

Stock Code: 603609

Stock Abbreviation (English): Wellhope

Liaoning Wellhope Agri-Tech Joint Stock Co., Ltd.
2019 Semi-Annual Report



禾豐牧業

August 2019

Important Statements

I. The Board of Directors, Supervisory Board, Directors, Supervisors and Senior Management of Liaoning Wellhope hereby warrant that there are no false representations, misleading statements or material omissions in this semi-annual report, jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of the contents of this report.

II. All the Board Directors attended the board meeting.

III. This semi-annual report is unaudited.

IV. The Company's Chairman Jin Weidong and the Director of internal audit Zhang Wenliang warrant the truthfulness, accuracy and completeness of the information presented in the financial statements in this report.

V. In the reporting period, there has been no plan for profit distribution or capital reserve converted into share capital.

VI. Risk Statement of Forward-looking Statements

The forward-looking descriptions in this report in terms of plans, development strategies and other information cannot be deemed the Company's commitment to investors. Please beware of the investment risks.

VII. There has been no occurrence of the Company's non-business capital being occupied by controlling shareholders and their related parties.

VIII. There has been no occurrence of the Company violating its decision-making procedure while providing external guarantees.

IX. Material Risk Warning

The Company describes possible risks in detail in this report. Please refer to "Possible Risks" in Section IV "Business Operations Analysis".

X. This semi-annual report has been issued in both Chinese and English versions. In case there is any discrepancy or inconsistency between the two versions, the Chinese version shall prevail. The disclosed Chinese version of 2019 Semi-annual Report can be obtained at: www.sse.com.cn.

Contents

Section I	Glossary.....	4
Section II	Company Profile and Key Financial Information.....	5
Section III	Business Overview	8
Section IV	Business Operations Analysis.....	23
Section V	Important Disclosures	42
Section VI	Changes in Common Shares and Shareholder Information.....	55
Section VII	Preference Share	59
Section VIII	Directors, Supervisors and Senior Management	60
Section IX	Corporate Bond	61
Section X	Financial Statements	62
Section XI	Reference	78

Section I Glossary

CSRC	refers to	China Securities Regulatory Commission
SSE	refers to	Shanghai Stock Exchange
Wellhope, Liaoning Wellhope, the Company	refers to	Liaoning Wellhope Agri-Tech Joint Stock Co., Ltd.
Reporting Period	refers to	January 1st, 2019-June 30th, 2019
De Heus	refers to	De Heus Mauritius Ltd., established in Port Louis, Mauritius, one of the shareholders of Wellhope
Royal De Heus	refers to	Koninklijke De Heus B.V., the parent company of De Heus Mauritius Ltd., the biggest feed company in the Netherlands
Heli Investment	refers to	Shenyang Wellhope Heli Investment Ltd., one of the shareholders of Wellhope
Company Constitution	refers to	The Constitution of Liaoning Wellhope Agri-Tech Joint Stock Co., Ltd.
Shareholders' Meeting	refers to	The Shareholders' Meeting of Liaoning Wellhope Agri-Tech Joint Stock Co., Ltd.
Board of Directors	refers to	The Board of Directors of Liaoning Wellhope Agri-Tech Joint Stock Co., Ltd.
Supervisory Board	refers to	The Supervisory Board of Liaoning Wellhope Agri-Tech Joint Stock Co., Ltd.
Premix	refers to	Also known as additive premix, it is a well-proportioned mixture prepared by two or more than two kinds of feed additives and carrier or diluents according to appropriate proportion. It is a general name for compound premix, microelement premix and vitamin premix.
Concentrate Feed	refers to	It is a well-proportioned mixture consisted of protein feed, mineral feed and feed additives according to appropriate proportion, it can be made into compound feed by mixing with energy feed in a specified proportion.
Compound Feed	refers to	Based on the nutritional needs of animals, more feed raw materials and feed additives are industrially processed according to feed formula, it can be directly used for feeding animals.

Section II Company Profile and Key Financial Information

I. Company Information

Company Name(English)	Liaoning Wellhope Agri-Tech Joint Stock Co., Ltd.
Abbreviation(English)	Wellhope
Company Name(Chinese)	辽宁禾丰牧业股份有限公司
Abbreviation(Chinese)	禾丰牧业
Legal Representative	Jin Weidong

II. Contact Person

	Secretary of the Board	Representative of Securities Affairs
Name	Zhao Xin	Yang Guolai
Address	No. 169, Huishan Street, Shenbei New District, Shenyang, Liaoning, P. R. of China	No. 169, Huishan Street, Shenbei New District, Shenyang, Liaoning, P. R. of China
Tel	024-88081409	024-88081409
Fax	024-88082333	024-88082333
Email	hfmy@wellhope.co	hfmy@wellhope.co

III. Basic Information of the Company

Registered Address	No. 169, Huishan Street, Shenbei New District, Shenyang, Liaoning, P. R. of China
Postal Code	110164
Office Address	No. 169, Huishan Street, Shenbei New District, Shenyang, Liaoning, P. R. of China
Postal Code	110164
Company Website	www.wellhope-ag.com
Email	hfmy@wellhope.co

IV. Place where the Semi-Annual Report is Prepared

Media Designated by the Company for Disclosing Information	China Securities Journal, Shanghai Securities News, Securities Times
Website Designated by the CSRC for Publishing the Annual Report	www.sse.com.cn
Place where the Company Prepares its Semi-annual Report	Securities Department of the Company

V. Stock Information

Stock Type	Stock Exchange for Listing	Stock Abbreviation	Stock Code
A Share	Shanghai Stock Exchange	Wellhope(禾丰牧业)	603609

VI. Other Information

Not applicable

VII. Key Accounting Data and Financial Performance Indicators

1. Key Accounting Data

Unit: yuan Currency: RMB

Item	January-June, 2019	January-June, 2018	Year-on-year change %
Operating revenue	7,727,400,004.75	6,850,215,702.49	12.81
Net profit attributable to the shareholders of the Company	359,008,639.18	164,359,110.71	118.43
Net profit attributable to the shareholders of the Company deducting non-recurring gains and losses	358,296,799.48	157,546,972.69	127.42
Net cash flow from operating activities	296,568,981.22	290,259,024.18	2.17
	June 30th, 2019	December 31st, 2018	Change compared with the end of prior year %
Net assets attributable to the shareholders of the Company	4,839,986,271.06	3,851,915,758.64	25.65
Total assets	8,317,280,762.53	6,930,694,562.43	20.01

2. Key Financial Performance Indicators

Item	January-June, 2019	January-June, 2018	Year-on-year change %
Basic earnings per share (yuan per share)	0.41	0.20	105.00
Diluted earnings per share (yuan per share)	0.41	0.20	105.00
Basic earnings per share deducting non-recurring gains and losses (yuan per share)	0.41	0.19	115.79
Weighted average return on equity (%)	8.37	4.77	Increased 3.6 percentage points
Weighted average return on equity deducting non-recurring gains and losses (%)	8.36	4.58	Increased 3.78 percentage points

VIII. Non-Recurring Gains and Losses

Unit: yuan Currency: RMB

Item	Amount
Gains or losses on disposal of non-current assets	-4,131,816.55
Government grants charged to current gains or losses (excl. the government grants that are closely related to the Company's ordinary course of business and gained constantly at fixed quotas or amounts as per certain standards based on the state polices)	16,245,640.41
Gains or losses on fair value changes in holding the trading financial assets and liabilities as well as derivative financial assets and liabilities, and investment income from disposal of trading financial assets and liabilities, derivative financial assets and liabilities as well as other debt investment (excl. the effective portion of hedges)	-484,195.89

that arise in the Company's ordinary course of business)	
Non-operating income and expense other than those described above	-12,473,989.60
Non-controlling interests effects	4,271,396.05
Income tax effects	-2,715,194.72
Total	711,839.70

Section III Business Overview

I. Principal Business, Operation Model and Current Situation of the Industry in the Reporting Period

Principal business of Wellhope (hereinafter referred to as "the Company") primarily consists of feed production and sale, feed raw materials trade, integrated broiler business, pig raising business and related business. All the operating segments run under the overall strategy, and carry out operation activities in their respective business areas in an orderly manner.

1. Feed business and feed raw materials trade business

A. Snapshot of the industry

African swine fever is reshaping China's feed and pig raising industries. In the first half of 2019, pig inventories continuously decreased due to swine fever. The statistics showed that the inventories of reproductive sow and pig in the end of June 2019 respectively declined 26.61% and 28.79% compared with the same period of prior year, and the deliveries of pig from January to June in 2019 fell 11.47% on a year-on-year basis. African swine fever has brought a huge impact on the entire industry, the consumption of pig feed has dropped significantly, feed companies lowered feed price to seize their market share, making competitions among feed players fierce. Meanwhile, feed product portfolios have been significant changed. On one hand, African swine fever boosted the development of broiler, layer and ruminant raising industries, which stimulated the consumption of poultry feed, ruminant and aquatic feed. On the other hand, some pig feed players increased the production of poultry, aquatic and ruminant feed to ensure operating rate, which indirectly promoted the growing output of poultry, aquatic and ruminant feed.

According to public statistics, China's total feed production in the first half of 2019 reached 93.06 million tonnes, dropped 0.5% compared with the same period of prior year, pig feed of which recorded 36.3 million tonnes, decreased 14%, layer feed realized 13.03 million tonnes, increased 10.5%, broiler feed reached 32.79 million tonnes, rose 12.4%, ruminant feed realized 4.42 million tonnes, grew 4.9%. In January 2019, pig feed and poultry feed respectively accounted for 46% and 30.9% of total feed production, while in June, accounted for 34.9% and 35.3% respectively.

Moreover, in accordance with the newly revised regulations, starting from July 2019, feed manufacturers should use new production license instead of original inspection certificate. In the meantime, higher requirements have been put forward in terms of processing equipment and quality inspection, etc., market access for feed players has been stricter. Furthermore, from July 1st, 2020, feed manufacturers have to stop producing commercial feed that contains additives of growth-promoting drugs (except traditional Chinese medicine), previously produced commercial feed can be used until December 31st, 2020.

B. Business profile

The Company manufactures and sells animal feed for swine, poultry, ruminant, aquatic and fur-farmed animals, which are categorized into premix, concentrate and compound feed. Driven by the principle of “constantly working on new products, never following the beaten path”, it always designs tailor-made products for animals in different growth stages. Since 2006, the Company has entered a strategic cooperation with Royal De Heus, a Dutch company also a global player in animal nutrition, which is active in over 75 countries. Supported by De Heus' worldwide resources, advanced know-how and centurial business practices, whilst relying on self-owned data-based nutrition evaluation system that derives from years of researches on nutrition and raw materials, the Company is committed to supplying feed products centered on the needs of local markets and customers, to offering farmers integrated services in terms of animal raising, disease prevention and control as well as operation management, helping them to achieve the best economic benefits.

The subsidiary trade companies mainly trade in feed raw materials in terms of fish meal, soybean meal and co-products of corn, also engage in feed additives including amino acid, antioxidant, mold inhibitors and vitamin. In addition, the trade companies are the sales agents of animal health products such as vaccines and veterinary medicine produced by global strategic suppliers.

Based on tremendous strengths in technology, research and development (hereinafter referred to as "R&D"), seasoned talents and brand influence, the Company has created an operation model of integrating science and technology, manufacture and trade for feed and feed raw materials trade businesses, serving customers and local markets through resources sharing, synergetic development and combined action. At present, the

Company's feed products cover the markets in 29 provinces and regions across China, it has also built feed plants in Nepal, Indonesia and the Philippines, etc. Meanwhile, its trade business distributes in Northeast China, Northern China, Eastern China, Southwest China, Guangdong Province and other regions, feed products and raw materials have also been exported to Nepal, Mongolia and other countries.

2. Integrated broiler business

A. Snapshot of the industry

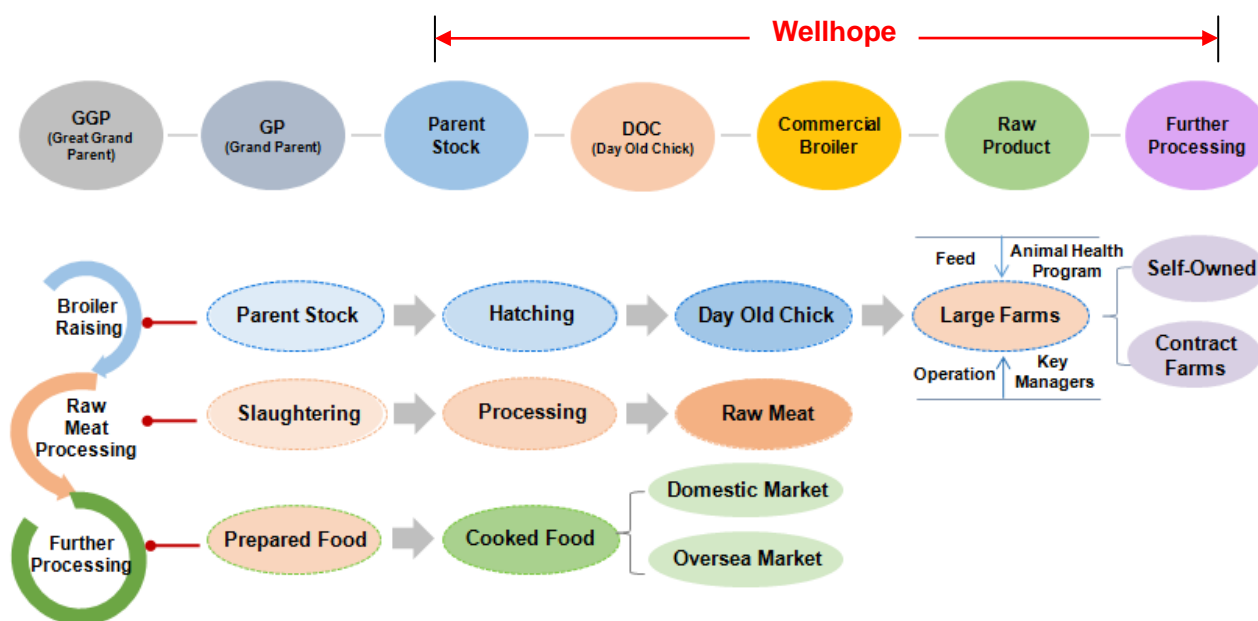
In regard of supply, supported by prosperous broiler market, the amount of new replacement of grandparent stock increased in the first half of 2019, 15 local companies replaced their grandparent stock. The production of day old chick of parent stock was lower in the first quarter, but showed a rapid growth in the second quarter. In the meantime, the inventories of parent breeders and enforced molting breeders grew. The statistics indicated that in the first half of 2019, the production of day old chick of parent stock in China increased 16% compared with the same period of prior year, commercial day old chick grew 11%. However, the production performance of breeders was relatively lower, whilst the overall consumption needs were positive, so the situation of tight supply of white feather broiler did not change substantially.

In regard of demand, the statistics showed that in the first half of 2019, the price of domestic chicken products rose 7.5% compared with prior month and grew 25.1% on a year-on-year basis. From January to May, chicken price increased in fluctuations and reached the highest in May (12,800-13,000 yuan per tonnes), which was the second highest price since 2011, but downstream inventories and other factors pushed chicken price back down in June. In regard of consumption, the demand for chicken products rose significantly. Benefiting from the characteristics of high protein, low fat and low sterol, people's preference for chicken has been increased constantly, in addition, at present influenced by severe African swine fever, as the alternative, the price of chicken products was rising driven by the soaring price of pork.

In general, in the first half of 2019, the supply and demand of white feather broiler industry were flourishing with good expectations, and the overall profit level of the industry realized historic high.

B. Business profile

The Company's broiler integrated chain covers more than 30 holding and associated companies, which are mainly located in the provinces of Liaoning, Hebei, Henan, Jilin and Shandong, etc. It has established three business units in terms of broiler raising, raw meat processing and further processing, which contains breeding, hatching, feed producing, commercial broiler raising, slaughtering and processing of raw meat, further processing of prepared and cooked food. The integrated operation can effectively ensure the production and supply of all operating segments, and facilitate the Company to control food safety across the entire chain. Meanwhile, through standardized management and streamline operation, the Company consolidates the controls of bio-safety, drug residue and in-process hygiene to achieve traceable food safety. The Company's integrated broiler business has been becoming one of the main white feather broiler suppliers in China.



◆ **Broiler raising unit:** This unit covers breeder raising, day old chick hatching and commercial broiler rearing. The Company formulates scientific and reasonable feeding programs, light programs and disease prevention system to provide qualified eggs for the hatching farms; meanwhile, it has established thorough management system in the hatching process, introduced intelligent facilities that are available for hatching in batches, also equipped high-efficient and energy-saving hatcher and environment control system

for supplying healthy day old chicks. Entering commercial broiler sector, the Company mainly raises broiler by self-owned farms and contract(out-sourcing) farms under the pattern of unifying nine aspects, including unified site selection and planning, unified construction standards, unified day old chicks supply, unified disease prevention, unified feed supply, unified medicine supply, unified technological guidance, unified testing and unified slaughtering and processing. Guided by scientific raising standards, all the farms apply three tiers cage system, and automate all the processes from feed intake, water temperature to moisture control, etc., meanwhile, the farms combine crop planting with animal raising to reduce manure pollution and to promote resource recycling. The delivery body weight of commercial broiler can reach over 2.8 kg, and the European production index (shortened as EPI in the following parts) can realize 380, which receive wide recognition from the cooperative farms.

◆**Raw meat processing unit:** The Company has 15 holding and associated slaughtering entities, which are equipped with state-of-the-art production lines with an annual slaughtering capacity of 550 million broilers. Driven by all-in and all-out inspection and quarantine, every single entity has established a total quality guarantee system and traceability system to monitor all the processes. Meanwhile, the Company constantly strengthens and improves slaughtering and processing techniques by ways of systematic pre-job training and skill promotion training as well as conducting "6S" management (i.e., Seiri, Seiton, Seiketsu, Shitsuke, Standard, Safety), making the killing-out percentage stand out among the companies with similar scale. The Company mainly supplies fresh and cold-storage broiler parts products, which are sold to meat processing companies, supermarkets and chain fast-food stores, major clients include Shineway Group, Jinluo Group, Yurun Group, RT-MART, McDonalds, KFC, Yoshinoya, Wallace, Dili Fresh Food, catering companies and other local fresh food markets, etc., as well as sold to other regions such as Hong Kong and Macao, and countries in terms of Mongolia and Bahrain.

◆**Further processing unit:** The Company uses high-quality chicken supplied by self-owned slaughtering entities as raw materials, at present it supplies over 100 kinds of products, which are sold to supermarkets and cooked food shops. Under the backdrop of continuous expansion of consumer demand, the Company expands its exporting business of cooked food to the markets of Japan and Korea.

3. Pig raising business

A. Snapshot of the industry

In terms of supply, affected by African swine fever, the inventories of breeding sow declined sharply in the first half of 2019 in China, making the supply of piglets tightened, the deliveries of pig were far below consumer demand. The statistics indicated that, the inventories of breeding sow and pig in the end of June 2019 respectively declined 26.61% and 28.79% compared with the same period of prior year. From January to June, the supply of piglets decreased 29.27%, the deliveries of pig declined 11.47%, and the pork production decreased 10.31% compared with the same period of prior year, the short supply spurred a rapid rise in pig price. In June, pig prices in the provinces of Liaoning, Guangdong and other places broke 20 yuan per kg, pig raising industry made up deficits and got surpluses.

In terms of demand, the consumer demand of pork decreased to some extent dragged down by African swine fever. However, at present, China still has a huge shortfall of pork and the demand of pig exceeds supply. The statistics showed that in the first half of 2019, the domestic pig price soared from 11 yuan per kg to 17 yuan. From the perspective of meat consumption, transporting live pigs was restricted to some extent, making circulating with cold-chain gradually increase, and the release of frozen meat inventories in 2018 alleviated the consumption pressure of pork. Under the backdrop of a severe shortage of pork, the consumptions of alternative chicken, beef, mutton and eggs have been gradually increased. Chicken, in particular, has become more and more popular among consumers due to its good characteristics, and has gradually become the preferred alternative for pork.

To conclude, in the first half of this year, the supply of pig showed the tight trend, and pig price started to rise. The pig raising industry turned from deficit to profit. At the same time, the substitution effect of other protein foods on pork gradually increased.

B. Business profile

The Company has entered pig raising business by self-built farms and co-invested farms that are primarily located in the provinces of Liaoning, Henan, Hebei, Heilongjiang and Anhui. In 2019, the first stage of 500,000 heads' pig project located in Fushun city of

Liaoning Province was completed and came into operation in April, the pig project located in Guanmen mountain of Fushun city will finish construction in the end of September, and the construction of pig project in Gongzhuling city will be completed in the end of October.

The Company raises breeder by self-owned farms, and rears finisher by self-owned farms together with contract(out-sourcing) family farms, following the pattern of "unifying five aspects" in terms of unified pig house standard, unified piglet supply, unified feed supply, unified feeding management and unified repurchase of commercial piglet. Among the Company's pig projects, Lingyuan breeder farm is a designated trial farm of the national pig industry system, and the pig project located in Henan Province, raises sows by its own farms, also buys piglets for contract farms, which provides effective supports for pig feed business of regional companies.

In compliance with the principle of moderate scale for every single farm along with the site planning of multi-point layout, the Company strictly controls bio-safety and adheres to the concept of environmental-friendly animal husbandry to protect environment by disposing manure in the natural method. Fushun pig project was jointly designed by famous pig raising experts and Architectural Design and Research Institute of Tsinghua University CO. LTD., setting its sights on becoming a first-rate modern pig breeding farm. This farm adopts high-level technique and first-class facilities, and has specially designed bio-safety program. By introducing high-quality Landrace and Yorkshire to ensure the gene of grandparent stock, it is committed to supplying pure parent stock with clear family tree and providing better commercial piglet and finisher. Meanwhile, the Company helps farmers in surrounding areas to increase their incomes by offering them contracts to fatten pig, contributing to the economy development of local rural areas, whilst basing on scientific environmental protection technology, the farms combine crop planting with animal husbandry to achieve eco-friendly and recyclable agriculture.

◇Explanation: Above statistics data come from the Ministry of Agriculture and Rural Affairs of China and www.boyar.cn.

II. Core Competitiveness Analysis within the Reporting Period

Core competitiveness of the Company lies in a highly educated, experienced, loyal and stable management team, rationally planned and steady-development based corporate

strategy, increasingly matured and competitive integrated operation model, systematic, scientific and continuously innovative technology system, development-driven and strongly rooted corporate culture.

1. Highly educated, experienced, loyal and stable management team

The highly educated senior managers of the Company have professional background of over 20-year's experiences in feed and animal husbandry industries as well as business management. They are pioneers and developers of the Company, who are committed to insisting entrepreneurship, acquiring new knowledge and keeping pace with the era over the years. The seven founders of the Company always hold together and fight together, they are praised as "seven noble partners" in the industry, the high solidarity of the start-up shareholders has become the Company's most significant core competitiveness, whilst "Unity is Power" is also one part of the core culture. Almost all the middle and senior managers are internally selected and cultivated by the Company, they have deep understanding and recognition of the corporate culture and operation model, they have strong sense of ownership, full sense of mission and responsibility, devoting themselves to the sustainable development of the Company. Within over 20 years, the management team has maintained high stability, almost no chief director or above level manager leaves the Company, in regard of over 100 general managers, besides those who are adjusted due to substandard performance, also few of them quit the job. Meanwhile, newly promoted members born in the 1980s and 1990s are selected from key talents' cultivation programs, such as "Seedling Plan" and "Sunflower Program", they love the Company, highly recognize the corporate culture, become the backbone force of the management team. As a reward, the Company offers core members equity incentive policies in different ways, moreover, it also pays high attention to continuous learning and ability improvement of these managers, provides them with different training programs, including Executive Development Program, Leadership Training Camp, etc., which are conducted strict training and appraisal rules. Whilst it also organizes those managers to study from some leading companies at home and abroad to broaden their horizons and make further progress. The main reason that causes the failure of some domestic companies is attributable to "unstable and disunited management team", in contrast, the highly educated, loyal and stable management team is one of the core competitiveness of Wellhope, making the

Company having faith in future and moving forward.

2. Rationally planned and steady-development based corporate strategy

Based on comprehensive understanding of domestic and overseas political, economic and industrial trends, the Company always pays attention to its sustainable development and risk control, and focuses on its operation quality and the investment return of new projects. Driven by a stable and conscientious investment attitude, the Company always rationalizes its business distribution, develops step by step instead of investing and expanding businesses recklessly, always maintains the rationality and safety of industrial structures and avoids all kinds of risks regarding business operation.

Rationally planned and steady-development-based corporate strategy reflects in the following aspects:

The Company has primarily formed an industrial chain with high competitiveness and capability of risk prevention and control in the fields of raw material trade, feed manufacturing and selling, animal raising, slaughtering and further processing, which can improve its competitiveness, enable all business divisions to connect closely, reduce the cost of intermediate links, improve profit margin and greatly mitigate the risks of single operation.

Instead of rapidly covering nationwide markets supported by the success of feed business in Northeast regions and integrated broiler business, the Company, with rich experiences in market expanding, insists on exploring new markets basing on overall analysis and investigations, step by step entering the markets in Northeast, Northern China, Henan, Shandong and other areas. It moves forward steadily and purses asset-light operation, always focuses on overall operation quality and returns on investment, following the principle of “making existing businesses stronger, accumulating business practices, laying a solid foundation, seeking for the dominate position gradually”.

The sales volume and growth rate of all feed categories in terms of pig, poultry, ruminant and aquatic products are relatively balanced and each has its advantages. While constantly promoting integrated broiler business, the Company has entered pig raising business, and plans to take 5 to 8 years to craft an operation model driven by two complementary engines in terms of integrated broiler and integrated pig businesses. Such business layout,

with high risk resistance, will not lead the Company to a rather high fluctuation due to a big blow or a downturn suffered by one of the business.

In 2018, the Company conducted "SWOT" analysis regarding itself on a scientific and prudent basis, finally confirmed its development goals for recent three years and next ten years, and formed a development strategy from 2019 to 2021, i.e.: "To steadily improve existing core businesses, to vigorously develop emerging strategic businesses and actively cultivate potential businesses. In the following three years, to further echelon the talents team, to unremittingly innovate technology and marketing pattern, information resources, investment and financing platform, to deeply expand international business centered on Southeast Asia, forming an operation model with "leading-edge quality and efficiency" that can create synergies and reduce costs among all business divisions and provide customers and related parties (shareholders, employees, suppliers, society) products and services with brand influence, to become an enterprise with leading-edge quality and efficiency across agriculture, animal husbandry and food industries as well as a supplier of relevant services". The Company will proactively carry out all the work under overall strategies with unity and cohesion, so as to achieve the goals.

3. Increasingly matured and competitive integrated operation model

Animal husbandry industry and feed industry are experiencing big transformations and changes, feed producers gradually withdraw the leadership in the industrial chain, whilst farms and large-scale integrated groups will take the dominated position in the future. On one hand, following the trends of markets and changes of customers, the Company has implemented significant measures to improve its feed market share and overall profitability, including constantly developing new products, adjusting marketing strategy and consolidating administrative departments. On the other hand, as early as 10 years ago, the Company had planned to move into integrated broiler business, nowadays this business has developed from small to large scale, from joint venture to individual sole proprietorship, from fragmented parts to closely connected integration, which make the Company have explored a relatively matured and competitive integrated operation model.

Relatively complete integrated chain: The Company is responsible for breeding, feed R&D as well as production, providing instructions of environment and small climate in the

house, and monitoring all the processes relating to broiler raising. Meanwhile, the Company repurchases commercial broilers for its slaughterhouses and processes raw meat, prepared and cooked food, making all the processes of the integrated chain controllable.

Modern model of self-owned farms together with large contract farms: The Company has changed its broiler raising model from “self-owned farms and family farms” to “self-owned farms together with large contact farms”, winning the priority by strategic layouts and judgments of the industry. Relying on the strength of R&D, the Company's feed conversion ratio ranks at the first class in the industry, whilst benefiting from high standard of farm building and application of three tiers cage system, the design of ventilation and environment control also reaches higher level, hence, the Company has realized efficiency and cost leadership supported by high-standard raising and fine management conducted in the slaughtering process.

Fine management conducted in the integrated chain: Driven by the principle of saving energy, reducing emission, protecting environment and providing healthy products, the Company has established stringent production access standards for the integrated chain. And now, it is forging a data sharing and collaboration platform for green manufacturing of white feather broiler chain, aiming at consolidating logistics, information flow and capital flow. Meanwhile, the Company is committed to promoting the fine management in the integrated chain, also conducting strict benchmarking management and tracing feedback by monthly meeting, field inspection and big data sharing. Over ten years' dedicated researches and consecutive improvements enable the Company to achieve significant progress in the operation efficiency and cost control regarding broiler raising, feed production and slaughtering, etc., thus the competitive integrated operation model has become one of the core competitiveness of the Company. By summarizing and extracting the practices related to the chain, standards can be formed and will be easy to be copied and promoted elsewhere.

Integrated operation shows a new development direction for enterprises in agriculture and animal husbandry industry, at present many of them are searching their own experiences in this field. Wellhope has operated broiler integration over ten years, rich operation practices and the management team composed of dedicated experts serves as the core competitiveness of integrated broiler business.

4. Systematic, scientific and continuously innovative R&D system

As a technology and innovation driven corporation, the Company strictly follows its mission described as "Using advanced technology, excellent service, and outstanding products to promote the development of China's animal husbandry industry, save resources, protect the environment, provide food security and benefit the society", its R&D team, driven by market-oriented and customer-oriented principles and the goals of "safe product, stable quality, tailor-made nutrition and powering business performance", has always been dedicated to constantly innovating know-how and working on new products.

The Company's R&D system applies vertical management in regard of nutritionist, product manager, formulator, field technician, quality controller, laboratory technician and other related positions. Guiding by over 100 highly educated and seasoned experts, it has created a management system of R&D and results' application, which starts from studying on demands of customers, trends of industry, to research and development of products, analysis of production demands, to transformation of achievements. Regarding technology, the Company has received certain awards and recognitions from national and local level, such as National-Recognized Enterprise Technology Center, National and Local Joint Engineering Research Center for Researching and Developing New Biological Feed and Its Application, Wellhope Feed Engineering Technology Research Center of Liaoning Province, etc. Moreover, by combining De Heus' global resources, leading-edge technology and centurial business practices with the Company's more than 20 years of researches on nutrition and raw materials, it has built a precisely data-based nutrition evaluation system, and also constantly improved its product lines, innovated databases application and animal growth model to continuously maintain and strengthen its product competence. Among the progresses, the Company has made pioneering explorations and breakthroughs in feed technology regarding "safety and high quality", "tailor-made nutrition and high efficiency", "antibiotic-free and environmental protection", etc.

Furthermore, the Company's well-equipped testing center is one of the national key laboratories certified by CNAS (China National Accreditation Service for Conformity Assessment). By virtue of up-to-date equipment and facilities, the testing center has been capable of detecting melamine and other banned additives very early, and at present its

test results can be recognized by 60 countries. The Company is dedicated to guaranteeing the quality of products from micro to macro, putting the concept of safe production into every step, and it has established self-owned raw material database and also shares data resources of the Dutch partner, meanwhile, it uses raw material data that calculates energy dynamics by regression equation, formulates precise nutrition in accordance with production performance and feed intake, so as to get lowest cost price of feed formula to achieve best price quality ratio.

In the first half of 2019, the Company led and participated in more than 10 projects at national, provincial and municipal level. Among them, Wellhope, as the first organizer, coordinated the major science and technology project of Liaoning Province--"Feed Quality and Safety Control and Low-protein Feed". The project "Creation Technology for New-type Amino Acid and Low-Protein Pig Feed", co-operated with China Agricultural University, has entered the second prize list of National Technology Invention Awards and passed the publicity period. The project "Development and Promotion of Energy-saving and Environment-friendly Livestock and Poultry Feed" passed the preliminary selection of the second prize of Liaoning Province Science and Technology Progress Awards. As a representative of enterprises in the feed industry, the Company participated in formulating group standard for fermented feed production, and participated in formulating the standard for "Question Bank for Formulators of China's feed industry" and compiling relevant questions. Meanwhile, in the first half of 2019, the Company successfully screened two sets of cost-effective antibiotic-free feed formula solutions, and developed "Wellhope immune nutrition" products, which improved animal's immune response ability and disease resistance by enhancing daily intake of amino acids, etc., to help to realize the withdrawal of antibiotics in feed and efficient and healthy animal raising. Furthermore, in the first half of 2019, the Company was granted with 3 invention patents, and had submitted 6 invention patents that were formally accepted.

Based on continuous improvement of feed technology and raising programs, the Company has constantly improved its technology relating to integrated broiler business, the delivery body weight of broiler can reach over 2.8kg with a livability of 95% and European production index of over 380. Those indexes, which directly show slaughtering technology and management ability, such as per capita daily slaughtering numbers and killing-out

percentage, have stepped to the first-class level in the industry.

5. Development-driven and strongly rooted corporate culture

After years of development, the Company has created corporate values featured by leading its business development and being understood and recognized by all employees. In 2018, while conducting SWOT analysis during Performance Excellence Management project, the Company's corporate culture was put forward as the firstly important advantage by all staff. The core culture, represented by Wellhope Vision, which is mainly described as "Always put customers' needs first and constantly work on new products, never follow the beaten path, always conduct business honestly, always aim to provide value to our society and to maintain sustained growth through technology, innovation, and creative work", and by Wellhope Mission, which is primarily described as "Save resources, protect the environment, provide food security and benefit the society", plays the role of driven principles for management and the source power for ensuring the Company's sustainable development. Whilst the subculture, originated from the core culture, is the specific concept and strategy which guides management and business operation, including Technology Strategy, i.e. --No Technology, No Success, only producing reasonable and high-quality product, Marketing Strategy, i.e. --The best way to expand our business is supporting our customers growing business, providing customers not only products, but also solutions to problems, Quality Principle, i.e.--Never use unqualified raw material, Never use non-standard equipment, Never allow substandard operation, Never produce unqualified products, Never ignore unsatisfied customers, Never tolerate imperfect service, HR Policy, i.e.--Providing a fair, just, and merit-based environment for rewarding employees, continuously searching for talents and creating development space for employees, always being dedicated to employee's professional growth and helping them build a blessed life, Code of Conduct for Managers, i.e.--Exercising strict self-discipline, acting with integrity & honest; separating personal and corporate business, sharing achievement, showing kindness to everyone. These cultures have been constantly improved, publicized and practiced over the years, also promoted by the managers via leading by example themselves, together they make the corporate culture root in employees' behaviors. In 2018, along with deeper reforms and for adapting to the changes of internal and external business environments, the Company further summarized and

refined its corporate culture, confirmed the core values as “Integrity, Responsibility and Win-win” and the management culture as “Innovation, High-efficiency and Self-discipline”. In the first half of 2019, the Company continually took different ways to enhance its culture incorporating into daily practice, for instance, holding live broadcast in which senior executives shared stories relating to the company culture, making employees could understand the connotation of the culture and answer their questions. The first time of live broadcast attracted over 80,000 online viewers. Meanwhile, the Company improved publicity materials and collected stories regarding to its corporate culture, and started to work on the code of conduct for employees to constantly guide the thoughts and to show the desired behaviors for all staff, hence, promoting its corporate culture to play a greater role in pushing forward the Company's development.

Section IV Business Operations Analysis

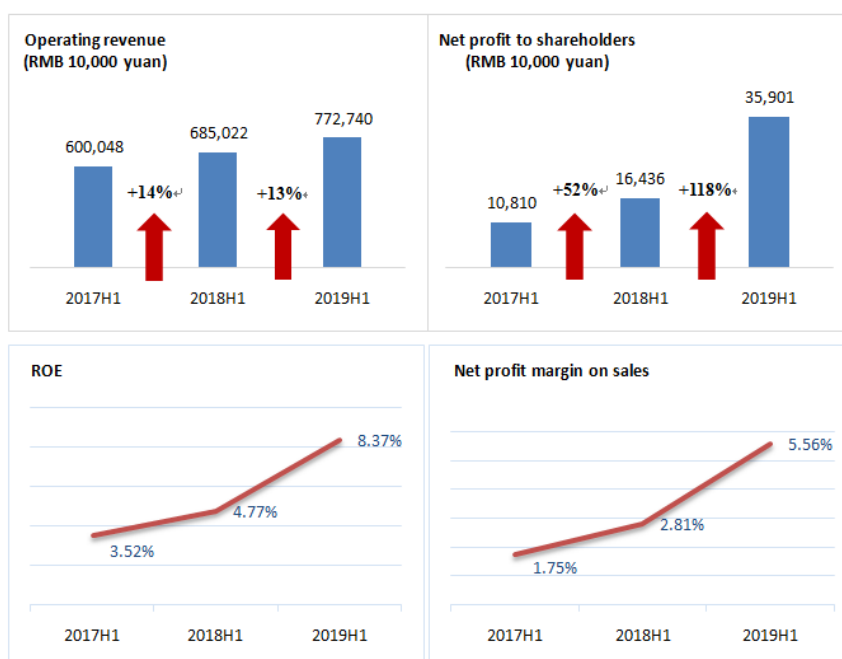
I. Overview

In the first half of 2019, the global economic growth slowed down. Sino-US trade frictions have affected the imports of major agricultural products and the original structure of agricultural supply chain, which increased uncertainties. In the meantime, African swine fever has changed pig raising industry, becoming a time-phased normal state. The agriculture and animal husbandry industries witnessed intensified competitions. 2019 is the first year for the Company to conduct strategic reform and transformation, and the starting year for its three-year's goal relating to stock incentive. According to the strategy and business plan, the Company has steadily promoted each business division, all the staffs have been highly motivated with clear goals, and the Company has always maintained a healthy and rapid development, main operating indicators realized rapid growth.

1. Business highlight

During the reporting period, total operating revenue of the Company realized RMB 7.727 billion yuan with a year-on-year growth rate of 12.81%, total profit reached RMB 461 million yuan with a year-on-year growth rate of 104.34%, the net profit attributable to the shareholders recorded RMB 359 million yuan, increased by 118.43% compared with the same period of prior year, and the net profit attributable to the shareholders deducting non-recurring gains and losses reached RMB 358 million yuan, achieving a year-on-year growth rate of 127.42%.

From January to June in the recent three years (2017-2019), the growth of operating revenue, net profit attributable to the shareholders, return on equity and net profit margin on sales are listed as follows:



2. Driving factors of performance growth

Feed business and integrated broiler business are the two largest contributors towards the Company's overall business performance.

In the reporting period, supported by the blooming market, the Company further accelerated the layout of broiler integration, improved internal operations and profitability. In the meantime, during the reporting period, the Company's income from investment realized RMB 188.067 million yuan with a year-on-year growth rate of 102.79%, which mainly came from the joint-stock companies that belong to integrated broiler business division.

The Company's feed business division, another contributor, constantly stepped up research and development, market expanding and customer service, as well as further tightened fine management to reduce cost and improve efficiency, its feed sales volume realized steady progress, which increased 9.15% compared with the same period of prior year, poultry feed, ruminant feed and aquatic feed of which rose 21.19%, 11.58% and 16.30% respectively. African swine fever hit the pig raising industry, facing difficulties and crisis, the Company further increased its market share by developing new products, upgrading services, implementing brand marketing and other measures to effectively control the decline of pig feed. During the reporting period, the sales volume of the Company's pig feed fell 5.87% compared with the same period of prior year, much lower than the industry average decline level of 14% (data from the Ministry of Agriculture and Rural Affairs of China).

3. Business review

➤ Feed business

In the first half of 2019, the Company continued to deepen internal reform, separate sales system and administrative system, as well as conduct benchmarking analysis, by doing this, it further activated staff team, strengthened marketing, reduced cost and improved operating efficiency. Meanwhile, based on its core competitiveness, the Company gave full play to its strengths of technology and brand, innovated its service model to attract new customers and retain old customers, to continuously increase its market share.

In the reporting period, under the unfavorable situation of African swine fever, both the

Company's feed sales volume and gross profit rate achieved growth, its feed business realized the sales revenue of RMB 3.381 billion yuan, increase 3.58% compared with the same period of prior year; its holding and associated companies totally manufactured 2.23 million tonnes feed with a year-on-year growth rate of 15%; the companies included in the consolidated financial statements sold 1.16 million tonnes feed, increased 9.15%, and the gross profit rate of feed reached 13.50%, up 0.96 percentage points.

Detailed information for feed presented in categories list as follows:

Item	January-June, 2019 Sales volume (10,000 tonnes)	January-June, 2018 Sales volume (10,000 tonnes)	Year-on-Year Change
Pig feed	38.03	40.40	-5.87%
Poultry feed	50.04	41.29	21.19%
Ruminant feed	20.82	18.66	11.58%
Aquatic feed	5.78	4.97	16.30%
Other feed	0.93	0.58	60.34%
Total	115.59	105.90	9.15%

✧ **Pig feed:** The Company continuously developed market-oriented pig feed products, increased the sales volume of high-value products and constantly innovated customer service systems to mitigate the impact of African swine fever. In the reporting period, the sales volume of pig feed recorded 380,300 tonnes, decreased 5.87%, which was far less than the decreasing level of the inventories and deliveries of pig in China. In response to African swine fever, the Company researched on preventing and controlling programs, also conducted on-line counseling to help customers to tide over difficulties; meanwhile, the technical team promptly developed Wellhope immune nutrition pig products to improve animal's immunity and high yield.

✧ **Ruminant feed:** On the basis of holding dairy cattle feed stable, the Company devoted great efforts to the markets of beef cattle and mutton sheep, it has launched high efficient feeding programs and supporting products, which gained the leading position in the market. During the reporting period, the sales volume of ruminant feed recorded 208,200 tonnes, growing 11.58%, among which beef cattle feed increased 20%, mutton sheep feed rose 38%.

✧ **Poultry feed:** The Company continued to explore large-scale customers and enhance farm service. While stabilizing layer and broiler feed markets, it vigorously expanded the

markets of duck, goose and quail feed, making poultry feed achieve a historic breakthrough. During the reporting period, the sales volume of poultry feed recorded 500,400 tonnes with a year-on-year growth rate of 21.19%.

✧ **Aquatic feed:** The Company constantly optimized product portfolios, increased the proportion of shrimp and crab feed as well as expanded feed, and has gradually formed regional advantages, brand effect and market reputation. During the reporting period, the sales volume of aquatic feed reached 57,800 tonnes with a year-on-year growth rate of 16.30%, among which shrimp and crab feed increased 113%.

➤ **Integrated broiler business**

In the first half of 2019, China's white feather broiler market ushered in a historically strong cycle, overall profit level of this industry realized relatively historic high. Under this favorable opportunity, the Company promoted its organic growth and expanded external investment, achieving a substantial increase in profits.

Externally, the Company accelerated the pace of business expansion and rapidly expanded its production scale. On June 16th, 2019, the Company signed a strategic cooperation agreement with Tai'qian County People's Government of Henan Province, one of the nationally designated poor counties. The two parties will build high-level manufacturing base for white feather broiler integration chain, carry out in-depth and systematic cooperation in broiler raising, eco-agriculture, feed production, meat processing and retailing, etc. The total investment of the project will be about RMB 1.7 billion yuan, mainly including broiler raising project, slaughterhouse, feed plant with an annual capacity of 500,000 tonnes, cooked food project with an annual capacity of 20,000 tonnes and commercial hatching project that can provide 100 million day old chicks per year. This cooperation will further improve the Company's layout in broiler industrial chain, further enhance its comprehensive strength and overall competitiveness, and promote its sustainable development.

Internally, the Company has always adhered to refined management, continuously lowered operating costs and heightened efficiency, the structure of its business units has been increasingly optimized. Regarding broiler raising unit, it focused on improving production safety and efficiency, and increasing the capacity of broiler raising business to

enhance the synergies. Regarding raw meat processing unit, it constantly automated its slaughterhouses and increased slaughtering capacity, as well as continued to optimize product quality and structure to make products more competitive. Regarding further processing unit, it has made great efforts to boost business scale, enhance product safety and added value, meanwhile, it vigorously promoted raw meat processing and cooked food businesses.

In the reporting period, the Company's holding and associated companies totally raised 191 million broilers with a year-on-year growth rate of 26%, slaughtered 224 million broilers with a year-on-year growth rate of 16%, totally produced 560,000 tonnes of meat products with a year-on-year growth rate of 17%. In the first half of 2019, 85% of the slaughtered broilers were raised by the Company's self-owned farms and contract farms, its internal supply of broiler has been gradually approaching the demand of slaughtering, which has further beefed up the synergies among the whole chain.

➤ **Feed raw material trade business**

In the reporting period, influenced by African swine fever and Sino-US trade frictions, the Company's raw material trade business realized the operating revenue of RMB 1.265 billion yuan, declined 7.72% compared with the same period of prior year. Most products of the Company's trade business are raw materials and additives used in pig feed. In the first half of 2019, China's pig feed production decreased by 14%, which affected the sales volume and profit of the Company's raw material trade. Meanwhile, the uncertainties of Sino-US trade frictions also affected the Company's soybean meal trade. In response to these factors, the Company's trade companies continued to strengthen internal operation and IT application, strictly controlled non-strategic costs and actively explored oversea new products to upgrade product line, and expanded the markets in the South China. Benefiting from the blooming broiler market, the revenue of its animal health products achieved good growth. Based on steady operation and talents team, its pet clinic business has been one of the fastest growing and largest pet chain institutions in the Northeast China.

➤ **Pig raising business**

In the first half of 2019, African swine fever continued. During the reporting period, the Company focused on building and upgrading the bio-safety prevention and control system for its pig farms, implemented comprehensive measures from product R&D to farms. The “Anti-African swine fever” supervision team of the Company's head office designed and guided the preventing and controlling programs, the pig farms' bio-safety supervision department and the engineering department were responsible for monitoring, inspection, testing, prevention and control as well as other work to comprehensively guarantee safety production. At the same time, the Company constantly optimized pig farms' internal management systems and heightened operation through certain measures, such as benchmarking management, it also vigorously built professional talents team for pig raising, cultivated outstanding talents through training camp to reserve specialized talents for pig raising business.

During the reporting period, while running the existing pig raising projects well, the Company promoted related new projects in an orderly manner. The pig project in Fushun city with a planning of providing 500,000 heads of pig has been operated in April 2019, the pig project in Guanmen mountain of Fushun city will finish construction in September 2019, and the construction of pig project in Gongzhuling city will be completed in the end of October 2019. Along with carrying forward newly built projects, the capacity of pig raising will be gradually released.

Currently, the Company's pig raising projects are mainly concentrated in the three Northeastern provinces (Liaoning, Heilongjiang, Jilin), Hebei Province, Henan Province, etc. These places, with four distinct seasons and dry climate, are suitable for pig raising. Meanwhile, the Company has rich practices in operating integrated business and has formed coordinated development of related businesses, which can provide effective supporting for pig raising business. In addition, the Company has accumulated more experiences in pig feed technology. Its application research of high-yield sows, such as Denmark series, is at the domestic leading level, the advantages of feed and nutrition will provide a strong guarantee for pig raising. Relying on above advantages and the exploration and practices in the previous two years, whilst basing on the opportunities brought by African swine fever, Wellhope has firm confidence in entering pig raising

business, and will further speed up this business, actively seek for cooperation and acquisition opportunities regarding pig raising and slaughtering, taking 5 to 8 years to craft an operation model driven by two complementary engines in terms of integrated broiler and pig businesses, focusing on achieving the management strength of "leading-edge quality and efficiency" that creates synergies and reduces costs among all business.

4. Technology Innovation

In the first half of 2019, enterprises needed to directly deal with many market changes brought by Sino-US trade friction, African swine fever and non-use plan of antibiotic in feed. The technical team has been actively upgrading products and conducting innovations to help the Company achieve its business objectives.

✧ **Feed products for pig:**

During the reporting period, the Company has constantly improved its customer service system, for instance, providing technical services and on-site guidance for customers via live broadcast and WeChat and other new media. Furthermore, the Company strengthened the development of market-oriented pig feed to reduce the impact of African swine fever.

a. Developing Wellhope immune nutrition products: Through enhancing the daily intake of amino acids, etc., improve animal's immune response and resistance to disease, supplement and partially replace traditional techniques that rely on antibiotics to improve resistance to disease and production performance, help to achieve non-use of antibiotics in feed and efficient and healthy raising.

b. Developing plasma-free starter feed: As African swine fever spreads, homologous raw materials must not be used in pig feed to ensure bio-safety of feed products, thereby ensure the safety of pig farm.

c. Upgrading feed for piglet and fattener: The Company has developed and updated the second generation of creep feed that are suitable for large-scale pig farms; the "Aifeng" series of piglet products, have been further optimized to adapt to the market demand for low-protein feed and high price of pig. Meanwhile, it has developed feed products for extra big finishers to response to the market demands, such as increased delivery weight

of pig.

d. Optimizing feed for high-production sow: Based on the needs of pig farms under current special situation, the Company re-adjusted the level of crude fiber in sow feed, in the meantime, it provided technical guidance to the farms, the application results of related products have been verified in partners' pig farms and large farms, which consolidated the market position of the Company's hyperprolific sow feed.

e. Preparing antibiotic alternatives: In the past two years, the Company has designed 41 combinations of formula programs relating to antibiotic alternatives. In the first half of 2019, the Company has made pleasing progress, 2 sets of cost-effective antibiotic-free feed programs have been successfully screened, which laid a foundation for future non-use of antibiotics in piglet feed.

✧ **Feed products for broiler:**

a. Strengthening pre-production experiment for feed products: The Company's standardized raising bases for white feather broiler have been operated successively, the business area has been expanding from Liaoning to Hebei, Shandong and Henan provinces, etc. According to the environmental climate and raising model of different regions, the Company has established relevant R&D bases for conducting pre-production experiment. In the first half of 2019, it has completed five verification tests. Relying on a series of research and development, the growth performance and slaughter performance of broilers have been further improved, so as to maximize the value of per broiler.

b. The technology of antibiotic-free formula becoming more and more mature: The Company has always been stricter with drug use management in feed than the national requirements. By adjusting feed formula and veterinaries' early monitoring and warning, the Company has been promoting antibiotic-free feed and reducing the use of antibiotic in farms step by step.

✧ **Feed products for layer:**

a. The Company's subsidiaries jointly developing series of 10% premix feed products for layer: Through improving nutritional programs, the effects of premix feed products on eggshell color and fecal formability have been improved, which avoid homogenization competition with 5% premix feed products, and expand the Company's sales volume and

market share of premix feed products.

b. Adjusting and upgrading feed products for laying duck, breeding geese, etc.: The Company has continued to seek improvement in feed product processing technology, product quality and appearance to meet market demands.

c. Research on fermented feed products for layer have been carried out in an orderly manner: Fermented feed products have improved layer's resistance to disease, reduced heat stress and lowered ammonia concentration in houses, which have great market potential. The Company has been promoting the products in many regions.

✧ **Feed products for ruminants:**

a. Technical program for calf early raising: Combining farm data and practices of feeding management, the technical program for early calf raising that accords with the characteristics of Wellhope has been put forward. The weaning weight of calf can exceed the feeding standard requirement.

b. Product research and comprehensive solutions for dairy cattle under heat stress: The Company specifically launched heat stress product, and launched solutions for product and diet under heat stress, which obviously relieved heat stress under the existing feeding conditions. Furthermore, it optimized and adjusted products for dry milk and perinatal periods, also designed health care programs for prenatal and postnatal periods, which solved the problem of postpartum metabolic disease and improved milk production.

c. As for beef cattle and mutton sheep products, the Company actively promoted the application of new products and on-site demonstration work, and specifically designed products for breeding period, which improved the production performance of breeding cows.

✧ **Aquatic feed products and others:**

a. Developing functional compound feed products: The Company has set its sights on developing functional and environment-friendly feed with precision nutrition, and developing functional compound feed that can improve immunity to strengthen fish health and production performance. Meanwhile, it also developed and applied environment-friendly feed for factory-like South American white shrimp, which effectively

reduced nitrogen and phosphorus in factory-like farming to achieve closed farming and to decline water demand and farming costs.

b. Developing key stage products for special fish feed: The Company developed and applied functional starter feed for special fish and hatchling to solve the palatability of feed at the fry stage and to effectively improve growth performance and liveability.

c. Improving feed products and feeding program for fur animals: The Company continued to improve feed products for fur animal and launched test bases to strengthen the advantages of fur animal feed, steadily improved fur animal feed products.

5. Awards received in 2019

- ◇ China's Top 100 Valuable Corporations in the Main-Board Market. The Company has received this award for three consecutive years.
- ◇ China's Top 100 Corporations in the Light Industry, ranking the 40th. The Company has received this award for three consecutive years.
- ◇ China's Top 100 Sci-tech Corporations in the Light Industry, ranking the 21st.
- ◇ China's Top 50 Corporations in the Light and Food Industry, ranking the 12nd.
- ◇ Entering Top 5 Corporations in Agricultural Industry by Brand Value.
- ◇ Entering China's Pioneer Listed Corporations by High-quality Development.

6. Analysis of primary business

a. Analysis of related items in the financial statements

Unit: yuan Currency: RMB

Item	January-June, 2019	January-June, 2018	Change %
Operating revenue	7,727,400,004.75	6,850,215,702.49	12.81
Operating costs	6,985,820,614.94	6,297,480,308.08	10.93
Sales expenses	239,990,725.07	210,701,513.67	13.90
Administrative expenses	126,915,965.17	103,605,422.49	22.50
Financial expenses	39,721,751.73	33,085,461.73	20.06
R&D expenses	30,021,345.87	29,771,840.08	0.84
Net cash flow from operating activities	296,568,981.22	290,259,024.18	2.17
Net cash flow from investing activities	-376,062,265.52	-227,373,483.03	not applicable
Net cash flow from financing activities	679,776,007.24	-53,464,658.10	not applicable

Explanation for the change of operating revenue: mainly due to the revenue from broiler processing and raising businesses increased.

Explanation for the change of operating cost: mainly due to the costs of broiler processing and raising businesses increased.

Explanation for the change of sales expenses: mainly due to the expenses of staff remuneration and restricted stock increased compared with the same period of prior year.

Explanation for the change of administrative expenses: mainly due to the expenses of staff remuneration and restricted stock increased compared with the same period of prior year.

Explanation for the change of financial expenses: mainly due to the interests on bank borrowings increased.

Explanation for the change of net cash flow from operating activities: mainly due to cash received from selling products increased compared with the same period of prior year.

Explanation for the change of net cash flow from investing activities: mainly due to cash paid for overall assets acquisition increased.

Explanation for the change of net cash flow from financing activities: mainly due to cash received from non-public issuing stock.

7. Assets and liabilities

Unit: yuan Currency: RMB

Item	June 30th, 2019	Percentage of total assets %	June 30th, 2018	Percentage of total assets %	Year-on-year change %	Explanation
Monetary funds	1,573,431,869.60	18.92	928,902,753.06	13.40	69.39	Due to cash received from non-public issuing stock
Derivative financial assets	4,765,331.00	0.06	2,042,527.60	0.03	133.31	The position of derivative financial assets increased
Notes receivable	3,086,026.50	0.04	13,611,778.44	0.20	-77.33	Honor of notes and letter of credit decreased
Accounts receivable	547,067,503.01	6.58	397,891,678.23	5.74	37.49	Newly increased accounts receivable during the settlement period
Other receivable	132,822,976.91	1.60	98,997,213.04	1.43	34.17	Dividends paid by associated companies, general operating receivables and receivables from disposal of subsidiaries' shareholding increased
Other equity instrument investment	4,547,809.52	0.05	3,197,809.52	0.05	42.22	Newly increased other equity instrument investment in the current period
Construction in progress	85,569,862.73	1.03	255,719,188.30	3.69	-66.54	Completed construction that transferred to fixed assets decreased
Productive biological assets	56,033,181.19	0.67	30,484,794.88	0.44	83.81	Breeding broilers and pigs increased
Other non-current assets	326,934,235.00	3.93	197,497,688.18	2.85	65.54	Advance payment of long-term assets and fees to farms increased
Advance receipts	256,304,585.35	3.08	161,173,916.67	2.33	59.02	Advance payment of sales increased
Non-current liabilities due within one year	56,374,186.31	0.68	32,999,999.96	0.48	70.83	Long-term borrowings and long-term payables due within one year increased
Long-term borrowings	42,500,000.00	0.51	118,500,000.00	1.71	-64.14	Long-term borrowings from bank decreased

8. Investment analysis

As at June 30th, 2019, the balance of the Company's long-term equity investment reached RMB 1.54 billion yuan, increased by 13.72% compared with the end of prior year.

➤ Financial assets measured at fair value

During the reporting period, the Company has financial assets that were measured at fair value and its changes recorded into current profit and loss. The income from the changes in fair value reached RMB -169,200 yuan.

9. Main holding and associated companies

RMB 10,000 yuan

Company	Core business	Registered capital	Shareholding of the Company	Total assets	Net assets	Net profit
Shenyang Wellhope Ruminant Feed	Feed manufacturing and selling	550.00	100%	13,063.98	11,323.25	1,120.33
Beijing Sanyuan Wellhope Agri-Tech	Feed manufacturing and selling	1,000.00	70%	21,213.91	18,961.56	310.69
Shenyang Wellhope Agri-Tech	Feed manufacturing and selling	8,210.00	100%	14,116.63	12,002.98	564.39
Xi'an Wellhope Feed Sci-Tech	Feed manufacturing and selling	500.00	85%	13,319.70	11,410.18	1,546.39
Liaoning Expert Trading	Feed raw materials selling	2,000.00	100%	38,039.66	21,777.77	602.21
Anshan Jiuguhe Food	Broiler slaughtering, processing and selling	4,100.00	41.55%	53,595.97	27,588.23	4,563.28

The effect of the net profit of subsidiary or the investment income from associated company on the Company's net profit reaching 10% or above:

RMB 10,000 yuan

Company	Core business	Registered capital	Shareholding of the Company	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Dalian Heyuan Agri-Tech	Broiler raising and selling	10,000.00	51%	86,807.10	43,984.26	92,851.09	13,604.20	13,482.90
Dalian Chengsan Animal Husbandry	Broiler raising and selling	1,008.61	20%	140,797.95	102,659.65	136,979.86	24,053.31	23,950.45
Beipiao Hongfa Food	Broiler raising, slaughtering, processing and selling	3,000.00	35%	122,322.28	96,409.99	160,437.64	23,794.02	23,599.18

II. Other Disclosures

Possible risks

A. Risks of fluctuations in raw material prices

Most costs of the feed business come from raw materials. The production changes in producing areas, import policies, storage and subsidies, exchange rate fluctuations, logistics costs and other factors may trigger fluctuations in the raw material market, which will affect the Company's feed business costs and gross profit margins. With deepened internationalization of the trade of agricultural products in recent years, the supply-demand relationship and trading price of raw materials have been affected by market conditions such as spot and futures at home and abroad, and the price trend has become more complex followed by increasingly fierce fluctuations, which further increases the difficulties of the Company's cost management. In addition, the changes in China-US trade relations, international political and economic environment and other factors have also made the purchase price of raw materials more variable.

Solutions:

(a) The Company has established strategic partnerships with many top domestic and foreign raw material suppliers, and strategically reduced purchasing costs through three-level purchasing mode in terms of headquarters' centralized purchasing, regions' price compare purchasing and local departments' purchasing of different varieties.

(b) The Company combines its raw material trading business with purchasing management, i.e., the professional and practical raw materials' purchasing team conducts targeted forward-looking researches and real-time tracking on the market, makes great efforts to reduce the purchasing price, such as uniformly managing different varieties, adopting spot purchasing and futures together.

(c) The purchasing team works closely with the R&D team to complement each other's advantages, further optimize the purchasing cost by way of re-formulating the feeds i.e., changing the composition of the feed to use cheaper alternative raw materials while achieving the same results, which can further optimize purchasing costs.

(d) The Company and Royal De Heus have set up an information sharing channel, which

makes the two sides can timely share the market trends, such as raw materials, additives, etc. In addition, the two sides may carry out joint purchasing cooperation in the future, which will greatly enhance the overall bargaining power.

B. Risks of fluctuations in livestock and poultry prices

Animal husbandry industry is a typical cyclical industry, and the hysteretic nature of the adjustment of supply causes the prices fluctuating periodically. At present, China's animal husbandry industry is still dominated by back yard farms and small-scale farms, these farm owners show the character of non-rational decision-making, especially an obvious “herd effect”, which further aggravates the cyclical fluctuations in the market price.

Solutions:

(a) The Company's integrated broiler business has established an industrial chain, which can make the price fluctuations of all businesses can be fully counteracted, and then reduce the risks of price fluctuations of the whole chain.

(b) Since launching the integrated broiler business, the Company has always been committed to improving the production standards and management of each sector, reducing overall operating costs by optimizing the production and operation indicators and improving per capita efficiency. The advantage of its operating costs can mitigate the negative impacts on the Company when the industry is downward, and improve the overall profitability when the industry is booming.

C. Risks of serious animal disease

Feed and animal raising are the Company's two main businesses. Disease outbreak is one of the main risks faced by animal raising companies. Once a disease happens, it will cause panic in the market, which will reduce the demands, then lessen the production of the companies, decrease incomes and increase costs. Whilst, the feed industry mainly serves downstream animal raising industry, the downstream market will directly affect the performance of feed business. As an unpredictable emergency, an explosive disease will undoubtedly have a strong impact on the Company's operations.

Solutions:

(a) Rationally optimize the industrial distribution and structural layout, disperse possible

risks by the simplest and direct way.

(b) Improve the prevention and control technology of major epidemics, complete the early warning system and strive to control epidemics effectively before spreading.

(c) Set an emergency command system for major epidemics to minimize losses when they occur.

(d) Strengthen analysis and research capabilities for major epidemics, enhance animal's immunity from the perspective of animal nutrition and veterinary services.

D. Risks of the industrial pattern adjustment caused by environmental protection policies

China has put forward some environmental protection regulations in recent years, such as *Environmental Protection Tax Law*, etc., which show the government's determination to increase environmental protection supervision in animal husbandry industry, whilst the local governments have also issued certain new regulations. It can be seen that the continuously strengthening environmental protection is the trend of the industry also an unavoidable reality, which will further weed out unqualified players and make the industry facing the situation of re-shuffling.

Solutions:

During the start-up period, the Company had input "Save Resources, Committed to Environmental Protection" as part of its Vision. For more than 20 years, the Company has always taken saving resources and protecting the environment as its important missions.

(a) Regarding to raising and slaughtering, in the face of increasingly strict environmental protection requirements, the Company have comprehensively identified environmental risk points, and formulated emergency plan for environmental emergencies so as to maintain the stable operation. For the key pollutant discharge plants, the Company has developed a complete self-monitoring program, which can find problems to repair, eliminate hidden dangers in a timely manner, it also continuously increases investment in environmental protection, such as personnel and funds, to ensure these plants always complying with national standards.

(b) Regarding to feed production, the Company has always implemented national

environmental protection standards with the most rigorous attitude, established complete prevention and control measures for waste gas, noise, wastewater, solid waste and other pollution generated during the production process. It uses environmental-friendly raw materials and additives in feed formulations and also continuously develops safe and environment-friendly daily ration to reduce the emissions of heavy metals, nitrogen and phosphorus.

E. Risks of exchange rate fluctuations

The Company's international business started early and developed rapidly. The exchange rate fluctuations have released great influence on raw material purchasing, product export and overseas investment, presenting as follows: First, international development has made the global purchasing of raw materials becoming normally, therefore, the risks of exchange rate fluctuations are particularly evident in the raw materials which are based on oversea supply. Secondly, the Company's export business of broiler products is growing rapidly with customers from many countries and regions around the world, and the exchange rate fluctuations are inevitably caused by the settlements of multiple currencies. Finally, due to the large overseas investment and overseas operations, the cross-border capital transactions and settlements will also be affected by exchange rate fluctuations.

Solutions:

- (a) Closely focus and study on the dynamic international foreign exchange market, enhance the awareness of preventing foreign exchange risk, and improve the research and forecasting capabilities of the foreign exchange market.
- (b) Improve the bargaining power in foreign trade transaction by enhancing the competitiveness of products, and use RMB for settlement, reduce the exchange rate risks by adding insured value clause and the exchange rate risk allocation clause in the contract.
- (c) Make full use of foreign exchange forwards, swaps and options (combination) and other instruments to maintain the exchange rate for foreign exchange exposure.
- (d) According to specific conditions of different countries, based on the principle of "using foreign currencies in foreign trade", reasonably match the income and debts to control the exchange rate risks.

F. Risks of food safety

In recent years, there have been some food safety incidents in China, which affected consumers' confidence in food safety. China has continuously improved the legislation on food safety and food sources, conducted forceful measures on handling food violations. Once the food safety incident is triggered by poor quality supervision, it will directly damage the interests of consumers and cause panic, which may greatly impact the downstream demand and affect the brand and performance of the enterprises.

Solutions:

(a) Regarding to feed business, the Company has established a three-level quality management mechanism and testing system which consists of headquarters, regions and local departments, adopted ISO 9001, ISO 22000, ISO-IEC 17025 and other international standards, thoroughly implemented a series of quality standards to realize the whole process control of the products and established the traceability system. The Company works hard to popularize near-infrared detection technology, improves detection efficiency and shares data in time. By doing this, it can quickly realize risk warning and monitor heavy metals, harmful microorganisms and mycotoxins, providing an important guarantee for the feed products. In addition, by drawing on the experiences of European antibiotic-free feed, and basing on current situation in China, the Company has realized some progresses in antibiotic alternatives, at present, the feed products for finisher, sow, layer at laying period, broiler, ruminant and aquatic can realize antibiotic-free technology.

(b) Regarding to integrated broiler business, its industrial chain can fully control the forefront part of the supply of "material, medicine, day old chick" and production and sales process. Through unified operation model, standardized management and streamline operation, it can integrate bio-safety, drug residue control and hygiene management during the whole production processing to achieve food safety traceability.

Section V Important Disclosures**I. Shareholders' Meeting Convened during the Reporting Period**

Meeting	Date	Website designated for disclosing the resolution	Resolution disclosing date
2018 Annual Shareholders' Meeting	May 20th, 2019	www.sse.com.cn	May 21st, 2019

II. Plan of Profit Distribution or Capital Reserve Converted into Share Capital in the First Half Year

Whether distribute profit or convert capital reserve into share capital	No
Dividend per 10 shares (yuan, tax included)	0

III. Execution of Commitment

Background of making commitment	Type of commitment	Commitment party	Content	Date of making commitment and validity	Whether there is a time limit	Whether performs strictly
Commitment relating to IPO	Handling horizontal competition	Nature person shareholders holding more than 5% of the shares	I warrant and commit that I will not directly or indirectly develop, operate or assist in the operation or participate in or engage in any activity that is competitive with the business of Liaoning Wellhope, if Liaoning Wellhope will increase any business scope after the date of signing this commitment, I promise to give up the business.	March 2nd, 2011, long-term valid	yes	yes
	Handling related party transaction	Legal person shareholders holding more than 5% of the shares-Heli Investment	Our company warrants and commits that our company will not directly or indirectly develop, operate or assist in the operation or participate in or engage in any activity that is competitive with the business of Liaoning Wellhope, if Liaoning Wellhope will increase any business scope after the date of signing this commitment, our company promises to give up the business.	March 2nd, 2011, long-term valid	yes	yes
	Restriction of selling shares	Jin Weidong, Wang Fengjiu, Shao Caimei, Wang Zhongtao, Ding Yunfeng	When selling shares within two years after the expiration of the lock-up period, the selling price shall not be lower than the offering price. After going public, if the closing price of the Company's stock of 20 consecutive trading days within 6 months is lower than the offering price, or the closing price in the end of 6 months later is lower than the offering price, the above lock-up period shall be automatically extended for 6 months. (if the Company conducts ex-right, ex-dividend for reasons of distributing cash dividend, capital reserve converted into share capital, issuing new shares, etc., the price of selling stock and closing price shall be conducted ex-right and ex-dividend in accordance with relevant provisions of China Securities Regulatory Commission and Shanghai Stock Exchange.)	April 2nd, 2014, within two years after the expiration of the lock-up period	yes	yes
	Restriction of selling shares	Jin Weidong, Wang Fengjiu, Shao Caimei, Wang Zhongtao, Ding Yunfeng	After IPO, if I plan to selling shares after the expiration of the lock-up period, I will announce the selling plan prior to 3 trading days before selling shares. Specific arrangement will be as follows: 1. the number of selling shares: if selling shares within 2 years after the expiration of the lock-up, the number of selling shares will be no more than 5 million shares, if the Company will conduct placing, capital reserve converted into share capital, etc., which will change the share capital, the number of selling shares shall make corresponding adjustment; 2. Way of selling	April 2nd, 2014, within two years after the expiration of the lock-up period	yes	yes

			<p>shares: the shares shall be sold through the centralized bidding trading system and block trading system of Shanghai Stock Exchange. If the total number of unrestricted shares planned to be sold within the next month is expected to exceed 1% of the total number of shares, the shares shall be transferred through the blocking trading system.</p> <p>3. Selling price: if selling shares within 2 years after the expiration of the lock-up, the selling price shall be not lower than the IPO price (if the Company conducts ex-right, ex-dividend for reasons of distributing cash dividend, capital reserve converted into share capital, issuing new shares, etc., the price of selling stock or buying stock shall be conducted ex-right and ex-dividend in accordance with relevant provisions of China Securities Regulatory Commission and Shanghai Stock Exchange)</p> <p>4. Time limit of selling shares: the time limit of selling shares shall be within six months from the date of announcing the selling plan. After the expiration of time limit, if intending to continue to sell shares, shall perform the announcement of selling shares again in accordance with the above arrangement.</p> <p>If above commitments cannot be fulfilled, the proceeds from selling shares shall belong to the Company and shall be paid to the designated account of the Company within 5 days of receiving such income.</p>			
	Other	Jin Weidong, Wang Fengjiu, Shao Caimei, Wang Zhongtao, Ding Yunfeng	The controlling shareholder Jin Weidong and persons acting in concert with him undertake that there are no false records, misleading statements or material omissions in the prospectus of IPO and its summary, and shall bear individual and joint legal liabilities for its authenticity, accuracy and completeness.	long-term valid	yes	yes
	Other	Liaoning Wellhope	The Company undertakes that there are no false records, misleading statements or material omissions in the prospectus of IPO and its abstract, and it shall bear individual and joint legal liabilities for its authenticity, accuracy and completeness.	long-term valid	yes	yes
Commitment relating to re-Financing	Dividend	Liaoning Wellhope	Liaoning Wellhope Three-Year's Shareholder Dividend Return Plan (2017-2019)	December 15th, 2017, three years	yes	yes

IV. Accounting Firm Engaged by the Company

The Company did not change the accounting firm during the reporting period.

Jiangsu SuyuJincheng CPA LLP is the Company's auditing institution in 2019.

V. Major Litigation and Arbitration Matters

Non

VI. Statement of the Integrity of the Company, its Controlling Shareholder and Actual Controller during the Reporting Period

During the reporting period, there has been no occurrence of the Company and its controlling shareholder and actual controller failing to perform the effective judgment of the court, needing to pay a large amount of unliquidated debt due.

VII. Employee's Equity Incentive Plan, Stock Ownership Plan or other Incentive Measures and Related Impacts

Overview	Query URLs
On November 21st, 2018, the Company held the 7th meeting of the 6th Session of Board of Directors, deliberating and approving 2018 Restricted Stock Incentive Plan (draft) and its Summary, and on January 9th, 2019, the Company finished the registration of restricted stock.	For details, please refer to "The Announcement of Granting Result of Liaoning Wellhope 2018 Restricted Stock Incentive Plan" issued by the Company on the website of Shanghai Stock Exchange "www.sse.com.cn" on January 11st, 2019. (Announcement No. 2019-001)

VIII. Significant Related Party Transaction

➤ Related transactions in regard of day-to-day operations

RMB 10,000 yuan

Related party	Relationship	Transaction type	Transaction content	Pricing principle	Transaction amount	Settlement mode
Anshan Jiuguhe Food	Associated company	Purchasing commodity	Broiler product	Comparable uncontrolled price	451.58	Transfer of account
Huludao Jiuguhe Food	Associated company	Purchasing commodity	Broiler product	Comparable uncontrolled price	224.62	Transfer of account
Guangzhou Yikun Trading	Associated company	Purchasing commodity	Feed raw materials	Comparable uncontrolled price	71.16	Transfer of account
Jinzhou Jiufeng Food	Associated company	Purchasing commodity	Feed raw materials	Comparable uncontrolled price	78.13	Transfer of account
Zhangjiakou Jiahe Agriculture and Animal Husbandry	Associated company	Purchasing commodity	Piglet	Comparable uncontrolled price	371.45	Transfer of account
Schippers(Beijing)	Associated company	Purchasing commodity	Other	Comparable uncontrolled price	50.34	Transfer of account
Tai'an Jiuguhe Agriculture	Associated company	Purchasing commodity	Feed	Comparable uncontrolled price	975.47	Transfer of account
Qingdao Shenfeng Agri-Tech	Associated company	Purchasing commodity	Feed	Comparable uncontrolled price	9.21	Transfer of account
Dalian Chengsan Animal Husbandry	Associated company	Purchasing commodity	Delivery broiler	Comparable uncontrolled price	7,510.00	Transfer of account
Linghai Jiuguhe Feed	Associated company	Selling commodity	Poultry feed, feed raw materials	Comparable uncontrolled price	2,268.33	Transfer of account
Tai'an Jiuguhe Agriculture	Associated company	Selling commodity	Poultry feed, feed raw materials	Comparable uncontrolled price	4,009.11	Transfer of account
Anshan Jiuguhe Food	Associated company	Selling commodity	Broiler product	Comparable uncontrolled price	11,452.05	Transfer of account
Qingdao Shenfeng Agri-Tech	Associated company	Selling commodity	Pig feed, feed raw materials	Comparable uncontrolled price	879.43	Transfer of account
Huludao Jiuguhe Food	Associated company	Selling commodity	Feed	Comparable uncontrolled price	48.13	Transfer of account
Dandong Wellhope Agri-Tech Chengsan	Associated company	Selling commodity	Feed, feed raw materials	Comparable uncontrolled price	118.55	Transfer of account

Guangzhou Yikun Trading	Associated company	Selling commodity	Feed raw materials	Comparable uncontrolled price	6,706.73	Transfer of account
Beipiao Hongfa Food	Associated company	Selling commodity	Feed raw materials	Comparable uncontrolled price	270.67	Transfer of account
Zhangjiakou Jiahe Agriculture and Animal Husbandry	Associated company	Selling commodity	Feed	Comparable uncontrolled price	1,324.35	Transfer of account
Schippers(Beijing)	Associated company	Selling commodity	Other	Comparable uncontrolled price	19.90	Transfer of account
Jinzhou Jiufeng Food	Associated company	Selling commodity	Delivery broiler	Comparable uncontrolled price	300.20	Transfer of account
Anshan Fengsheng Food	Associated company	Selling commodity	Delivery broiler	Comparable uncontrolled price	8,492.19	Transfer of account
Dalian Chengsan Animal Husbandry	Associated company	Selling commodity	Additives, lysine	Comparable uncontrolled price	239.93	Transfer of account
Tailai Jiahe Agriculture and Animal Husbandry	Associated company	Selling commodity	Feed	Comparable uncontrolled price	1,063.81	Transfer of account
Total				/	46,935.34	/
Large amount sales return		non				
Explanation of related party transaction		The Company and its associated companies know each other better, and have maintained long-term cooperation relationships, which can strengthen the trust of products produced by partners, reduce transaction cost, improve working efficiency and avoid trading disputes. Meanwhile, purchasing raw materials from related parties can ensure the quality. Moreover, by participating in the management and exerting influence on related companies can help them to maintain a long-term and stable supply, also help them reduce the marketing pressure. The purpose of conducting related party transactions is to satisfy the needs of the Company's production and operation, the purchasing or selling price is determined according to the market price of similar products. Such transactions do not violate relevant laws, Company Constitution, etc., and do not damage the rights and interests of shareholders.				

IX. Anti-poverty Project of the Company

1. Targeted poverty alleviation

The Company actively responds to the planning and requirements of the Party Central Committee and governments at all levels for targeted poverty alleviation. Driving by the principle of the Company's Mission—"Providing Service to the Society", and taking "targeted poverty alleviation" as anti-poverty strategy, it has made poverty alleviation programs and work plans regarding to reducing poverty through industrial development to facilitate targeted poverty alleviation. At the same time, the Company also actively assists to education and public welfare establishments to expand the scope of poverty alleviation.

2. Overview of targeted poverty alleviation

Lankao meat duck integration project was invested by the Company as the targeted poverty alleviation project in response to the call of Lankao County Party Committee and county government. Since 2014, the Company has built a total of 1,053 duck houses in Lankao County, including 58 duck farms and other back yard houses, which used unified management in terms of unified supply of day old duckling, feed, medicine, technical service and repurchasing to ensure food safety. The farmers do not need to prepare working capital. The Company also provides farmers with unified veterinary drug subsidy of RMB 0.5 yuan per duck.

In the first half of 2019, the Company offered 1,052 contracts to 352 farmers, and repurchased 11.14 million meat ducks, providing total subsidy of RMB 5.87 million yuan.

3. Figures of targeted poverty alleviation

RMB 10,000 yuan	
Index	Details
1. Overall	
including: funds for poverty alleviation	587
2. In details	
Type of targeted poverty alleviation	Poverty alleviation for agricultural industry
a. The number of targeted poverty alleviation project	1
b. Investment amount	587

4. Progress of targeted poverty alleviation

In the first half of 2019, the farmers realized good benefits, the average profit of them

reached about RMB 2 yuan per duck. The Company will constantly strengthen technical service and the trainings for farmers to improve their technology level, so as to ensure the success of farming, achieve a win-win situation.

5. Follow-up targeted poverty alleviation

On June 16th, 2019, the Company signed a strategic cooperation agreement with Tai'qian County People's Government of Henan Province, one of the nationally designated poor counties. The two parties will build high-level manufacturing base for white feather broiler integrated chain, the Company will also help farmers to relieve financial pressure and increase income according to local targeted poverty alleviation policies.

The Company will continue to focus on agriculture-related poverty alleviation projects, assist in cultivating talents, providing job opportunities and increasing income of farmers. Meanwhile, it will give full play to its advantages in the industry, integrate resources, continuously deepen the effect of poverty alleviation, and contribute to the goal of building a moderately prosperous society in all respects.

X. Environmental Protection Policy

1. Information of pollution discharge

Puyang Wellhope Food Co., Ltd. (hereinafter referred to as "Puyang Wellhope"), a holding subsidiary of the Company, has been listed as key sewage & gas waste emission company of Puyang City. Dalian Zhongjia Wellhope Food Co., Ltd. (hereinafter referred to as "Zhongjia Food"), and Dalian Huakang Xinxin Food Co., Ltd. (hereinafter referred to as "Huakang Food"), holding subsidiaries of the Company, have been listed as key sewage & gas waste emission company of Dalian City. Kaifeng Wellhope Meat Food Co., Ltd. (hereinafter referred to as "Kaifeng Wellhope"), a holding subsidiary of the Company, has been listed as key sewage waste emission company of Kaifeng City. Shenyang Huakang Broiler Co., Ltd. (hereinafter referred to as "Shenyang Huakang"), a holding subsidiary of the Company, has been listed as key sewage waste emission company of Shenyang City. Details are presented as follows:

Puyang Wellhope: the main pollutants include gas waste and water waste, among which water waste mainly contains COD, ammonia nitrogen, total phosphorus, pH, suspended

solids, biochemical oxygen requirement, animal and vegetable oil, total coliform group and total nitrogen. The gas waste mainly contains SO₂, nitric oxide and particulate matter. Emission method: 1 waste water emission outlet for sewage treatment, distributed in the southeast corner of the building of the sewage monitoring base station; 1 exhaust emission outlet, distributed in the boiler room in the northeast corner of the plant site. Puyang Wellhope strictly implements emission standards for industrial "three wastes". The emission of waste water is subject to the three-level standards in the *Discharge Standard of Water Pollutants for Meat Packing Industry* (GB 13457-1992), emission permit (9141092367412881xt001p), and the indirect emission limit value in the water inflow agreement of Nanle County sewage treatment Co., Ltd. (COD≤400mg/L, NH₃-N≤35mg/L, total phosphorus≤2.5mg/L, BOD≤180mg/L, suspended solids≤220mg/L, total nitrogen≤40mg/L, pH value of 6-9). The gas waste emission is subject to the concentration limit of *Emission Standard of Air Pollutants for Coal-Burning Oil-Burning Gas-Fired Boiler* (GB 13271-2014) and emission permit (9141092367412881xt001p) requirements, that is, the emission concentration of SO₂ shall be ≤50mg/Nm³, the emission concentration of particulate shall be ≤20mg/Nm³ and emission concentration of NO_x shall be ≤150mg / Nm³. Total emission of main pollutants under the pollutant emission permit is as follows: COD 15.58 tons per year and ammonia nitrogen 2.95 tons per year. During the reporting period, the total emission of Puyang Wellhope was controlled within the permitted scope, and the "three wastes" treatment met the requirements, did not exceed the standard.

Kaifeng Wellhope: the main pollutant is water waste, which mainly contains COD, ammonia nitrogen, total phosphorus, pH, suspended solids, biochemical oxygen requirements, animal and vegetable oil, total coliform group and total nitrogen. Emission method: 1 waste water emission outlet for sewage treatment, distributed in the southeast of the factory. Kaifeng Wellhope strictly implements emission standards for industrial "three wastes". The emission of waste water is subject to the second-level standard in the *Discharge Standard of Water Pollutants for Meat Processing Industry* (GB 13457-1992), emission permit (91410212MA4057G88A001R) and the sewage emission limit in the GHPY ZI No. 2501 Environmental evaluation criteria (COD≤100mg/L, NH₃-N≤20mg/L, BOD≤40/L, suspended solids≤100mg/L, pH value of 6-8.5, coliform numbers≤10000). Total emission of main pollutants under the pollutant emission permit: COD 3.60 tons per year, ammonia

nitrogen 0.79 tons per year. During the reporting period, the total emission of Kaifeng Wellhope was controlled within the permitted scope, and the "three wastes" treatment met the requirements, did not exceed the standard.

Zhongjia Food: the main pollutants include gas waste and water waste, among which water waste mainly contains COD, ammonia nitrogen, total phosphorus, pH, suspended solids and total nitrogen. The gas waste mainly contains SO₂, nitric oxide and particulate matter. Emission method: 1 waste water emission outlet for sewage treatment, distributed in the west of the southern end of the new sewage treatment workshop; 1 exhaust emission outlet, distributed on the roof of the boiler room. Zhongjia Food strictly implements emission standards for industrial "three wastes", DB 21/1627-2008 *Liaoning Provincial Standard-Comprehensive Sewage Emission Standard* (COD≤50mg/L, NH₃-N≤8mg/L, total phosphorus≤0.5mg/L, suspended solids≤20mg/L, total nitrogen≤15mg/L, pH value of 6-9). The gas waste emission is subject to gas boiler emission concentration limit of *Emission Standard of Air Pollutants for Coal-Burning Oil-Burning Gas-Fired Boiler* (GB 13271-2014). During the reporting period, the total emission of Zhongjia Food was controlled within the permitted scope, and the "three wastes" treatment met the requirements, did not exceed the standard.

Huakang Food: the main pollutants include gas waste and water waste, among which water waste mainly contains COD, ammonia nitrogen, total phosphorus, pH, suspended solids and total nitrogen. Emission method: 1 waste water emission outlet for sewage treatment, distributed in the west of the southern end of the new sewage treatment workshop; 1 gas waste exhaust outlet, distributed in the southeast corner of the sewage treatment workshop; 1 exhaust emission outlet, distributed on the roof of the boiler room. Huakang Food strictly implements emission standards for "three wastes", DB 21.1627-2008 *Liaoning Provincial Standard-Comprehensive Sewage Emission Standard* (COD≤50mg/L, NH₃-N≤8mg/L, total phosphorus≤0.5mg/L, suspended solids≤20mg/L, total nitrogen≤15mg/L, pH value of 6-9). The gas waste emission is subject to gas boiler emission concentration limit (GB 13271-2014). During the reporting period, the total emission of Huakang Food was controlled within the permitted scope, and the "three wastes" treatment met the requirements, did not exceed the standard.

Shenyang Huakang: the main pollutant is water waste, which mainly contains COD,

ammonia nitrogen, pH and suspended solids. Emission method: 1 waste water emission outlet for sewage treatment, distributed in then northeast of the sewage treatment station. Shenyang Huakang strictly implements the emission standards for industrial "three wastes". The emission of waste water is subject to the first-level standard in the *Discharge Standard of Water Pollutants for Meat Processing Industry* (GB 13457-1992), emission permit DB 21/1627-2008 *Liaoning Provincial Standard-Comprehensive Sewage Emission Standard* (COD \leq 50mg/L, NH₃-N \leq 8mg/L, total phosphorus \leq 0.5mg/L, suspended solids \leq 20mg/L, pH value of 6-9). The gas waste emission is subject to gas boiler emission concentration limit of *Emission Standard of Air Pollutants for Coal-Burning Oil-Burning Gas-Fired Boiler* (GB 13271-2014) (SO₂ emission concentration \leq 200mg/Nm³, particulate matter concentration \leq 20mg/Nm³, NO_x emission concentration \leq 200mg/Nm³). During the reporting period, the total emission of Shenyang Huakang was controlled within the permitted scope, and the "three wastes" treatment met the requirements, did not exceed the standard.

2. Circumstance of building and operating pollution control facilities

Puyang Wellhope:

a. Sewage treatment: Puyang Wellhope has 2000T/D sewage treatment station, which adopts the treatment process of "pretreatment plus oil separation plus A2O plus disinfection" to treat the wastewater. Its environmental protection facilities are running normally, and the pollutant emission indexes all meet the third-level standards in the *Discharge Standard of Water Pollutants for Meat Processing Industry* (GB 13457-1992), the emission permit (YHXKNo. 2015-001 of Puyang City) and the indirect emission limit value in the water inflow agreement of Nanle County sewage treatment Co., Ltd.

b. Waste gas treatment: the gas generated by the waste water pool of the sewage treatment station is collected and purified by activated carbon adsorption and then discharged through the 15m-high chimney in accordance with related standard; the traditional coal-fired boilers are replaced by gas-fired boilers, and all kinds of pollutants meet the gas boiler emission concentration limit of the *Emission Standard of Air Pollutants for Coal-Burning Oil-Burning Gas-Fired Boiler*(GB 13271-2014)and emission permit(YHXK No. 2015-001 of Puyang City) requirements with the 8-meter high chimney for reaching

the emission standard, which has been fundamentally effectively treated.

Kaifeng Wellhope:

Sewage treatment: Kaifeng Wellhope has 1700T/D sewage treatment station, which adopts the treatment process of "air floatation plus A2O" to treat the wastewater. Its environmental protection facilities are running normally, and the pollutant emission indexes all meet the second-level standards in the *Discharge Standard of Water Pollutants for Meat Packing Industry* (GB 13457-1992), the emission permit (Certificate No.:91410212MA4057G88A001R) and the sewage emission limit in the GHPY ZI No. 2501 Environmental evaluation criteria.

Zhongjia Food:

a. Sewage treatment: Zhongjia Food has a 1200T/D sewage treatment station, which adopts the treatment process of "mechanical barrier - oil separator - regulation pool - hydrolysis pool - contact oxidation pool - sedimentation pool - sand filter" to treat the wastewater and achieve DB 21/1627-2008 *Liaoning Provincial Standard - Comprehensive Sewage Emission Standard*.

b. Waste gas treatment: the smoke and dust generated by 4T coal-fired boilers used for production is de-dusted by wet method and de-sulphurized by magnesium oxide. All kinds of pollutants meet the gas boiler emission concentration limit of the *Emission Standard of Air Pollutants for Coal-Burning Oil-Burning Gas-Fired Boiler* (GB 13271-2014).

Huakang Food:

a. Sewage treatment: Huakang Food has a 900T/D and 300T/D sewage treatment station that adopt the treatment process of "mechanical barrier - oil separator - regulation pool - air flotation - hydrolysis pool - A2O - sedimentation pool - advanced treatment - sand filter - clean water pool", which can achieve DB 21/1627-2008 *Liaoning Provincial Standard - Comprehensive Sewage Emission Standard*.

b. Waste gas treatment: the smoke and dust generated by 4T coal-fired boilers used for production is de-dusted by wet method and de-sulphurized by magnesium oxide. All kinds of pollutants meet the gas boiler emission concentration limit GB 13271-2014. It also has a 16m-high chimney, realize fundamentally effective control.

Shenyang Huakang:

Sewage treatment: Shenyang Huakang has a 720T/D sewage treatment station, which adopts the treatment process of "pretreatment plus oil separation plus A2O plus disinfection" to treat the wastewater. Its environmental protection facilities are running normally, and the pollutant emission indexes have reached the first-level standard in the *Discharge Standard of Water Pollutants for Meat Packing Industry* (GB 13457-1992).

3. Environmental impact assessment of construction projects and other administrative permits for environmental protection

During the reporting period, all the construction projects of the Company met the requirements of environmental impact assessment and other environmental protection administrative licenses. The Company has strictly implemented the "three simultaneous" environmental protection system.

4. Emergency plan for environmental accidents

According to the requirements of environmental protection authorities and relevant laws and regulations, each production unit of the Company has identified the site with potential environmental risk and formulated the emergent plans of environmental pollution accident; meanwhile, related companies conducted emergency exercises to improve self-help capability, and continued to identify the hidden danger to ensure normal operations.

Section VI Changes in Common Shares and Shareholder Information

I. Changes in Common Shares

A. Changes in shares

Unit: share

	Before changing		Increase/decrease in the reporting period		After changing	
	Shares	Percentage %	Issuing new shares	Subtotal	Shares	Percentage %
1. Restricted shares			91,127,927	91,127,927	91,127,927	9.88
A. Shares held by the state						
B. Shares held by state-owned corporations			54,133,857	54,133,857	54,133,857	5.87
C. Shares held by other domestic investors			34,697,483	34,697,483	34,697,483	3.76
including: Shares held by domestic corporations						
Shares held by domestic natural persons			34,697,483	34,697,483	34,697,483	3.76
D. Shares held by foreign investors			2,296,587	2,296,587	2,296,587	0.25
including: shares held by foreign corporations			2,296,587	2,296,587	2,296,587	0.25
Shares held by foreign natural persons						
2. Non-restricted shares	831,176,469	100.00			831,176,469	90.12
A. RMB common shares	831,176,469	100.00			831,176,469	90.12
3. Total shares	831,176,469	100.00	91,127,927	91,127,927	922,304,396	100.00

B. Explanation of changes in shares

- On November 21st and December 7th, 2018, the Company respectively held a Board Meeting and Shareholder's Meeting to approve the resolution--Liaoning Wellhope 2018 Restricted Stock Incentive Plan and Its Summary (draft). On January 9th, 2019, the Company completed the registration of restricted stock, and issued 14.575 million restricted shares to 372 employees, the total number of shares of the Company increased from 831,176,469 shares to 845,751,469 shares.
- On November 9th, 2018, in accordance with the approval of the CSRC, the Company non-public issued 76,552,927 A-shares to 8 investors, and completed the registration of

new shares on April 24th, 2019. The total number of shares of the Company increased from 845,751,469 shares to 922,304,396 shares.

C. Changes in restricted shares

Unit:share

Name of shareholder	Opening restricted shares	Number of unrestricted shares in the reporting period	Increase of restricted shares in the reporting period	Restricted shares in the end of the reporting period	Reason for restriction	Date of removing restriction
Sinosafe Assets Management-Industrial and Commercial Bank of China-Sinosafe Assets Management Stably Increasing Profit No. 12 Collection Asset Management Product			29,527,559	29,527,559	non-public issuing stock	April, 24th, 2020
Shenzhen Galaxy Investment Co., Ltd.			4,921,259	4,921,259	non-public issuing stock	April, 24th, 2020
Generali China Asset Management- China Minsheng Banking Corp-Generali China Asset-Non-public Offering Selection No. 103 Asset Management Product			19,685,039	19,685,039	non-public issuing stock	April, 24th, 2020
Wu Ying			14,763,779	14,763,779	non-public issuing stock	April, 24th, 2020
Employees who were granted restricted shares(totalling)			14,575,000	14,575,000	equity incentive	Within 12, 24, 36 months after completing restricted stock registration
Jin Weidong			3,062,117	3,062,117	non-public issuing stock	April, 24th, 2022
DE HEUS MAURITIUS			2,296,587	2,296,587	non-public issuing stock	April, 24th, 2022
Ding Yunfeng			1,531,058	1,531,058	non-public issuing stock	April, 24th, 2022
Wang Zhongtao			765,529	765,529	non-public issuing stock	April, 24th, 2022
Total			91,127,927	91,127,927	/	/

II. Shareholders

A. The number of shareholders

Total number of common shareholder as at June 30th, 2019	29,432
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B. Top ten shareholders and top ten shareholders holding unrestricted shares as at the end of the reporting period

Unit: share

Shareholding of top ten shareholders							
Name of shareholder	Changes	Total shares held at the period-end	%	Restricted shares held	Pledged or Frozen		Nature of shareholder
					Status	Status	
Jin Weidong	3,062,117	149,549,498	16.21	3,062,117	Pledged	77,430,000	Domestic natural person
DE HEUS MAURITIUS	2,296,587	82,303,939	8.92	2,296,587			Foreign corporation
Ding Yunfeng	1,531,058	81,929,558	8.88	1,531,058	Pledged	50,560,000	Domestic natural person
Shao Caimei		54,559,878	5.92		Pledged	16,900,000	Domestic natural person
Wang Fengjiu		50,084,602	5.43		Pledged	10,945,000	Domestic natural person
Zhang Tiesheng		48,360,000	5.24		Pledged	6,600,000	Domestic natural person
Shenyang Wellhope Heli Investment Co., Ltd.		48,360,000	5.24				Domestic corporation
Wang Zhongtao	765,529	47,916,529	5.20	765,529	Pledged	8,140,000	Domestic natural person
Sinosafe Assets Management- Industrial and Commercial Bank of China-Sinosafe Assets Management Stably Increasing Profit No. 12 Collection Asset Management Product	29,527,559	29,527,559	3.20	29,527,559	Unknown		Other
Generali China Asset Management- China Minsheng Banking Corp- Generali China Asset-Non-public Offering Selection No. 103 Asset Management Product	19,685,039	19,685,039	2.13	19,685,039	Unknown		Other

Top ten shareholders holding unrestricted shares			
Name of shareholder	Unrestricted shares held	Shares by type	
		Type	Shares
Jin Weidong	146,487,381	RMB common stock	146,487,381
Ding Yunfeng	80,398,500	RMB common stock	80,398,500
DE HEUS MAURITIUS	80,007,352	RMB common stock	80,007,352
Shao Caimei	54,559,878	RMB common stock	54,559,878
Wang Fengjiu	50,084,602	RMB common stock	50,084,602
Zhang Tiesheng	48,360,000	RMB common stock	48,360,000
Shenyang Wellhope Heli Investment Co., Ltd.	48,360,000	RMB common stock	48,360,000
Wang Zhongtao	47,151,000	RMB common stock	47,151,000
National Council for Social Security Fund China 503 Portfolio	13,500,000	RMB common stock	13,500,000
Gao Junsong	12,499,772	RMB common stock	12,499,772
Relationship of above shareholders or statement made by the parties acting in concert	1. Jin Weidong, Ding Yunfeng, Wang Fengjiu, Shao Caimei and Wang Zhongtao act in concert; 2. Jin Weidong is the actual controller of Shenyang Heli Investment Co., Ltd. 3. No relation or concerted action is found among other shareholders.		

Top ten shareholders holding restricted shares

Unit: share

No.	Name of shareholder	Restricted shares held	Public trading of restricted shares		Restriction condition
			Date available for public trading	Newly increased number of share available for public trading	
1	Sinosafe Assets Management- Industrial and Commercial Bank of China-Sinosafe Assets Management Stably Increasing Profit No. 12 Collection Asset Management Product	29,527,559	April, 24th, 2020		Restricted period-12 months
2	Generali China Asset Management- China Minsheng Banking Corp- Generali China Asset-Non-public Offering Selection No. 103 Asset Management Product	19,685,039	April, 24th, 2020		Restricted period-12 months
3	Wu Ying	14,763,779	April, 24th, 2020		Restricted period-12 months
4	Shenzhen Galaxy Investment Co., Ltd.	4,921,259	April, 24th, 2020		Restricted period-12 months
5	Jin Weidong	3,062,117	April, 24th, 2022		Restricted period-36 months
6	DE HEUS MAURITIUS	2,296,587	April, 24th, 2022		Restricted period-36 months
7	Ding Yunfeng	1,531,058	April, 24th, 2022		Restricted period-36 months
8	Wang Zhongtao	765,529	April, 24th, 2022		Restricted period-36 months
Relationship of above shareholders or statement made by the parties acting in concert		1. Jin Weidong, Ding Yunfeng and Wang Zhongtao act in concert; 2. No relation or concerted action is found among other shareholders.			

Section VII Preference Share

Not Applicable

Section VIII Directors, Supervisors and Senior Management

I. Changes in Shareholdings

A. Changes in shareholdings of incumbent and outgoing directors, supervisors and senior management during the reporting period

Unit: share

Name	Office title	Opening shareholding (shares)	Closing shareholding (shares)	Changes in shareholding (shares)	Reason of Changing
Jin Weidong	Director	146,487,381	149,549,498	3,062,117	Non-public issuing stock
Ding Yunfeng	Director	80,398,500	81,929,558	1,531,058	Non-public issuing stock
Wang Zhongtao	Supervisor	47,151,000	47,916,529	765,529	Non-public issuing stock
Wang Fengjiu	Senior management	50,084,602	50,084,602		
Shao Caimei	Director	54,559,878	54,559,878		
Wang Zhenyong	Senior management	9,800,000	9,800,000		
Zhang Wenliang	Director	8,565,100	8,565,100		
Zhao Xin	Director	4,470,160	4,470,160		
Qiu Jiahui	Senior management				
Hu Jianmin	Independent director				
Liu Huan	Independent director				
Wang Zhe	Independent director				
Jacobus Johannes de Heus	Director				
Marcus Leonardus van der Kwaak	Supervisor				
Yuan Minger	Supervisor				
Li Jun	Supervisor				
Wei Yanjin	Supervisor				
Ren Bingxin	Supervisor	5,429,500	5,429,500		

II. Changes of Directors, Supervisors and Senior Management

Name	Office title	Change
Wei Yanjin	Supervisor	Outgoing
Ren Bingxin	Supervisor	New electing

Explanation:

On March 26th, 2019, Mr. Wei Yanjin resigned as the supervisor due to personal reasons.

The employees of the Company unanimously elected Mr. Ren Bingxin as the supervisor.

Section IX Corporate Bond

Not applicable

Section X Financial Statements
Consolidated Balance Sheet
June 30th, 2019

Liaoning Wellhope

Unit: yuan

Item	June 30th, 2019	December 31st, 2018
Current assets:		
Monetary capital	1,573,431,869.60	928,902,753.06
Derivative financial assets	4,765,331.00	2,042,527.60
Notes receivable	3,086,026.50	13,611,778.44
Accounts receivable	547,067,503.01	397,891,678.23
Prepayments	229,990,149.66	185,899,348.53
Other receivables	132,822,976.91	98,997,213.04
including: dividends receivable	23,341,783.34	5,481,783.34
Inventory	1,434,517,398.92	1,410,869,192.26
Other current assets	125,981,956.68	118,636,045.77
Total current assets	4,051,663,212.28	3,156,850,536.93
Non-current assets:		
Available-for-sale financial assets		3,680,000.00
Long-term equity investment	1,540,743,547.03	1,354,820,455.99
Other equity instrument investment	4,547,809.52	
Fixed assets	1,844,448,325.69	1,516,702,438.29
Construction in progress	85,569,862.73	255,719,188.30
Productive biological assets	56,033,181.19	30,484,794.88
Intangible assets	214,591,851.10	206,387,940.29
Goodwill	290,425.67	290,425.67
Long-term deferred & prepaid expenses	158,343,630.01	177,903,367.82
Deferred income tax assets	34,114,682.31	30,357,726.08
Other non-current assets	326,934,235.00	197,497,688.18
Total non-current assets	4,265,617,550.25	3,773,844,025.50
Total assets	8,317,280,762.53	6,930,694,562.43

Consolidated Balance Sheet(continue)
June 30th, 2019

Unit: yuan

Item	June 30th, 2019	December 31st, 2018
Current liabilities:		
Short-term borrowing	1,449,522,585.98	1,347,690,168.49
Accounts payable	671,815,155.23	572,729,779.31
Advance receipt	256,304,585.35	161,173,916.67
Payroll	39,828,932.27	49,731,930.35
Tax payable	30,041,321.29	28,744,792.72
Other payables	370,038,640.51	309,537,195.12
including: interest payable	1,405,712.50	1,784,257.05
dividends payable	19,489,069.55	526,000.00
Non-current liabilities due within one year	56,374,186.31	32,999,999.96
Total current liabilities	2,873,925,406.94	2,502,607,782.62
Non-current liabilities:		
Long-term borrowings	42,500,000.00	118,500,000.00
Long-term payables	16,845,833.40	23,345,833.38
Deferred income	18,915,195.31	20,252,967.41
Deferred income tax liabilities	115,017.00	
Total non-current liabilities	78,376,045.71	162,098,800.79
Total liabilities	2,952,301,452.65	2,664,706,583.41
Owners' equity(or shareholders' equity):		
Paid-up capital (or share capital)	922,304,396.00	845,751,469.00
Capital reserve	868,884,734.07	153,824,536.37
deduct: treasury stock	70,688,750.00	70,688,750.00
Other comprehensive income	2,146,597.82	-1,316,942.00
Surplus reserves	272,882,920.19	272,882,920.19
Undistributed profits	2,844,456,372.98	2,651,462,525.08
Total equity attributable to the owners of parent company	4,839,986,271.06	3,851,915,758.64
Non-controlling interests	524,993,038.82	414,072,220.38
Total owners' equity	5,364,979,309.88	4,265,987,979.02
Total liabilities and owners' equity	8,317,280,762.53	6,930,694,562.43

Consolidated Balance Sheet of Parent Company
June 30th, 2019

Unit: yuan

Item	June 30th, 2019	December 31st, 2018
Current assets:		
Monetary capital	1,210,527,716.67	750,589,871.09
Derivative financial assets	2,373,461.00	2,042,527.60
Accounts receivable	17,433,942.31	16,033,809.05
Prepayments	1,509,033.09	2,278,798.85
Other receivables	1,377,643,449.55	869,671,230.01
including: dividends receivable	31,965,270.58	15,225,270.58
Inventory	45,899,234.06	41,986,504.36
Total current assets	2,655,386,836.68	1,682,602,740.96
Non-current assets:		
Available-for-sale financial assets		3,000,000.00
Long-term equity investment	3,531,839,774.87	3,285,783,087.96
Other equity instrument investment	4,039,369.92	
Fixed assets	137,381,680.74	73,509,615.43
Construction in progress	25,000.00	56,425,656.79
Intangible assets	15,859,646.29	16,169,866.87
Long-term prepaid expenses	806,599.83	854,845.30
Deferred income tax assets	9,740,249.28	9,060,127.91
Total non-current assets	3,699,692,320.93	3,444,803,200.26
Total assets	6,355,079,157.61	5,127,405,941.22
Current liabilities:		
Short-term borrowings	1,140,000,000.00	1,075,000,000.00
Accounts payable	27,661,444.90	7,636,692.77
Advance receipt	1,627,159.69	2,690,153.80
Payroll payable	1,720,064.09	2,749,116.65
Tax payable	1,966,877.56	4,166,334.74
Other payables	1,375,174,162.60	1,026,382,418.43
including: Interest payable	1,405,712.50	1,601,798.61
Dividends payable	13,333,238.12	
Non-current liabilities due within one year	34,000,000.00	20,000,000.00
Total current liabilities	2,582,149,708.84	2,138,624,716.39
Non-current liabilities:		
Long-term borrowings	42,000,000.00	118,000,000.00
Deferred income	7,301,250.00	7,425,000.00
Deferred income tax liabilities	115,017.00	
Total non-current liabilities	49,416,267.00	125,425,000.00
Total liabilities	2,631,565,975.84	2,264,049,716.39
Owners' equity(or shareholders' equity):		

Paid-up capital (or share capital)	922,304,396.00	845,751,469.00
Capital reserves	864,552,493.69	160,705,065.92
deduct: treasury stock	70,688,750.00	70,688,750.00
Other Comprehensive income	1,452,339.23	-1,305,935.62
Surplus reserves	272,882,920.19	272,882,920.19
Undistributed profits	1,733,009,782.66	1,656,011,455.34
Total owners' equity	3,723,513,181.77	2,863,356,224.83
Total liabilities and owners' equity (or shareholders' equity)	6,355,079,157.61	5,127,405,941.22

Consolidated Income Statement
January-June, 2019

Liaoning Wellhope

Unit: yuan

Item	June 30th, 2019	June 30th, 2018
1. Total operating revenue	7,727,400,004.75	6,850,215,702.49
including: Operating revenue	7,727,400,004.75	6,850,215,702.49
2. Total operating costs	7,435,169,130.12	6,686,403,737.09
including: Operating costs	6,985,820,614.94	6,297,480,308.08
Taxes and surtaxes	12,698,727.34	11,759,191.04
Selling expenses	239,990,725.07	210,701,513.67
Administrative expenses	126,915,965.17	103,605,422.49
R&D expenses	30,021,345.87	29,771,840.08
Financial expenses	39,721,751.73	33,085,461.73
including: Interest expenses	40,211,708.70	36,549,414.58
Interest income	-2,641,228.16	-2,901,860.10
add: Other income	2,192,950.10	485,300.00
Income from investment	188,067,031.15	92,740,166.39
including: Income from investments in associated companies and joint ventures	186,195,941.85	89,150,595.32
Gain from changes in fair value	-169,200.00	835,460.00
Credit impairment loss	-18,534,402.05	-25,031,735.81
Assets impairment loss	-269,072.43	-10,691,401.07
Gain or loss from assets disposal	-45,359.23	-838,995.13
3. Operating profit	463,472,822.17	221,310,759.78
add: Non-operating income	15,814,929.98	8,565,564.83
deduct: Non-operating expenditure	18,322,686.59	4,294,410.09
4. Pretax profit	460,965,065.56	225,581,914.52
deduct: Income tax expense	31,218,522.69	33,149,593.38
5. Net profit	429,746,542.87	192,432,321.14
Net profit from continuing operations	429,746,542.87	192,432,321.14
Net profit attributable to the shareholders of parent company	359,008,639.18	164,359,110.71
Non-controlling interests income	70,737,903.69	28,073,210.43
6. Other comprehensive income, net of tax	4,661,958.82	-4,245,572.81
Attributable to owners of parent company	3,945,084.57	-4,245,572.81
a. Other comprehensive income that cannot be reclassified into gains or losses		

b. Other comprehensive income that will be reclassified into the gains or losses	3,945,084.57	-4,245,572.81
(a) Other comprehensive income that can be transferred in gains or losses under the equity method	3,068,904.93	-4,245,572.81
(b) Exchange differences on translation of foreign currency financial statements	876,179.64	
Attributable to non-controlling interests	716,874.25	
7. Total comprehensive income	434,408,501.69	188,186,748.33
Attributable to the owners of parent company	362,953,723.75	160,113,537.90
Attributable to non-controlling interests	71,454,777.94	28,073,210.43
8. EPS		
a. Basic earnings per share (yuan per share)	0.41	0.20
b. Diluted earnings per share (yuan per share)	0.41	0.20

Consolidated Income Statement of Parent Company
January-June, 2019

Unit: yuan

Item	June 30th, 2019	June 30th, 2018
1. Total operating revenue	261,739,621.75	307,735,900.71
Deduct: Operating costs	174,051,955.80	207,808,456.33
Taxes and surtaxes	812,810.61	765,497.03
Selling expenses	7,251,239.85	6,605,164.41
Administrative expenses	16,505,456.93	12,413,403.82
R&D expenses	10,304,335.79	10,992,419.66
Financial expenses	14,964,973.60	13,492,061.43
including: Interest expenses	29,112,564.27	27,818,889.08
Interest income	-14,292,833.82	-14,418,091.31
add: Other income	123,750.00	
Income from investment	202,720,334.91	91,680,421.66
including: Income from investments in associated companies and joint ventures	185,679,010.80	88,724,498.50
Gain from changes in fair value	766,780.00	835,460.00
Credit impairment loss	-3,382,369.90	-20,923,705.77
Assets impairment loss		-6,150,602.09
Gain or loss from assets disposal	-30,999.44	
2. Operating profit	238,046,344.74	121,100,471.83
add: Non-operating income	10,628,520.00	2,772,106.50
deduct: Non-operating expenditure	1,326,100.00	58.28
3. Pretax profit	247,348,764.74	123,872,520.05
deduct: Income tax expense	4,335,646.14	4,238,890.05
4. Net profit	243,013,118.60	119,633,630.00
Net profit from continuing operations	243,013,118.60	119,633,630.00
5. Other comprehensive income, net of tax	3,068,904.93	-4,245,572.81
a. Other comprehensive income that cannot be reclassified into gains or losses		
b. Other comprehensive income that will be reclassified into gains or losses	3,068,904.93	-4,245,572.81
(a) Other comprehensive income that can be transferred in gains or losses under the equity method	3,068,904.93	-4,245,572.81
6. Total comprehensive income	246,082,023.53	115,388,057.19

Consolidated Statement of Cash Flow
January-June, 2019

Liaoning Wellhope

Unit: yuan

Item	June 30th, 2019	June 30th, 2018
1. Cash flow from operating activities		
Cash received by selling commodities, providing labor services	7,948,606,132.70	7,049,632,638.50
Tax refunds	13,871,955.08	11,866,354.09
Cash received from other activities related to operating	38,922,770.34	43,313,298.58
Sub-total of cash inflow of operating activities	8,001,400,858.12	7,104,812,291.17
Cash paid for purchasing commodities and receiving labor services	6,996,689,336.06	6,187,546,380.34
Net increase in financial assets held for trading purposes	2,722,803.40	
Cash paid to and for employee	307,874,894.10	262,865,195.89
Tax payments	60,790,924.96	76,359,662.02
Cash paid to other activities related to operating	336,753,918.38	287,782,028.74
Sub-total of cash outflow of operating activities	7,704,831,876.90	6,814,553,266.99
Net cash flow from operating activities	296,568,981.22	290,259,024.18
2. Cash flow from investing activities		
Cash received from disinvestment	1,050,000.00	187,516.32
Cash received from return on investment	20,246,504.29	6,074,468.26
Net cash received from disposal of fixed assets, intangible assets and other long-lived assets	1,235,466.00	1,066,892.92
Net cash received from disposal of subsidiaries and other business units		510,233.92
Cash received from other activities related to investment	2,377,932.15	1,360,556.14
Sub-total of cash inflow of investing activities	24,909,902.44	9,199,667.56
Cash paid for acquiring and building fixed assets, intangible assets and other long-lived assets	211,754,778.24	197,883,903.65
Cash paid for investments	39,435,378.79	38,689,246.94
Net cash paid for acquiring subsidiaries and other business units	113,573,868.96	
Cash paid to other activities related to investment	36,208,141.97	
Sub-total of cash outflow of investing activities	400,972,167.96	236,573,150.59
Net cash flow from investing activities	-376,062,265.52	-227,373,483.03

3. Cash flow from financing activities		
Cash received by absorbing investments	836,980,430.50	4,820,000.00
including: Capital contributed by non-controlling interests to subsidiaries	67,202,692.00	4,820,000.00
Cash received from borrowings	857,207,911.79	940,990,000.00
Cash received from other activities related to financing	640,000.00	
Sub-total of cash inflow of financing activities	1,694,828,342.29	945,810,000.00
Repayments of borrowings	814,501,307.93	880,300,000.00
Cash paid for distributing dividends, profits, or paid for interests	194,694,461.11	118,974,658.10
including: Dividends or profits paid by subsidiaries to non-controlling interests	4,420,306.88	
Cash paid to other activities related to financing activities	5,856,566.01	
Sub-total of cash outflow of financing activities	1,015,052,335.05	999,274,658.10
Net cash flow from financing activities	679,776,007.24	-53,464,658.10
4. Effect of foreign exchange rate fluctuations on cash and cash equivalents	-556,725.86	-506,962.19
5. Net increase in cash and cash equivalents	599,725,997.08	8,913,920.86
add: Opening balance of cash and cash equivalents	889,204,873.97	740,680,891.81
6. Closing balance of cash and cash equivalents	1,488,930,871.05	749,594,812.67

Consolidated Statement of Cash Flow of Parent Company
January-June, 2019

Liaoning Wellhope

Unit: yuan

Item	June 30th, 2019	June 30th, 2018
1. Cash flow from operating activities		
Cash received by selling commodities, providing labor services	254,250,757.39	301,338,646.53
Cash received from other activities related to operating	201,186,908.54	279,378,312.84
Sub-total of cash inflow of operating activities	455,437,665.93	580,716,959.37
Cash paid for purchasing commodities and receiving labor services	155,902,826.52	185,194,550.69
Net increase in financial assets held for trading purposes	330,933.40	
Cash paid to and for employee	14,666,109.28	12,080,061.08
Tax payments	10,249,972.23	12,988,277.37
Cash paid to other activities related to operating	359,094,296.54	216,289,255.03
Sub-total of cash outflow of operating activities	540,244,137.97	426,552,144.17
Net cash flow from operating activities	-84,806,472.04	154,164,815.20
2. Cash flow from investing activities		
Cash received from disinvestment	1,050,000.00	800,000.00
Cash received from return on investment	38,866,504.29	13,119,072.37
Net cash received from disposal of fixed assets, intangible assets and other long-lived assets	34,000.00	
Net cash received from disposal of subsidiaries and other business units	4,000,000.00	
Cash received from other activities related to investment		1,360,556.14
Sub-total of cash inflow of investing activities	43,950,504.29	15,279,628.51
Cash paid for acquiring and building fixed assets, intangible assets and other long-lived assets	7,169,414.68	7,885,402.10
Cash paid for investments	84,338,378.79	119,469,158.49
Cash paid to other activities related to investment	2,787,170.71	
Sub-total of cash outflow of investing activities	94,294,964.18	127,354,560.59
Net cash flow from investing activities	-50,344,459.89	-112,074,932.08
3. Cash flow from financing activities		
Cash received by absorbing investments	769,777,738.50	
Cash received from borrowings	695,000,000.00	920,000,000.00
Sub-total of cash inflow of financing	1,464,777,738.50	920,000,000.00

activities		
Repayments of borrowings	692,000,000.00	860,000,000.00
Cash paid for distributing dividends, profits, or paid for interests	180,476,138.26	112,145,959.59
Sub-total of cash outflow of financing activities	872,476,138.26	972,145,959.59
Net cash flow from financing activities	592,301,600.24	-52,145,959.59
4. Effect of foreign exchange rate fluctuations on cash and cash equivalents	6.56	52.39
5. Net increase in cash and cash equivalents	457,150,674.87	-10,056,024.08
add: Opening balance of cash and cash equivalents	740,891,873.25	525,941,409.05
6. Closing balance of cash and cash equivalents	1,198,042,548.12	515,885,384.97

Change Statement of Owner's Equity January-June, 2019

Unit: yuan

Item	January-June, 2019								
	Equity attributable to the owners of parent company							Non-controlling interests	Total owners' equity
	Share capital	Capital reserve	Deduct: Treasury stock	Other comprehensive income	Surplus reserve	Undistributed profits	Subtotal		
1. Closing balance of prior period	845,751,469.00	153,824,536.37	70,688,750.00	-1,316,942.00	272,882,920.19	2,651,462,525.08	3,851,915,758.64	414,072,220.38	4,265,987,979.02
add: changes in accounting policies				-481,544.75			-481,544.75	-645.73	-482,190.48
2. Opening balance of current period	845,751,469.00	153,824,536.37	70,688,750.00	-1,798,486.75	272,882,920.19	2,651,462,525.08	3,851,434,213.89	414,071,574.65	4,265,505,788.54
3. Changes of current period	76,552,927.00	715,060,197.70		3,945,084.57		192,993,847.90	988,552,057.17	110,921,464.17	1,099,473,521.34
A. Total comprehensive income				3,945,084.57		359,008,639.18	362,953,723.75	70,737,903.69	433,691,627.44
B. Capital contributed and reduced by owners	76,552,927.00	715,060,197.70					791,613,124.70		791,613,124.70
a. Common stock invested by owners	76,552,927.00	708,730,862.57					785,283,789.57		785,283,789.57
b. Capital contributed by other equity instrument holders									
c. Amount of share-based payment included in the owner's equity		10,013,022.10					10,013,022.10		10,013,022.10
d. Other		-3,683,686.97					-3,683,686.97		-3,683,686.97
C. Profit distribution						-166,014,791.28	-166,014,791.28	-7,655,875.72	-173,670,667.00
a. Appropriation of surplus reserves									
b. Extraction of general risk provisions									

c. Profit distributed to owners (or shareholders)						-166,014,791.28	-166,014,791.28	-7,655,875.72	-173,670,667.00
D. Internal carry forward of owners' equity								47,839,436.20	47,839,436.20
a. Other								47,839,436.20	47,839,436.20
4. Closing balance of current period	922,304,396.00	868,884,734.07	70,688,750.00	2,146,597.82	272,882,920.19	2,844,456,372.98	4,839,986,271.06	524,993,038.82	5,364,979,309.88

Item	January-June, 2018								
	Equity attributable to the owners of parent company							Non-controlling interests	Total owners' equity
	Share capital	Capital reserve	Deduct: Treasury Stock	Other comprehensive income	Surplus reserve	Undistributed profits	Subtotal		
1. Closing balance of prior period	831,176,469.00	103,593,300.06			232,486,459.89	2,223,048,013.93	3,390,304,242.88	355,960,084.62	3,746,264,327.50
add: changes in accounting policies									
2. Opening balance of current period	831,176,469.00	103,593,300.06			232,486,459.89	2,223,048,013.93	3,390,304,242.88	355,960,084.62	3,746,264,327.50
3. Changes of current period		-3,364,732.80		-4,245,572.81		81,241,463.81	73,631,158.20	32,994,189.42	106,625,347.62
A. Total comprehensive income				-4,245,572.81		164,359,110.71	160,113,537.90	28,073,210.43	188,186,748.33
B. Capital contributed and reduced by owners		-3,364,732.80					-3,364,732.80		-3,364,732.80
a. Common stock invested by owners									
b. Capital contributed by other equity instrument holders									
c. Amount of share-based payment included in the owner's equity									
d. Other		-3,364,732.80					-3,364,732.80		-3,364,732.80
C. Profit distribution						-83,117,646.90	-83,117,646.90		-83,117,646.90

a. Appropriation of surplus reserves									
b. Extraction of general risk provisions									
c. Profit distributed to owners (or shareholders)						-83,117,646.90	-83,117,646.90		-83,117,646.90
d. Other									
D. Internal carry forward of owners' equity								4,920,978.99	4,920,978.99
a. Other								4,920,978.99	4,920,978.99
4. Closing balance of current period	831,176,469.00	100,228,567.26		-4,245,572.81	232,486,459.89	2,304,289,477.74	3,463,935,401.08	388,954,274.04	3,852,889,675.12

Change Statement of Owner's Equity of Parent Company January-June, 2019

Unit: yuan

Item	January-June, 2019						
	Share capital	Capital reserve	Deduct: Treasury stock	Other comprehensive income	Surplus reserve	Undistributed profits	Total owners' equity
1. Closing balance of prior period	845,751,469.00	160,705,065.92	70,688,750.00	-1,305,935.62	272,882,920.19	1,656,011,455.34	2,863,356,224.83
add: changes in accounting policies				-310,630.08			-310,630.08
2. Opening balance of current period	845,751,469.00	160,705,065.92	70,688,750.00	-1,616,565.70	272,882,920.19	1,656,011,455.34	2,863,045,594.75
3. Changes of current period	76,552,927.00	703,847,427.77		3,068,904.93		76,998,327.32	860,467,587.02
A. Total comprehensive income				3,068,904.93		243,013,118.60	246,082,023.53
B. Capital contributed and reduced by owners	76,552,927.00	703,847,427.77					780,400,354.77
a. Common stock invested by owners	76,552,927.00	692,373,258.57					768,926,185.57
b. Capital contributed by other equity instrument holders							
c. Amount of share-based payment included in the owner's equity		11,474,169.20					11,474,169.20
d. Other							
C. Profit distribution						-166,014,791.28	-166,014,791.28
a. Appropriation of surplus reserves							
b. Profit distributed to owners (or shareholders)							
c. Other						-166,014,791.28	-166,014,791.28
D. Internal carry forward of owners' equity							
4. Closing balance of current period	922,304,396.00	864,552,493.69	70,688,750.00	1,452,339.23	272,882,920.19	1,733,009,782.66	3,723,513,181.77

Item	January-June, 2018						
	Share capital	Capital reserve	Deduct: Treasury stock	Other comprehensive income	Surplus reserve	Undistributed profits	Total owners' equity
1. Closing balance of prior period	831,176,469.00	102,593,326.35			232,486,459.89	1,375,560,959.50	2,541,817,214.74
add: changes in accounting policies							
2. Opening balance of current period	831,176,469.00	102,593,326.35			232,486,459.89	1,375,560,959.50	2,541,817,214.74
3. Changes of current period				-4,245,572.81	0.00	36,515,983.10	32,270,410.29
A. Total comprehensive income				-4,245,572.81		119,633,630.00	115,388,057.19
B. Capital contributed and reduced by owners							
a. Common stock invested by owners							
b. Capital contributed by other equity instrument holders							
c. Amount of share-based payment included in the owner's equity							
d. Other							
C. Profit distribution						-83,117,646.90	-83,117,646.90
a. Appropriation of surplus reserves							
b. Profit distributed to owners (or shareholders)						-83,117,646.90	-83,117,646.90
c. Other							
D. Internal carry forward of owners' equity							
4. Closing balance of current period	831,176,469.00	102,593,326.35		-4,245,572.81	232,486,459.89	1,412,076,942.60	2,574,087,625.03

Section XI Reference

Reference file directory	Financial statements that contain the signature and seal of the legal representative, the person in charge of the accounting work and the person in charge of the accounting department.
	During the reporting period, all the original documents and original announcements of the Company that have been publicly disclosed in the newspapers designated by the CSRC.

Chairman of the Board of Directors: Jin Weidong

The submission date approved by the Board of Directors: August 15th, 2019