dairy Company Limited in this period.

## Note 3. Notes receivable

### 1. The classification of notes receivable

Item	Ending balance	Beginning balance
Bank acceptance notes	221,720,000.00	181,100,000.00
Commercial acceptance notes		
Total	221,720,000.00	181,100,000.00

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

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

Item	Derecognised amount at the ending balance	Untermiated amount at the ending balance
Bank acceptance notes	216,550,000.00	
Commercial acceptance notes		
Total	216,550,000.00	

4. The company has no notes transferred to accounts receivable due to the drawer's failure to perform the contract at the end of the period.

## 5. Disclosure according to bad debt provision method

Type	Ending Balance				Carrying value
	Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Percentage (%)	
Provision for bad debts by single Items					
Provision for bad debts by combination	221,720,000.00	100.00			221,720,000.00
Including: bank acceptance notes	221,720,000.00	100.00			221,720,000.00
Total	221,720,000.00	100.00			221,720,000.00

Continued:

Type	Beginning Balance				Carrying value
	Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Percentage (%)	
Provision for bad debts by single Items					
Provision for bad debts by combination	181,100,000.00	100.00			181,100,000.00
Including: bank acceptance notes	181,100,000.00	100.00			181,100,000.00
Total	181,100,000.00	100.00			181,100,000.00

Provision for bad debts by combination

Combined accrual items: bank acceptance notes

Item	Ending Balance		
	Book balance	Provision for bad debts	Percentage (%)
	Bank acceptance notes	221,720,000.00	
Total	221,720,000.00		

Recognition criteria and description of bad debts accrued by combination:

The company only uses bank acceptance notes for bill settlement, which is issued by the bank with lower credit risk and the notes' credit risk is lower as well. Moreover, due to the short term of notes receivable, the company has strong ability to perform its cash flow obligation of payment of the relevant contract in a short period of time. Therefore, the company regards bills receivable as a financial instrument with lower credit risk, and considers the situation that the historical default rate of the notes receivables is zero, we expected credit loss rate for notes receivable is zero.

6. There are no notes receivable actually written off in this period.

**Note 4. Accounts receivable**

1. Disclosure of accounts receivable by aging

Aging	Book balance at the end of the period
Within 1 year	1,755,355,546.80
1-2 years	1,012,347.52
2-3 years	172,045.11
More than 3 years	1,524,058.21
3-4 years	
4-5 years	
More than 5 years	
Total	1,758,063,997.64

## 2. Disclosure according to bad debt provision method

Item	Ending balance				
	Book balance		Provision for bad debts		Carrying value
	Amount	Percentage (%)	Amount	Percentage (%)	
Provision for bad debts by single items	2,074,374.24	0.12	2,074,374.24	100.00	
Provision for bad debts by combination	1,755,989,623.40	99.88	140,479,169.84	8.00	1,615,510,453.56
Including: Combination for second items	1,755,989,623.40	99.88	140,479,169.84	8.00	1,615,510,453.56
Total	1,758,063,997.64	100.00	142,553,544.08		1,615,510,453.56

Continued:

Item	Beginning balance				
	Book balance		Provision for bad debts		Carrying value
	Amount	Percentage (%)	Amount	Percentage (%)	
Provision for bad debts by single items	182,350.27	0.02	182,350.27	100.00	
Provision for bad debts by combination	1,196,768,052.26	99.98	95,741,444.20	8.00	1,101,026,608.06
Including: Combination for second items	1,196,768,052.26	99.98	95,741,444.20	8.00	1,101,026,608.06
Total	1,196,950,402.53	100.00	95,923,794.47		1,101,026,608.06

## 3. Accounts receivable for bad debts provision by single item

Item	Ending balance			
	Amount	Provision for bad debts	Percentage (%)	Reason for accrual
Single bad debt provision of insignificant accounts receivable	2,074,374.24	2,074,374.24	100.00	The Items is difficult to recover and has a high probability of being bad debts.
Total	2,074,374.24	2,074,374.24	100.00	

## 4. Accounts receivable for bad debt provision by combination

Item	Ending balance		
	Account receivables	Provision for bad debts	Percentage (%)
Within 3 months	1,731,615,571.91	133,968,504.30	7.74
4-6 months	15,806,342.01	2,597,321.30	16.43
7-12 months	7,933,632.88	3,279,267.64	41.33
More than 1 year	634,076.60	634,076.60	100.00
Total	1,755,989,623.40	140,479,169.84	

## 5. Provision for bad debts within the report period of accrual, recovery or reversal

Type	Beginning balance	Changes in the current period			Closing balance
		Accrual	Recovery or Reversal	Charge off or Write off	
Provision for bad debts by single items	182,350.27	1,958,004.36		182,350.27	2,074,374.24
Provision for bad debts by combination	95,741,444.20	15,560,364.17			140,479,169.84
Including: Combination for second items	95,741,444.20	15,560,364.17			140,479,169.84
Total	95,923,794.47	17,518,368.53		182,350.27	142,553,544.08

Other changes include translation differences of foreign currency statements and amounts brought in by consolidated subsidiaries in the current period.

6. Accounts receivable actually written off in this reporting period

Item	Written off amount
Accounts receivable actually written off	182,350.27

7. Top 5 AR debtors in the period stated as follow

Debtors	Ending balance	Proportion of total accounts receivable (%)	Provision for bad debts
The first	300,600,838.81	17.10	24,048,067.10
The second	174,189,469.27	9.91	13,935,157.54
The third	101,068,322.84	5.75	8,085,465.83
The fourth	73,753,169.36	4.20	5,900,253.55
The fifth	64,419,268.43	3.66	5,153,541.47
Total	714,031,068.71	40.62	57,122,485.49

8. During the reporting period, there is no accounts receivable derecognised due to transfer of financial assets.

9. There is no transfer of accounts receivable and no formed assets and liabilities caused by continuous involvement because of the transfer of accounts receivable in the report period.

Other instructions:

The main reasons for the increase of accounts receivable: the increased accounts receivable due to acquisition of Westland Co-operative Dairy Company Limited and the increased sales of supermarkets and e-commerce in this period.

## Note 5. Prepayments

1. Prepayments presented by aging

Aging	Ending balance		Beginning balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	1,148,271,346.86	99.23	1,451,327,809.06	99.43
1-2 years	7,885,360.93	0.68	8,147,080.09	0.56
2-3years	1,007,883.12	0.09	93,360.60	0.01
More than 3 years	10,636.07		32,726.80	
Total	1,157,175,226.98	100.00	1,459,600,976.55	100.00

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

3. The top five pre-payment suppliers

Company	Ending balance	Percentage of total prepayments (%)	Prepayment aging	Reason of unsettlement
The first	161,176,009.03	13.93	Within 1 year	Goods not delivered
The second	160,797,324.95	13.90	Within 1 year	Service not provided
The third	110,739,113.97	9.57	Within 1 year	Goods not delivered
The fourth	82,894,475.29	7.16	Within 1 year	Goods not delivered
The fifth	68,099,284.56	5.88	Within 1 year	Goods not delivered
Total	583,706,207.80	50.44		

## Note 6. Other receivables

Item	Ending balance	Beginning balance
Interest receivable		86,527,903.76
Dividends receivable		
Other receivables	194,759,131.74	68,031,255.00
Total	194,759,131.74	154,559,158.76

## (I) Interest receivable

## 1. Interest receivable classification

Item	Ending balance	Beginning balance
Fixed time deposit		22,971,587.67
Entrusted loan		
Bond investment		
Interest on micro-loan		13,092,796.84
Interest of deposit in the central bank and deposit of interbank		28,208,180.04
Redemptory financial assets for Sale		20,393,421.39
Principal-guaranteed floating income securities financial products		1,861,917.82
Total		86,527,903.76

2. There is no significant overdue interest during the reporting period.

## (II) Other receivables

## 1. Disclosed by aging

Aging	Book balance at the end of the period
Within 1 year	207,038,305.90
1-2 years	3,284,579.48
2-3 years	469,948.66
3-4 years	619,107.93
4-5 years	282,766.43
More than 5 years	18,376,874.93
Total	230,071,583.33

## 2. Classified by nature

Nature	Ending balance	Beginning balance
Deposits and guarantees	109,826,052.54	48,544,975.50
Advance money for another	69,096,325.13	41,371,381.11
Equity transfer	50,000,000.00	
Supportive receivables and payables to milk farmers' development	1,149,205.66	1,337,683.46
Fixed assets disposal		1,225,816.05
Total	230,071,583.33	92,479,856.12



## 3. Bad debt provision for other receivables

Bad debt provision	The first stage	The second stage	The third stage	Total
	Expected credit losses in the next 12 months	Expected credit loss for the entire duration (no credit impairment occurred)	Expected credit loss for the entire duration (credit impairment has occurred)	
Balance on 1 January 2019	5,915,761.32		18,532,839.80	24,448,601.12
1 January 2019 balance in the current period				
— Transferred to the second stage				
— Transferred to the third stage				
— Reversed to the second stage				
— Reversed to the first stage				
Accrued in the current period	8,792,679.44		57,316.00	8,849,995.44
Reversed in the current period			95,073.87	95,073.87
Charge off in the current period				
Written off in the current period			118,207.00	118,207.00
Other changes	2,227,135.90			2,227,135.90
Balance on 31 December 2019	16,935,576.66		18,376,874.93	35,312,451.59

## 4. Provision for bad debts

Type	Beginning balance	Changes in the current period				Closing balance
		Accrual	Recovery or Reversal	Charge off or Write off	Other changes	
Other receivables	24,448,601.12	8,849,995.44	95,073.87	118,207.00	2,227,135.90	35,312,451.59
Total	24,448,601.12	8,849,995.44	95,073.87	118,207.00	2,227,135.90	35,312,451.59

Other changes include the differences on translation of foreign currency financial statements and the amount brought by consolidating subsidiaries in the current period.

## 5. Other receivables actually written off in this reporting period

Item	Ending balance
Other receivables actually written off	118,207.00

## 6. The top five Other Receivables at the end of the period collected by the arrears

Name of entities	Nature of payment	Ending balance	Aging	Percentage of total ending balance of other receivables (%)	Provision for bad debts ending balance
The first	Equity transfer	50,000,000.00	Within 1 year	21.73	4,000,000.00
The second	guarantees	50,000,000.00	Within 1 year	21.73	4,000,000.00
The third	Advance money for another	27,905,718.45	Within 1 year	12.13	2,232,457.48
The fourth	guarantees	21,869,159.76	Within 1 year	9.51	1,749,532.78
The fifth	guarantees	7,150,000.00	Within 1 year	3.11	572,000.00
Total		156,924,878.21	Within 1 year	68.21	12,553,990.26

7. No other receivables are involved in government subsidies during the reporting period.

8. During the reporting period, there is no other receivable derecognised due to transfer of financial assets.

9. There is no transfer of other receivable and no formation of assets and liabilities caused by continuous involvement because of the transfer of other receivable in the report period.

## Note 7. Inventories

### 1. Inventory by Categories

Item	Ending balance			Beginning balance		
	Book balance	Inventory allowance for depreciation	Carrying value	Book balance	Inventory allowance for depreciation	Carrying value
Raw materials	4,027,055,864.14	7,046,568.87	4,020,009,295.27	2,790,119,193.44	2,829,935.63	2,787,289,257.81
Products in progress						
Inventory	3,049,908,946.45	135,135,487.17	2,914,773,459.28	2,014,294,447.41	213,501.66	2,014,080,945.75
Turnover materials						
Consumable biological assets						
The completed and unliquidated assets formed by the construction contract						
Packaging Materials	395,262,494.34	14,663,565.10	380,598,929.24	343,270,973.96		343,270,973.96
Low value consumables	1,547,640.99		1,547,640.99			
Semi-finished products	393,406,118.00	10,868.84	393,395,249.16	372,133,538.22	9,700,751.89	362,432,786.33
Consigned processing materials	4,706,760.28		4,706,760.28			
Total	7,871,887,824.20	156,856,489.98	7,715,031,334.22	5,519,818,153.03	12,744,189.18	5,507,073,963.85

### 2. Inventory impairment provision

Item	Beginning balance	Increase for the year		Decrease for the year		Ending balance
		Accrued	Other	Reversal or written offs	Other	
Raw materials	2,829,935.63	4,881,767.48	27,686.17	692,820.41		7,046,568.87
Products in progress						
Inventory	213,501.66	96,160,588.62	43,251,586.16	4,490,189.27		135,135,487.17
Reusable materials						
Consumable biological assets						
The completed and unliquidated assets formed by the construction contract						
Packaging Materials		14,457,917.38	205,647.72			14,663,565.10
Low value consumables						
Semi-finished products	9,700,751.89		107,454.03	9,797,337.08		10,868.84
Consigned processing materials						
Total	12,744,189.18	115,500,273.48	43,592,374.08	14,980,346.76		156,856,489.98

Other instructions:

Other increase includes the translation difference in foreign currency statements and the amount brought in by the consolidation of subsidiaries in the current period.

The main reasons for the increase of inventory: the increased purchase of raw materials in this period and the increased inventory caused by the acquisition of Westland Dairy Company Limited.

## Note 8. Non-current assets due within one year

Item	Ending balance	Beginning balance
Debt investment due within one year		
Other debt investments due within one year		
Medium and long-term small loans due within one year	303,240,656.65	
Total	303,240,656.65	

Other instructions:

The reason for the increase in non-current assets due within one year: the increase in medium and long-term small loans due within one year of the subsidiary, Inner Mongolia HuiShang Internet micro-loan Co., Ltd.

## Note 9. Other current assets

### 1. List of other current assets by Items

Item	Ending balance	Beginning balance
Input tax to be deducted	740,029,157.02	500,774,013.15
Prepaid income tax	89,363,563.74	54,160,553.07
Tax Refund of goods and services	7,149,303.04	10,671,633.52
Short-term small-loan	769,455,718.42	407,048,069.24
Factoring receivables	1,172,851,527.44	689,754,184.93
Receivables for subrogation recovery	4,249,542.17	6,949,996.01
Deposit of capital discount		1,075,125.18
Redemptory financial assets for Sale		3,130,000,000.00
Principal-guaranteed floating income securities financial products		200,000,000.00
Total	2,783,098,811.83	5,000,433,575.10

Other instructions:

(1) Tax Refund of goods and services is an application to the administration of taxation in New Zealand by Oceania Dairy Limited for tax refund.

(2) Short-term loan is the loan issued by the subsidiary Inner Mongolia HuiShang Internet Small-loan Co., Ltd. to the company's dealers and suppliers.

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

(4) Receivables for subrogation recovery is a result of Inner Mongolia Huishang Finance Guarantee Co., Ltd.'s guarantee for the company's dealers and suppliers.

The main reason for the decrease of other current assets: the repurchases of government bonds and the pledged offer repurchase held by the Yili Finance Co., Ltd. matured in this period.

## Note 10. Long-term equity investments

Invested company	Beginning balance	Increase/decrease in current period			
		Increased investment	Decreased investment	Investment income recognised under the equity method	Adjustments of other comprehensive income
Joint ventures					
Associate enterprise					
Hulunbeier Shengxin Investment Co., Ltd.	18,671,174.86			-211,421.97	
Shandong New Jufeng Technology Packaging Co., Ltd.	144,630,475.11		116,284,700.61	17,539,571.18	
China Youran Dairy Holding Limited	1,699,995,989.02			199,394,048.32	6,329.94
Beijing Jiuyang Wisdom Investment Fund Management Limited	46,089,474.46			-3,040,703.21	
Subtotal	1,909,387,113.45		116,284,700.61	213,681,494.32	6,329.94
Total	1,909,387,113.45		116,284,700.61	213,681,494.32	6,329.94

Continued:

Invested company	Increase/decrease in current period				Ending balance	Provision for impairment at end of the year
	Changes in other equities	Declaration of a cash dividends or profits	Provision for impairment	Others		
Joint ventures						
Associate enterprise						
Hulunbeier Shengxin Investment Co., Ltd.					18,459,752.89	
Shandong New Jufeng Technology Packaging Co., Ltd.		3,600,000.00		-42,285,345.68		
China Youran Dairy Holding Limited					1,899,396,367.28	
Beijing Jiuyang wisdom investment fund management Limited					43,048,771.25	
Subtotal		3,600,000.00		-42,285,345.68	1,960,904,891.42	
Total		3,600,000.00		-42,285,345.68	1,960,904,891.42	

## Note 11. Investments in other equity instruments

## 1. List of investments in other equity instruments by Items

Item	Ending balance	Beginning balance
Investment in non-trading equity instruments	1,147,896,142.44	1,183,948,702.18
Total	1,147,896,142.44	1,183,948,702.18

## 2. Investment in non-trading equity instruments

Item	Dividend income recognised in the current period	Accumulated gains	Accumulated losses	Other comprehensive income transferred into retained income	Reasons for designated as measured at fair value through other comprehensive income	Reasons for other comprehensive income transferred to retained income
Mianyang Science and Technology City Industrial Investment Fund (Limited Partnership)	31,878,177.95		5,346,320.48		Financial investment, obtaining dividend	
CITIC Industrial Investment Fund Management Co., Ltd.	31,500,000.00	97,177,628.07			Financial investment, obtaining dividend	

Item	Dividend income recognised in the current period	Accumulated gains	Accumulated losses	Other comprehensive income transferred into retained income	Reasons for designated as measured at fair value through other comprehensive income	Reasons for other comprehensive income transferred to retained income
Inner Mongolia Yisheng Biological Technology Co., Ltd.			197,099.22		Financial investment, obtaining dividend	
Shenzhen Huatai Ruilin equity investment fund partnership (Limited Partnership)	13,317,605.00	38,954,236.94			Financial investment, obtaining dividend	
Hezhong Chuangya (Hohhot) Packaging Co., Ltd.		5,427,043.37			Financial investment, obtaining dividend	
CITICPE Holdings Limited	20,759,100.00	48,590,429.00			Financial investment, obtaining dividend	
CDB Boyu Phase I (Shanghai) Equity Investment Partnership	70,565,190.62	472,957,987.31			Financial investment, obtaining dividend	
Inner Mongolia Collaborative Innovation Equity Investment Fund Co., Ltd.		1,915,958.10			Financial investment, obtaining dividend	
Beijing Huatai New Industry Growth Investment Fund (Limited Partnership)		46,084,239.18			Financial investment, obtaining dividend	
Inner Mongolia Steppe Culture Film and Television Industry Fund (Limited Partnership)			706,295.85		Financial investment, obtaining dividend	
Total	168,020,073.57	711,107,521.97	6,249,715.55			

#### Note 12. Other non-current financial assets

Item	Ending balance	Beginning balance
Equity instrument investment	142,167,713.34	
Total	142,167,713.34	

Other instructions:

Reasons for the increase in other non-current financial assets: The financial assets held for trading with a holding period of more than one year were reclassified to other non-current financial assets.

#### Note 13. Real estate investment

##### 1. The situation of investment properties

Item	Houses and buildings	Land-use right	Construction in progress	Total
Original book value				
1. Beginning balance				
2. Increased during the current period	540,788,022.62			540,788,022.62
(1) Purchase				
(2) Inventory/Fixed assets/Construction in progress transferred	540,788,022.62			540,788,022.62
(3) Increased in business merger				
3. Decreased for the year				
(1) Disposal or scrap				
(2) Other transfer out				

Item	Houses and buildings	Land-use right	Construction in progress	Total
4. Ending balance	540,788,022.62			540,788,022.62
Accumulated depreciation (amortization)				
1. Beginning balance				
2. Increased during the current period	7,492,168.16			7,492,168.16
(1) Provision	7,492,168.16			7,492,168.16
3. Decreased during the current period				
(1) Disposal or scrap				
(2) Other transfer out				
4. Ending balance	7,492,168.16			7,492,168.16
Provision for impairment				
1. Beginning balance				
2. Increased during the current period				
(1) Provision				
3. Decreased during the current period				
(1) Disposal or scrap				
(2) Other transfer out				
4. Ending balance				
Book value				
1. Book value at the end of the period	533,295,854.46			533,295,854.46
2. Book value at the beginning of the period				

Other instructions:

The reason for the increase in Investment properties: the rental of Company's own buildings in this period.

#### Note 14. Fixed assets

Item	Ending balance	Beginning balance
Fixed assets	18,296,214,255.28	14,687,762,476.26
Disposal of fixed assets		
Total	18,296,214,255.28	14,687,762,476.26

#### (I) Fixed assets

##### 1. General Information about fixed assets

Item	Houses and buildings	Machinery equipment	Transportation equipment	Electronic equipment	Others	Total
Original book value:						
1. Beginning balance	7,357,396,574.49	15,362,121,914.91	309,713,699.15	218,801,010.00	1,244,729,055.65	24,492,762,254.20
2. Increased during the current period	1,996,842,139.12	3,094,377,151.23	120,770,302.17	116,108,341.50	517,828,617.32	5,845,926,551.34
(1) Purchase	190,251,589.83	280,265,659.96	37,234,183.48	47,695,856.26	137,988,508.65	693,435,798.18
(2) Construction in progress transferred	971,841,663.63	2,162,665,881.97	25,736,440.32	53,147,742.75	162,579,324.28	3,375,971,052.95
(3) Increased in business merger	784,131,012.34	605,125,423.35	54,496,939.45	13,617,608.32	203,017,350.75	1,660,388,334.21
(4) Translation difference of foreign currency statements	50,617,873.32	46,320,185.95	3,302,738.92	1,647,134.17	14,243,433.64	116,131,366.00
3. Decreased for the year	57,680,011.66	510,267,934.51	30,200,944.36	15,118,563.67	56,243,249.35	669,510,703.55
(1) Disposal or scrap	22,680,011.66	413,181,694.72	29,197,512.40	7,370,563.67	52,229,528.94	524,659,311.39

Item	Houses and buildings	Machinery equipment	Transportation equipment	Electronic equipment	Others	Total
(2) Reduced for others	35,000,000.00	97,086,239.79	1,003,431.96	7,748,000.00	4,013,720.41	144,851,392.16
4. Ending balance	9,296,558,701.95	17,946,231,131.63	400,283,056.96	319,790,787.83	1,706,314,423.62	29,669,178,101.99
Accumulated depreciation						
1. Beginning balance	1,856,781,065.90	6,822,277,001.63	195,272,798.55	120,672,394.27	783,227,622.35	9,778,230,882.70
2. Increased during the current period	299,008,749.13	1,304,270,956.88	37,961,742.19	43,895,582.34	157,045,190.48	1,842,182,221.02
(1) Provision	296,864,070.91	1,297,337,250.56	37,681,821.41	43,363,819.88	156,632,786.45	1,831,879,749.21
(2) Translation difference of foreign currency statements	2,144,678.22	6,933,706.32	279,920.78	531,762.46	412,404.03	10,302,471.81
3. Decreased during the current period	9,583,532.44	293,304,992.62	23,171,300.35	4,814,612.95	48,422,365.76	379,296,804.12
(1) Disposal or scrap	9,583,532.44	293,304,992.62	23,171,300.35	4,814,612.95	48,422,365.76	379,296,804.12
(2) Reduced for others						
4. Ending balance	2,146,206,282.59	7,833,242,965.89	210,063,240.39	159,753,363.66	891,850,447.07	11,241,116,299.60
Provision for impairment						
1. Beginning balance	481,622.93	25,951,993.12			335,279.19	26,768,895.24
2. Increased during the current period	17,028,717.96	85,857,595.93	162,799.52	557,337.89	3,230,333.91	106,836,785.21
(1) Provision	16,947,167.05	85,827,593.81	162,799.52	557,337.89	3,230,333.91	106,725,232.18
(2) Translation difference of foreign currency statements	81,550.91	30,002.12				111,553.03
3. Decreased during the current period	59,660.63	1,664,260.42			34,212.29	1,758,133.34
(1) Disposal or scrap	59,660.63	1,664,260.42			34,212.29	1,758,133.34
(2) Reduced for others						
4. Ending balance	17,450,680.26	110,145,328.63	162,799.52	557,337.89	3,531,400.81	131,847,547.11
Book value						
1. Book value-Ending balance	7,132,901,739.10	10,002,842,837.11	190,057,017.05	159,480,086.28	810,932,575.74	18,296,214,255.28
2. Book value -Beginning balance	5,500,133,885.66	8,513,892,920.16	114,440,900.60	98,128,615.73	461,166,154.11	14,687,762,476.26

Other reductions are caused by government subsidies which is accounted to offset fixed assets.

2. The situation of fixed assets temporarily idle in the current periods

Item	Original Book Value	Accumulated depreciation	Provision for impairment	Book value	Notes
Houses and buildings	52,032,418.24	27,810,002.78	15,616,644.98	8,605,770.48	
Machinery equipment	203,809,059.89	112,856,528.71	80,512,113.63	10,440,417.55	
Transportation equipment	349,572.66	186,345.88	145,748.13	17,478.65	
Electronic equipment	1,517,012.27	1,057,605.86	383,546.64	75,859.77	
Others	8,832,406.91	5,438,993.28	2,925,845.75	467,567.88	
Total	266,540,469.97	147,349,476.51	99,583,899.13	19,607,094.33	

3. Fixed assets leased through finance leases in this period

Item	Original book value	Accumulated depreciation	Provision for impairment	Book value
Machinery equipment	297,991,155.80	53,991,612.68		243,999,543.12
Transportation equipment	9,667,885.46	2,371,538.98		7,296,346.48
Electronic equipment	50,834.63	12,798.09		38,036.54
Others	153,749.25	42,790.96		110,958.29
Total	307,863,625.14	56,418,740.71		251,444,884.43

4. No fixed assets were leased out through operating leases in this period.  
 5. Fixed assets without property right certificate at the end of the period

Item	Book value	The reason for not completing the certificate of title
Houses and buildings	1,071,270,289.00	New projects put into use for a short time, currently being processed.

**Note 15. Construction in progress**

Item	Ending balance	Beginning balance
Construction in progress	6,155,736,679.51	2,676,239,440.27
Construction material	9,313,538.87	10,466,425.19
Total	6,165,050,218.38	2,686,705,865.46

Other instructions:

The main reasons for the increase of construction in progress: due to the increase of liquid milk reconstruction and expansion project and Beijing business operation center project.

(I) Construction in progress

1. General Information about construction in progress

Project	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Liquid milk project	2,276,789,665.62		2,276,789,665.62	782,242,008.26		782,242,008.26
Milk powder project	245,296,924.35	19,216,770.26	226,080,154.09	106,731,479.68		106,731,479.68
Ice cream project	226,321,359.56		226,321,359.56	162,209,221.30		162,209,221.30
Yogurt project	620,815,599.19		620,815,599.19	199,286,522.02		199,286,522.02
Others	2,805,729,901.05		2,805,729,901.05	1,425,770,209.01		1,425,770,209.01
Total	6,174,953,449.77	19,216,770.26	6,155,736,679.51	2,676,239,440.27		2,676,239,440.27

2. Changes in significant construction projects

Project	Beginning balance	Increase in this period	Transferred to fixed assets	Other decrease during this period	Ending balance
Liquid milk project	782,242,008.26	3,935,287,112.47	2,440,739,455.11		2,276,789,665.62
Milk powder project	106,731,479.68	329,686,006.34	191,120,561.67		245,296,924.35
Ice cream project	162,209,221.30	268,733,259.80	204,621,121.54		226,321,359.56
Yogurt project	199,286,522.02	710,470,490.96	288,941,413.79		620,815,599.19
Others	1,425,770,209.01	2,171,296,215.50	250,548,500.84	540,788,022.62	2,805,729,901.05
Total	2,676,239,440.27	7,415,473,085.07	3,375,971,052.95	540,788,022.62	6,174,953,449.77



Continued:

Project	Budget	Proportion of accumulated project investment in budget (%)	Project progress (%)	Accumulated amount of capitalized interest	Including: Amount of capitalized interest for current period	Interest capitalization rate for current period (%)	Source of funds
Liquid milk project	10,383,449,014.05	46.50	46.50				Wholly-owned capital
Milk powder project	866,792,773.08	53.63	53.63				Wholly-owned capital
Ice cream project	1,403,263,651.86	31.30	31.30				Wholly-owned capital
Yogurt project	1,434,882,481.96	65.57	65.57				Wholly-owned capital
Others	4,937,489,264.79	72.87	72.87				Wholly-owned capital
Total	19,025,877,185.74						

The other projects mainly refer to Beijing Business Operation Centre projects.

The above is the classification of construction in progress disclosed by product type as of 31 December 2019. There are more than 900 projects under construction, but no major single project under construction.

3. No provision for impairment of construction in progress during current period

Project	Amount accrued in this period	Reasons for accrual
Milk powder project	19,216,770.26	The project is suspended and the recoverable amount is expected to be less than the book value.
Total	19,216,770.26	

(II) Construction materials

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Material	1,308,594.49		1,308,594.49	5,299,669.16		5,299,669.16
Equipment	7,856,101.63		7,856,101.63	4,938,123.27		4,938,123.27
Tool	148,842.75		148,842.75	228,632.76		228,632.76
Total	9,313,538.87		9,313,538.87	10,466,425.19		10,466,425.19

Note 16. Intangible assets

1. General Information about intangible assets

Item	Land-use right	Patent rights	Non-patented technology	Software information and development	Trademark rights	Licensing rights	Total
Original book value							
1. Beginning balance	593,452,159.08	7,981,998.70	15,980,941.27	246,466,365.56	19,236.34	3,156,328.31	
2. Increased for the year	218,365,102.54		39,518,329.01	297,911,835.79	221,167,579.27	35,065.03	148,487,147.31
(1) Purchase	210,454,492.54			288,341,370.23			
(2) Internal R&D							
(3) Increased in business merger	7,910,610.00		38,014,979.51	8,639,402.32	209,175,998.60		148,487,147.31
(4) Converted difference in foreign currency statements			1,503,349.50	931,063.24	11,991,580.67	35,065.03	
3. Decreased during the current period	88,296,083.27			38,448,150.00			
(1) Disposal or scrap							
(2) Converted difference in foreign currency statements							

Item	Land-use right	Patent rights	Non-patented technology	Software information and development	Trademark rights	Licensing rights	Total
(3) Reduced for others	88,296,083.27			38,448,150.00			
4. Ending balance	723,521,178.35	7,981,998.70	55,499,270.28	505,930,051.35	221,186,815.61	3,191,393.34	148,487,147.31
Accumulated amortization							
1. Beginning balance	163,171,336.17	287,639.60	8,850,009.69	54,823,942.73		655,460.10	
2. Increased during the current period	12,752,956.84	431,459.38	1,136,264.19	28,039,920.41		824,415.80	2,880,210.16
(1) Accrual	12,752,956.84	431,459.38	1,109,418.96	27,861,520.85		815,455.69	2,880,210.16
(2) Converted difference in foreign currency statements			26,845.23	178,399.56		8,960.11	
3. Decreased during the current period							
(1) Disposal or scrap							
4. Ending balance	175,924,293.01	719,098.98	9,986,273.88	82,863,863.14		1,479,875.90	2,880,210.16
Provisions for impairment							
1. Beginning balance							
2. Increased for the year							
(1) Accrual							
3. Decreased for the year							
(1) Disposal or scrap							
4. Ending balance							
Carrying value							
1. Carrying value at end of period	547,596,885.34	7,262,899.72	45,512,996.40	423,066,188.21	221,186,815.61	1,711,517.44	145,606,937.15
2. Carrying value at the beginning of the period	430,280,822.91	7,694,359.10	7,130,931.58	191,642,422.83	19,236.34	2,500,868.21	

Other reductions are government subsidies to offset intangible assets.

At the end of the period, intangible assets formed through internal R & D of the company accounted for 0% of the balance of intangible assets.

2. Intangible assets without certificate of title at the end of the period

Project	Amount accrued in this period	Reasons for accrual
Land-use right	11,494,746.88	New projects put into use for a short time, currently being processed.

Other instructions:

The main reasons for the increase of intangible assets: the purchase of land use rights and software materials, as well as the increase of intangible assets in the acquisition of subsidiaries in this period.

#### Note 17. Goodwill

1. Original Book Value of Goodwill

Investee or event that forming goodwill	Beginning balance	Increase for the year	Decrease for the year	Ending balance
		Formed by the corporate merger	Disposal	
Oceania Dairy Limited	10,678,610.25			10,678,610.25
THE CHOMTHANA COMPANY LIMITED		295,608,098.32		295,608,098.32
Westland Dairy Company Limited		165,992,840.47		165,992,840.47
Arxan Yili Natural Mineral Drink Co., Ltd.		55,264,276.17		55,264,276.17
Total	10,678,610.25	516,865,214.96		527,543,825.21

## 2. Provision for impairment of goodwill.

None

## 3. Relevant information for an asset group or a combination of asset groups about goodwill

In April 2013, the wholly-owned subsidiaries of the company, YILI INTERNATIONAL DEVELOPMENT CO., LIMITED and HONGKONG JINGANG TRADE HOLDING CO., LIMITED purchased a total of 100% equity of Oceania Dairy Limited from the original shareholders of Oceania Dairy Limited. The transaction was a merger of companies that were not under common control and the costs of the merger amounted to RMB 3,274,694.72. The fair value of the net assets of the merged company, Oceania Dairy Limited, on the date of the merger was RMB -7,403,915.53 and the difference of RMB 10,678,610.25 was recognised as goodwill. The composition of the asset group where the goodwill is located is long-term assets (including fixed assets, intangible assets and others).

In April 2019, the wholly-owned subsidiary of the company, HONGKONG JINGANG TRADE HOLDING CO., LIMITED purchased 96.46% equity of THE CHOMTHANA COMPANY LIMITED from the original shareholders of THE CHOMTHANA COMPANY LIMITED. The transaction was a merger of companies that were not under common control and the costs of the merger amounted to RMB 542,200,665.33. The fair value of the net assets of the merged company, THE CHOMTHANA COMPANY LIMITED, on the date of the merger was RMB 246,592,567.01 and the difference of RMB 295,608,098.32 was recognised as goodwill. The composition of the asset group where the goodwill is located is long-term assets (including fixed assets, intangible assets and others).

In August 2019, the wholly-owned subsidiary of the company, HONGKONG JINGANG TRADE HOLDING CO., LIMITED purchased 100% equity of Westland Co-Operative Dairy Company Limited from the original shareholders of Westland Co-Operative Dairy Company Limited. The transaction was a merger of companies that were not under common control and the costs of the merger amounted to RMB 1,102,484,067.34. The fair value of the net assets of the merged company, Westland Co-Operative Dairy Company Limited, on the date of the merger was RMB 936,491,226.87 and the difference of RMB 165,992,840.47 was recognised as goodwill. The composition of the asset group where the goodwill is located is long-term assets (including fixed assets, intangible assets and others). After the acquisition date, Westland Co-Operative Dairy Company Limited changed its company name to Westland Dairy Company Limited.

In August 2019, the Company purchased 100% equity of Arxan Yili Natural Mineral Drink Co., Ltd. from the original shareholders of Arxan Yili Natural Mineral Drink Co., Ltd. The transaction was a merger of companies that were not under common control and the costs of the merger amounted to RMB 135,286,000. The fair value of the net assets of the merged company, Arxan Yili Natural Mineral Drink Co., Ltd., on the date of the merger was RMB 80,021,723.83 and the difference of RMB 55,264,276.17 was recognised as goodwill. The composition of the asset group where the goodwill is located is long-term assets (including fixed assets, intangible assets and others).

## 4. Goodwill impairment test process, key parameters (for example, the forecast period growth rate, stable period growth rate, profit rate, discount rate, forecast period, etc., in forecasting the cash flow, if applicable) and recognition method of goodwill impairment loss

When conducting an impairment test on goodwill, the management prepares future (forecast) cash flows based on the most recent financial budget assumptions, and the recoverable amount is determined based on the present value of the expected future cash flows. The company's main assumptions of the discounted future cash flow method.

Item	Growth rate (%)	Gross profit rate (%)	Discount rate (%)
Arxan Yili Natural Mineral Drink Co., Ltd.	2.09-296.90	51.97-60.92	13.33
Oceania Dairy Limited	-5.99-18.56	7.94-12.67	12.78
THE CHOMTHAN ACOMPANY LIMITED	11.99-22.91	38.5-47.39	13.75
Westland Dairy Company Limited	2.3-8.48	8.47-20.01	13.00

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

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

5. The impact of the goodwill impairment test

None

Other instructions:

Reasons for the increase in goodwill: The acquisition of THE CHOMTHANA COMPANY LIMITED, Westland Co-Operative Dairy Company Limited and Arxan Yili Natural Mineral Drink Co., Ltd. in this period formed the goodwill.

Note 18. Long-term deferred expenses

Item	Beginning balance	Increase for the year	Current amortization amount	Other reduction	Ending balance
Leased fixed asset improvement expenses	3,735,682.59		2,530,554.62		1,205,127.97
Renovation costs	1,764,139.95	1,599,325.45	1,125,756.38		2,237,709.02
Agency transfer fees	50,303,527.44		7,186,218.24		43,117,309.20
Advertising and marketing fees		692,440,442.03	62,409,845.36		630,030,596.67
Others	2,734,262.17		596,992.11		2,137,270.06
Total	58,537,612.15	694,039,767.48	73,849,366.71		678,728,012.92

Other instructions:

The main reason for the increase in long-term deferred expenses: the increase in advertising and marketing expenses in this period.

Note 19. Deferred income tax assets and deferred income tax liabilities

1. Deferred income tax assets that not offset

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for impairment of assets	396,280,782.63	77,096,298.66	165,648,834.86	27,063,125.47
Unrealized profits of internal transactions	238,437,251.97	50,985,337.41	246,928,563.19	55,950,951.01
Deductible loss	283,929,317.72	67,532,709.33	186,052,459.39	44,799,760.45
Accrued unpaid remuneration	1,060,909,498.54	164,696,648.39	1,033,628,864.20	155,044,329.63
Government subsidy	1,465,004,464.37	353,719,627.51	1,312,602,194.24	324,599,771.75
Depreciation of fixed assets	62,685,673.05	12,473,133.13	7,229,055.73	1,626,294.10
Expenses that cannot be paid before tax	62,395,353.00	17,470,698.84		
Total	3,569,642,341.28	743,974,453.27	2,952,089,971.61	609,084,232.41

2. Deferred income tax liabilities that not offset

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
The appraised added value of corporate merger that not under common control	485,183,246.91	119,066,239.03		
Changes in fair value of other debt investments				

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Changes in fair value of other equity instrument investments	656,267,377.48	145,735,905.35	614,562,712.56	132,628,259.27
Changes in fair value of financial assets held for trading	273,692,837.88	69,069,808.65	180,375,000.00	45,093,750.00
One-time pre-tax deduction for fixed assets	478,690,145.83	100,601,802.37	278,978,333.64	60,824,690.05
Depreciation of fixed assets	252,367,715.71	70,662,960.40		
Total	2,146,201,323.81	505,136,715.80	1,073,916,046.20	238,546,699.32

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

Item	Ending balance	Beginning balance
Deductible temporary differences:		
Deductible loss	478,565,220.11	388,530,695.32
Provision for impairment of assets	1,697,050.93	17,841,297.01
Total	480,262,271.04	406,371,992.33

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

Item	Ending balance	Beginning balance	Notes
2019		30,096,473.99	
2020	14,968,360.75	10,054,235.10	
2021	30,373,452.77	28,814,885.36	
2022	18,881,453.12	20,986,941.74	
2023	48,745,119.86	44,815,396.60	
2024	69,785,544.25		
Total	182,753,930.75	134,767,932.79	

Other instructions:

The main reason for the increase in deferred tax liabilities: The increase in deferred tax liabilities was confirmed due to the increased value of assets resulting from the acquisition of subsidiaries during the current period.

### Note 20. Other non-current assets

Item	Ending balance	Beginning balance
Prepaid for equipment and project	1,918,460,178.14	954,311,688.22
Medium and long-term micro-loans	256,591,316.62	165,539,930.79
Factoring receivables	975,907,553.72	598,620,521.05
Total	3,150,959,048.48	1,718,472,140.06

Other instructions:

(1) The main reason for the increased other non-current assets: the increase in prepayments for engineering and equipment in this period.

(2) Medium-term and long-term micro-loans are that Inner Mongolia Huishang Internet micro-loan Co., Ltd. provides 2-5 years loan for suppliers.

(3) Factoring receivables is formed when Inner Mongolia Huishang Finance Guarantee Co., Ltd. provides long-term insurance factoring for supplies.

## Note 21. Short-term borrowings

### 1. Classification of short-term borrowings

Item	Ending balance	Beginning balance
Pledged loan		
Mortgage loan	709,292,103.40	
Secured loan		23,000,000.00
Credit loan	900,339,237.49	1,500,000,000.00
Bill discount loan	2,950,000,000.00	
Total	4,559,631,340.89	1,523,000,000.00

Instructions of the classification of short-term loans:

(1) The mortgage loan is a loan borrowed by subsidiary Westland Dairy Company Limited from HSBC New Zealand with its real estate as collateral.

(2) The bill discount loan is the amount discounted to the bank after issuing bank acceptance notes between enterprises within the scope of the consolidated financial statements.

2. No overdue short-term loans in the reporting period

Other instructions:

The main reasons for the increase in short-term borrowings: the notes were discounted to the bank after the issuance of bank acceptance notes between companies within the scope of the consolidated financial statements and the merger of Westland Co-Operative Dairy Company Limited increased short-term borrowings in this period.

## Note 22. Financial liabilities held for trading

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Financial liabilities held for trading		37,079,015.63		37,079,015.63
Including: Derivative financial liabilities		37,079,015.63		37,079,015.63
Designated financial liabilities at fair value through profit or loss for the period				
Including:				
Total		37,079,015.63		37,079,015.63

Other instructions:

The reason for the increase in financial liabilities held for trading: the decline in the fair value of forward foreign exchange contracts and interest rate swap contracts held by subsidiaries in this period.

## Note 23. Notes payable

Classification	Ending balance	Beginning balance
Trade acceptance notes		
Bank acceptance notes	300,097,580.53	276,249,155.54
Total	300,097,580.53	276,249,155.54

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

## Note 24. Accounts payable

### 1. List of accounts payable

Item	Ending balance	Beginning balance
Payments for raw materials and other materials	5,950,023,568.59	4,864,446,102.16
Marketing and transportation costs	2,627,756,807.10	2,623,354,485.12
Engineering and equipment funds	1,212,367,611.85	777,590,422.63
Others	710,977,571.52	574,071,221.87
Total	10,501,125,559.06	8,839,462,231.78

### 2. Important accounts payable aged over 1 year

Item	Ending balance	Reasons for unpaid or not carried forward
The first	12,474,854.76	Not until the settlement date
The second	11,505,784.41	Not until the settlement date
The third	5,787,718.75	Not until the settlement date
Total	29,768,357.92	

## Note 25. Receipts in advance

### 1. Type of received in advance

Item	Ending balance	Beginning balance
Advance cash for goods	6,020,058,284.82	4,400,761,321.98
Total	6,020,058,284.82	4,400,761,321.98

### 2. No significant received in advance aged over 1 year.

Other instructions:

The main reason for the increase in received in advance: the number of products received in advance from dealers increased in this period.

## Note 26. Payroll payable

### 1. List of Payroll payable

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Short-term employee benefits	2,504,590,502.06	8,137,726,399.14	8,235,785,806.75	2,406,531,094.45
Post-employment benefits - defined contribution plan	8,802,235.19	804,433,797.03	799,412,520.88	13,823,511.34
Termination benefits		76,483,357.98	76,483,357.98	
Other benefits due within one year				
Total	2,513,392,737.25	9,018,643,554.15	9,111,681,685.61	2,420,354,605.79

## 2. List of short-term employee benefits

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Wages, bonuses, allowances and subsidies	2,179,840,371.06	6,971,544,613.43	7,068,849,269.72	2,082,535,714.77
Employee welfare		290,792,934.35	290,792,934.35	
Social insurance	8,042,840.73	437,387,349.75	436,402,045.78	9,028,144.70
Including: Medical insurance	3,705,542.30	353,882,739.37	352,708,574.48	4,879,707.19
Work injury insurance	223,755.98	20,237,606.23	20,309,423.86	151,938.35
Maternity insurance	298,722.19	32,048,993.97	32,116,085.50	231,630.66
Children's insurance		163,480.90	163,480.90	
Disability protection fund	3,814,820.26	31,054,529.28	31,104,481.04	3,764,868.50
Housing fund	1,359,015.68	309,504,990.45	308,963,601.00	1,900,405.13
Trade union fund and staff education fund	315,320,136.78	114,275,666.04	116,552,184.51	313,043,618.31
Short-term paid absence				
Short-term profit-sharing plan				
Labour dispatch costs		12,282,704.14	12,282,704.14	
Others	28,137.81	1,938,140.98	1,943,067.25	23,211.54
Total	2,504,590,502.06	8,137,726,399.14	8,235,785,806.75	2,406,531,094.45

## 3. List of defined contribution plan

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Basic endowment insurance	8,443,900.80	777,376,971.33	772,441,943.03	13,378,929.10
Unemployment insurance	358,334.39	27,056,825.70	26,970,577.85	444,582.24
Enterprise annuity payment				
Total	8,802,235.19	804,433,797.03	799,412,520.88	13,823,511.34

## Note 27. Taxes payable

Item	Ending balance	Beginning balance
Value Added Tax	47,584,237.32	53,831,286.21
Consumption tax		
Corporate income tax	297,715,022.24	201,471,676.98
Personal income tax	21,324,766.18	26,530,068.96
Urban maintenance and construction tax	2,471,288.80	2,508,036.73
Stamp duty	8,440,100.91	7,558,576.63
Land use tax	4,095,995.26	4,098,959.05
Property tax	5,896,168.35	5,918,389.32
Education surcharge	2,388,044.91	2,216,319.12
Water conservancy construction fund	4,153,231.60	39,680,930.23
Others	2,622,721.22	9,565,350.43
Total	396,691,576.79	353,379,593.66



## Note 28. Other payables

Item	Ending balance	Beginning balance
Interest payable		1,365,195.81
Dividend payable	116,201,871.98	102,503,988.86
Other payable	3,705,456,592.64	1,117,131,224.31
<b>Total</b>	<b>3,821,658,464.62</b>	<b>1,221,000,408.98</b>

Other instructions:

The main reason for the increase in other payables: the restricted stocks that are subject to repurchase obligations were granted to equity incentive targets in this period.

(I) Interest payable

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

(II) Dividends Payable

Item	Ending balance	Beginning balance
Common stock dividends	112,792,303.78	90,790,641.58
Dividends on preferred shares and perpetual bond which classified as equity instruments		
Dividends payable to minority shareholders	3,409,568.20	11,713,347.28
<b>Total</b>	<b>116,201,871.98</b>	<b>102,503,988.86</b>

Other instructions:

Including important unpaid dividends payable for more than one year, the reasons for the unpaid dividends payable should be disclosed:

The shareholders with restricted sale conditions have not gone through the withdrawal procedure.

(III) Other Payables

1. Other payables displayed on the basis of their nature

Item	Ending balance	Beginning balance
Deposit and guarantee	1,135,524,589.74	932,470,729.28
Costs advanced by staff	874,876.79	7,361,058.72
Withholding costs	3,883,906.77	3,930,482.33
Restricted stock repurchases obligations	2,354,561,612.50	96,842,075.00
Others	210,611,606.84	76,526,878.98
<b>Total</b>	<b>3,705,456,592.64</b>	<b>1,117,131,224.31</b>

## 2. Other important payables with aging over 1 year

Item	Ending balance	Reasons for unpaid or not carried forward
Deposit and guarantee	105,864,502.32	Suppliers or customers that still have corporate relationship
Total	105,864,502.32	

## Note 29. Non-current liabilities due within one year

Item	Ending balance	Beginning balance
Long-term borrowing due within one year	234,866,091.46	
Bonds payable due within one year	20,708,979.00	
Long-term payable due within one year	50,617,154.12	33,128,853.96
Lease liabilities due within one year		
Total	306,192,224.58	33,128,853.96

Other instructions:

The main reason for the increase in non-current liabilities due within one year: the merger of Westland Co-Operative Dairy Company Limited increased the long-term loans due within one year in this period.

## Note 30. Other current liabilities

Item	Ending balance	Beginning balance
Short-term bonds payable	3,029,773,770.49	
Unsettled liability reserve unmatured statutory reserve	20,265,281.60	3,766,784.74
Guarantee of compensation reserve	19,346,995.49	6,638,881.27
Total	3,069,386,047.58	10,405,666.01

The unmatured statutory reserve is the reserve of 50% of the guaranteed income of the subsidiary of Inner Mongolia Huishang Finance Guarantee Co., Ltd., which is reversed when the guarantee expires.

The guarantee of the compensation reserve is a reserve of 1% of the guarantee balance of the company's subsidiary Inner Mongolia Huishang Finance Guarantee Co., Ltd.

## 1. Changes in short-term payable bonds

Bond name	Book value	Issue date	Bond duration	Issue amount	Beginning balance
The first phase of ultra-short-term financing bonds in 2019	100.00	21 January 2019	270 days	500,000,000.00	
The second phase of ultra-short-term financing bonds in 2019	100.00	27 March 2019	270 days	2,500,000,000.00	
The third phase of ultra-short-term financing bonds in 2019	100.00	7 May 2019	143 days	3,000,000,000.00	
The fourth phase of ultra-short-term financing bonds in 2019	100.00	16 July 2019	270 days	1,000,000,000.00	
The fifth phase of ultra-short-term financing bonds in 2019	100.00	8 August 2019	270 days	1,000,000,000.00	
The sixth phase of ultra-short-term financing bonds in 2019	100.00	16 December 2019	210 days	1,000,000,000.00	
Total				9,000,000,000.00	

Continued:

Bond name	Issued in this period	Accrued interest at book value	Premium amortization	Repayment in this period	Ending balance
The first phase of ultra-short-term financing bonds in 2019	500,000,000.00	12,464,383.56		512,464,383.56	
The second phase of ultra-short-term financing bonds in 2019	2,500,000,000.00	55,143,442.62		2,555,143,442.62	
The third phase of ultra-short-term financing bonds in 2019	3,000,000,000.00	38,914,754.10		3,038,914,754.10	
The fourth phase of ultra-short-term financing bonds in 2019	1,000,000,000.00	15,145,355.20			1,015,145,355.20
The fifth phase of ultra-short-term financing bonds in 2019	1,000,000,000.00	13,163,934.42			1,013,163,934.42
The sixth phase of ultra-short-term financing bonds in 2019	1,000,000,000.00	1,464,480.87			1,001,464,480.87
Total	9,000,000,000.00	136,296,350.77		6,106,522,580.28	3,029,773,770.49

Other instructions:

The main reason for the increase in other current liabilities: the issuance of ultra-short-term financing bonds in this period.

## Note 31. Long-term borrowings

### 1. Classification of Long-term borrowing

Type of loan	Ending balance	Beginning balance
Pledge loan		
Mortgage loan	469,729,869.80	
Guaranteed loan		
Credit Loan	1,394,265.61	289,000.00
Total	471,124,135.41	289,000.00

Instructions of long-term borrowings classification:

The mortgage loans are the loans borrowed by subsidiary Westland Dairy Company Limited from the New Zealand ASB Bank and Westpac Bank with its real estate as collateral. The annual interest rates are 3.03%-3.14%, and the loan periods are 87-88 months.

## Note 32. Bonds payable

### 1. Classification of Bond payable

Item	Ending balance	Beginning balance
Medium-term notes that pays interest by installments	500,000,000.00	
Corporate bonds	1,000,000,000.00	
Total	1,500,000,000.00	

2. Changes in bond payables (excluding preferred stocks classified as financial liabilities, perpetual bonds and other financial instruments)

Bond name	Book value	Issue date	Bond duration	Issue amount	Beginning balance
The first phase medium-term notes in 2019	100.00	21 January 2019	3 years	500,000,000.00	
The first phase corporate bonds in 2019	100.00	26 November 2019	3 years	1,000,000,000.00	
Total				1,500,000,000.00	

Continued:

Bond name	Issued in this period	Accrued interest at book value	Premium amortization	Repayment in this period	Transferred to bonds payable due within one year	Ending balance
The first phase medium-term notes in 2019	500,000,000.00	17,486,301.41			17,486,301.41	500,000,000.00
The first phase corporate bonds in 2019	1,000,000,000.00	3,222,677.59			3,222,677.59	1,000,000,000.00
Total	1,500,000,000.00	20,708,979.00			20,708,979.00	1,500,000,000.00

Other instructions:

Reasons for the increase in bonds payable: issuing the corporate bonds and medium-term notes in this period.

### Note 33. Long-term payables

Item	Ending balance	Beginning balance
Long-term account payable	164,015,105.94	133,664,814.17
Special funds for account payables		
Total	164,015,105.94	133,664,814.17

(I) Long-term payable

#### 1. Classifications of long-term payable

Nature of Payment	Ending balance	Beginning balance
Entrusted funds for poverty alleviation projects	53,399,999.97	50,000,000.00
Payments payable of financing lease	161,232,260.09	116,793,668.13
Long-term payable due within one year	-50,617,154.12	-33,128,853.96
Total	164,015,105.94	133,664,814.17

### Note 34. Deferred income

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance	The cause of the formation
Assets-related government subsidies	102,400,803.04	160,115,083.27	200,912,804.62	61,603,081.69	After receiving the supporting funds for infrastructure provided by the local government in accordance with its commitment to support, assets are not ready for preconcerted usable condition.
Revenue-related government subsidies	55,929,513.57	16,000,000.00	18,955,027.78	52,974,485.79	Government grant with a follow-up obligation for research projects.
Total	158,330,316.61	176,115,083.27	219,867,832.40	114,577,567.48	

## 1. Deferred income related to government subsidies

Item	Beginning balance	The amount of additional subsidies in the current period	Amount of non-operating income in the current period	Amount of other income in the current period	Other changes	Ending balance	Assets related/Income related
Infrastructure support funds by local government on the basis of pledged support when investing in construction plants	55,000,000.00	152,165,083.27			-154,165,083.27	53,000,000.00	Assets related
Special funds for technical transformation and upgrade	270,000.00					270,000.00	Assets related
Gas boiler renovation project	500,000.00				-500,000.00		Assets related
Special fund for industrial restructuring and upgrading	1,834,803.04				-1,783,733.37	51,069.67	Assets related
Project for dairy production automation technology transformation	11,096,000.00				-11,096,000.00		Assets related
Infrastructure construction fund for dairy product	10,000,000.00				-10,000,000.00		Assets related
Special fund for dairy product quality inspection process management platform	2,700,000.00				-2,367,987.98	332,012.02	Assets related
Construction fund of milk powder quality safety traceability system	21,000,000.00				-21,000,000.00		Assets related
Subsidies for major projects in Gansu Province		1,000,000.00				1,000,000.00	Assets related
Supporting funds for strong agricultural industries		3,950,000.00				3,950,000.00	Assets related
Industrial poverty alleviation		1,000,000.00				1,000,000.00	Assets related
Construction and maintenance of dairy product R & D platform		1,500,000.00				1,500,000.00	Assets related
Capacity building of international scientific and technological cooperation base		500,000.00				500,000.00	Assets related
Dairy technology special research funds	50,788,607.46			3,435,533.02	-5,878,588.65	41,474,485.79	Income related
Special fund for modern agricultural technology system construction special fund	3,352,806.11			3,252,806.11	-100,000.00		Income related
Special fund for the development of the Internet of Things	288,100.00			288,100.00			Income related
Loan interest subsidies	1,500,000.00	6,000,000.00			-6,000,000.00	1,500,000.00	Income related
Subsidies for financing guarantee fees		10,000,000.00				10,000,000.00	Income related
Total	158,330,316.61	176,115,083.27		6,976,439.13	-212,891,393.27	114,577,567.48	

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

## Note 35. Share Capital

Item	Beginning balance	Changes				Ending balance
		New issue	Bonus issue	Transfer capital reserve into capital stock converted from reserve	Others	
Total number of shares	6,078,127,608.00	18,997,500.00			-746,250.00	6,096,378,858.00

Other instructions:

On 7 January 2019, the ninth extraordinary meeting of the board of directors of the company reviewed and approved the “Inner Mongolia Yili Industrial Group Co., Ltd. Proposal on 2016 Stock Options and Restricted Stock Phase 1 Exercises/Unlocking Conditions Achievements”. In April and May 2019, the incentive objects exercised 18,528,750 shares and 468,750 shares, respectively, and the two exercise rights increased a total of 18,997,500 shares. On 26 December 2019, the company issued the Announcement of Inner Mongolia Yili Industrial Group Co., Ltd. on the cancellation of some stock options and the repurchase of some restricted stocks. The number of restricted stocks repurchase cancellations was 746,250 shares. After the change, the total share capital was 6,096,378,858 shares.

## Note 36. Capital reserve

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Capital premium (stock premium)	2,533,996,423.96	502,007,969.44	2,478,098,292.23	557,906,101.17
Other capital reserve	307,340,535.11	189,398,051.81	210,205,792.70	286,532,794.22
Total	2,841,336,959.07	691,406,021.25	2,688,304,084.93	844,438,895.39

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

The increase in this period was mainly due to the achievement of the first phase exercise/unlocking conditions of the stock options and restricted stocks granted by the company in 2016, the exercise of the equity incentive objects and the confirmation of the equity incentive expenses of the current period.

The decrease in this period was mainly due to the company's use of equity incentives to offset the capital premium after share repurchase.

#### Note 37. Treasury shares

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Restricted treasury stock	97,462,825.00	2,360,233,083.59	95,680,712.50	2,362,015,196.09
Repurchased treasury shares		5,793,336,797.86	4,827,611,090.83	965,725,707.03
Total	97,462,825.00	8,153,569,881.45	4,923,291,803.33	3,327,740,903.12

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

The increase in treasury shares is mainly due to the company's repurchase of shares in this period.

The decrease in treasury shares is due to the grant of restricted stocks that are subject to repurchase obligations to equity incentive objects in this period.

#### Note 38. Other comprehensive income

Item	31 December 2018	1 January 2019	Changes during the current period					31 December 2019
			Amount incurred before income tax of current period	Subtract: Amount recognised into other comprehensive income in previous period and transferred to the current profit and loss	Subtract: Amount recognised into other comprehensive income in previous period and transferred to retained income	Subtract: income tax expense	Amount attributable to parent company after tax	
I. Other comprehensive income cannot be reclassified to profit or loss		540,955,516.25	31,274,030.76			13,107,645.95	18,166,384.81	559,121,901.06
1. Includes: Changes due to the remeasurement of the defined benefit plan								
2. Other comprehensive income that cannot be transferred into the profit or loss under the equity method								
3. Changes in fair value of other equity instrument investments		540,955,516.25	31,274,030.76			13,107,645.95	18,166,384.81	559,121,901.06
4. Changes in the fair value of the company's own credit risk								
II. Other comprehensive income to be reclassified into profit or loss	375,236,186.82	180,933,873.86	267,276,056.94	498,843.49		21,757,782.52	244,086,876.42	932,554.51
1. Other comprehensive income can be reclassified to profit or loss under the equity method								
2. Profit or loss from changes in fair value of available-for-sale financial assets	194,302,312.96							
3. Profit or loss from reclassification of held-to-maturity investments as available-for-sale financial assets								
4. Changes in fair value of other debt investments								
5. The amount of financial assets reclassified into other comprehensive income								
6. Other credit investment credit impairment provisions								
7. Cash flow hedge reserve	498,843.49	498,843.49	77,706,366.13	498,843.49		21,757,782.52	55,449,740.12	55,948,583.61
8. Converted difference in foreign currency statements	180,435,030.37	180,435,030.37	189,569,690.81				188,637,136.30	932,554.51
Other comprehensive income in total	375,236,186.82	721,889,390.11	298,550,087.70	498,843.49		34,865,428.47	262,253,261.23	932,554.51

#### Note 39. Surplus reserve

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Statutory surplus reserve	2,886,951,017.13	161,238,411.87		3,048,189,429.00
Discretionary surplus reserve	158,777,451.76			158,777,451.76
Reserve fund				
Business development fund				
Others				
Total	3,045,728,468.89	161,238,411.87		3,206,966,880.76

**Note 40. Retained earnings**

Item	Current period	Last period
Undistributed profit from the end of the last period before adjustment	15,672,617,442.10	14,109,791,931.29
Adjustment of total undistributed profit at the beginning of the period (Adjustment up +, down -)	135,281,250.00	
Undistributed profit from the beginning of the period after adjustment	15,807,898,692.10	14,109,791,931.29
Add: Net profit attributable to parent company owners for current period	6,933,763,430.47	6,439,749,610.82
Subtract: Statutory surplus reserve	161,238,411.87	623,074,524.41
Discretionary surplus reserve		
General risk preparation		
Common stock dividends payable	4,254,689,325.60	4,254,944,825.60
Common stock dividends from the convertible bonds that have been transferred to share capital		
Others	-1,104,250.00	-1,095,250.00
Undistributed profits at the end of the period	18,326,838,635.10	15,672,617,442.10

Details of adjusting undistributed profits at the beginning of the period:

- (1) Due to retrospective adjustment of the “Accounting Standards for Enterprises” and its related new regulations, the undistributed profit at the beginning of the period was affected by RMB 0.
- (2) Due to changes in accounting policies, the undistributed profit at the beginning of the period was affected by RMB 135,281,250.00.
- (3) Due to the correction of major accounting errors, the undistributed profit at the beginning of the period was affected by RMB 0.
- (4) The merger scope change caused by the same control affected the undistributed profit at the beginning of the period by RMB 0.
- (5) The total amount of other adjustments that affected the undistributed profit at the beginning of the period was RMB 0.

**Note 41. Operating revenue and operating costs**

Item	Current period		Last period	
	Revenue	COGS	Revenue	COGS
Main business	89,509,018,156.11	56,066,790,193.73	78,720,560,129.96	48,935,873,688.70
Other business	500,114,696.15	324,922,546.52	255,828,557.33	170,160,684.03
Total	90,009,132,852.26	56,391,712,740.25	78,976,388,687.29	49,106,034,372.73

**Note 42. Interest income**

Item	Current period	Last period
Interest income	213,942,619.01	576,888,837.20

Other instructions:

Reasons for the decrease of interest income: decrease of interbank funds of the subsidiary Yili Finance Co., Ltd.’s and interest rate compared with the same period.

## Note 43. Taxes and surcharges

Item	Current period	Last period
Consumption tax		
Sales tax		
Urban maintenance and construction tax	162,102,045.02	173,078,316.59
Extra charges of education funds	133,683,198.80	142,041,652.60
Resource tax	236,253.87	
Real estate tax	62,309,309.02	57,815,431.24
Land holding tax	41,204,927.86	44,421,081.37
Vehicle usage tax	437,400.07	440,818.24
Stamp duty	90,592,369.02	80,206,792.87
Water conservancy construction fund	72,147,651.50	18,608,940.13
Others	14,274,590.29	14,339,350.78
Total	576,987,745.45	530,952,383.82

## Note 44. Selling expenses

Item	Current period	Last period
Salary	4,399,613,241.80	3,642,663,999.66
Depreciation and maintenance expenses	123,052,187.53	99,873,920.83
Travel expenses	332,192,442.39	310,988,739.99
Labour insurance and material consumption	32,879,105.12	19,643,050.69
Office rental expense	346,763,186.79	250,739,506.95
Advertising expense	11,041,461,552.48	10,955,021,221.65
Freight expense	4,678,821,051.39	4,392,890,837.19
Others	114,874,697.60	100,862,473.72
Total	21,069,657,465.10	19,772,683,750.68

## Note 45. General Administrative expenses

Item	Current period	Last period
Salary	1,954,239,498.55	1,050,169,138.96
Depreciation and maintenance expenses	1,296,782,715.96	1,207,244,394.77
Travel expenses	194,621,781.79	167,553,152.50
Labour insurance and material consumption	64,451,016.01	44,913,357.36
Office rental expense	154,564,031.69	105,773,333.79
Consulting and auditing expense	209,994,141.41	124,760,823.79
Amortization of intangible assets	43,374,970.68	21,576,491.72
Others	366,899,510.62	257,744,794.33
Total	4,284,927,666.71	2,979,735,487.22

## Other instructions:

The main reasons for the increase of G&A expenses: In this period, the expansion of the company's business scale, the acquisition of subsidiaries, the adjustment of employees' salaries and the increase of equity incentive expenses lead to the increase of employees' salaries.



## Note 46. Research and development expenses

Item	Current period	Last period
Salary	141,859,779.20	132,758,869.47
Depreciation and maintenance expenses	15,408,513.94	13,583,997.55
Research and test design fee	310,365,789.31	248,250,413.71
Others	27,536,674.44	32,279,836.59
Total	495,170,756.89	426,873,117.32

## Note 47. Financial expenses

Item	Current period	Last period
Interest expense	272,425,922.01	131,602,571.41
Interest income	-349,438,584.66	-199,095,685.13
Net losses of exchanges	70,371,689.96	2,100,109.77
Bank Charges	14,643,095.43	5,121,835.96
Total	8,002,122.74	-60,271,167.99

Other Instructions:

The main reason for the increase of financial expenses: the increase of interest expenses in the current period.

## Note 48. Other income

### 1. Other income details

Item	Current period	Last period
Government subsidies	587,791,450.91	746,562,694.87
Total	587,791,450.91	746,562,694.87

### 2. Government subsidies accounted to other income

Item	Current period	Last period	Assets related/ Income related
The local government subsidies support funds to support the conditions when investing in a factory	491,790,530.08	652,600,671.09	Income related
Technical transformation policy funds	20,997,500.00		Income related
Internship, employment, stability, training subsidies	20,315,569.63	21,423,424.60	Income related
Supporting funds for strong agricultural industries	4,450,000.00		Income related
Special fund for agricultural development	4,390,000.00		Income related
Transportation fee subsidy	4,000,000.00		Income related
Supporting funds for investment in fixed assets and technological transformation	3,970,000.00		Income related
Cultivate business Subsidy	3,676,000.00		Income related
Supporting funds for industrial commissioning projects	2,950,000.00		Income related
Special funds for economic and trade development	2,876,457.36	1,700,000.00	Income related
Digital workshop reward policy project	2,000,000.00		Income related

Item	Current period	Last period	Assets related/ Income related
Special funds for industrial transformation and upgrading	2,844,767.84	10,827,886.24	Income related
Special Energy Saving Fund	1,400,000.00		Income related
Smart factory reward funds	1,300,000.00		Income related
Special funds for key industry development	1,210,000.00		Income related
Special renovation project for intelligent manufacturing of infant formula milk powder	730,000.00		Income related
Special fund support for agricultural industrialization	700,000.00		Income related
Special funds for pilot enterprises that integrate the “two technologies”	506,500.00		Income related
Industrial design subsidies	500,000.00		Income related
Traditional industry transformation and upgrading funds	364,000.00		Income related
Tax support funds	5,137,800.00		Income related
Special funds for green energy projects	300,000.00		Income related
Special funds for developing modern agricultural technology system	3,552,806.11	1,058,427.72	Income related
Elimination of coal-fired boiler subsidies	229,100.00		Income related
Water resources recycling	200,000.00		Income related
Science and technology innovation major contribution award	150,000.00		Income related
Science and Technology Progress Award	140,000.00		Income related
Automatic monitoring of pollution sources	134,000.00		Income related
Patent funding	107,100.00		Income related
Water-saving enterprise creation project	100,000.00		Income related
Import subsidies	87,140.00		Income related
Subsidies for sewage system construction	78,800.00		Income related
Safe Production Demonstration Enterprise Project	50,000.00		Income related
Special project on food safety cooperation	45,000.00		Income related
Demonstration application of new nanomaterial hazard factor detecting technique	81,500.00		Income related
Tourism special funds	20,000.00		Income related
Dairy technology special research funds	3,435,533.02	10,075,802.72	Income related
Dairy product quality inspection process management platform special funds		961,630.33	Income related
Construction and application of food contact materials fingerprinting		108,423.82	Income related
Tax return		1,123,140.80	Income related
Industrial and information development support funds		22,550,354.36	Income related
Technical renovation, science and technology project funds		15,331,050.00	Income related
Energy conservation, environmental protection project funds		2,342,695.00	Income related
Dairy products infrastructure construction fund		50,000.00	Income related
Small and micro enterprises financing premium subsidies		500,000.00	Income related
Award for outstanding tourism area		270,000.00	Income related
Funds for safe production and food safety		1,990,000.00	Income related
Subsidy for obsolete motor vehicles		68,000.00	Income related
Trademark patent subsidy		600,000.00	Income related
Sewage treatment upgrade project		9,342.73	Income related
Dairy product automation technology transformation project		498,196.96	Income related

Item	Current period	Last period	Assets related/ Income related
Special fund for the development of the Internet of Things	288,100.00	2,009,948.50	Income related
Overseas IP environment analysis and layout		150,000.00	Income related
Material reserve subsidy		100,000.00	Income related
Special Fund for Prairie Project	200,000.00		Income related
Others	2,483,246.87	213,700.00	Income related
Total	587,791,450.91	746,562,694.87	

**Note 49. Investment income**

## 1. Investment income details

Item	Current period	Last period
Gains on long-term equity investment accounted by equity method	213,681,494.32	144,202,016.70
Gains on disposing long-term equity investment	151,789,088.34	654,782.54
Investment profit of financial assets measured at fair value through profit or loss during the period of holding		
Investment profit from disposal of financial assets measured at fair value through profit or loss		147,945.20
Gains on holding held-to-maturity investments		
Disposal of holding held-to-maturity investments		
Gains on holding available-for-sale financial assets		115,908,438.73
Gains on disposing available-for-sale financial assets		
Gains on financial assets held for trading	11,375,000.00	
Dividend income from other equity instrument investments	168,020,073.57	
Interest income from debt investment during the holding period		
Interest income from other debt investments		
Disposal of financial assets held for trading		
Disposal of other equity instrument investments		
Disposal of debt investment		
Disposal of other debt investment		
Total	544,865,656.23	260,913,183.17

Other instructions:

Main reasons for the increase of investment income: the disposal of part of the equity of Shandong Xinjufeng Technology packaging Co., Ltd. and increase in investment income from long-term equity investment accounted by equity method.

**Note 50. Gains or losses from fair-value changes**

Gains or losses from	Current period	Last period
Financial assets held for trading	78,163,067.12	230,980.46
Including: gains from changes in fair value of derivative financial instruments	44,445,353.78	230,980.46
Financial liabilities held for trading		
Investment properties at fair value		
Total	78,163,067.12	230,980.46

Other instructions:

The main reasons for the increase in gain from changes in fair value: the increase of the fair value of commodity futures contracts held by subsidiaries and the increase of the fair value of Chengdu Bank Co., Ltd. during the period.

#### Note 51. Credit impairment losses

Item	Current period	Last period
Bad debt loss of other receivables	-8,754,921.57	
Impairment loss of debt investment		
Impairment loss of other debt investments		
Bad debt loss of long-term receivables		
Bad debt loss of accounts receivable	-17,518,368.53	
Others	-34,279,806.00	
Total	-60,553,096.10	

Other instructions:

The main reason for the increase in credit impairment loss: due to the implementation of the new financial instrument standards for the first time in this period, and the provision for impairment of various financial instruments originally included in the asset impairment loss is listed in the credit impairment loss.

#### Note 52. Assets impairment losses

Item	Current period	Last period
Loss on bad debts		-41,502,699.90
Inventory impairment loss	-115,500,273.47	-11,306,136.05
Available for sale financial asset impairment loss		
Hold-to-maturity investment impairment loss		
Long-term investment equity impairment loss		
Real estate investment impairment loss		
Fixed asset impairment loss	-106,725,232.18	-7,254,759.07
Constructional Material impairment loss		
Construction in-process impairment loss	-19,216,770.26	
Productive biological assets impairment loss		
Gas Asset impairment loss		
Intangible asset impairment loss		
Goodwill impairment loss		
Others		-15,592,177.99
Total	-241,442,275.91	-75,655,773.01

Other Instructions:

The main reason for the increase in asset impairment loss: Westland Dairy Company Limited has made provision for inventory impairment loss due to the inventory cost higher than net realizable value, and some other subsidiaries has made the provision for impairment loss of idle fixed assets in the current period.

**Note 53. Gains or losses on disposal of assets**

Item	Current period	Last period
Gain from fixed assets disposal	-25,124,790.06	-38,491,702.03
Total	-25,124,790.06	-38,491,702.03

Other instructions:

The main reason for the increase of gain from assets disposal: The loss caused by the disposal of machinery and equipment in the current period is reduced.

**Note 54. Non-operating income**

Item	Current period	Last period	Amount included in non-recurring gains and losses of the current period
Income from the disposal of non-current assets	634,415.75	8,384,671.80	634,415.75
Including: disposal of fixed assets	634,415.75	8,384,671.80	634,415.75
disposal of intangible assets			
Income from debt restructuring			
Revenue from non-monetary asset transactions			
Donation acceptance			
Government subsidies	5,523,959.00	918,617.20	5,523,959.00
Penalty for default	7,604,809.96	6,014,608.72	7,604,809.96
Approved unable paid account payable	13,599,037.59	17,376,194.11	13,599,037.59
Others	2,475,335.10	2,124,840.83	2,475,335.10
Total	29,837,557.40	34,818,932.66	29,837,557.40

(1) Government subsidies recorded to current profit and loss

Item	Amount incurred in this period	Amount incurred in last period	Assets related/ Income related
Government cash awards that contribute to local economic development	5,523,959.00	812,187.20	Income related
Other financial subsidies		106,430.00	Income related
Total	5,523,959.00	918,617.20	

**Note 55. Non-operating expenses**

Item	Current period	Last period	Amount included in non-recurring gains and losses of the current period
Loss from the disposal of non-current assets	37,853,268.62	55,595,751.91	37,853,268.62
Including: disposal of fixed assets	37,853,268.62	55,595,751.91	37,853,268.62
disposal of intangible assets			
Debt restructuring losses			
Loss on exchange of non-monetary assets			
Donations	71,415,759.25	84,170,560.57	71,415,759.25
Liquidated damages	5,288,463.48	7,676,995.38	5,288,463.48
Others	1,491,914.16	572,210.79	1,491,914.16
Total	116,049,405.51	148,015,518.65	116,049,405.51

## Note 56. Corporate Income tax expenses

## 1. Corporate Income tax expenses

Item	Current period	Last period
Current income tax expense	1,279,916,996.78	1,113,821,915.73
Deferred income tax expense	-36,538,013.69	11,814,354.18
Total	1,243,378,983.09	1,125,636,269.91

## 2. Adjustment process of accounting profits based on the PRC. CIT

Item	Current period
Profit before tax	8,194,105,138.21
Income tax expense at legal/applicable tax rate	1,229,115,770.73
The influences of subsidiaries applied different tax rates	301,817,893.20
Adjust the impact of income tax of previous periods	12,199,416.44
Impact of non-taxable income	-70,791,978.58
Impact of non-deductible costs, expenses and losses	6,409,851.10
Impact of deductible loss of unrecognised deferred income tax assets in the previous period	25,616,621.75
Impact of deductible temporary differences or deductible losses of deferred income tax assets that have not been recognised in the current period	114,013,118.58
Impact of tax reduction and tax exemption	-375,001,710.13
Corporate Income tax	1,243,378,983.09

## Note 57. Cash flow statement

## 1. Other cash received relevant to operating activities

Item	Current period	Last period
guarantee deposit, cash deposit	295,845,678.60	205,670,133.71
Interest income	391,992,069.24	199,207,149.58
Government subsidies	847,856,367.29	1,038,883,401.30
Others	129,403,992.24	188,927,309.28
Total	1,665,098,107.37	1,632,687,993.87

## 2. Other cash paid related to operating activities

Item	Current period	Last period
guarantee deposit, cash deposit	192,841,609.21	212,252,964.95
Travel expenses	591,240,866.00	533,715,749.00
Greening and cleaning, fire safety fee	65,161,959.23	55,571,698.76
Consulting and auditing fee	252,273,586.38	132,685,775.33
Commission	8,696,303.68	5,311,240.75
Donations	63,564,521.28	66,825,967.57
Others	318,997,293.08	447,627,764.59
Total	1,492,776,138.86	1,453,991,160.95

## 3. Other cash received related to investing activities

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

## 4. Other cash paid related to investing activities

Item	Current period	Last period
Futures Commodity Contract	29,000,989.89	
Deposit	50,000,000.00	
Disposal of subsidiaries		700,593.29
Pledged offer buyback		270,000,000.00
Total	79,000,989.89	270,700,593.29

## 5. Other cash received relating to financing activities

Item	Current period	Last period
Cash subscribed for restricted stock granted to equity incentive targets	2,353,012,000.00	
Total	2,353,012,000.00	

## 6. Other cash paid related to financing activities

Item	Current period	Last period
Investment returned to minority shareholders upon cancellation of subsidiaries	65,057.66	
Share repurchase	5,803,310,832.85	5,120,950.00
Bond issue fee	7,420,875.70	
Finance lease fee	60,663,958.29	32,261,111.11
Total	5,871,460,724.50	37,382,061.11

## Note 58. Supplementary information for cash flow statement

## 1. Supplementary information for cash flow statement

Item	Current period	Last period
1. Reconciliation net profit to cash flows from operating activities		
Net profit	6,950,726,155.12	6,451,996,108.27
Add: Provision for asset impairment	301,995,372.01	75,655,773.01
Depreciation of fixed assets, biological assets	1,839,371,917.37	1,575,070,653.65
Amortization of right-of-use assets		
Amortization of intangible assets	44,735,873.24	21,576,491.72
Amortization of Long-term deferred expenses	73,849,366.71	12,012,977.46
Losses (gains) on disposal of fixed assets, intangible assets and other long-term assets (Income filled as "-")	25,124,790.06	38,491,702.03
Losses on fixed asset scrapping (Income filled as "-")	37,218,852.87	47,211,080.11
Losses from changes in fair value (Income filled as "-")	-78,163,067.12	-230,980.46

Item	Current period	Last period
Financial expenses (Income filled as “-”)	344,018,041.89	133,702,681.18
Losses on investments (Income filled as “-”)	-544,865,656.23	-260,913,183.17
Decrease in deferred income tax assets (Increase as “-”)	-71,988,997.37	-49,010,335.87
Increase in deferred income tax liabilities (decrease as “-”)	35,450,983.68	60,824,690.05
Decrease in inventories (increase as “-”)	-1,583,871,861.11	-863,588,466.37
Decrease in operating account receivables (increase as “-”)	-2,222,042,414.75	-933,021,072.51
Increase in operating account payables (decrease as “-”)	3,045,051,276.80	2,314,993,680.70
Others	258,869,649.26	
Net cash flows from operating activities	8,455,480,282.43	8,624,771,799.80
2. Major investment and financing activities that do not involve cash receipts and payments		
Debt to capital		
Reclassification of convertible bonds expiring within one year		
Fixed assets acquired under finance leases		
3. Net changes in cash and cash equivalents		
Ending balance of cash	11,066,714,362.59	10,704,930,612.93
Less: Beginning balance of cash	10,704,930,612.93	20,755,979,912.01
Add: Ending balance of cash equivalents		2,860,000,000.00
Less: Beginning balance of cash equivalents	2,860,000,000.00	
Net increase in cash and cash equivalents	-2,498,216,250.34	-7,191,049,299.08

## 2. Net cash paid for acquisition of subsidiaries during the current period

Item	Current period
Cash or cash equivalents paid by acquisition of subsidiaries in the current period, see the following details:	1,748,220,732.67
THE CHOMTHANA COMPANY LIMITED	542,200,665.33
Westland Co-Operative Dairy Company Limited	1,102,484,067.34
Arxan Yili Natural Mineral Drink Co., Ltd.	103,536,000.00
Minus: Cash and cash equivalents held by subsidiaries on the day of acquisition, see the following details:	131,237,559.59
THE CHOMTHANA COMPANY LIMITED	22,221,706.85
Westland Co-Operative Dairy Company Limited	106,586,865.24
Arxan Yili Natural Mineral Drink Co., Ltd.	2,428,987.50
Plus: Cash or cash equivalents received by acquisition of subsidiaries during the previous period	
Net cash paid for acquisition of subsidiaries	1,616,983,173.08

## 3. Net cash received from disposal of a subsidiary during the current period

Item	Current period
Cash or cash equivalents received by disposal of subsidiaries during the current period	
Minus: Cash and cash equivalents held by subsidiaries in the day of losing control	
Plus: Cash or cash equivalents received from disposal of subsidiaries during the previous period, see the following in detail:	2,000,000.00
Recover of equity funds of Zhalantun Yili Milk Co., Ltd.	2,000,000.00
Net cash received from disposal of subsidiaries	2,000,000.00



## 4. Composition of cash and cash equivalent

Item	Ending balance	Beginning balance
1. Cash	11,066,714,362.59	10,704,930,612.93
Including: Cash on hand	60,870.13	618.83
Bank deposit available for payment at anytime	10,259,249,037.24	7,191,915,900.08
Other monetary funds available for payment at anytime	152,913,529.99	263,700,276.85
Deposit in Central Bank for payment	3,850,000.00	3,850,000.00
Inter-bank deposits	650,640,925.23	3,245,463,817.17
Inter-bank offers		
2. equivalents		2,860,000,000.00
Including: Bond investment mature within 3 months		
3. Ending balance of cash and cash equivalents	11,066,714,362.59	13,564,930,612.93
Including: Restricted cash and cash equivalents used by the parent company or the group's subsidiaries		

## Note 59. Assets with restricted ownership or use rights

Item	Ending balance	Reasons for restriction
Cash and cash equivalents	258,606,473.74	Statutory deposit reserve in Central Bank, deposit, bank deposits that cannot be withdrawn before maturity.
Fixed assets	701,983,562.40	Westland Dairy Company Limited used its real property as collateral to get loans from New Zealand Auckland Savings Bank and Westpac Bank.
Total	960,590,036.14	

## Note 60. Foreign currencies monetary items

## 1. Foreign currencies monetary items

Item	Foreign currency ending balance	Exchange rate	Balance of converted RMB at the end of the period
Cash and cash equivalents			
Including: USD	623,786,523.41	6.9762	4,351,659,544.59
EUR	1,882,361.35	7.8155	14,711,595.12
HKD	3,639,439.17	0.89578	3,260,136.82
NZD	14,433,746.06	4.6973	67,799,635.37
IDR	13,126,824,860.56	0.000502	6,589,666.08
MYR	5,666,673.97	1.6986	9,625,412.40
THB	68,261,136.21	0.2328	15,891,192.51
GBP	284,639.62	9.1501	2,604,480.96
VND	550,441,395.35	0.000301	165,682.86
AUD	7,220,093.09	4.8843	35,265,100.70
CAD	672.92	5.3421	3,594.80
Accounts receivable			
Including: USD	29,774,318.31	6.9762	207,711,599.41

Item	Foreign currency ending balance	Exchange rate	Balance of converted RMB at the end of the period
EUR	409,139.13	7.8155	3,197,626.83
NZD	4,773,797.20	4.6973	22,423,957.59
THB	42,322,900.30	0.2328	9,852,771.19
SGD	4,438.00	5.1739	22,961.77
GBP	272,067.90	9.1501	2,489,448.51
AUD	11,091,785.72	4.8843	54,175,609.01
Long-term borrowings			
Including: NZD	100,000,000.00	4.6973	469,729,869.80
THB	4,748,000.00	0.2328	1,105,265.61
Other receivables			
Including: USD	19,586.82	6.9762	136,641.58
HKD	228,259.30	0.89578	204,470.12
NZD	10,023,142.20	4.6973	47,081,705.83
IDR	222,105,677.29	0.000502	111,497.05
MYR	66,388.04	1.6986	112,766.73
THB	3,787,260.31	0.2328	881,674.20
VND	75,158,837.21	0.000301	22,622.81
Accounts payable			
Including: USD	5,057,690.60	6.9762	35,283,461.16
EUR	832.08	7.8155	6,503.12
HKD	12,700.12	0.89578	11,376.51
NZD	165,441,571.51	4.6973	777,128,693.85
IDR	101,376,366,613.55	0.000502	50,890,936.04
MYR	77,004.76	1.6986	130,800.29
THB	114,260,614.56	0.2328	26,599,871.07
VND	349,608,172.76	0.000301	105,232.06
GBP	988,507.67	9.1501	9,044,944.03
AUD	234,968.09	4.8843	1,147,654.64
Other payables			
Including: USD	8,098,604.31	6.9762	56,497,483.39
NZD	17,312,530.45	4.6973	81,322,149.30
IDR	140,891,474.10	0.000502	70,727.52
THB	105,442,906.06	0.2328	24,547,108.53
HKD	63,265.34	0.89578	56,671.83
GBP	7,891.55	9.1501	72,208.47
Short-term borrowings			
Including: NZD	151,000,000.00	4.6973	709,292,103.40
Non-current liabilities due within one year			
Including: NZD	50,000,000.00	4.6973	234,864,934.90
THB	24,866,040.21	0.2328	5,788,814.16
Long-term payables			
Including: THB	13,336,677.96	0.2328	3,104,778.63

2. Description of overseas operating subsidiaries, including major overseas operating subsidiaries, their overseas main business locations, recording currency and selection basis, and reasons for changes in recording currency

The Oceania Dairy Limited and Westland Dairy Company Limited, the subsidiaries of Yili in New Zealand, operate in New Zealand, and the recording currency is New Zealand dollars. THE CHOMTHANA COMPANY LIMITED, a subsidiary of Yili in Thailand, operates in Thailand and its recording currency is Baht. The recording currency is determined according to the main economic environment of the overseas business entity, and there is no change in this year.

## Note 61. Hedging

Disclose the relevant qualitative and quantitative information of the hedged items, related hedging instruments and hedged risks according to the hedging categories:

### 1. Interest rate swap contract

Westland Dairy Company Limited, a subsidiary of Yili, uses interest rate swap contracts to reduce the cash flow risk of its floating-rate bank borrowings, which converts some floating-rate into fixed rates. In 2016-2018, the purchased interest rate swap contracts were designated as hedging instruments. The terms of interest rate swap contracts are the same as those of corresponding bank borrowings, and the main terms are as follows:

Nominal Amount	Maturity Date	Swap Clause
NZD 100,000,000	30 November 2021-29 November 2024	New Zealand bank bills 1-month loan interest rate changed to a fixed interest rate of 2.618%-3.325%

Westland Dairy Company Limited uses interest rate swap contracts to reduce the risk of cash flow changes caused by market interest rate fluctuations.

### 2. Forward foreign exchange contract

Westland Dairy Company Limited holds the following forward foreign exchange contracts which are designated as effective hedging tools to manage foreign exchange exposures related to expected foreign currency sales. The main contents are as follows:

Nominal Amount	Maturity Date	Forward exchange rate
Sell USD 370,000,000 in NZD	31 January 2020 to 29 July 2022	0.62760-0.69413
Sell AUD 43,400,000 in NZD	31 January 2020 to 31 May 2021	0.90035-0.96040
Sell GBP 1,000,000 in NZD	31 January 2020 to 31 July 2020	0.4952-0.5153

Westland Dairy Company Limited uses forward foreign exchange contracts to reduce the risk of changes in cash flow arising from exchange rate fluctuations in sales settled in foreign currencies.

## Note 62. Government subsidies

### 1. Basic information

Item	Amount	Subject	The amount of current profit or loss
The local government subsidies support funds to support the conditions when investing in a factory	643,955,613.35	Other income, Deferred income, Intangible assets, Fixed assets	491,790,530.08
Technical transformation policy funds	20,997,500.00	Other income	20,997,500.00
Internship, employment, stability, training subsidies	20,315,569.63	Other income	20,315,569.63
Supporting funds for strong agricultural industries	8,400,000.00	Other income, Deferred income	4,450,000.00
Special fund for agricultural development	4,390,000.00	Other income	4,390,000.00
Transportation fee subsidy	4,000,000.00	Other income	4,000,000.00

Item	Amount	Subject	The amount of current profit or loss
Supporting funds for investment in fixed assets and technological transformation	3,970,000.00	Other income	3,970,000.00
Cultivate business subsidy	3,676,000.00	Other income	3,676,000.00
Supporting funds for industrial commissioning projects	2,950,000.00	Other income	2,950,000.00
Special funds for economic and trade development	2,876,457.36	Other income	2,876,457.36
Digital workshop reward policy project	2,000,000.00	Other income	2,000,000.00
Loan interest subsidies	27,971,800.00	Deferred income, Finance expenses	21,971,800.00
Special fund for industrial restructuring and upgrading	11,430,000.00	Other income, Fixed assets	2,844,767.84
Special Energy Saving Fund	1,400,000.00	Other income	1,400,000.00
Smart factory reward funds	1,300,000.00	Other income	1,300,000.00
Special funds for key industry development	1,210,000.00	Other income	1,210,000.00
Special renovation project for intelligent manufacturing of infant formula milk powder	730,000.00	Other income	730,000.00
Special fund support for agricultural industrialization	700,000.00	Other income	700,000.00
Special funds for pilot enterprises that integrate the “two technologies”	506,500.00	Other income	506,500.00
Industrial design subsidies	500,000.00	Other income	500,000.00
Tax support funds	5,137,800.00	Other income	5,137,800.00
Special funds for green energy projects	300,000.00	Other income	300,000.00
Special fund for modern agricultural technology system construction special fund	300,000.00	Other income	300,000.00
Elimination of coal-fired boiler subsidies	229,100.00	Other income	229,100.00
Water resources recycling	200,000.00	Other income	200,000.00
Science and technology innovation major contribution award	150,000.00	Other income	150,000.00
Science and Technology Progress Award	140,000.00	Other income	140,000.00
Automatic monitoring of pollution sources	134,000.00	Other income	134,000.00
Patent funding	107,100.00	Other income	107,100.00
Water-saving enterprise creation project	100,000.00	Other income	100,000.00
Import subsidies	87,140.00	Other income	87,140.00
Subsidies for sewage system construction	78,800.00	Other income	78,800.00
Safe Production Demonstration Enterprise Project	50,000.00	Other income	50,000.00
Special project on food safety cooperation	45,000.00	Other income	45,000.00
Demonstration application of new nanomaterial hazard factor detecting technique	81,500.00	Other income	81,500.00
Tourism special funds	20,000.00	Other income	20,000.00
Special funds for technical transformation and upgrade	4,266,900.00	Fixed asset	
Fixed Asset Investment Subsidy Project	890,300.00	Fixed asset	
Compensation afterwards for enterprise technological transformation	5,026,200.00	Fixed asset	
Subsidies for major projects in Gansu Province	1,000,000.00	Deferred income	
Big data information platform construction project	2,000,000.00	Intangible assets	
Supporting funds for dairy green manufacturing system integration project	7,900,000.00	Fixed asset	
Agricultural Products Processing Equipment Project	500,000.00	Fixed asset	
Robot Industry Development Project	1,000,000.00	Fixed asset	
Traditional industry transformation and upgrading funds	1,864,000.00	Other income, Fixed assets	364,000.00
Special funds for industrial development	5,188,000.00	Fixed asset	

Item	Amount	Subject	The amount of current profit or loss
Special green factory funds in strong manufacturing areas	660,000.00	Fixed asset	
Government subsidies for financial leasing equipment	550,000.00	Fixed asset	
Subsidies for production line automation upgrade technical transformation projects	755,600.00	Fixed asset	
Air pollution prevention funds	300,000.00	Fixed asset	
Special fund for private economic development	700,000.00	Fixed asset	
Industrial poverty alleviation	1,000,000.00	Deferred income	
Special Fund for Prairie Project	200,000.00	Other income	200,000.00
Construction and maintenance of dairy product R & D platform	1,500,000.00	Deferred income	
Capacity building of international scientific and technological cooperation base	500,000.00	Deferred income	
Government subsidies for technological transformation projects	1,620,000.00	Fixed asset	
Funding projects for comprehensive awards for technological transformation	1,000,000.00	Fixed asset	
Green production and smart manufacturing new model demonstration project	22,610,000.00	Fixed asset	
Government cash awards that contribute to local economic development	5,523,959.00	Non-operating income	5,523,959.00
Subsidies for financing guarantee fees	10,000,000.00	Deferred income	
Others	861,527.95	Other income	861,527.95
<b>Total</b>	<b>847,856,367.29</b>		<b>606,689,051.86</b>

## VII. Changes in consolidation scope

### (I) Business combinations not under the same control

#### 1. Business combinations not under the same control that occurred in this period

Acquiree	Time of equity acquisition	Acquisition cost	Acquisition Share ratio (%)	Acquisition method	Purchasing date	Basis for determination of purchase date	Income of the acquiree from the date of purchase to the end of the period	Net profit of the acquiree from the date of purchase to the end of the period
THE CHOMTHANA COMPANY LIMITED	25 April 2019	542,200,665.33	96.46	Acquisition	25 April 2019	Obtaining control	169,102,106.79	-30,485,789.44
Westland Co-Operative Dairy Company Limited	1 August 2019	1,102,484,067.34	100.00	Acquisition	1 August 2019	Obtaining control	1,285,545,020.12	-252,281,474.60
Arxan Yili Natural Mineral Drink Co., Ltd	23 August 2019	133,336,000.00	100.00	Acquisition	23 August 2019	Obtaining control	4,731,938.89	-5,931,712.86

#### Other instructions:

The company's subsidiary HONGKONG JINGANG TRADE HOLDING CO., LIMITED totally acquires 96.46% equity of THE CHOMTHANA COMPANY LIMITED. This year THE CHOMTHANA COMPANY LIMITED and its three subsidiaries are included in the scope of consolidation.

The company's subsidiary HONGKONG JINGANG TRADE HOLDING CO., LIMITED totally acquires 100.00% of Westland Co-Operative Dairy Company Limited. This year, Westland Co-Operative Dairy Company Limited and its five subsidiaries are included in the scope of consolidation.

The company totally acquires 100.00% equity of Arxan Yili Natural Mineral Beverage Co., Ltd. This year Arxan Yili Natural Mineral Beverage Co., Ltd. is included in the scope of consolidation.

**2. Merger cost and goodwill**

<b>Merger cost</b>	<b>THE CHOMTHANA COMPANY LIMITED</b>	<b>Westland Co-Operative Dairy Company Limited</b>	<b>Arxan Yili Natural Mineral Drink Co., Ltd</b>
Cash	542,200,665.33	1,102,484,067.34	133,336,000.00
Fair value of non-cash assets			
Fair value of debt issued or assumed			
Fair value of equity securities issued			
Contingent fair value			
Fair value of equity held before the purchase date			
Others			
Total combination cost	542,200,665.33	1,102,484,067.34	133,336,000.00
Less: Fair value share of identifiable net assets obtained	246,592,567.01	936,491,226.87	78,071,723.83
Goodwill/combination cost that is less than the fair value share of identifiable net assets acquired	295,608,098.32	165,992,840.47	55,264,276.17

**Other instructions:**

In April 2019, the wholly-owned subsidiary of the company, HONGKONG JINGANG TRADE HOLDING CO., LIMITED, purchased 96.46% equity of THE CHOMTHANA COMPANY LIMITED from the original shareholders of THE CHOMTHANA COMPANY LIMITED. The transaction is a merger of acquisition not under common control and the costs of the acquisition amounted to RMB 542,200,665.33. The fair value of the net assets of the merged company, THE CHOMTHANA COMPANY LIMITED, on the date of the acquisition is RMB 246,592,567.01 and the difference of RMB 295,608,098.32 is recognised as goodwill.

In August 2019, the wholly-owned subsidiary of the company, HONGKONG JINGANG TRADE HOLDING CO., LIMITED purchased 100% equity of Westland Co-Operative Dairy Company Limited from the original shareholders of Westland Co-Operative Dairy Company Limited. The transaction is a merger of acquisition not under common control and the costs of the acquisition amounted to RMB 1,102,484,067.34. The fair value of the net assets of the merged company, Westland Co-Operative Dairy Company Limited, on the date of the acquisition is RMB 936,491,226.87 and the difference of RMB 165,992,840.47 is recognised as goodwill.

In August 2019, the Company purchased 100% equity of Arxan Yili Natural Mineral Drink Co., Ltd. from the original shareholders of Arxan Yili Natural Mineral Drink Co., Ltd. The transaction is a merger of acquisition not under common control and the costs of the acquisition amounted to RMB 133,336,000.00. The fair value of the net assets of the merged company, Arxan Yili Natural Mineral Drink Co., Ltd., on the date of the acquisition is RMB 78,071,723.83 and the difference of RMB 55,264,276.17 is recognised as goodwill.

**3. The Identifiable assets and liabilities of the acquiree on the date of purchase**

<b>Item</b>	<b>THE CHOMTHANA COMPANY LIMITED</b>		<b>Westland Co-Operative Dairy Company Limited</b>		<b>Arxan Yili Natural Mineral Drink Co., Ltd</b>	
	<b>Fair value at purchase date</b>	<b>Book value at purchase date</b>	<b>Fair value at purchase date</b>	<b>Book value at purchase date</b>	<b>Fair value at purchase date</b>	<b>Book value at purchase date</b>
Assets:	354,594,431.07	212,559,593.71	2,908,980,574.99	2,719,256,576.07	284,899,032.52	131,742,618.38
Cash and cash equivalents	22,221,706.85	22,221,706.85	106,586,865.24	106,586,865.24	2,428,987.50	2,428,987.50
Accounts receivable	30,558,588.70	30,558,588.70	309,166,717.19	309,166,717.19	5,033,441.64	5,033,441.64
Inventory	18,771,528.73	18,771,528.73	709,615,034.69	709,615,034.69		
Fixed assets	199,143,608.22	130,346,126.58	1,333,279,359.37	1,297,323,833.58	114,502,526.21	114,502,526.21
Intangible assets	74,178,474.08	941,118.36	199,481,719.96	45,713,246.83	156,113,118.06	2,956,703.92
Other current assets	1,065,327.61	1,065,327.61	30,598,890.48	30,598,890.48	5,685,182.57	5,685,182.57
Construction in progress	4,530,454.30	4,530,454.30	130,275,833.13	130,275,833.13		

Item	THE CHOMTHANA COMPANY LIMITED		Westland Co-Operative Dairy Company Limited		Arxan Yili Natural Mineral Drink Co., Ltd	
	Fair value at purchase date	Book value at purchase date	Fair value at purchase date	Book value at purchase date	Fair value at purchase date	Book value at purchase date
Deferred tax assets	4,124,742.58	4,124,742.58	58,776,480.91	58,776,480.91	298,621.91	298,621.91
Prepayments			7,770,573.98	7,770,573.98	172,908.16	172,908.16
Other receivables			23,429,100.04	23,429,100.04	664,246.47	664,246.47
Liabilities	98,952,126.48	70,545,200.94	1,972,489,348.12	1,919,366,595.61	206,827,308.69	168,538,205.15
Borrowings	8,077,941.22	8,077,941.22	1,316,303,212.56	1,316,303,212.56	12,000,000.00	12,000,000.00
Accounts payable	62,467,259.72	62,467,259.72	313,279,097.62	313,279,097.62	3,933,751.23	3,933,751.23
Deferred tax liabilities	28,406,925.54		125,540,185.10	72,417,432.59	38,289,103.54	
Received in advance			9,401,039.85	9,401,039.85	153,105.00	153,105.00
Other payables			106,114,763.71	106,114,763.71	149,671,950.68	149,671,950.68
Payroll payable			27,707,792.68	27,707,792.68	359,108.22	359,108.22
Taxes payable			3,260,225.71	3,260,225.71	5,156.01	5,156.01
Interest payable					2,415,134.01	2,415,134.01
Financial liabilities held for trading			70,883,030.89	70,883,030.89		
Net assets	255,642,304.59	142,014,392.77	936,491,226.87	799,889,980.46	78,071,723.83	-36,795,586.77
Less: Minority shareholders' equity	9,049,737.58	5,027,309.50				
Net assets acquired	246,592,567.01	136,987,083.27	936,491,226.87	799,889,980.46	78,071,723.83	-36,795,586.77

Method for determining the fair value of identifiable assets and liabilities:

The fair value of identifiable assets and liabilities of the acquiree is based on the assessed value.

(II) Business combination under the same control

None

(III) Reverse purchase

None

(IV) Disposal of subsidiaries

None

(V) Changes in the scope of the consolidation for other reasons

1. The list of new subsidiaries of current period included in the consolidated scope

Company name	Reason
PT. Yili Indonesia Dairy	New establishment
Wuwei Yili Dairy Co., Ltd.	New establishment
Antu Yili Changbai Mountain Natural Mineral Drink Co., Ltd.	New establishment
SA ARK FOOD (M) SDN.BHD.	New establishment
Beijing Yili Technology Development Co., Ltd.	New establishment
Yili YINUO Technology (Shanghai) Co., Ltd.	New establishment
Yili Innovation Investment Management (Zhuhai) Co., Ltd.	New establishment
Yili Venture Capital (Suzhou) Co., Ltd.	New establishment
Zhuhai Jianling Equity Investment Fund Management Partnership (Limited Partnership)	New establishment
GREEN ASIA FOOD VIETNAM COMPANY LIMITED	New establishment

Company name	Reason
Hulunbeier Yili Dairy Co., Ltd.	New establishment
Inner Mongolia Jinze Yili Dairy Co., Ltd.	New establishment

## 2. The list of liquidation and cancellation of subsidiaries in the current period excluded in the scope of consolidated statements

Company name	Reason for disposal
Xiwuqi Tai Qin Water Co., Ltd.	Cancellation
Duerbote Jinshan Co., Ltd.	Cancellation

## VIII. Equities in other entities

### (I) Equities in subsidiaries

#### 1. Composition of the enterprises Group

Subsidiary name	Business operation location	Registration location	Nature of business	Shareholding (%)		Acquisition method
				Direct	Indirect	
Baotou Yili Dairy Co., Ltd.	Baotou	Baotou Xitu High-tech Zone	Dairy production and sales	100		Investment establishment
Duerbote Yili Dairy Co., Ltd.	Daqing	Daqing	Milk powder production and sales	89.38		Investment establishment
Langfang Yili Dairy Products Co., Ltd.	Langfang	Langfang	Dairy production and sales	75		Investment establishment
Inner Mongolia lingxian Food Co., Ltd.	Hohhot	Hohhot	Processing and sales of agricultural and side line products	100		Investment establishment
Inner Mongolia Qingshan Dairy Co., Ltd.	Hohhot	Hohhot	Milk powder sales	100		Investment establishment
Tianjin Yili Kangye Industry Frozen Food Co., Ltd.	Tianjin	Jinnan Economic Development Zone	Frozen drinks production and sales	55		Investment establishment
Inner Mongolia Yili Fubeier Dairy Products Co., Ltd.	Hohhot	Hohhot	Milk Powder Production	74.51		Investment establishment
Zhaodong Yili Dairy Co., Ltd.	Heilongjiang Zhaodong	Zhaodong	Dairy production and sales	100		Investment establishment
Inner Mongolia Yili Enterprise Development Co., Ltd.	Hohhot	Hohhot	Consulting Services	100		Investment establishment
Xi'an Yili Taipuke Drink Co., Ltd.	Xi'an	Xi'an	Dairy production and sales	100		Investment establishment
Lindian Yili Dairy Co., Ltd.	Heilongjiang Lindian	Lindian	Dairy production and sales	100		Investment establishment
Qiqihar Yili Dairy Co., Ltd.	Qiqihar	Qiqihar	Dairy production and sales	100		Investment establishment
Chifeng Yili Dairy Co., Ltd.	Chifeng	Chifeng	Dairy production and sales	100		Investment establishment
Dingzhou Yili Dairy Co., Ltd.	Dingzhou	Dingzhou	Dairy production and sales	100		Investment establishment
Yili Suzhou Dairy Co., Ltd.	Suzhou	Suzhou Industrial Park	Dairy production and sales	100		Investment establishment
Jinan Yili Dairy Co., Ltd.	Jinan	Pingyin	Dairy production and sales	100		Investment establishment
Inner Mongolia Jinchuan Yili Dairy Co., Ltd.	Hohhot	Hohhot	Dairy production and sales	100		Investment establishment
Inner Mongolia Jinshan Dairy Co., Ltd.	Hohhot	Hohhot	Dairy production and sales	100		Investment establishment
Foshan Yili Dairy Co., Ltd.	Foshan	Foshan	Frozen drinks production and sales	100		Investment establishment
Hefei Yili Dairy Co., Ltd.	Hefei	Hefei	Dairy production and sales	100		Investment establishment
Liaoning Yili Dairy Co., Ltd.	Shenyang	Shenyang	Dairy production and sales	70		Investment establishment
Hubei Huanggang Yili Dairy Co., Ltd.	Huanggang	Huanggang	Dairy production and sales	100		Investment establishment
Inner Mongolia ShengTai Investment Co., Ltd.	Hohhot	Hohhot	Foreign investment	100		Investment establishment
Chengdu Yili Dairy Co., Ltd.	Chengdu	Chengdu Qionglai	Dairy production and sales	100		Investment establishment
Urumqi Yili Food Co., Ltd.	Urumqi	Urumqi	Dairy production and sales	100		Investment establishment
Henan Yili Dairy Co., Ltd.	Pingdingshan	Pingdingshan	Dairy production and sales	100		Investment establishment
Fuxin Yili Dairy Co., Ltd.	Liaoning Fuxin	Fuxin	Dairy production and sales	100		Investment establishment
Duolun Yili Dairy Co., Ltd.	Inner Mongolia Duolun	Duolun	Dairy production and sales	100		Investment establishment
Inner Mongolia Jinhai Yili Dairy Co., Ltd.	Hohhot	Hohhot	Dairy production and sales	100		Investment establishment
Xilin Hot Yili Dairy Products Co., Ltd.	Xilin Hot	Xilin Gol Economic and technological Development zone	Dairy production and sales	100		Investment establishment



Subsidiary name	Business operation location	Registration location	Nature of business	Shareholding (%)		Acquisition method
				Direct	Indirect	
Luanxian Yili Dairy Co., Ltd.	Hebei Luanxian	LuanXian, Hebei	Dairy production and sales	100		Investment establishment
Lanzhou Yili Dairy Co., Ltd.	Lanzhou	Lanzhou	Dairy production and sales	100		Investment establishment
YILI INTERNATIONAL DEVELOPMENT CO., LIMITED	Hong Kong	Hong Kong	Commercial trade	100		Investment establishment
Tianjin Yili Dairy Co., Ltd.	Tianjin	Tianjin	Milk powder sales	100		Investment establishment
Shanxi Yili Dairy Co., Ltd.	Shaanxi Lantian	Lantian	Frozen drinks production and sales	100		Investment establishment
Bayannur Yili Dairy Co., Ltd.	Bayannur	Bayannur	Dairy production and sales	100		Investment establishment
Zhejiang Yili Dairy Co., Ltd.	Zhejiang Jinhua	Jinhua	Frozen drinks production and sales	100		Investment establishment
Tianjin Yili Dairy Products Co., Ltd.	Tianjin	Wuqing Development Zone	Dairy production and sales	98.15	1.85	Investment establishment
Fuxin Yili Dairy Products Co., Ltd.	Liaoning Fuxin	Fuxin	Dairy production and sales	100		Investment establishment
Weifang Yili Dairy Co., Ltd.	Weifang	Linqu	Dairy production and sales	100		Investment establishment
Ningxia Yili Dairy Co., Ltd.	Ningxia Wu Zhong	Wuzhong	Dairy production and sales	100		Investment establishment
Heilongjiang Yili Dairy Co., Ltd.	Daqing	Duerbote	Dairy production and sales	100		Investment establishment
Changji Sheng Xin Industrial Co., Ltd.	Changji, Xinjiang	Changji	Investment development		95	Investment establishment
Hulunbeier Xianglong Mining Energy Co., Ltd.	Hulunbeier	Hulunbeier	Mineral product sales		100	Investment establishment
Zhangbei Yili Dairy Co., Ltd.	Zhangbei, Hebei	Zhangbei	Dairy production and sales	100		Investment establishment
Guangdong Yili Dairy Co., Ltd.	Huizhou	Huize Avenue, Huizhou City	Dairy production and sales	100		Investment establishment
Xianyang Yili Dairy Co., Ltd.	Xianyang	Sanyuan County, Shaanxi Province	Dairy production and sales	100		Investment establishment
HONGKONG JINGANG TRADE HOLDING CO., LIMITED	Hong Kong	Hong Kong	Business Trade	100		Investment establishment
Jiyuan Yili Dairy Co., Ltd.	Henan Jiyuan	Jiyuan, Henan Province	Dairy production and sales	100		Investment establishment
Guangxi Yili Frozen Food Co., Ltd.	Nanning	Nanning	Frozen drinks production and sales	100		Investment establishment
Inner Mongolia Kindairy Trading Co., Ltd.	Hohhot	Hohhot	Dairy sales	100		Investment establishment
Yunnan Yili Dairy Co., Ltd.	Kunming	Kunming	Dairy production and sales	100		Investment establishment
Meizhou Yili Frozen Food Co., Ltd.	Meizhou, Guangdong	Shejiang Town, Mei County, Guangdong	Ice-cream production and sales	100		Investment establishment
Changchun Yili Frozen Food Co., Ltd.	Changchun	Changchun Jiutai Economic Development Zone	Ice-cream production and sales	100		Investment establishment
Longyou Yili Dairy Co., Ltd.	Zhejiang Longyou	Zhejiang Longyou Industrial Park	Dairy production and sales	100		Investment establishment
Jinzhong Yili Dairy Co., Ltd.	Shanxi Qixian	Shanxi Qixian	Dairy production and sales	100		Investment establishment
Inner Mongolia Technology Research Institute Co., Ltd.	Hohhot	Hohhot Jinshan Development Zone	Dairy technology	100		Investment establishment
SILVER HARBOR LLC.	United States	United States	Market research		100	Investment establishment
Yili Innovation Centre Europe B.V.	Netherlands	Netherlands	Dairy technology		100	Investment establishment
Yili Finance Co., Ltd.	Hohhot	Hohhot	Finance	100		Investment establishment
Inner Mongolia Huishang Finance Guarantee Co., Ltd.	Hohhot	Hohhot	Guarantee	100		Investment establishment
Shanghai Yili Aibei Food Co., Ltd.	Shanghai	Shanghai Minhang Economic and Technological Development Zone	Frozen drinks production and sales		75	Acquisition
Oceania Dairy Limited	New Zealand	New Zealand	Dairy products production		100	Acquisition
PT. Green Asia Food Indonesia	Indonesia	Indonesia	Business Trade		100	Investment establishment
Huishang Commercial Factoring Co., Ltd.	Hohhot	Shenzhen	Retention Agency	100		Investment establishment
Lizhimei (Shanghai) investment Co., Ltd.	Shanghai	Shanghai Free Trade Pilot Zone	Industrial investment, food circulation	100		Investment establishment
Shenyang Yili Co., Ltd.	Shenyang	Shenbei New District, Shenyang	Dairy production and sales	100		Investment establishment
Inner Mongolia Yili Management Consulting Co., Ltd.	Hohhot	Hohhot	Consulting Services	100		Investment establishment
Inner Mongolia HuiShang Internet micro-loan Co., Ltd.	Hohhot	Hohhot	Grant Small Loans	100		Investment establishment
Daqing Yili Dairy Products Co., Ltd.	Daqing, Heilongjiang	Lindian County, Daqing	Dairy production and sales	100		Investment establishment
PT. Yili Indonesia Dairy	Indonesia	Indonesia	Ice-cream production and sales		100	Investment establishment
Wuwei Yili Dairy Co., Ltd.	Gansu province	Wuwei	Dairy production and sales	100		Investment establishment
Antu Yili Changbai Mountain Natural Mineral Drink Co., Ltd.	Jilin Province	Antu County, Yanbian Prefecture	Mineral water manufacturing and sales	100		Investment establishment
THE CHOMTHANA COMPANY LIMITED	Thailand	Thailand	Ice-cream production and sales	96.46		Acquisition
Maxx Drink Co., Ltd.	Thailand	Thailand	Ice-cream production and sales	97.03		Acquisition
Cooltrain Logistics Co., Ltd.	Thailand	Thailand	Ice-cream production and sales	96.46		Acquisition

Subsidiary name	Business operation location	Registration location	Nature of business	Shareholding (%)		Acquisition method
				Direct	Indirect	
BDC SPECIALTY FOOD CO., LTD.	Thailand	Thailand	Ice-cream production and sales	96.46		Acquisition
SAARK FOOD (M) SDN.BHD.	Malaysia	Malaysia	Dairy sales	100		Investment establishment
Beijing Yili Technology Development Co., Ltd.	Beijing	Beijing	Technology development and service consulting	100		Investment establishment
Yili Yinuo Technology (Shanghai) Co., Ltd.	Shanghai	Shanghai	Technology development and service consulting	100		Investment establishment
Yili Innovation Investment Management (Zhuhai) Co., Ltd.	Zhuhai	Zhuhai city	Investment consulting, investment management	100		Investment establishment
Yili Venture Capital (Suzhou) Co., Ltd.	Suzhou	Suzhou City	Venture Capital	100		Investment establishment
Zhuhai Jianling Equity Investment Fund Management Partnership (Limited Partnership)	Zhuhai	Zhuhai city	Equity investment	100		Investment establishment
Westland Dairy Company Limited	New Zealand	New Zealand	Dairy production and sales	100		Acquisition
Westland Milk Products Investments Limited	New Zealand	New Zealand	Investment	100		Acquisition
EasiYo Products (UK) Limited	United Kingdom	United Kingdom	Dairy production and sales	100		Acquisition
EasiYo Products Limited	New Zealand	New Zealand	Dairy production and sales	100		Acquisition
EasiYo Products (Aust) Limited	Australia	New Zealand	Dairy production and sales	100		Acquisition
Westland Dairy (Shanghai) Co., Ltd.	Shanghai	Shanghai	Dairy sales	100		Acquisition
Arxan Yili Natural Mineral Drink Co., Ltd.	Arxan	Arxan	Mineral water manufacturing and sales	100		Acquisition
GREEN ASIA FOOD VIETNAM COMPANY LIMITED	Vietnam	Vietnam	Dairy sales	100		Investment establishment
Hulunbeier Yili Dairy Co., Ltd.	Hulunbeier	Hulunbeier	Dairy production and sales	100		Investment establishment
Inner Mongolia Jinze Yili Dairy Co., Ltd.	Hohhot	Hohhot	Dairy production and sales	100		Investment establishment

(II) The shareholder's equity in the subsidiary has changed but still control the subsidiaries's transactions

None

(III) Equities in joint ventures or associated enterprises

1. Important joint ventures or associated enterprises

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

2. Major financial information of important associated enterprises

Unit: (ten thousand RMB)

Item	Ending balance/Current period	
	China Youran Dairy Holding Limited	China Youran Dairy Holding Limited
Current Asset	318,603.69	225,015.92
Non-current assets	585,166.51	491,233.95
Total assets	903,770.20	716,249.87
Current Liabilities	283,627.36	265,099.10
Non-current Liabilities	145,293.74	26,151.78
Total liabilities	428,921.10	291,250.88
Minority stockholder's interest		

Item	Ending balance/Current period	
	China Youran Dairy Holding Limited	China Youran Dairy Holding Limited
Attributable to parent company shareholders' equity	474,849.10	424,998.99
Share of net assets (calculated by ratio)	189,939.64	169,999.60
Adjusting items		
—Goodwill		
—Unrealized profit of internal transactions		
—Others		
Book value of equity investment in joint venture	189,939.64	169,999.60
Fair value of equity investment in joint venture with public offering		
Operating revenue	800,163.64	658,474.76
Net profit	49,848.51	32,685.11
Net profit of termination operation		
Other comprehensive income	1.58	
Total comprehensive income	49,850.09	32,685.11
Dividend received from joint venture for the period		

### 3. Financial information of unimportant joint ventures or associated corporations

Unit: (ten thousand RMB)

Item	Ending balance /Current Period	Beginning balance /Last Period
Joint venture:		
Total investment carrying value		
The following items are calculated on a shareholding basis		
Net income		
Other comprehensive income		
Total comprehensive income		
Associates:		
Total investment book value	6,150.85	20,939.11
The following items are calculated on a shareholding basis		
--Net income	-325.21	1,346.16
--Other comprehensive income		
--Total comprehensive income	-325.21	1,346.16

## IX. The Risks Related to Financial Instruments

During the operation, the company will face various financial risks: credit risk, liquidity risk and market risk (mainly foreign exchange and interest rate risk). The company's overall risk management plan is aimed at reducing the potential adverse impact on the financial performance of the Company against the unpredictability of financial markets.

### (I) Credit risk

Credit risk refers to the risk of financial loss caused by the counterparty's failure to fulfil its contractual obligations. Credit risk mainly arises from cash at bank and hand, notes receivable, accounts receivable and other receivables. The management layer has applied appropriate credit policies and monitored the credit risks exposure continuously.

The company's monetary fund mainly deposit in the central bank, commercial bank and other financial institutions. The managers believe that these central banks or commercial banks have high credibility and asset status and there will not be major credit risk or heavy losses due to breach by the other party. The Company also makes deposits in different commercial banks to spread risk.

For accounts receivable, other receivables and notes receivable, the company sets policies to control credit exposure. The Company assesses the customer's credit qualification and sets the corresponding credit period based on the financial condition of the customer, the possibility of obtaining a guarantee from the third party, the credit record and other factors. The Company will regularly monitor the customer's credit records and remind customers with bad credit records through the method of prompt, shortening credit period or cancelling credit period to ensure the company's overall credit risk is within the controllable range, so as not to face significant credit losses. In addition, the company reviews the recovery of financial assets on each balance sheet date to ensure that the relevant financial assets have sufficient provisions for expected credit losses.

On 31 December 2019, the book balance of the relevant assets and expected credit impairment losses are as follows:

Item	Ending balance/ Current Period	Beginning balance /Last Period
Notes receivable	221,720,000.00	
Accounts receivable	1,758,063,997.64	142,553,544.08
Other receivables	194,759,131.74	35,312,451.59
Total	2,174,543,129.38	177,865,995.67

On 31 December 2019, the company's top five customers' accounts receivable accounted for 40.62% of the company's total accounts receivable. (End of 2018: 56.91%).

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

#### (II) Liquidity risk

Liquidity risk means the company is unable to obtain sufficient funds timely to meet the needs of business development or pay the due debts and other obligations.

The Company's financial department continuously monitors the company's short-term and long-term capital requirements to ensure sufficient cash reserves and loan agreements which promise that the financial institution will provide enough reserve fund to meet short-term and long-term capital requirements.

By 31 December 2019, the company's financial liabilities in no-discounted cash flow agreement are presented by due date as follow:

Item	31 December 31 2019					
	Net book value	Historical value	Within 1 year	1-2 years	2-5 years	More than 5 years
Short-term borrowings	4,559,631,340.89	4,559,631,340.89	4,559,631,340.89			
Financial liabilities held for trading	37,079,015.63	37,079,015.63	37,079,015.63			
Notes payable	300,097,580.53	300,097,580.53	300,097,580.53			
Accounts payable	10,501,125,559.06	10,501,125,559.06	10,501,125,559.06			
Other payables	3,705,456,592.64	3,705,456,592.64	3,705,456,592.64			
Non-current liabilities due within one year	306,192,224.58	306,192,224.58	306,192,224.58			
Other current liabilities	3,029,773,770.49	3,029,773,770.49	3,029,773,770.49			
Long-term borrowings	471,124,135.41	471,124,135.41		469,729,869.80	1,105,265.61	289,000.00
Bonds payable	1,500,000,000.00	1,500,000,000.00			1,500,000,000.00	
Long-term payables	164,015,105.94	164,015,105.94		92,794,437.99	71,220,667.95	
Subtotal	24,574,495,325.17	24,574,495,325.17	22,439,356,083.82	562,524,307.79	1,572,325,933.56	289,000.00

Continued:

Item	31 December 2018					
	Net book value	Historical value	Within 1 year	1-2 years	2-5 years	More than 5 years
Short-term borrowings	1,523,000,000.00	1,523,000,000.00	1,523,000,000.00			
Notes payable	276,249,155.54	276,249,155.54	276,249,155.54			
Accounts payable	8,839,462,231.78	8,839,462,231.78	8,839,462,231.78			
Other payables	1,118,496,420.12	1,118,496,420.12	1,118,496,420.12			
Non-current liabilities due within one year	33,128,853.96	33,128,853.96	33,128,853.96			
Long-term borrowings	289,000.00	289,000.00				289,000.00
Long-term payables	133,664,814.17	133,664,814.17		27,723,497.34	105,941,316.83	
Subtotal	11,924,290,475.57	11,924,290,475.57	11,790,336,661.40	27,723,497.34	105,941,316.83	289,000.00

### (III) Market risk

#### 1. Foreign exchange risk

The principal operation of the Company is located in China and its operations are mainly settled in RMB. However, there are still existing foreign exchange risks, such as foreign currency assets and liabilities recognised by the Company and future foreign currency transactions (foreign currency assets and liabilities and foreign currency transactions are denominated in US dollars, Euros, NZ dollars, AU dollars and HK dollars). The Financial Management Department of the company is responsible for monitoring foreign currency transaction and the scale of foreign currency assets and liabilities to minimize foreign exchange risk.

(1) The company's forward foreign exchange contracts as follows: Westland Dairy Company Limited uses forward foreign exchange contracts to mitigate the risk of cash flow changes caused by exchange rate fluctuations settled in foreign currencies. For details, see VI "Note 61 Hedging".

(2) On 31 December 2019, the amounts of foreign currency financial assets and liabilities are held by the Company translated into RMB as follows:

Item	31 December 2019				
	USD Item	EUR Item	HKD Item	NZD Item	IDR Item
Foreign currency financial assets:					
Cash and cash equivalents	4,351,659,544.59	14,711,595.12	3,260,136.82	67,799,635.37	6,589,666.08
Financial assets held for trading				55,936,588.48	
Accounts receivable	207,711,599.41	3,197,626.83		22,423,957.59	
Other receivables	136,641.58		204,470.12	47,081,705.83	111,497.05
Investment in other equity instruments			56,264,249.00		
Subtotal	4,559,507,785.58	17,909,221.95	59,728,855.94	193,241,887.27	6,701,163.13
Foreign currency financial liabilities:					
Short-term borrowings				709,292,103.40	
Financial liabilities held for trading				36,411,148.86	
Accounts payable	35,283,461.16	6,503.12	11,376.51	777,128,693.85	50,890,936.04
Other payables	56,497,483.39		56,671.83	81,322,149.30	70,727.52
Non-current liabilities due within one year				234,864,934.90	
Long-term borrowings				469,729,869.80	
Long-term payables					
Subtotal	91,780,944.55	6,503.12	68,048.34	2,308,748,900.11	50,961,663.56

Continued:

Item	31 December 2019				
	MYR Item	THB Item	GBP Item	THB Item	AUD Item
Foreign currency financial assets:					
Cash and cash equivalents	9,625,412.40	15,891,192.51	2,604,480.96	165,682.86	35,265,100.70
Financial assets held for trading					
Accounts receivable		9,852,771.19	2,489,448.51		54,175,609.01
Other receivables	112,766.73	881,674.20		22,622.81	
Investment in other equity instruments					
Subtotal	9,738,179.13	26,625,637.90	5,093,929.47	188,305.67	89,440,709.71
Foreign currency financial liabilities:					
Short-term borrowings					
Financial liabilities held for trading					
Accounts payable	130,800.29	26,599,871.07	9,044,944.03	105,232.06	1,147,654.64
Other payables		24,547,108.53	72,208.47		
Non-current liabilities due within one year		5,788,814.16			
Long-term borrowings		1,105,265.61			
Long-term payables		3,104,778.63			
Subtotal	130,800.29	61,145,838.00	9,117,152.50	105,232.06	1,147,654.64

Continued:

Item	31 December 2019		
	AUD Item	NZD Item	Total
Foreign currency financial assets:			
Cash and cash equivalents	3,594.80		4,507,576,042.21
Financial assets held for trading			55,936,588.48
Accounts receivable		22,961.77	299,873,974.31
Other receivables			48,551,378.32
Investment in other equity instruments			56,264,249.00
Subtotal	3,594.80	22,961.77	4,968,202,232.32
Foreign currency financial liabilities:			
Short-term borrowings			
Financial liabilities held for trading			
Accounts payable			900,349,472.77
Other payables			162,566,349.04
Non-current liabilities due within one year			240,653,749.06
Long-term borrowings			470,835,135.41
Long-term payables			3,104,778.63
Subtotal			2,523,212,737.17

Continued:

Item	31 December 2018					Total
	USD Item	EUR Item	HKD Item	NZD Item	IDR Item	
Foreign currency financial assets:						
Cash and cash equivalents	6,569,474,837.11	8,353,331.85	3,372,481.67	49,304,788.84	1,517,922.86	6,632,023,362.33
Financial assets at fair value through profit or loss for the period				498,843.46		498,843.46
Accounts receivable	23,084,476.84			18,590,383.66		41,674,860.50
Other receivables	43,339,953.98		206,411.56	492,203.69		44,038,569.23
Available-for-sale financial assets			66,570,583.11			66,570,583.11
Subtotal	6,635,899,267.93	8,353,331.85	70,149,476.34	68,886,219.65	1,517,922.86	6,784,806,218.63
Foreign currency financial liabilities:						
Accounts payable	24,839,814.36			186,354,048.37		211,193,862.73
Other payables	1,319,689.45		61,017.42	2,325,440.94		3,706,147.81
Subtotal	26,159,503.81		61,017.42	188,679,489.31		214,900,010.54

### (3) Sensitivity analysis

The foreign currency assets and liabilities held by the company are mainly monetary items. Except for foreign currency monetary items, the proportion of other foreign currency assets and liabilities held by the company is not significant. The Management of the company believes that, when other variables remain unchanged, the fluctuation of exchange rate may not have a significant impact on the current profit and loss or the shareholders' equity.

#### 2. Interest rate risk

The interest rate risk mainly arises from bank loans. The fixed interest rate of financial liabilities causes the company to face the risk of fair value of interest rate. The company's financial department continuously monitors the interest rate level of the company. The Management will make adjustments timely based on latest market conditions to reduce interest rate risk.

(1) Subsidiaries of the company have signed interest rate swap arrangements with commercial banks to reduce the risk of floating interest rate changes in loans.

(2) On 31 December 2019, the percentage of interest-bearing liabilities accounted for 16.24 % of total assets.

#### (3) Sensitivity analysis

On 31 December 2019, if the rate rises or falls by 50 basis points, meanwhile other factors remain the same, the company's annual interest expenditure will increase or decrease by 47,917,136.19 RMB, resulting in the annual total profit reduction or increase of 47,917,136.19 RMB. The sensitivity analysis above assumes that interest rate changes have taken place on the balance sheet date.

## X. Disclosure of fair value

### (I) Fair value of assets and liabilities measured at the end of the period

The company presents the book value of financial instruments measured at fair value on 31 December 2019 in three levels of fair value. When the fair value is classified into three levels as a whole, it is based on the lowest level among the three levels by using the important input values in the fair value measurement. The definition of the three levels is as follows:

Level 1: It is the unadjusted quotation of the same assets or liabilities that can be obtained on the measurement date in the active market

Level 2: It is the directly or indirectly observable input value of relevant assets or liabilities excluding input value of the first level  
The input value of the second level includes: 1) Quotations of similar assets or liabilities in active market; 2) Quotations for the same or similar assets or liabilities in inactive market; 3) Observable inputs other than quotations, such as interest rate and yield curves, implied volatility, and credit spreads that can be observed during normal quote intervals; 4) The input value of market verification.

Level 3: Inputs for the assets or liabilities are not based on observable market data (unobservable inputs).

Item	Fair value measurement at the end of the period			Total
	The first level of fair value measurement	The second level of fair value measurement	Third level fair value measurement	
<b>I. Continuous fair value measurement</b>				
(I) Financial assets held for trading	334,057,398.69	55,936,588.48		389,993,987.17
Financial Assets measured at VSOE and of which the variation is booked in current period P&L	334,057,398.69	55,936,588.48		389,993,987.17
Debt instrument investment				
Equity instrument investment	294,775,000.00			294,775,000.00
Derivative financial assets	39,282,398.69	55,936,588.48		95,218,987.17
Subtotal of designated financial assets at fair value through profit or loss for the period				
Debt instrument investment				
Equity instrument investment				
(II) Other debt investment				
(III) Investment in other equity instruments		1,147,896,142.44		1,147,896,142.44
(IV) Subtotal of investment properties				
Leasehold land use rights				
Rental buildings				
After holding and preparing to add value				
Transfer of land use rights				
(V) Subtotal of biological assets				
Consumptive biological assets				
Productive biological assets				
(VI) Other non-current financial assets		142,167,713.34		142,167,713.34
Total assets continuously measured at fair value	334,057,398.69	1,346,000,444.26		1,680,057,842.95
(VII) Financial liabilities held for trading		37,079,015.63		37,079,015.63
Financial liabilities measured at VSOE and of which the variation is booked in current period P&L		37,079,015.63		37,079,015.63
Issued trading bonds				
Derivative financial liabilities		37,079,015.63		37,079,015.63
Others				
Designated financial liabilities at fair value through profit or loss for the period				
Total liabilities continuously measured at fair value		37,079,015.63		37,079,015.63
<b>II. Non-continuous fair value measurement</b>				
(I) Holding assets for sale				
Total assets not measured continuously at fair value				
Total liabilities not measured continuously at fair value				

**(II) The basis for determining the market value of the first level of continuous and non-continuous fair value measurement items**

The fair value of investment in equity instruments with an open market is determined by the closing price of the stock exchange on the balance sheet date ; derivative financial assets are futures contracts, and their fair value is determined by the closing price of the relevant futures contract of the cargo exchange on the balance sheet date.



(III) The valuation techniques, and qualitative and quantitative information of important parameters are used for the items with continuous and non-continuous level 2 fair value measurement .

Since the company does not directly purchase stocks, bonds, and other equity instruments that are quoted in the open market, the fair value of investment in equity instruments with continuous level 2 fair value measurement is determined by the book value of the equity investment on the balance sheet date. The fair value of derivative financial assets and derivative financial liabilities, including forward foreign exchange contracts and interest rate swap contracts, is measured by the the discounted cash flow model. The input values of valuation techniques mainly include interest rates and exchange rates, and so on.

(IV) The valuation techniques, and qualitative and quantitative information of important parameters are used for the items with continuous and non-continuous level 3 fair value measurement.

None

(V) Adjustment information between the opening and closing book value and sensitivity analysis of unobservable parameters for items with continuous and non-continuous level 3.

None

(VI) Conversion between various levels occurs during the period, the reasons and the policy for the conversion time for Items with continuous fair value measurement

None

(VII) Changes of valuation technnology and its reasons

None

(VIII) Fair value of financial assets and liabilities which are not measured at fair value

Financial assets and liabilities that are not measured at fair value include: account receivables, short-term loans, account payable, Long-term borrowing. There is no significant difference between book value and fair value of financial assets and liabilities not measured at fair value.

## XI. Related parties and related transactions

(I) The parent company

None

(II) The subsidiaries of the company

Details of subsidiaries, please refer to Note VIII (1) “Equity in subsidiaries”:

(III) The information of joint ventures and associated enterprises

For details of important joint ventures or associated enterprises, please refer to Note VIII (II) “Equities in joint ventures or associated enterprises”.

Information on the Company’s related party transactions in the current period or other joint ventures or associates that had related party transactions in the last period as follow:

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

## (IV) Other related parties

The name of other related party	Relationship with the company
Inner Mongolia Yili Public Welfare Foundation	Other

## (V) Related transactions

- The transactions between subsidiaries and parent company have been offset in the consolidation financial statements
- Related transactions of purchasing commodities and services

Unit: (ten thousand RMB)

Related party	Related transactions	Current period	Last period
Shandong Xijufeng Technology packaging Co., Ltd.	Purchasing packaging materials	56,295.45	63,617.67
China Youran Dairy Holding Limited	Purchasing raw material	284,799.61	239,566.70
Total		341,095.06	303,184.37

- Related transactions of providing commodities and services

Unit: (ten thousand RMB)

Related party	Related transactions	Current period	Last period
China Youran Dairy Holding Limited	Selling raw materials	1,170.93	788.56
China Youran Dairy Holding Limited	Provision of services	29.18	31.41
Total		1,200.11	819.97

- Related parties lease

- The company as the lessee

Unit: (ten thousand RMB)

Related party	Type	Current period	Last period
The Yili Public Welfare Foundation in Inner Mongolia	Building	1,650.67	778.89

- Lending and borrowing with Related parties

- Lending to related parties

Unit: (ten thousand RMB)

Related party	Amount	Initiate date	Maturity date	Memo
Shandong Xinjufeng Technology packaging Co., Ltd.	42.70	2 January 2019	14 March 2019	Accounts receivable factor
Shandong Xinjufeng Technology packaging Co., Ltd.	39.20	29 January 2019	8 April 2019	Accounts receivable factor
Shandong Xinjufeng Technology packaging Co., Ltd.	39.60	27 February 2019	13 May 2019	Accounts receivable factor
Shandong Xinjufeng Technology packaging Co., Ltd.	34.20	26 March 2019	17 June 2019	Accounts receivable factor
Shandong Xinjufeng Technology packaging Co., Ltd.	38.40	30 April 2019	23 July 2019	Accounts receivable factor
Shandong Xinjufeng Technology packaging Co., Ltd.	43.80	31 May 2019	5 August 2019	Accounts receivable factor
Shandong Xinjufeng Technology packaging Co., Ltd.	148.20	26 June 2019	5 September 2019	Accounts receivable factor
Shandong Xinjufeng Technology packaging Co., Ltd.	10.40	25 July 2019	30 September 2019	Accounts receivable factor
Shandong Xinjufeng Technology packaging Co., Ltd.	75.20	25 July 2019	30 September 2019	Accounts receivable factor
Shandong Xinjufeng Technology packaging Co., Ltd.	16.60	25 July 2019	16 October 2019	Accounts receivable factor
Shandong Xinjufeng Technology packaging Co., Ltd.	134.70	25 July 2019	30 September 2019	Accounts receivable factor
Shandong Xinjufeng Technology packaging Co., Ltd.	66.70	27 August 2019	5 November 2019	Accounts receivable factor
Shandong Xinjufeng Technology packaging Co., Ltd.	122.10	27 August 2019	5 November 2019	Accounts receivable factor
Shandong Xinjufeng Technology packaging Co., Ltd.	183.60	26 September 2019	10 December 2019	Accounts receivable factor
Shandong Xinjufeng Technology packaging Co., Ltd.	182.40	30 October 2019	8 January 2020	Accounts receivable factor

Related party	Amount	Initiate date	Maturity date	Memo
Total	1,177.80			

## 6. Remuneration of key management staff

Unit: (ten thousand RMB)

Item	Current period	Last period
Remuneration of key management staff	5,195.35	4,431.47

## 7. Other Related transactions

Unit: (ten thousand RMB)

Related party	Related transactions	Current period	Last period
China Youran Dairy Holding Limited	Interest income		394.17
Shandong Xinjufeng Technology packaging Co., Ltd.	Interest income	7.35	1.80
Inner Mongolia Yili Public Welfare Foundation	Donation	5,000.00	5,000.00
Total		5,007.35	5,395.97

## (VI) Accounts receivable and accounts payable with related parties

## 1. Accounts receivable from related parties

Unit: (ten thousand RMB)

Item	Related party	Ending balance		Beginning balance	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Accounts receivable	China Youran Dairy Holding Limited	33.74	2.70	27.73	2.22

## 2. Accounts payable to related parties

Unit: (ten thousand RMB)

Item	Related party	Ending balance of book value	Beginning balance of book value
Accounts payable	China Youran Dairy Holding Limited	14,183.03	23,742.31
Deposit received	China Youran Dairy Holding Limited		21.71

## (VII) Related parties Commitments

On 19 January 2017, the company released the “Inner Mongolia Yili Industrial company Co., Ltd. on the donation to the Inner Mongolia Yili Public Welfare Foundation”, the company intended to donate 50 million RMB to the Inner Mongolia Yili Public Welfare Foundation in the way of its own fund donation, and donate for three years, with total amount of 150 million RMB. And it has respectively completed 50 million of the donation commitments in 2017, 2018 and 2019.

On 28 February 2019, the company released the “Inner Mongolia Yili Industrial company Co., Ltd. on the donation to the Inner Mongolia Yili Public Welfare Foundation”. The company intended to donate to Inner Mongolia Yili Public Welfare Foundation from 2020 to 2022 by self-fund not exceeding 0.1% of the total revenue of the audited business in the previous year for three years, with a cumulative donation amount not exceeding RMB 350 million.

## XII. Share-based payment

### (I) Overall situation of share-based payment

Total equity instruments granted by the company during the current period	152,428,000.00
Total equity instruments that the company exercises during the current period	25,422,500.00
Total amount of various equity instruments that have expired during the current period	3,670,500.00
The scope of the exercise price of stock options issued by the company at the end of the period and the remaining term of the contract	In 2016, the stock option plan's first option exercise price was 14.47 yuan/share, and it has now entered the second exercise period.
The scope of the exercise price of other equity instruments issued by the company at the end of the period and the remaining term of the contract	In 2016, the second phase of the equity incentive plan of restricted stock grant price was 15.33 yuan/share, and the repurchase price was 13.33 yuan/share, which was 0 months remaining from the second unlocking period; The 2019 equity incentive plan of restricted stock price is 15.46 yuan/share, and the repurchase price is 15.46 yuan/share, which is 9, 21, 33, 45, and 57 months remaining from the first to fifth unlocking periods.

#### Other Notes:

##### (1) Stock Options and Restricted Stock Incentive Plan in 2016

According to the Proposal on awarding stock options and restrictive stock to the incentive objects approved on the company's second extraordinary shareholders general meeting held on 26 December 2016 and the eighth extraordinary meeting of the board of directors held on 28 December 2016, this incentive plan is intended to grant incentive stock options and restricted stock and the grant date is 28 December 2016. The number of stock options granted was 45 million. The incentive objects of stock option were 294 persons and the exercise price was 16.47 RMB/share. The number of restricted stocks granted were 15 million shares. The incentive objects of restricted stock were 293 persons, and the grant price was 15.33 RMB/share. This plan shall be valid for a maximum period of 48 months from the date of the stock option and the restricted stock granted, to the date. This plan shall be valid for a maximum period of 48 months from the date of the stock option and the restricted stock granted, to the date when all stock options are exercised or cancelled and the restricted stocks are unlocked or repurchased and cancelled. The exercise period of a stock option and restricted stock lock-in period under this incentive plan are 24 months from the corresponding grant date. The incentive period of the stock options granted to the incentive object, the timing of each period of exercise, the unlocking period of restricted stocks, and the unlocking schedule of each period are shown in the following table:

Exercise/unlock schedule	Exercise/unlock time	Exercise/unlock percentage
The first exercise/unlock period	From the first trading day after 24 months from the grant date to the last trading day within 36 months from the grant date	50%
The second exercise/unlock period	From the first trading day 36 months after the grant date to the last trading day within 48 months after the grant date	50%

#### Exercise/unlock condition

Performance Assessment Requirements: The stock options/restricted stocks awarded in this plan are divided into two exercise/unlock, the base period is 2015, the requirements of performance conditions for exercise/unlock are as follows:

Exercise/unlock period	Performance evaluation objectives
The first exercise/unlock period	Based on 2015 net profit, the growth rate of 2017 net profit is not less than 30%, and the ROE is not less than 12%.
The second exercise/unlock period	Based on 2015 net profit, the growth rate of net profit in 2018 is not less than 45%, and the ROE is not less than 12%.

Note: 1. The above indicators are based on the audited annual consolidated financial data; 2. The incentive costs generated by this stock option/restricted stock incentive will be listed in the current profit and loss; 3. The above “net profit”, “net profit growth rate” and “return on equity” are measured based on the net profit attributable to the shareholders of the listed company for deducting non-recurring gains and losses; 4. Within the validity period of the incentive plan, if the company issues public shares, convertible bonds or non-public offering of shares during the year, the newly added equity will not be included in the calculation of the increase of net assets for the current year and the coming year.

Personal performance appraisal requirements: The assessment of the individuals’ performance of the motivating object is carried out according to the relevant regulations of the company. If the comprehensive assessment results of incentive object’s annual performance correspond to a grade of “pass” and above, the incentive object may satisfy the conditions for vesting rights or may unlock the current restricted stock; If the incentive object’s comprehensive assessment result is “fail”, the company cancels the current exercise amount of the incentive object according to the relevant provisions of the incentive plan, or repurchase and cancel the share of the restricted stock to be unlocked by the incentive object in the current period.

Assessment Score	Results
91-100	Excellent
81-90	Good
71-80	Pass
Under 70	Fail

The implementation of the granted shares was completed on 21 February 2017. On 7 January 2019, the company’s ninth extraordinary meeting of the board of directors reviewed and approved the “Company’s Proposal on the Achievement of the First Phase of Exercise and Unlocking Conditions of Stock Options and Restricted Stocks in 2016”, and 246 incentive objects were unlocked. The corresponding unlocked number of restricted stocks is 6,425,000 shares. 241 incentive objects exercised stock options, and the corresponding number of stock options was 18,997,500. On 2 January 2020, the company’s ninth extraordinary meeting of the board of directors and the ninth extraordinary meeting of the board of supervisors reviewed and approved the “Company’s Proposal on the Achievement of the Second Phase of Exercise and Unlocking Conditions of Stock Options and Restricted Stocks in 2016”. The second-stage exercise/unlock conditions of the company’s 2016 stock options and restricted stock have been fulfilled, and 230 incentive objects are unlocked, and the corresponding number of restricted stock unlocks is 6,040,000 shares. 230 incentive objects exercised stock options, and the corresponding number of stock options was 18,123,750, the exercise procedures will be processed later.

## (2) Restricted Stock Incentive Plan in 2019

According to the approval and authorization of the 2019 first extraordinary general meeting of shareholders held on 27 September, 2019. On 30 September 2019, the ninth extraordinary meeting of the board of directors reviewed and passed the “Proposal on Adjusting the Number of Restricted Stock Incentives for 2019 Restricted Stock Incentive Plan” and “Proposal on Granting Restricted Stocks to Incentives”. The source of the restricted stock is the company’s A shares of common stock repurchased from the secondary market. The grant date is 30 September 2019. The number of grants is 152,428,000 shares, 15.46 RMB/share, and the incentive objects are 478 people. On 21 November 2019, the granting work was completed. The actual number of grants is 152.2 million shares, and the number of incentive objects is 473 people. The period of validity of the incentive plan is from the date of granting the restricted shares to the date when all the restricted shares are deregulated or repurchased and cancelled, and the maximum period is not more than 72 months. The first period of restricted stock granted by the incentive plan is 12 months, the second period is 24 months, the third period is 36 months, the fourth period is 48 months and the fifth period is 60 months.

After 12 months from the date of granting the restricted shares, and meeting the agreed conditions for lifting the restrictions, the incentive objects can start to lift the restrictions by stages.

The specific time schedule for the lifting of the restricted stock incentive plan is as follows:

Unlock schedule	Unlock time	Unlock percentage
The first unlock period	From the first trading day after 12 months from the grant date to the last trading day within 24 months from the grant date	20%
The second unlock period	From the first trading day after 24 months from the grant date to the last trading day within 36 months from the grant date	20%
The third unlock period	From the first trading day after 36 months from the grant date to the last trading day within 48 months from the grant date	20%
The fourth unlock period	From the first trading day after 48 months from the grant date to the last trading day within 60 months from the grant date	20%
The fifth unlock period	From the first trading day after 60 months from the grant date to the last trading day within 72 months from the grant date	20%

The company's performance conditions to be met when the restricted stock is lifted:

On the day of lifting of the sales restriction determined in this plan, the company needs to evaluate the company's financial performance indicators of the previous year to meet the company's financial performance evaluation target as one of the current conditions for lifting the sales restriction. The restricted stock awarded in this plan are divided into five periods, the base period is 2018, and the performance conditions for each period of lifted restrictions are as follows:

Unlock period	Performance evaluation objectives
The first unlock period	Based on 2018 net profit, the growth rate of 2019 net profit is not less than 8%; the ROE is not less than 20%; Cash dividend ratio is not less than 70%.
The second unlock period	Based on 2018 net profit, the growth rate of 2020 net profit is not less than 18%; the ROE is not less than 20%; Cash dividend ratio is not less than 70%.
The third unlock period	Based on 2018 net profit, the growth rate of 2021 net profit is not less than 28%; the ROE is not less than 20%; Cash dividend ratio is not less than 70%.
The fourth unlock period	Based on 2018 net profit, the growth rate of 2022 net profit is not less than 30%; the ROE is not less than 20%; Cash dividend ratio is not less than 70%.
The fifth unlock period	Based on 2018 net profit, the growth rate of 2023 net profit is not less than 48%; the ROE is not less than 20%; Cash dividend ratio is not less than 70%.

Note: 1. The above indicators are based on the audited annual consolidated financial data; 2. The net profit involved in the above "net profit", "net profit growth rate" and "return on equity" are measured based on the net profit attributable to the shareholders of the listed company for deducting non-recurring gains and losses ;and excluding the effect of this and other incentive plan share-based payment fees as the calculation basis; 3. Annual cash dividend ratio =the total amount of annual accumulated cash dividend/the net profit attributable to shareholders of the parent company that year×100%; 4. Within the validity period of the incentive plan, if the company issue public shares, convertible bonds or non-public offering of shares during the year, the newly added equity will not be included in the calculation of the increase in net assets for the current year and the coming year.

Personal performance appraisal requirements

According to "Inner Mongolia Yili Industrial Group Co., Ltd. 2019 Measures for the Administration of the Implementation of the Restricted Stock Incentive Plan" (referred to as "assessment measures"). After the end of each fiscal year, the Remuneration and Appraisal Committee of the Board of Directors shall organize a comprehensive performance assessment of the incentive objects based on work performance, work attitude, safety and compliance, etc., then evaluate and appraise the evaluation results, and classify the evaluation results by different levels.

If the incentive object's annual performance comprehensive assessment results correspond to a grade of "pass" and above, the incentive object can unlock the current restricted stock. If the incentive object's comprehensive assessment result is "fail", according to the relevant provisions of the incentive plan, the company shall repurchase and cancel the share of the restricted stock obtained by the incentive object in the current period.

Assessment Score	Results
91-100	Excellent
81-90	Good
71-80	Pass
Under 70	Fail

## (II) Equity-settled share-based payment

The method of determining the fair value of the equity instrument at granting date	(1) The fair value of stock option per share of the 2016 equity incentive plan adopts the internationally accepted BlackSchooll option pricing Model, to evaluate the fair value of stock options, the first exercise period is RMB 4.47 and the second is RMB 5.26. Fair value of per restricted share=The stock price on grant date-granted share price =RMB 1.96. (2) The fair value of per restricted stock for non-directors of the board and non-senior management in the 2019 equity incentive plan=The stock price on the grant date-granted share price=RMB 13.06. The fair value of per restricted stock for directors and senior management=stock price on the grant date-Granted share price-Fair value of put options=RMB 4.27.	
The basis for determining the number of vesting equity instruments	On each balance sheet date of the waiting period, it is based on the latest information on the number of vesting rights and the completion of performance indicators for estimation.	
The reasons for significant difference between the current estimate and the previous estimate	None	
Cumulative number of shares paid in equity to be accrued into capital reserve		364,509,059.36
The total amount of the recognised cost of equity settled share-based payment of current period		189,398,051.81

### Other notes:

The company will, on each balance sheet date of the waiting period, revise the number of stock options that are expected to be exercisable according to the latest number of exercisable rights, the completion of performance indicators and other follow-up information, and record the services obtained in the current period into relevant costs or expenses according to the fair value on the granted date, and adjust the capital reserve accordingly.

The company recognizes that the expenses of equity settled share based payment is RMB 1,117,200.03 in 2006; RMB 92,960,957.43 in 2017; RMB 81,032,850.09 in 2018, and RMB 189,398,051.81 in 2019.

## (III) Cash-settled share-based payment

None

## (IV) Modification and termination of share-based payment

None

### XIII. Commitments and contingencies

#### (I) Significant commitments

As of the balance sheet date, there were no other significant commitments except as described in the XI (VII) related parties' commitments.

#### (II) Contingencies

##### 1. Contingencies at balance sheet date

###### External guarantees

In the reporting period, Inner Mongolia Huishang Finance Guarantee Co., Ltd., a wholly-owned subsidiary of the company has a total external guarantees of RMB 4,696,770,200. As of the end of the reporting period, the balance of guarantee liabilities is RMB 1,934,699,500. The number of external guarantees is 1,020 households, the top five guarantees are as follows:

No.	Relationship between guaranteed party and company	Balance of guarantee liability (ten thousand yuan)	Guarantee period	Guarantee method	Guarantee matters	Financing purpose	Credit status of the guaranteed party	Implement counter-guarantee or not
The first	Distributors	2,675.52	6 months	Joint and several liability guarantee	Working capital loan	Purchasing company products	Good	Yes
The second	Supplier	2,500.00	36 months	Joint and several liability guarantee	Fixed asset loans	Purchase of fixed assets	Good	Yes
The third	Distributors	2,495.84	6 months	Joint and several liability guarantee	Working capital loan	Purchasing company products	Good	Yes
The fourth	Supplier	2,471.67	36 months	Joint and several liability guarantee	Fixed asset loans	Purchase of fixed assets	Good	Yes
The fifth	Supplier	2,125.00	36 months	Joint and several liability guarantee	Fixed asset loans	Purchase of fixed assets	Good	Yes

### XIV. Subsequent event

#### (I) Important non-adjustment events

Unit: (ten thousand RMB)

Item	Content	Impact on financial status and operating results	Reasons for being unable to estimate the impact
Issuance of stocks and bonds	From 1 January 2020 to the financial report approval date, eight ultra-short-term financing bonds were successfully issued, total financing fund is RMB 5 billion.	500,000.00	
Important commitment	Plan to donate RMB 200 million to Inner Mongolia Yili Public Welfare Foundation by means of self-funded donation.	20,000.00	

##### 1. Issuing bonds

The Company held the 2016 Annual General Meeting of Shareholders on 21 April 2017, and reviewed and approved the "Proposal of the Company on Proposed Registration, Issuance of Medium-Term Notes and Ultra-Short-Term Financing Bonds", According to the "Registration Acceptance Notice" with the number "ZSXZ[2018] SCP36" issued by the China Interbank Market Dealers Association, the Association of Dealers accepts the company's registration of ultra-short-term financing bonds with a registered amount of 8 billion RMB. The amount is valid for 2 years from the date of payment of the "Registration Acceptance Notice", and the company can issue ultra-short-term financing bonds in installments within the validity period of the registration.

The company successfully issued eight ultra-short-term financing bonds from 1 January 2020 to the financial report approval date, with a total financing of RMB 50 billion.

##### 2. Significant commitments

On 26 March 2020, the company issued "Inner Mongolia Yili Industrial Group Co., Ltd. Announcement on Related Transactions Donated to Inner Mongolia Yili Public Welfare Foundation".



The company plans to donate RMB 200,000,000.00 to the Inner Mongolia Yili Public Welfare Foundation by means of its own funds to support the prevention and control of the COVID-19, to support the national frontline anti-epidemic medical staff and outstanding research teams, people from all walks of life who are actively fighting the epidemic and other public welfare undertakings.

**(II) Profit distribution**

Profit or dividend to be allocated	4,913,183,654.73
Profit or dividend declared to be distributed after consideration of approval	

The company (parent company) has generated net profit of RMB 7,493,903,744.43 in the period, and brought from last year of RMB 8,109,863,775.78, the company has recognised statutory reserve of RMB 161,238,411.87 for the period, and distributed dividend of RMB 4,254,689,325.60. In the current year, due to the departure of some equity incentive objects, the company recover the distributed cash dividend of RMB 1,104,250.00. On the balance sheet date, total comprehensive income attributable to shareholder is RMB 11,188,944,032.74.

According to the relevant provisions of the “Law of Corporation” and “Articles of Associates”, The company intends to distribute a cash dividend of RMB 8.10 (tax included) for every 10 shares. As of 31 December 2019, the company’s total share capital is 6,096,378,858 shares, after deducting the company’s repurchase of 30,720,025 shares in the special account on the same day, the total proposed cash dividend is RMB 4,913,183,654.73. If the total share capital of the company changes during the period from the announcement of the profit distribution plan to the registration date for the implementation of the equity distribution, the company intends to maintain the distribution ratio per share unchanged and adjust the total distribution accordingly.

**XV. Other significant events****(I) Segment information****1. Determination basis and accounting policy of reporting segment**

The company determines its operating segments based on its internal organizational structure, management requirements, and internal reporting system. The company’s operating segments are segments that satisfy the following conditions at the same time:

- (1) This segment engages in business activities from which it could earn revenues and incur expenses;
- (2) Whose operating results are regularly reviewed by the entity’s chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance;
- (3) Financial information including financial condition, operating results and cash flow is available.

Reporting segment is based on the operating segment. The operating segment that satisfies one of the following conditions is defined as a reporting segment:

- (1) The operating segment’s reported revenue is 10% or more of the combined revenue of all operating segments;
- (2) The absolute value of its reported profit or loss is 10% or more than the greater one of the absolute value of the combined reported profit of all operating segments that do not report a loss and the combined reported loss of all operating segments that report a loss.

If the total external revenue of the operating segments is less than 75% of the total consolidated revenue, additional segments should be identified as reportable segments, even if they do not meet the 10% thresholds described above, and add according to the following rules until at least 75% of the consolidated or entity external revenue is included in reportable segments:

- (1) Identify the operating segments that the management believes that it enables users to evaluate the nature and financial effects of the business activities in which the entity engages and the economic environments in which it operates;
- (2) Consolidate the operating segments that have one or more similar economic characteristics and meet the conditions for aggregation.

Inner-segment transfer prices are based on market prices. Assets and related expenses shared between each segment are distributed according to its percentage of total revenue.

**2. Financial information of reporting segments**

Item	Ending balance/Current Period					Total
	Liquid milk	Milk powder and dairy products	Ice-cream	Other	Offset between segments	
Revenue from Main business	73,760,792,953.68	10,054,722,527.83	5,631,477,892.24	62,024,782.36		89,509,018,156.11
Revenue from other business	311,300,146.81	100,468,707.15	53,930,716.44	34,415,125.75		500,114,696.15
Cost of Main business	47,797,827,472.75	5,216,304,992.17	3,012,224,762.43	40,432,966.38		56,066,790,193.73
Cost of other business	226,087,602.46	61,507,368.66	37,319,513.66	8,061.74		324,922,546.52
Total assets	33,037,884,633.00	9,363,124,574.98	4,191,614,611.23	46,319,484,899.89	32,450,841,702.68	60,461,267,016.42
Total liabilities	15,544,387,255.61	4,984,076,732.71	2,546,252,015.27	26,953,414,209.38	15,841,001,988.05	34,187,128,224.92

**(II) Others**

Information for pledged company shares of Hohhot Investment Co., Ltd.

As the end of reporting period, Hohhot Investment Co., Ltd. has pledged 249 million shares of the company, accounting for 4.08% of the total shares of the company. The above pledge has been registered in Shanghai Branch of China Securities Depository and Clearing Co., Ltd.

**XVI. Notes to major items on financial statements of parent company****Note 1. Accounts receivable**

## 1. Disclosure of accounts receivable by aging

Aging	Book balance at the end of the period
Within 1 year	1,417,934,032.54
1-2 years	6,847,969.74
2-3 years	6,031,549.60
More than 3 years	79,589,015.79
3-4 years	
4-5 years	
More than 5 years	
Total	1,510,402,567.67

## 2. Disclosure according to bad debt provision method

Type	Ending balance				Carrying value
	Book value		Provision for bad debts		
	Amount	Percentage (%)	Amount	Percentage (%)	
Provision for bad debts by single Items	97,370,881.42	6.45	97,370,881.42	100.00	
Provision for bad debts by combination	1,413,031,686.25	93.55	113,042,534.89	8.00	1,299,989,151.36
Including: Combination 2	1,413,031,686.25	93.55	113,042,534.89	8.00	1,299,989,151.36
Total	1,510,402,567.67	100.00	210,413,416.31		1,299,989,151.36

Continued:

Type	Beginning balance				Carrying value
	Book value		Provision for bad debts		
	Amount	Percentage (%)	Amount	Percentage (%)	
Provision for bad debts by single Items	91,687,915.66	7.38	91,687,915.66	100.00	
Provision for bad debts by combination	1,149,868,711.97	92.62	91,989,496.97	8.00	1,057,879,215.00
Including: Combination 2	1,149,868,711.97	92.62	91,989,496.97	8.00	1,057,879,215.00
Total	1,241,556,627.63	100.00	183,677,412.63		1,057,879,215.00

## 3. Accounts receivable for bad debts provision by single Items

Item	Ending balance			Reason for accrual
	Amount	Provision for bad debts	Percentage (%)	
The first	96,820,565.39	96,820,565.39	100.00	Subsidiary's net assets appear negative and the operating environment changes, so the possibility of recovery is small.
Single bad debt provision of insignificant accounts receivable	550,316.03	550,316.03	100.00	The Items is difficult to recover and has a high probability of being bad debts.
Total	97,370,881.42	97,370,881.42	100.00	-

## 4. Accounts receivable for bad debt provision by combination

Item	Ending balance		
	Account receivables	Provision for bad debts	Percentage (%)
Within 3 months	1,400,695,630.21	110,696,068.49	7.90
4-6 months	11,610,654.37	1,778,752.25	15.32
7-12 months	312,747.96	155,060.44	49.58
More than 1 year	412,653.71	412,653.71	100.00
Total	1,413,031,686.25	113,042,534.89	

## 5. Provision for bad debts within the report period of accrual, recovery or reversal

Type	Beginning balance	Changes in the current period			Closing balance
		Accrual	Recovery or Reversal	Charge off or Write off Other changes	
Provision for bad debts by single items	91,687,915.66	5,865,316.03		182,350.27	97,370,881.42
Provision for bad debts by combination	91,989,496.97	21,053,037.92			113,042,534.89
Including: Combination 2	91,989,496.97	21,053,037.92			113,042,534.89
Total	183,677,412.63	26,918,353.95		182,350.27	210,413,416.31

6. Accounts receivable actually written off in this reporting period

Items	Amount
Bad debts are written off	182,350.27

7. Top 5 AR for the period stated as follow

Debtors	Ending balance	Proportion of total accounts receivable (%)	Provision for bad debts
The first	300,600,838.81	19.90	24,048,067.10
The second	174,189,469.27	11.53	13,935,157.54
The third	101,068,322.84	6.69	8,085,465.83
The fourth	96,820,565.39	6.41	96,820,565.39
The fifth	73,753,169.36	4.88	5,900,253.55
Total	746,432,365.67	49.41	148,789,509.41

8. During the reporting period, there is no accounts receivable derecognised due to transfer of financial assets.

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

Note 2. Other receivables

Item	Ending balance	Beginning balance
Interest receivable		
Dividends receivable		101,680,267.43
Others receivable	116,840,212.41	28,725,665.73
Total	116,840,212.41	130,405,933.16

(I) Dividends receivable

1. Dividends receivable

Invested company	Ending balance	Beginning balance
Subsidiary dividend		101,680,267.43
Total		101,680,267.43

(II) Other receivables

1. Disclosed by aging

Aging	Book balance at the end of the period
Within 1 year	123,996,326.58
1-2 years	2,717,916.12
2-3 years	160,410.98
3-4 years	68,737.20
4-5 years	56,840.00
More than 5 years	17,308,652.70
Total	144,308,883.58

## 2. Classified by nature

Nature	Ending balance	Beginning balance
Deposits and guarantees	62,056,628.36	14,262,628.18
Advances on behalf of others	31,419,457.38	33,532,741.28
Equity transfer	50,000,000.00	
Other receivables to support milk farmer's development	832,797.84	892,797.84
<b>Total</b>	<b>144,308,883.58</b>	<b>48,688,167.30</b>

## 3. Bad debt provision for other receivables

Bad debt provision	The first stage	The second stage	The third stage	Total
	Expected credit losses in the next 12 months	Expected credit loss for the entire duration (no credit impairment occurred)	Expected credit loss for the entire duration (credit impairment has occurred)	
Beginning Balance on 1 January 2019	2,497,884.00		17,464,617.57	19,962,501.57
1 January 2019 balance in the current period				
— Transferred to the second stage				
— Transferred to the third stage				
— Reversed to the second stage				
— Reversed to the first stage				
Accrued in the current period	7,662,134.47		27,432.00	7,689,566.47
Reversed in the current period			95,073.87	95,073.87
Charge off in the current period				
Written off in the current period			88,323.00	88,323.00
Other changes				
<b>Ending Balance on 31 December 2019</b>	<b>10,160,018.47</b>		<b>17,308,652.70</b>	<b>27,468,671.17</b>

## 4. Provision for bad debts

Type	Beginning balance	Changes in the current period			Closing balance
		Accrual	Recovery or Reversal	Charge off or Write off	
Other receivables	19,962,501.57	7,689,566.47	95,073.87	88,323.00	27,468,671.17
<b>Total</b>	<b>19,962,501.57</b>	<b>7,689,566.47</b>	<b>95,073.87</b>	<b>88,323.00</b>	<b>27,468,671.17</b>

## 5. Accounts receivable actually written off in this reporting period

Item	Amount
Actual written off	88,323.00

## 6. The top 5 other receivables at the end of the balance date

Name	Nature	Ending balance	Aging	Percentage (%)	Provision for bad debts ending balance
The first	Equity transfer	50,000,000.00	Within 1 years	34.65	4,000,000.00
The second	Guarantees2019	50,000,000.00	Within 1 year	34.65	4,000,000.00
The third	guarantees	3,752,438.99	Within 1 year	2.60	300,195.12
The fourth	Advances on behalf of others	3,043,496.00	More than 5 years	2.11	3,043,496.00
The fifth	Advances on behalf of others	2,322,400.00	1-2 years	1.61	185,792.00
Total		109,118,334.99		75.62	11,529,483.12

7. No other receivables are involved in government subsidies during the reporting period.

8. During the reporting period, there are no other receivable derecognised due to transfer of financial assets.

9. There is no transfer of other receivable and no formed assets and liabilities caused by continuous involvement because of the transfer of accounts receivable in the report period.

## Note 3. Long-term equity investments

Nature	Ending balance			Beginning balance		
	Book value	Impairment	Carrying value	Book value	Impairment	Carrying value
Invest in subsidiaries	27,475,212,986.13	10,584,208.17	27,464,628,777.96	23,312,475,802.70	10,584,208.17	23,301,891,594.53
Invest in associated enterprises and joint ventures	1,942,445,138.53		1,942,445,138.53	1,890,715,938.59		1,890,715,938.59
Total	29,417,658,124.66	10,584,208.17	29,407,073,916.49	25,203,191,741.29	10,584,208.17	25,192,607,533.12

## 1. Investment in Subsidiaries

Name of investee	Beginning balance	Increase for the year	Decrease for the year	Ending balance	Amount of impairment for this period	Ending balance of provisions of impairment
Baotou Yili Dairy Co., Ltd.	126,878,802.93			126,878,802.93		
Duerbote Yili Dairy Co., Ltd.	208,397,331.92	60,000,000.00		268,397,331.92		
Langfang Yili Dairy Products Co., Ltd.	33,748,000.00			33,748,000.00		
Inner Mongolia lingxian Food Co., Ltd.	5,317,116.52			5,317,116.52		
Inner Mongolia Qingshan Dairy Co., Ltd.	10,584,208.17			10,584,208.17		10,584,208.17
Tianjin Yili Kangye Industry Frozen Food Co., Ltd.	38,500,000.00			38,500,000.00		
Inner Mongolia Yili Fubeier Dairy Products Co., Ltd.	11,361,345.46			11,361,345.46		
Zhaodong Yili Dairy Co., Ltd.	130,517,827.26			130,517,827.26		
Inner Mongolia Yili Enterprise Development Co., LTD.	6,114,929.41			6,114,929.41		
Xi'an Yili Taipuke Drink Co., Ltd.	133,003,100.00			133,003,100.00		
Lindian Yili Dairy Co., Ltd.	40,484,678.30			40,484,678.30		
Qiqihar Yili Dairy Co., Ltd.	24,525,247.18			24,525,247.18		
Chifeng Yili Dairy Co., Ltd.	31,993,214.15			31,993,214.15		
Dingzhou Yili Dairy Co., Ltd.	205,335,036.44			205,335,036.44		
Yili Suzhou Dairy Co., Ltd.	320,000,000.00			320,000,000.00		
Jinan Yili Dairy Co., Ltd.	189,999,805.07	500,000,000.00		689,999,805.07		
Inner Mongolia Jinchuan Yili Dairy Co., Ltd.	160,368,832.01			160,368,832.01		
Inner Mongolia Jinshan Dairy Co., Ltd.	101,698,311.45			101,698,311.45		

Name of investee	Beginning balance	Increase for the year	Decrease for the year	Ending balance	Amount of impairment for this period	Ending balance of provisions of impairment
Foshan Yili Dairy Co., Ltd.	159,916,647.37			159,916,647.37		
Hefei Yili Dairy Co., Ltd.	265,943,098.69	835,000,000.00		1,100,943,098.69		
Liaoning Yili Dairy Co., Ltd.	70,000,000.00			70,000,000.00		
Hubei Huanggang Yili Dairy Co., Ltd.	797,000,000.00			797,000,000.00		
Inner Mongolia ShengTai Investment Co., Ltd.	800,000,000.00			800,000,000.00		
Chengdu Yili Dairy Co., Ltd.	130,000,000.00			130,000,000.00		
Urumqi Yili Food Co., Ltd.	90,000,000.00			90,000,000.00		
Henan Yili Dairy Co., Ltd.	130,550,000.00			130,550,000.00		
Fuxin Yili Dairy Co., Ltd.	46,038,596.00			46,038,596.00		
Duolun Yili Dairy Co., Ltd.	17,000,000.00			17,000,000.00		
Inner Mongolia Jinhai Yili Dairy Co., Ltd.	120,000,000.00			120,000,000.00		
Xilin Hot Yili Dairy Products Co., Ltd.	50,000,000.00			50,000,000.00		
Luanxian Yili Dairy Co., Ltd.	370,000,000.00			370,000,000.00		
Lanzhou Yili Dairy Co., Ltd.	190,000,000.00			190,000,000.00		
Duerbote Jinshan Co., Ltd.	60,000,000.00		60,000,000.00			
YILI INTERNATIONAL DEVELOPMENT CO., LIMITED	1,132,614,659.33	1,649,232.00		1,134,263,891.33		
Tianjin Yili Dairy Co., Ltd.	100,000,000.00			100,000,000.00		
Shanxi Yili Dairy Co., Ltd.	170,000,000.00			170,000,000.00		
Bayannur Yili Dairy Co., Ltd.	15,000,000.00			15,000,000.00		
Zhejiang Yili Dairy Co., Ltd.	100,000,000.00			100,000,000.00		
Tianjin Yili Dairy Products Co., Ltd.	265,000,000.00			265,000,000.00		
Fuxin Yili Dairy Products Co., Ltd.	210,000,000.00	270,000,000.00		480,000,000.00		
Weifang Yili Dairy Co., Ltd.	480,000,000.00			480,000,000.00		
Ningxia Yili Dairy Co., Ltd.	280,000,000.00			280,000,000.00		
Heilongjiang Yili Dairy Co., Ltd.	365,000,000.00			365,000,000.00		
Zhangbei Yili Dairy Co., Ltd.	130,000,000.00			130,000,000.00		
Guangdong Yili Dairy Co., Ltd.	730,000,000.00			730,000,000.00		
Xianyang Yili Dairy Co., Ltd.	490,000,000.00	410,000,000.00		900,000,000.00		
HONGKONG JINGANG TRADE HOLDING CO., LIMITED	6,993,585,015.04	352,231,551.43		7,345,816,566.47		
Jiyuan Yili Dairy Co., Ltd.	400,000,000.00			400,000,000.00		
Guangxi Yili Frozen Food Co., Ltd.	212,000,000.00			212,000,000.00		
Inner Mongolia Kindairy Trading Co., Ltd.	50,000,000.00			50,000,000.00		
Yunnan Yili Dairy Co., Ltd.	270,000,000.00			270,000,000.00		
Meizhou Yili Frozen Food Co., Ltd.	460,000,000.00			460,000,000.00		
Changchun Yili Frozen Food Co., Ltd.	410,000,000.00			410,000,000.00		
Longyou Yili Dairy Co., Ltd.	423,000,000.00			423,000,000.00		
Jinzhong Yili Dairy Co., Ltd.	425,000,000.00			425,000,000.00		
Inner Mongolia Technology Research Institute Co., Ltd.	30,000,000.00	100,000,000.00		130,000,000.00		
Yili Finance Co., Ltd.	1,000,000,000.00			1,000,000,000.00		
Inner Mongolia Huishang Finance Guarantee Co., Ltd.	300,000,000.00			300,000,000.00		
Huishang Commercial Factoring Co., Ltd.	2,000,000,000.00			2,000,000,000.00		
Lizhimei (Shanghai) investment Co., Ltd.	300,000,000.00			300,000,000.00		
Shenyang Yili Co., Ltd.	175,000,000.00	160,000,000.00		335,000,000.00		
Inner Mongolia Yili Management Consulting Co., Ltd.	1,000,000.00			1,000,000.00		
Inner Mongolia HuiShang Internet micro-loan Co., Ltd.	300,000,000.00	400,000,000.00		700,000,000.00		
Daqing Yili Dairy Products Co., Ltd.	20,000,000.00	296,000,000.00		316,000,000.00		

Name of investee	Beginning balance	Increase for the year	Decrease for the year	Ending balance	Amount of impairment for this period	Ending balance of provisions of impairment
Antu Yili Changbai Mountain Natural Mineral Drink Co., Ltd.		134,000,000.00		134,000,000.00		
Wuwei Yili Dairy Co., Ltd.		190,000,000.00		190,000,000.00		
Yili Innovation Investment Management (Zhuhai) Co., Ltd.		20,000,000.00		20,000,000.00		
Yili Venture Capital (Suzhou) Co., Ltd.		150,000,000.00		150,000,000.00		
Arxan Yili Natural Mineral Drink Co., Ltd.		313,336,000.00		313,336,000.00		
Hulunbeier Yili Dairy Co., Ltd.		20,000,000.00		20,000,000.00		
Inner Mongolia Jinze Yili Dairy Co., Ltd.		10,520,400.00		10,520,400.00		
Total	23,312,475,802.70	4,222,737,183.43	60,000,000.00	27,475,212,986.13		10,584,208.17

## 2. Investment in associated enterprises and joint ventures

Name of investee	Beginning balance	Increase/Decrease of the period			
		Increased investment	Decreased investment	Investment income under equity method	Other comprehensive income adjustment
I. Joint venture					
II. Associated enterprises					
Shandong Xinjufeng Technology packaging Co., Ltd.	144,630,475.11		116,284,700.61	17,539,571.18	
China Youran Dairy Holding Limited	1,699,995,989.02			199,394,048.32	6,329.94
Beijing Jiuyangzhahui Investment Fund Management Co., Ltd.	46,089,474.46			-3,040,703.21	
Subtotal	1,890,715,938.59		116,284,700.61	213,892,916.29	6,329.94
Total	1,890,715,938.59		116,284,700.61	213,892,916.29	6,329.94

Continued:

Name of investee	Increase/Decrease of the period				Ending balance	Ending balance of allowance for impairment
	Other changes in equity	Declared cash dividends or profits	Allowance for impairment	Others		
I. Joint venture						
II. Associated enterprises						
Shandong Xinjufeng Technology packaging Co., Ltd.		3,600,000.00		-42,285,345.68		
China Youran Dairy Holding Limited					1,899,396,367.28	
Beijing Jiuyangzhahui Investment Fund Management Co., Ltd.					43,048,771.25	
Subtotal		3,600,000.00		-42,285,345.68	1,942,445,138.53	
Total		3,600,000.00		-42,285,345.68	1,942,445,138.53	

## Note 4. Operating revenue and operating costs

### 1. Operating revenue and operating costs

Item	Current period		Last period	
	Revenue	Cost	Revenue	Cost
Main business	88,074,641,271.60	64,245,407,532.35	78,473,170,540.07	57,255,152,249.57
Other business	853,044,189.08	751,689,413.79	1,915,971,903.93	1,858,571,872.95
Total	88,927,685,460.68	64,997,096,946.14	80,389,142,444.00	59,113,724,122.52



**Note 5. Investment income**

<b>Item</b>	<b>Current period</b>	<b>Last period</b>
Investment income from long-term equity investment measured under cost method	4,196,364,820.22	3,480,355,966.54
Investment income from long-term equity investment measured under equity method	213,892,916.29	144,191,435.71
Investment income from disposal of long-term equity investment	151,789,088.34	-14,298,169.16
Investment profit of financial assets measured at fair value through profit or loss during the period of holding		
Investment profit from disposal of financial assets measured at fair value through profit or loss		147,945.20
Investment income from held-to-maturity investments		
Disposal of held-to-maturity investments		
Gains on holding available-for-sale financial assets		66,632,226.25
Investment income arising from disposal of available for sale financial assets		
Gains on financial assets held for trading		
Dividend income from other equity instrument investments	76,695,782.95	
Interest income from debt investment during the holding period		
Interest income from other debt investments		
Disposal of financial assets held for trading		
Disposal of other equity instrument investments		
Disposal of debt investment		
Disposal of other debt investment		
Entrusted loan income	22,483,018.87	21,074,449.69
<b>Total</b>	<b>4,661,225,626.67</b>	<b>3,698,103,854.23</b>

**XVII. Supplementary information**
**(I) Non-recurring profit or loss in the current period**

<b>Item</b>	<b>Amount</b>	<b>Description</b>
Gain or Loss from disposal of non-current assets	126,664,298.28	
Tax refunds, deductions from unauthorized approval, or approval without formal documents		
Government subsidies recognised in the current profit or loss (except those government subsidies closely related to normal business, complying with the provisions of government policy and continually obtaining according by certain standard or quantity)	718,148,524.10	
The fund possession charge to non-financial enterprises recognised in the current profit or loss		
Yield from the cost spent to obtain the subsidiaries, associates and joint enterprises which is less than the fair value of the identifiable net assets for invested enterprise		
profit or loss of exchanging non-monetary asset		
Profit or loss on entrusted investment or management of assets		
Due to force majeure factors, for example impairment of assets due to natural disasters		
Profit or loss due to debts restructuring		
Enterprise restructuring charges, Such as staffing spending, integration costs, etc.		
Profit or loss on unreasonable trading prices which beyond the fair value		

Item	Amount	Description
The profit or loss from the beginning of the period to the date of the merger for consolidated subsidiaries under the same control		
The profit or loss from contingent events non-related to the company's major business		
In addition to the effective hedging business related to the company's normal business operations, the fair value changes in holding financial assets held for trading, derivative financial assets, financial liabilities held for trading and derivative financial liabilities, as well as the investment income of disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading and derivative financial liabilities and other debt investments	78,163,067.12	
Reversal of individual impairment test on account receivables	95,073.87	
Profit or loss on entrusted loan		
profit or loss from variation in fair value of investment real estate		
The effect of one-time adjustment on the profit or loss in current period according to the requirements of tax and accounting laws or regulations		
custody income		
Other non-operating income and expenses not listed above	-91,735,807.11	
Other profit or loss meet the definition of extraordinary gain or loss		
Effect of Income Tax	-163,372,212.95	
Impact of minority shareholders' equity	-2,358,446.54	
Total	665,604,496.77	

(II) Return on equity and earnings per share (ROE&EPS)

Profit during the report period	Weighted average return on equity (%)	Earnings per share	
		Basic EPS	Diluted EPS
Net profit attributable to the company's common stock shareholders	26.38	1.15	1.15
Net profit (after deduct the non-recurring profit or loss) attributable to the company's common stock shareholders	23.85	1.04	1.04

Inner Mongolia Yili Industrial Group Co., Ltd.

27 April 2020

## Section XII List of Documents Available for Inspection

- 
- I. Financial statements signed with seals affixed by the legal representative, the person in charge of accounting firms and the person in charge of the accounting department of the Company;
- II. Original copy of the auditors' report bearing the seal of the accounting firm as well as the signatures and seals of the certified public accountants;
- III. Original copies of all the documents of the Company that are disclosed on the CSRC-designated newspapers as well as the original scripts of its announcements during the reporting period; and
- IV. Other relevant documents.
- 

Chairman: Pan Gang (潘刚)

Approved by the Board on: 27 April 2020

Amended Information

Applicable  Not Applicable

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