

Stock Code: 603609

Stock Abbreviation (English): Wellhope

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



March 2020

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 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. SuyaJincheng CPA LLP has issued the auditor's report with an unqualified opinion for the Company.

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 annual report.

V. The profit distribution plan for the reporting period has been deliberated by the Board of Directors.

The plan for 2019 dividend distribution will be: based on total share capital on the equity registration date when the 2019 annual dividend distribution will be implemented, the Company will distribute dividends of RMB 2.20 yuan per 10 shares (tax included) to all shareholders. This dividend distribution plan has been deliberated and approved by the Board of Directors, pending submission to the Shareholders' Meeting.

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 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 Annual Report can be obtained at: www.sse.com.cn.

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Section I Glossary

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 1, 2019-December 31, 2019
Wulian Heli	refers to	Wulian Heli Equity Investment Partnership (LP), 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
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.
Corporate Law	refers to	The Corporate Law of the People's Republic of China
Securities Law	refers to	The Securities Law of the People's Republic of China
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.
Broiler breeders, parent stock	refers to	Broiler breeders lay eggs, the chicks hatched from its eggs are the commercial day old chicks, which have good genetic characteristics of table purpose.
Commercial broiler	refers to	Fattening from day old chick, used for food
Cage-reared	refers to	A method of farming as opposed to floor-reared, i.e., with the special cage as a symbol, a complete set of processes that compose of customized feed, artificial insemination, on-site management, etc.

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 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 annual report	Securities Department of the Company

V. Stock information

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

Accounting firm (local)	Name	SuyaJincheng CPA LLP
	Office address	22nd-23rd F, Central International Plaza, No. 105-6 North Zhongshan Road, Nanjing, Jiangsu Province, China
	Name of signatory CPA	Zhou Jiawen, Wang Lei
The sponsor the performs the responsibility of continuous supervision during the reporting period	Name	GF Securities
	Office address	GF Securities Tower, 26 Machang Road, Tianhe District, Guangzhou, China
	Name of signatory sponsor representative	Huang Haisheng, He Yu
	Period of conducting continuous supervision	2019

VII. Key accounting data and financial performance indicators in the latest three years**1. Key accounting data**

Unit: yuan Currency: RMB

Item	2019	2018	Year-on-Year change %	2017
Operating revenue	17,792,091,973.58	15,750,798,120.67	12.96	13,695,843,458.67
Net profit attributable to the shareholders of the Company	1,199,347,355.96	551,928,618.35	117.30	471,024,473.92
Net profit attributable to the shareholders of the Company deducting non-recurring gains and losses	1,190,975,760.51	542,459,604.74	119.55	389,607,877.28
Net cash flow from operating activities	1,111,605,966.58	501,404,915.59	121.70	611,390,370.75
	As at the end of 2019	As at the end of 2018	Year-on-Year change %	As at the end of 2017
Net assets attributable to the shareholders of the Company	5,698,139,557.54	3,851,915,758.64	47.93	3,390,304,242.88
Total assets	9,149,772,043.85	6,930,694,562.43	32.02	5,985,861,995.54

2. Key financial performance indicators

Item	2019	2018	Year-on-Year change %	2017
Basic earnings per share (yuan per share)	1.34	0.66	103.03	0.57
Diluted earnings per share (yuan per share)	1.34	0.66	103.03	0.57
Basic earnings per share deducting non-recurring gains and losses (yuan per share)	1.33	0.65	104.62	0.47
Weighted average return on equity (%)	24.57	15.30	Increased 9.27 percentage points	14.72
Weighted average return on equity deducting non-recurring gains and losses (%)	24.40	15.04	Increased 9.36 percentage points	12.17

VIII. Key financial figures by quarters in 2019

Item	Unit: yuan Currency: RMB			
	Q1	Q2	Q3	Q4
Operating revenue	3,512,085,453.86	4,215,314,550.89	5,015,825,872.21	5,048,866,096.62
Net profit attributable to the shareholders of the Company	140,999,877.50	218,008,761.68	354,079,351.53	486,259,365.25
Net profit attributable to the shareholders of the Company deducting non-recurring gains and losses	134,261,140.24	224,035,659.24	346,464,664.86	486,214,296.17
Net cash flow from operating activities	13,296,100.82	283,272,880.40	286,342,572.40	528,694,412.96

IX. Non-recurring gains and losses

Item	Unit: yuan Currency: RMB		
	2019	2018	2017
Gains or losses on disposal of non-current assets	-3,146,106.63	-3,713,387.32	60,743,353.24
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 policies)	22,363,695.79	19,471,241.10	34,132,205.99
Income generated from investment costs for acquiring subsidiaries, associated companies and joint ventures are lower than the fair value of the investee's net identifiable assets acquired by the Company	1,844.71		
Gains or losses on debt restructuring		-1,147,367.47	
Gain or loss on fair value changes in trading financial assets and liabilities, and investment income from disposal of trading financial assets and liabilities as well as available-for-sale financial assets (excl. the effective portion of hedges that arise in the Company's ordinary course of business)			-181,164.67
Gains or losses on fair-value changes in trading financial assets and liabilities, derivative financial assets and liabilities, and the 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 that arise in the Company's ordinary course of business)	4,418,219.50	2,821,414.45	
Non-operating income and expense other than those described above	-15,858,496.27	-3,208,527.84	-1,240,061.60
Other gain and loss items that meet the definition of non-recurring gains and losses	820,378.27		
Non-controlling interests effects	3,972,264.26	-590,792.81	-4,164,352.40
Income tax effects	-4,200,204.18	-4,163,566.50	-7,873,383.92
Total	8,371,595.45	9,469,013.61	81,416,596.64

X. Item measured at fair value

Unit: yuan Currency: RMB

Item	Opening balance	Closing balance	Change	Effects on current profit
Derivative financial assets	2,042,527.60	3,912,584.30	1,870,056.70	577,449.00
Total	2,042,527.60	3,912,584.30	1,870,056.70	577,449.00

Section III Business Overview

I. Principal Business, Operation Model and Circumstance of Related Industries 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, broiler integration business, hog raising business and related businesses. When steadily develop feed business, the Company aims to take 5-8 years to swiftly promote broiler integration and hog raising businesses, forging a complementary operation model fueled by broiler and hog integration businesses to further heighten its market power in animal husbandry industry.

1. Feed and feed raw materials trade

A. Industry overview

In 2019, affected by some factors in terms of declined hog inventories and waves in international trade situation, the output value and production of China's commercial feed decreased, whilst the adjustment of product mix accelerated and large-scale enterprises maintained stable operations. According to the statistics of China Feed Industry Association, the production of commercial feed in 2019 reached 228.854 million tons, representing a year-on-year decrease of 3.7%. Swine feed amounted to 76.632 million tons, decreased by 26.6% as compared with prior year, among which feed for piglet, sow and finisher dropped by 39.2%, 24.5% and 15.9% respectively. Layer feed, broiler feed, ruminant feed and aquatic feed recorded 31.166 million tons, 84.648 million tons, 11.089 million tons and 22.029 million tons with the year-on-year growth rate of 9.6%, 21.0%, 9.0% and 0.3% respectively. In terms of the overall feed production, the share of swine feed reduced to 33.5% from previous 43.9%, whilst poultry feed increased to 50.6% from 41.4%. The output value of feed realized RMB 709.77 billion and operating revenue reached RMB 685.85 billion, decreased by 9.8% and 11.5% respectively.

In 2019, China's hog inventories experienced a continuous slide due to African Swine Fever (referred to as ASF hereof). According to the statistics of www.boyar.com, the deliveries of hog in 2019 reduced by 28.2% as compared with prior year, whilst pork production decreased by 25.64%. At the end of 2019, domestic hog inventories dropped off by 48.38%, whilst breeding sows reduced by 27.61% and commercial (sow) accounted for over 30% of

total sows, which brought a great uncertainty in production performance. ASF accelerated the reshuffle in feed and hog raising industries, causing unprecedented impacts on the industrial chain. Consumption of swine feed fell sharply, feed producers lowered prices to occupy market share, making a fierce competition in the industry.

At the same time, feed product structure was facing obvious changes. On one hand, ASF drove the development of broiler, layer and ruminant animal raising. In 2019, chicken production increased by 15%, beef and mutton by 3% and eggs by around 5.7% (according to the statistics released by the Ministry of Agriculture and Rural Affairs). Changes of domestic meat consumption fueled the consumptions of poultry, ruminant and aquatic feed. On the other hand, some swine feed producers enlarged the production of poultry, aquatic and ruminant feed to ensure working rate, which intermediately pushed the increase of production.

Driven by the central and local-level policies, the restocking of swine in 2020 has been gradually recovered and the demand of swine feed is expected to increase, whilst poultry, ruminant and aquatic feed are hopefully keeping growth. From July 1, 2020, China will completely ban the use of antibiotics in feed, the animal husbandry industry is ushering in a new era of reducing and restricting antibiotics in farming. The prohibition of antibiotics is a global trend and also a prerequisite for ensuring food safety. In 2020, domestic feed producers will face new challenges and only the fittest could survive.

B. Business profile

The Company manufactures and sells animal feed for swine, poultry, ruminant, aquatic and fur-farmed animals, and the products are marketed in 29 provinces and regions across China. It has also built feed plants in Nepal, Indonesia and the Philippines, etc. Driven by the principle of “constantly working on new products, never following the beaten path”, the Company always designs tailor-made products for animals in different growth stages and it is committed to offering farmers integrated services in terms of animal raising, disease prevention 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. Meanwhile, the Company also launched pet clinics business. At present, its trade business distributes in Northeast China, Northern China, Eastern China, Southwest China, Guangdong Province and other regions, some products have been exported to Nepal, Mongolia and other countries.

2. Broiler integration business

A. Industry overview

In 2019, the supply of white feather broiler fell short of demand, with the overall profits reaching an unprecedented high.

In terms of supply, production increased in a large scale within the year, but still behind the demand. In 2019, breeder farms updated over 1.3 million sets of grandparent stock, but the willingness of moulting fell sharply and forced moulting basically disappeared. Meanwhile, parent stock farms took measures to increase production, boosting the supply of commercial chick increasing by 13.7% as compared with prior year. However, although the production capacity increased sharply, the tight supply of white feather broiler was not changed still. As a result, the price of day old chick had been breaking records, the peak exceeded RMB 13 per chick, whilst the price of broiler parts products has also remained high, the lowest price still surpassed the average price of 2018.

In terms of demand, gaining from the high pork prices that powered the increasing demand for protein substitutes and the recovering demand of chicken product, the demand from all consumption channels of white feather broiler increased sharply in 2019. H7N9 flu had basically vanished since 2018, which presented that the biggest negative factor for white feather broiler consumption disappeared and led a recovery growth of consumption, whilst pork shortage due to ASF enlarged the substitutional demand of chicken. In 2019, consumption of white feather broiler increased by 16.3% nationwide, per capita consumption rose by about 16.2%, the increase rate of demand exceeded that of production, which led to record high prices of broiler parts products, with the average price as RMB 12,380 per ton, weekly highest price as RMB 17,000 per ton, monthly as RMB 14,000 per ton.

In 2020, white feather broiler industry will face the increase both in production and sales, the bloom both in supply and demand. According to the study of a third party, it is

estimated that China's hog deliveries will decrease by around 30% and pork production dropped off 20% as compared with prior year. Although COVID-19 constrains consumption in a short term, pork supply of the year still faces huge shortage, moreover, the production of yellow feather broiler, 817 type of broiler and duck suffers losses due to the epidemic, the consumer demand of white feather broiler will have a large increasing space. Therefore, it is very likely that the market for 2020 will still be booming. Besides, due to the increase of production, price of day old chicks reduced compared with that of 2019, profits in the industrial chain will be redistributed, the profit share of slaughtering will increase obviously.

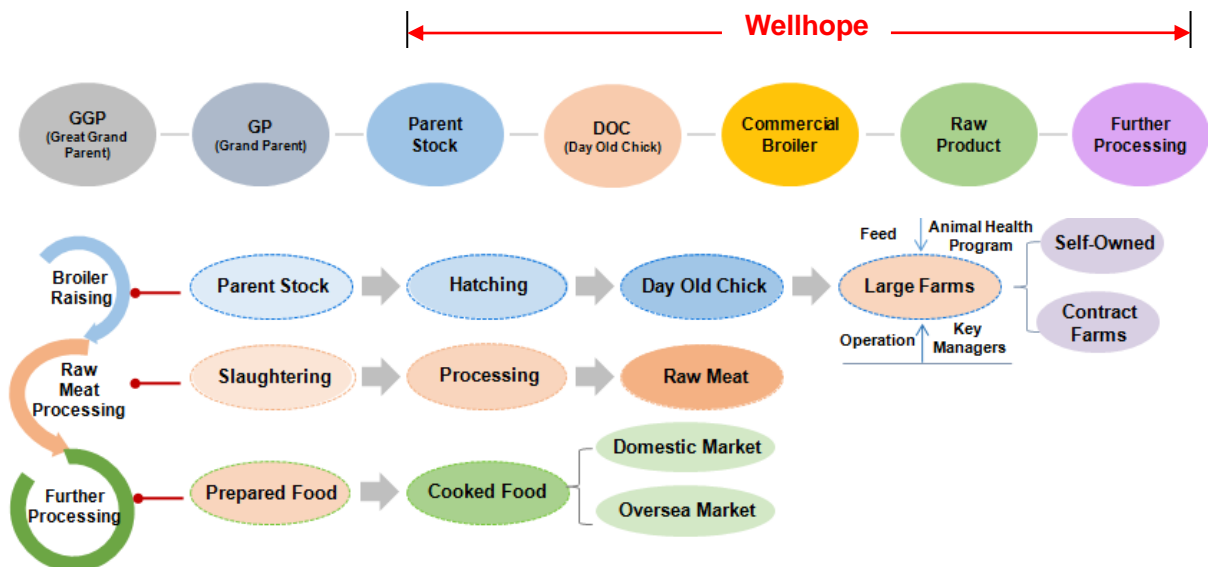
Overall, ASF led to a large increase in the substitutional demand of white feather broiler, and relying on the advantages of chicken that featured by high protein, low fat and low cholesterol, the change of domestic meat consumption structure has been speeded up and the share of chicken consumption has risen quickly. COVID-19 may have a short-term impact on the industry, but the white feather broiler will bear less stress than the yellow feather broiler, 817 type of broiler and duck. In the mid-long term, COVID-19 may hardly reverse the increasing trend of white feather broiler consumption, on the other hand, it will further accelerate the upgrading of white feather broiler. Regulations on the industry are becoming more strict, unqualified players will be weeded out, the leading position of large integrated enterprises will become more obvious.

Explanation: Above statistics come from industry analysis reports of www.boyar.cn

B. Business profile

The Company's broiler integrated chain covers more than 40 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. Based on the total slaughtering

volume of the holding and associated companies, the Company's white-feather broiler business has reached the first echelon of the industry by scale and become one of the leading suppliers of white feather broiler products nationwide.



◆ **Broiler raising:** This unit covers breeder raising, day old chick hatching, commercial broiler rearing and feed production. The Company formulates scientific and rational 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-tier 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 promote resource recycling. The delivery body weight of commercial broiler can reach over 3.0 kg with the livability of over 95%, and the European production index (shortened as EPI in the following parts) exceeds 390, receiving wide recognition from the cooperative farms.

◆ **Raw meat processing:** 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 650 million-750 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, Seiso, Safety), making the killing-out percentage and per capita slaughtering efficiency stand out among companies with similar scale. The Company mainly supplies broiler parts products to meat processing companies, supermarkets and chain fast-food stores, including Shineway Group, Jinluo Group, Yurun Group, RT-MART, McDonalds, KFC, Yoshinoya, Wallace, Dili Fresh Food, Yonghui Superstores, RT-MART and catering companies and other local fresh food markets, etc., as well as to other regions such as Hong Kong, Macao, and some countries in terms of Mongolia and Bahrain.

◆ **Further processing:** Relying on the advantage of integration, the Company uses high-quality chicken supplied by self-owned slaughtering entities as raw materials, and introduces efficient and energy-saving production equipment to process prepared products. At present it supplies over 100 kinds of further-processed chicken products, which are mainly sold to large restaurant chains, supermarkets, local markets, enterprises and school cantons. Under the backdrop of continuous expansion of consumer demand, the Company expands its exporting business of cooked food to the markets of Japan and South Korea.

3. Hog raising business

A. Industry overview

Affected by ASF, China's hog inventories severely reduced in 2019, meanwhile, the "bio-safety" has raised the entry barriers for hog raising industry, weeded out unqualified players and deeply changed the supply and demand. Moreover, domestic hog prices rose sharply, chicken played a prominent role in the alternative consumption of pork and ASF accelerated the adjustment of meat consumption.

On the supply side, ASF has hit China's hog industry particularly hard and broke the

original production capacity. In 2019, the deliveries of hog in China reduced by 28.2% as compared with prior year, whilst pork production decreased by 25.64%. At the end of the year, hog inventories dropped off by 48.38%, whilst breeding sows reduced by 27.61% and commercial (sow) accounted for over 30% of total sows, which brought a great uncertainty in production performance. ASF has triggered a new round of "Reshuffle" in the hog industry, unqualified players were squeezed out of the market. However, the fierce competition continuously compressed the living space of small and medium-sized back-yard farms, whilst large group companies took this opportunity to actively expand businesses to seize market share relying on their capital, talents, technology and other resources.

On the demand side, pork price rose to the peak in the second half of 2019, the average hog price nationwide was 21.74 yuan per kg, while at the end of October, hog price soared to the record high of 40 yuan per kg and the pork price steep rose to 60 yuan per kg thereupon in early November. However, the higher price discouraged pork consumption, whilst pork purchased for group meal declined significantly. Food processing plants were forced by cost pressure to change raw materials into chicken, vegetarian food and other ingredients, making the adjustment of domestic meat consumption structure accelerate.

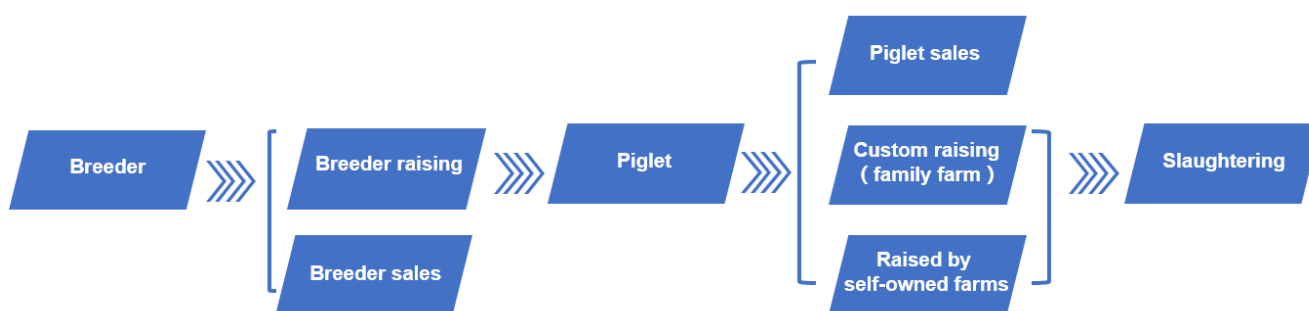
In 2020, China enters the era of "Post-African Swine Fever", the bio-safety system is becoming increasingly mature. Probability of widespread outbreaks in the future becomes small, but it's still difficult to avoid small-scale outbreaks. ASF has restrained the density of hog raising, which will hinder the recovery of domestic hog production. Judging from the factors such as hog production cycle and sow production performance, China's hog industry will still present a tight supply in 2020. According to the estimation of a third-party, in 2020, the deliveries of hog in China are expected to drop off about 30% and the pork production decrease about 20%. Although COVID-19 has curtailed consumption in a short term, there is still a big gap in pork supply throughout the year, "Stabilizing hog production and guaranteeing pork supply" is still the main theme of hog industry.

To conclude, ASF has broken the original industrial structure and accelerated the elimination of unqualified players. After a short period of pains, the consolidation of the industry will be further enhanced. While a large number of small back-yard farms quit, the market share of large group companies will rapidly increase. In the long run, the integrated

operation that contains large-scale breeding, slaughtering and further processing will become the general trend of the industry.

B. Business profile

Through self-construction and joint venture, the Company has actively built farms and expanded businesses in Liaoning, Jilin, Heilongjiang, Henan, Hebei, Anhui provinces and other areas suitable for hog raising. Among these projects, the farms located in Hebei and Heilongjiang provinces were jointly built by the Company and Hunan Jiahe Agriculture and Animal Husbandry Company, top-15 in hog raising industry nationwide, the farms located in Anhui province were jointly constructed with Anhui Haoxiang Agriculture and Animal Husbandry Company, a leading enterprise in agricultural integration in Anhui province and a member of the National Hog Joint Breeding Cooperation Group, other farms were self-built. At present, the Company's hog raising business mainly adopts the operation model that compose of breeder raising and sales, commercial piglet sales, finisher raising via self-owned farms and family farms(contract). At the same time, the farms built the boar station to reserve excellent boars to maintain its breeding advantages. Through establishing strict bio-safety system, advanced breeding system and scientific feeding management system, the Company is devoting to crafting an integrated chain that contains breeding, hog raising, marketing, slaughtering and processing.



a. Building farms with high-standard:

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 dynamically combines hog raising with planting via eco-friendly technologies to protect environment. Driven by the goal of building first-rate modern farms, Fushun farm located

in Liaoning province was jointly designed by well-known domestic experts and Architectural Design and Research Institute of Tsinghua University CO. LTD., breeder farm located in Jilin province introduced advanced and efficient Dutch farm management technology, whilst the farms located in Hebei and Henan provinces introduced Danish breeding management system. All newly-built and under-construction projects have been equipped with advanced production technology and equipment. In particular, the Company has carefully designed the bio-safety systems for farms. Through automatic and information-based means such as smart feeding system, environmental control equipment and production management software, the intelligent hog raising system has been established to realize a hog raising model based on equipment, environment and information, so as to create a comfortable growth environment for animals and improve production efficiency.

b. All-round system operation:

In terms of genetic selection and breeding: The Company introduces high-quality breeders with French, American and Danish gene to match different business areas to provide parent stock with pure blood and clear pedigree, truly grasps the source to supply excellent breeders, commercial piglets and finishers to the market and strengthens the control of downstream industries to quickly enhance the Company's core competitiveness in the field of hog raising, which is conducive to forge the synergy effect among hog raising business with feed and other businesses.

In terms of nutrition and supply: Relying on Europe's technical practices and self-accumulated experiences in swine feed technology and hog industry, the Company has established a system-wide database to dynamically formulate nutrition for animals. According to the data and conditions of raw materials and hog markets, the Company timely and dynamically adjusts the diet nutrition, feed processing technique and product portfolios to realize tailor-made nutrition, accurate production and precise feeding, as well as to reduce operating cost, improve production performance and provide marketable commercial hog.

In terms of bio-safety prevention: Relying on well-designed bio-safety prevention system, all the Company's subordinated farms have been strictly equipped with bio-safety facilities

and equipment, applied corresponding quarantine and blocking schemes for the areas with different safety level in the farm, meanwhile, all the farms are continuously optimizing and upgrading related facilities. Besides, a professional team has been set up outside each farm to conduct off-site bio-safety work, especially for breeder farm (there should be no other farms within at least 3 kilometers). In the meantime, the Company has established a diagnostic system for ASF by fluorogenic quantitative PCR, and implemented monitoring and early warning of risk points through real-time patrol inspection by bio-safety supervision department and engineering department to ensure farm safety. In addition, the Company regularly trains the staff in the farms about bio-safety principles and daily operation details, and continuously improves the safety awareness of all staff via various means such as job rotation and inspection notification.

In terms of feeding management: The Company's farms adopt benchmarking management to enhance internal operation and reduce costs in the aspect of bio-safety prevention, production performance, equipment and facilities, etc. At the same time, the farms analyze key indicators related to production and other data through internal management system to immediately adjust diet, environmental control, immune health care and herd structure to ensure the orderly feeding management.

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-oriented and strongly rooted corporate culture.

1. Highly educated, loyal and stable management team

Talents are the primary resources and the core competitiveness of the Company. The management team, led by seven founders, are highly educated with professional background. They have deep insights into the core value and corporate culture of the Company. They are united, stable and have always been fighting in the front line of business operation with strong cohesion. The seven founders, who are praised as "Seven Pioneers of the Industry", always hold together and fight together, the high solidarity of

the start-up shareholders has become the Company's most significant competitiveness, whilst "Unity is Power" is also part of the core culture. Almost all the middle and senior managers are internally selected and cultivated by the Company, the core members have been granted with many forms of medium and long-term incentives, they have strong sense of ownership and devote themselves to the sustainable development of the Company. For the past 25 years, the management team has maintained high stability, almost no chief director or above leaves the Company. In regard of over 100 general managers, besides those who are adjusted due to substandard performance, few of them quit the job. Meanwhile, newly promoted members of the management team 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 and have become the backbone force of the management team. The Company also attaches great importance to the continuous learning and ability improvement of these managers, providing them with different training programs, including Executive Development Program, Leadership Training Camp, etc., which include strict training, appraisal rules and opportunities for managers to study from some leading companies at home and abroad so as to expand their horizons for further progress. The main reason that causes the failure of some domestic companies has been an "unstable and disunited management team". In contrast, the highly educated, loyal and stable management team is one of our core competitiveness, boost the Company's confidence to move forward.

Continuous talent growth and supply can be attributed to the advanced human resource policy. In terms of talent introduction, the Company always adheres to the principle of high-standard recruitment and upholds the core culture of "knowledge is power, unity is strength". In terms of talent training, the Company formulates progressive and dual-channel training system according to its strategic goals and the need of staff development to offer a targeted platform to help them to grow. In terms of talent incentives, the Company continuously improves and optimizes the remuneration policy, provides a fair, just and merit-based environment for rewarding employees. It also conducts separate performance appraisal system for the sales team and administrative departments to keep the team dynamic. At the same time, driven by the principle of "sharing bumper harvest", the Company shares its development achievements with

managers in various ways, such as holding shares in parent company and subsidiaries, profit sharing and elasticity welfare. In 2018, the Company carried out the restrictive stock incentive program, where 372 core talents received the incentives. Through this program, the interests of Company, shareholders and key-employees have been combined to ensure the sustainable and stable development of the Company and ultimately achieve a win-win situation for all. Judging from the Company's performance in 2019 and various assessment data, the stock incentive program has achieved significant results.

2. Rationally planned and well-developed corporate strategy

Based on in-depth understanding of domestic and global politics, economies and industries trends, the Company always pays attention to its sustainable development and risk control, focuses on operation quality and investment return of new projects. Driven by a stable and conscientious attitude towards investment, the Company rationalizes its business distribution, develops step by step instead of investing and expanding businesses rashly, to maintain the rationality and safety of industrial structures, in order to avoid all kinds of risks regarding business operation and take long-term development as the corporate development goal.

Rationally planned and well-developed corporate strategy reflects in the following aspects:

a. Business divisions

The Company started its business from premix. With many years of exploration in feed industry, the Company has become one of the top 10 commercial feed producers nationwide. In 2008, the Company entered broiler integration business after strategic considerations. After 11 years of efforts, production capacity of white feather broiler of the Company's holding and associated companies has reached a high position, with its management and key technical indicators ranking the top both at home and abroad. In 2018, in order to seize the opportunity and reduce risks, the Company decided to take hog raising as a strategic business after evaluation and market investigation, it cultivated talents and quickly formed core competitive of hog raising business by cooperation and proprietorship. In 2018, the Company further confirmed its development strategy in the next ten years, i.e., whilst stabilizing the feed business, further develop broiler and hog integration businesses to create an operation pattern powered by these two

complementary engines. Such business layout with high risk hedging will not lead the Company to the woes and ebbs due to tremendous blow or sharp downturn suffered by one of the businesses.

b. Operation model

The Company has gradually formed an industrial chain with high competitiveness and capability of risk prevention in the fields of feed production and selling, animal raising, slaughtering and further processing, which enables all business divisions to connect closely, reduce the cost of intermediate processes, lower trading risks, improve profit margin and ensure food safety. Such industrial chain has become the development trend for agricultural companies under an increasingly complex and changing economy.

c. Market expansion

Instead of rapidly expanding nationwide markets supported by the success of feed business in Northeast regions and broiler integration business, the Company, with rich experiences in market expanding, insists on exploring new markets based on overall analysis and investigations, entering the markets step by step in Northeast, Northern China, Henan, Shandong provinces and other areas. It moves forward steadily and pursues asset-light operation, always makes much account of operation efficiency and returns on investment, adheres to the strategy of “dominating the market gradually through making the existing businesses stronger and accumulating capital”.

d. Product portfolio

The Company has a full range of feed products. The sales volume and development of swine, poultry, ruminant and aquatic feed products have achieved great achievements respectively, which could avoid operational risks caused by diseases in certain animals or other circumstances.

e. Financial risk control

The Company always attaches great importance to financial risk control. Since going public, it has gradually improved internal control system, regulated corporate governance structure and enhanced the awareness of risk control to avoid financial risks. The Company takes a vertical management in finance, managing loans, cashes and guarantee policies in a centralized manner to improve capital usage efficiency, lower capital costs and

ensure capital safety. The Company effectively controls liabilities and financial costs according to economic circumstances, industry development and internal operations. The asset-to-liability ratio was 28.97% at the end of reporting period. Entering 2020, corporate risk control becomes critically important especially under the complicated economy caused by COVID-19. Thus, the Company will further improve its risk control management whilst maintain stable operation.

3. Perfecting and competitive industrial layout

The Company's industrial layout advantages mainly reflect in location and industrial structure.

a. Geography location

The head office of the Company is located in Shenyang of Liaoning province, with its main businesses mainly distributing in Northern China, especially in the Northeast regions. Northeast China is a potential growth area for animal husbandry designated by the government, where is suitable for agricultural companies to expand business supported by its high-quality raw materials, mild climates, low raising density and relatively low human resource costs. For instance, corn produced by Northeast regions has the characteristics of "high bulk density, low toxicity and low moisture", which enables the Company to reduce purchasing costs whilst ensuring feed product quality. Meanwhile, white feather broiler production of Liaoning, Jilin, Henan, Hebei and Shandong provinces where the Company's white feather broiler integration mainly distributed, accounts for over 75% of national production, and these areas are the most important regions for developing white feather broiler industry in China, with a good basis for white broiler raising and more mature marketing system. Moreover, the Company actively explores overseas markets in answering the call of "the Belt and Road Initiative", building plants in the Philippines, Indonesia and Nepal, where animal husbandry develops well with high potential.

b. Industrial structure

Centered on agricultural and animal husbandry industries, the Company adopts the layout strategy of "diversification and integration" to constantly optimize its industrial structure, and its anti-risk capacity and sustained profitability have been increasingly heightened. In terms of diversification, the Company is steadily developing its feed business and at the same time vigorously promoting its broiler and hog integration businesses, striving to build

an operation model powered by these two integration businesses. The staggered fluctuations in broiler and hog industries can effectively reduce the risks from cyclical swing and promote information sharing and collaborative development among the Company's different business divisions. In terms of integration, both from seeing the history of agricultural and animal husbandry enterprises in developed countries and seeing China's rapidly changing industrial landscape, the integrated business model is the inevitable direction for China's agricultural and animal husbandry companies. After years of development in the raw materials trading, feed, animal raising, slaughtering, further processing and food businesses, the Company has basically formed an industrial chain with competitiveness and risk prevention capability and it is gradually perfecting the supporting capability of each business in the chain, whilst constantly standardizing and optimizing know-how and operation system to further enhance the synergy effect among them.

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

The Company's R&D system always lives up to the mission of "using advanced technology, excellent service and outstanding products to promote the development of China's livestock industry, conserving resources, protecting the environment, providing food security and benefiting the society". Driven by the market-oriented and customer-oriented principle and the goals of "safe products, stable quality, tailor-made nutrition and powering business performance", the R&D team are constantly innovating technology and developing new products.

a. Excellent R&D team

Relying on a relatively complete industrial chain, the Company has built a R&D team specialized in animal raising, product formulating, manufacturing and other technologies in the fields of feed, poultry, hog, biological feed additive, etc. Assisted by more than one hundred masters, doctors, professors and senior experts who have profound knowledge and experiences, the R&D team apply cutting-edge technology into practice to boost the Company's know-how improvement. Relying on powerfully technical strength, the Company has received national and local level of accreditations and honors, including National-recognized Enterprise Technology Center, National and Local Collaborative Engineering Research Center for New Biological Feed, Branch Center of Feed Processing of

National Agricultural Product Processing, Comprehensive Trial Farm for National Hog Raising Industry Technology System, Agricultural Products Further Processing and Bio-pharmaceutical Industry Cluster of Liaoning Province, Innovation Team for Feed Technology and Safety of Liaoning Province.

b. Competitive R&D cooperation

In 2006, the Company partnered with Royal De Heus, a centurial-old Dutch company, to fully draw on its global reach, advanced technical resources, leading know-how and a century of management experience, making breakthroughs in safe and high quality feed, precise and efficient nutrition as well as antibiotic free technology. The Company's R&D team has maintained regular, high-frequency technical exchange with Royal De Heus, which enables the Company to keep abreast of the world's latest technologies. Meanwhile, by combing with self-owned 25-year's technology with the latest technology in the industry, the Company is committed to providing customers with better quality products and technical service, it has also established technical cooperation and other cooperative projects such as "Academician Workstation" and " Official Research Base for Postdoctoral Fellows".

c. Fruitful research achievements

In recent years, the Company has launched over 70 research projects with more than 10 new products and technologies developed every year, by far 62 patents have been authorized, including 44 patents for invention. It also received 2 prizes of national-level awards related to science and technology progress, 1 technological invention award and nearly 20 provincial and ministerial-level science and technology awards. In 2019, the Company participated in formulating 2 national standards, i.e. Feeding Standard for Starter and Growing-finishing Pig, Formula Feed for Layer and Broiler, also participated in formulating another 7 community standards, i.e. Concentrate Supplement with Co-fermented Bacteria and Enzyme for Lactating Cow organized by Beijing Bio-feed Industry Technology Innovation Strategic Alliance, etc. The Company, as an organizer, cooperated with other 8 companies to undertake the major sci-tech project of Liaoning province from 2019 to 2021, i.e., Feed Quality and Safety Control and Low Protein Feed. Meanwhile, as one of the important participants, the Company also took part in the project of Formulating Technology for New-type Amino Acid Used in Feed and Swine Feed

with Low Protein led by Professor Qiao Shiyan of China Agricultural University, won the second prize of National Science and Technology Invention Award in December 2019.

In front of the continued influence of ASF, in 2019 the Company successfully developed line of products named “Wellhope Immune Nutrition”. In view of the shortages of hog inventories and high price, the Company immediately launched high yield and fast-growing products, whilst due to the demand of fattening more than 120 kg hog in some regions, it timely developed super-large swine feed. The technology research has significantly contributed to the growth of the Company’ swine feed under the negative influence of ASF. Meanwhile, the Company also improved feed conversion ratio of broiler feed and the feeding program of layer, as well as increased input in ruminant and aquatic feed, to significantly heighten its product strength, which were widely recognized by the market. In July 2020, feed industry will usher in the era of antibiotic-free, the Company has figured out comprehensive schemes to completely substitute the antibiotics in feed, which have achieved good results, thereby it is convinced to face the new era.

Moreover, the Company has also made great progress in broiler raising. By developing and formulating different types and combinations of feeding and raising models, the Company further improved feed conversion rate, reduced mortality and culling rate, and promoted growth potential. It also made significant breakthrough in three-tier cage system and benefited from this, some of its technologies, including minimum ventilation for caged broiler, automatic controls of housing environment, ventilation and air inlet, automatic backwash water system and the control rate of weekly weight-gain, reached top level among peers in the industry. Meanwhile, by applying PCR, the early warning technique and HTSI, the monitoring technique, the Company can monitor the disease to realize early discovery and diagnosis as well as early treatment to prevent disease.

In the field of hog raising, by adopting the technologies of molecular markers, target gene sequencing and statistic of production traits, the Company has established full phenotype database and genotype database for new Danbred swine in the Northeast regions. Through association analysis, specialized strain cultivation of Danbred swine can improve breeding efficiency, save costs and heighten the accuracy of breeder selection. Meanwhile, relying on know-how of formulating precise nutrition for high-yield sow, the Company has accurately divided the feeding program of gilt into three stages to meet its growth needs.

During the gestation period, the Company adopts a two-stage feeding model with "high and low" nutrition, by doing this, the constipation of sow has been below 5%, and the delivery time has been shortened by about one hour, 90% of sows can be controlled within 2-4 hours, whilst it can quickly realize maximum feed intake after delivery and the average feed intake during lactation period increases by 0.5-1.0kg, meanwhile, the breeding rate of sows can reach more than 92% after one week of weaning and the average weaning weight of piglets increase by at least 10%. This achievement has reached the leading level nationwide. Furthermore, the Company has determined the main means to test ASF for farms, formulated operation requirements and provided timely trainings to guarantee healthy operation of farms.

d. Top-class testing ability and database

The Company's R&D and testing center has been accredited as National Laboratory by CNAS (China National Accreditation Service for Conformity Assessment), equipped with advanced testing equipment and composed of three types of testing rooms in terms of physics and chemistry, microbiology and precision instruments. From micro to macro, the testing center is able to ensure the quality security in every step. The Company has become one of the first companies capable of testing for prohibited additives, and as a national key laboratory, its test results can be recognized in 60 countries or regions around the world. Meanwhile, the Company has established self-owned raw material database and also shares data resources of the Dutch partner, using regression equations to calculate the energy dynamics of raw material, basing on the production performance and feed intake to precisely formulate animal nutrition with lowest cost to achieve the best cost-effective.

5. Constantly enhanced and full-fledged Wellhope Brand

The Company has successfully established its product and corporate brand in domestic husbandry industry over the past 25 years. As the husbandry industry keeps evolving, its brand effect will be further highlighted.

a. Product brand

Over the years, relying on leading-edge technology, high quality products and continuously improved customer service, the Company's brand has been widely recognized and trusted by customers. With the outbreak of ASF, the demand of products with high nutrition and

immunization rose, moreover, high pork price fueled the need of products with high yield and fast weight-gain. Under the backdrop of this, the sales volume of the Company's swine feed realized a year-on-year growth rate of 7.7%, which can prove the high-quality positioning and market recognition of the Company's products. The brand "Wellhope" has been honored as Liaoning Province Famous-brand Product, Liaoning Province Famous Trademark, China Famous Brand, China's Top 500 Most Valuable Brands, Most Influential Brand in National Animal Husbandry Industry, Trustworthy Product in China's Feed Industry, etc. In 2019, the Company won the Liaoning Governor's Quality Award for its excellent business management and product strength.

b. Corporate brand

Driven by the core values of "Integrity, Responsibility, Win-Win", some of the Company's businesses are joint ventures with partners, it has been working together with many partners for more than 10 or even 20 years, including a 14-year's good relationship with Royal De Heus. These successful cases of cooperation can adequately prove that "Wellhope", as a corporate brand, has been well recognized and trusted by its partners. Meanwhile, the strength of the Company's brand can also be proved by long-term strategic partnerships with a number of multinational and domestic suppliers, by financial institutions granting loans on credit due to our good reputation. As an employer brand, "Wellhope" has been recognized and favored by employees as well as pursued by job seekers. In 2019, in the recommendation and selection of national model enterprise or industrial park with harmonious labor relations initiated by the Ministry of Human Resources and Social Security, the Company was awarded as "National Model Enterprise with Harmonious Labor Relations", commended by the National Tripartite Evaluation and Commendation Office, meanwhile, the Company was awarded "Best Employer" again by Zhaopin.com. In March 2020, the Company's online recruitment even attracted more than 500 fresh graduates and experienced job hunters.

6. Development-oriented and deeply rooted corporate culture

After 25 years of development, the Company has formed development-oriented and widely recognized corporate values of "Integrity, Responsibility, Win-Win", meanwhile, its management culture of "Innovation, Efficiency, Self-Discipline" has been deeply entrenched in the mind and practice of staff.

The core culture, represented by Wellhope Vision, declared at the very beginning of establishment, 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, described as "Save resources, protect the environment, provide food security and benefit the society", has been the basic principle of business operation of the Company and powers its further progresses.

2019 was the year for the Company to vigorously publicize and further implement its corporate culture into practice, a series of activities were held throughout the year. 4 times of live streaming were held for executives to share their stories related to the Company's culture, 12 vice presidents and above level managers shared their stories to help staff to understand the essence of corporate culture, attracting more than 250,000 visitors. Meanwhile, the Company updated publicity materials for corporate culture, collected relevant stories to promote the corporate culture in a way that was closer to employees' work and life. Moreover, the Company is preparing to formulate the Corporate Code of Conduct, which will keep the corporate culture in line with behaviors, integrate the practice of core values with all staff's performance appraisal. Now the Company is well on its way to constantly exploring more effective ways to entrench culture in employees' practices, making the corporate culture further contribute to its development.

In the face of the COVID-19 epidemic in 2020, the Company is one of the first agricultural enterprises to resume work. In order to maintain operations and meet customer's demand, many managers and employees overcame many difficulties and actively returned to work, doing their best to organize production and ensure supply, their devotions and passions to job touched us deeply. All these stems from the strength of the Company's culture, the sense of mission and responsibility as well as love for the Company. The history of the Company fully proves that each time when the Company faces difficulties and trials, its corporate culture assists the Company to defeat hard time and to soar to broader horizons.

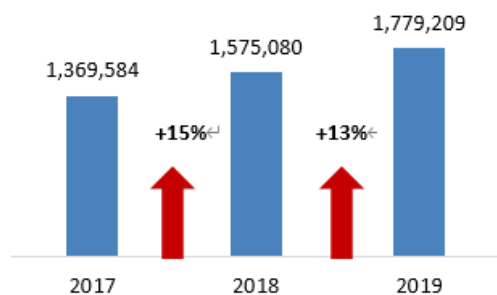
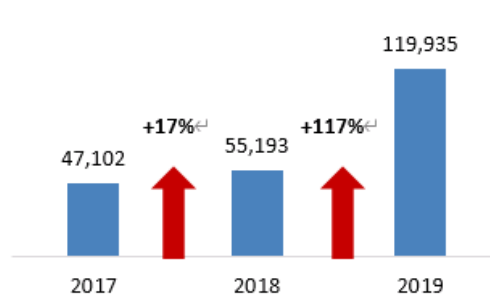
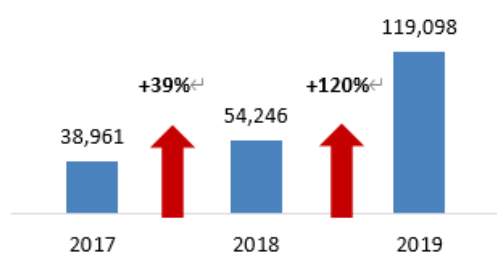
Section IV Business Operations Analysis

I. Overview

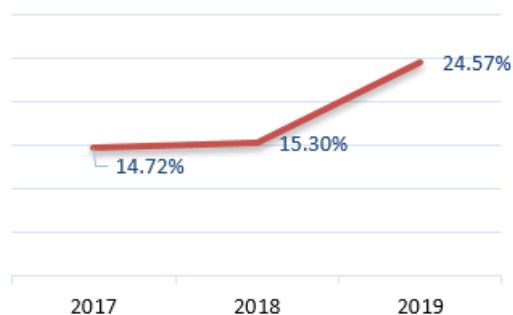
In 2019, the import of major agricultural products and the original agricultural supply chain were impacted by changeable world's political and economic situations and the Sino-US trade friction. Meanwhile, as the rampant spread of ASF in China has become a normal phase, hog price soared whilst the deliveries dropped sharply. ASF changed the layout and structure of hog industry and further accelerated the reshuffle of feed and hog industries. Facing unfavorable factors at home and abroad, the Company's management team overcame difficulties, concentrated on operations to seize opportunities and accelerate business distribution, whilst all staff had clear goals and high morale to power the Company's progress. Moreover, the Company has always maintained a healthy and rapid development, achieving growth in operating revenue and net profit attributable to its parent company for 6 consecutive years. The Company's sales volume and operating performance both reached new record highs in 2019 and its profitability and position in the industry continued to improve. Since going public in 2014, the compound growth rates of the Company's operating revenue, net profit attributable to the parent company and net profit attributable to the parent company deducting non-recurring gains and profits have reached 13%, 38% and 42% respectively, highlighting its long-term growth potential.

1. Business highlight

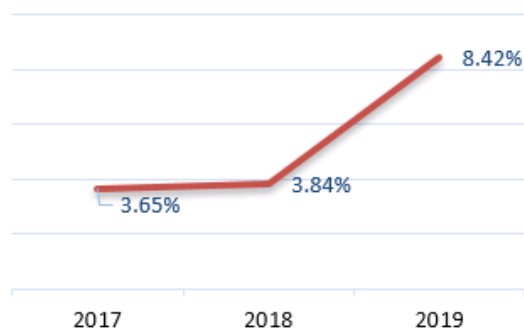
During the reporting period, total operating revenue of the Company realized RMB 17.792 billion, total profit reached RMB 1.582 billion, the net profit attributable to the shareholders of the Company realized RMB 1.199 billion and the net profit attributable to the shareholders deducting non-recurring gains and losses reached RMB 1.191 billion, achieving year-on-year growth rate of 12.96%,128.79%,117.30% and 119.55% respectively. The weighted average return on equity reached 24.57%, increased by 9.27 percentage points compared with prior year, whilst the asset-liability ratio was 28.97%, which has been lower than 40% since going public, significantly bettering than the industry average level.

Operating revenue
(RMB 10,000)Net profit to shareholders
(RMB 10,000)Net profit to shareholders after deducting
non-recurring gains and losses
(RMB 10,000)

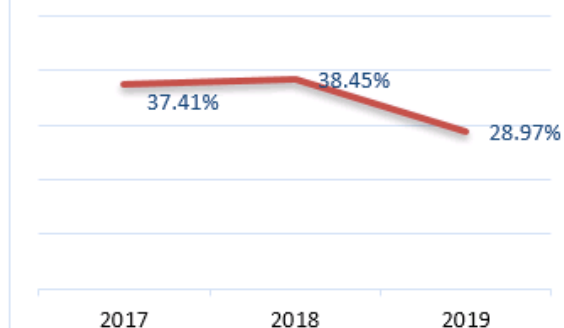
Weighted average ROE



Net profit margin on sales



Asset-liability ratio



2. Business review

A. Feed business

In the reporting period, the Company's holding and associated companies totally manufactured 4.96 million tons feed with a year-on-year growth rate of 17%. Among feed entities, 16 plants produced 100,000 tons feed per year respectively (9 holding and 7 associated), Dalian Heyuan, one of the subsidiaries, produced over 420,000 tons feed this year. Meanwhile, the entities included in the consolidated scope produced 2.62 million tons feed in 2019, increased by 11.29%, the sales volume of swine feed increased despite

the negative influences of ASF, poultry, ruminant and aquatic feed also achieved record highs. In 2019, feed business contributed towards the operating revenue of RMB 7.786 billion with a year-on-year growth rate of 6.68%, the gross profit rate reached 12.52% by a growth of 0.51 percentage points. Although under the adverse situation of ASF, both sales volume and gross margin of the Company's feed business grew.

Feed sales volume in 2019:

Item	2019 (10,000 tons)	2018 (10,000 tons)	Year-on-Year Change
Pig feed	90.91	84.41	7.70%
Poultry feed	106.67	93.38	14.23%
Ruminant feed	44.80	40.29	11.18%
Aquatic feed	15.77	14.64	7.71%
Other feed	3.61	2.49	45.25%
Total	261.76	235.21	11.29%

Explain: Total feed sales volume in the table belongs to the companies included in the consolidated scope.

a. Innovating marketing to increase market share

--Swine feed: Sales volume reached 0.909 million tons, increased by 7.70% on a year-on-year base, of which the sales volume of starter feed with high gross profit margin increased by 14.14% and piglet feed increased by 13.05%. In order to cope with ASF, the Company accelerated product innovation, carried out researches on high-nutrition feed to improve animal's immune and launched well-received flagship products named "Wellhope Immune Nutrition". The Company also adjusted feed process parameters, including high-temperature pelleting and other measures to control the epidemic from the source. Meanwhile, it took the advantages of technology, brand and sales network to implement accurate research, service and marketing, also provided technical services and guidance to customers via online platforms such as live broadcasting, official WeChat and Kuaishou. By holding a series of live broadcasting courses and inviting many domestic and foreign experts to deeply analyze ASF and explain deep insight into the countermeasures, the customers' stickiness and loyalty have been continuously improved. Due to high hog price, only live hog can make money, thereby farmers prefer feed products with good quality, strong service and outstanding brand, in the meantime, the outbreak of ASF accelerated the pace of weeding out unqualified players. Supported by these factors, although

domestic hog inventories plummeted, the market share of the Company's swine feed still increased significantly.

--Ruminant feed: Sales volume reached 0.448 million tons with a year-on-year growth rate of 11.18%. Among them, the sales volume of beef cattle and mutton sheep realized 0.204 million tons with a year-on-year growth rate of 32%, increased by 70% compared with 2017, which has maintained high growth for many consecutive years. In recent years, some domestic dairy enterprises and farms have gradually turned to self-produced feed. Great changes have taken place in the supply and demand of the market, while the market space for commercial dairy cattle feed is getting smaller and smaller. Disorderly competition in beef cattle and mutton sheep industries is also increasingly fierce. While stabilizing the market share of dairy cattle, the Company made great efforts to develop and promote beef cattle and mutton sheep products in virtue of its brand influence and service strengths. Centering on middle and high-end market, the Company has continuously increased the market share of beef cattle and mutton sheep, which has become the main growth point of the Company's ruminant feed.

--Poultry feed: Sales volume reached 1.067 million tons with a year-on-year growth rate of 14.23%, among them, layer feed increased by 12% and broiler feed increased by 16%, whilst duck and goose feed increased by 354%. The Company began to lay out broiler integration business in 2008, and it has successively explored the businesses of egg and pullet rearing in recent years. In the future, it plans to gradually build layer integration business to promote the rapid development of layer feed and further increase market share.

--Aquatic feed: Sales volume realized 0.158 million tons with a year-on-year growth rate of 7.71%. According to the changes in domestic aquaculture, the Company strategically adjusted the portfolio of aquatic feed, increased the percentage of shrimp and crab feed, heightened related research input and market development, the sales volume of shrimp and crab feed increased by 87% compared with prior year. Now the Company's aquatic feed has been accumulating location advantage and brand effect.

b. Heightening feed plant operation to improve quality, efficiency and to reduce costs

In 2019, the Company closely centered on market demand, gave full play to synergy effect

among functional departments, finely controlled the production plan and paid close attention to product quality and fine management to reduce costs and improve efficiency. The Company's intelligent premix factory, equipped with the largest production capacity and the most advanced equipment and facilities in China, was officially put into operation and the products can be traced back to the whole process. While doing a good job in production, the Company continued to enhance strategic partnerships with many large raw material suppliers at home and abroad, saved costs and improved the profitability of products through further centralized purchasing and basis.

B. Broiler integration business

The Company's broiler integration business has been developing rapidly in recent years, with steady improvement in production scale, supporting capacity and profitability. According to broilers totally slaughtered by its holding and associated companies, the Company has now entered the first echelon of China's white broiler industry.

In 2019, the white broiler industry ushered in a historic strong cycle with higher profit level throughout the year. Relying on accurate prediction of the market trend, the Company seized the opportunity to accelerate the layout externally and strengthen lean management internally, achieving a historic breakthrough.

a. Accelerating external investment and actively expanding the production scale

According to the development strategy, in recent years the Company has been actively expanding production capacity, training and reserving a large number of talents and technical backbones. This year, the Company grasped the opportunity to rapidly expand production scale under the short supply, newly built 5 breeder farms, 2 hatching farms and 450 commercial broiler houses. The Company's holding and associated companies raised 421 million white broilers with a year-on-year growth rate of 36%, totally slaughtered 524 million broilers with a year-on-year growth rate of 15%, whilst totally produced 1.338 million tons of broiler parts products with a growth rate of 18%. In addition, this year, the Company signed strategic framework agreements with Taiqian County People's Government and Yixian County People's Government respectively to build two new projects, which will provide the new capacity of 100 million day old chicks, 180 million raised and slaughtered broilers and 20,000 tons cooked food per year. Thereby, the

industrial chain of the Company's white broiler business and comprehensive competitiveness will be further enhanced.

b. Strengthening lean management internally to create cost-efficiency advantages

The Company's broiler integration business has always adhered to lean management, where all regions cooperate with each other and all companies operate independently. Through benchmarking management, the Company continuously optimized its operation indicators, improved per capita efficiency and reduced cost. With the goal of "enabling internally supplied broilers to fully meet the Company's slaughtering demand", the business unit of broiler raising had made great efforts to vigorously promote broiler production to increase synergy effect with slaughtering unit, also improved production safety and efficiency to heighten production performance. At present, the Company's production performance ranks top level among peers, such as, the average delivery weight of commercial broiler can reach 3kg, with an average liveability of more than 95% and the European benefit index of more than 390. Meanwhile, driven by optimizing operating cost and product mix, the business unit of raw meat processing has constantly automated slaughtering equipment, improved efficiency and product competitiveness. Moreover, the business unit of further processing has been committed to further improving its production scale and product quality, strengthening the safety and added value of end products and striving to expand foreign markets.

c. Continuously optimizing industrial chain, deeply promoting prepared food business

In 2019, 80% of the Company's slaughtered broilers were supplied by its self-owned farms and contract farms, increased by 12 percentage points over last year. The number of self-produced broilers gradually approached to the Company's slaughtering needs, the industrial chain has been continuously optimized. In terms of prepared food business, the Company further improved product portfolios according to customer needs and further developed high-quality and cost-effective products, which steadily increased added value of products and brand premium. Meanwhile, after successfully opening and stabilizing the markets in Liaoning, Jilin, Heilongjiang and Inner Mongolia provinces, the Company continued to expand markets in North and East China and quickly seized Japan's high-end cooked food market and has been looking for new opportunities in overseas market. In

2019, the Company's holding and associated companies produced and sold 15,000 tons of prepared food, increased by 52% compared with the same period of prior year. The industrial chain quickly extended to the end users and the brand influence continued to increase.

C. Hog raising Business

The Company re-formulated its strategic plan in 2018 and planned to take 5-8 years to create a complementary operation model powered by two engines in terms of broiler and hog integration businesses, thus the core strategic position of hog raising business has been confirmed. In 2019, faced with the unfavorable environment that ASF spread the entire industry, as a newly developing hog raising player, the Company took a number of measures to actively push related businesses, including high-quality breeder raising and sales, piglet sales, expanding finisher raising, also cultivated hog slaughtering and related business in the industrial chain. During the reporting period, 270,000 heads of hog have been delivered to the market by the Company's holding and associated companies.

a. Rapid developing existing farms and active promoting of capacity expansion

During the reporting period, the Company actively overcame the impact of the epidemic and rapidly developed its farms, in addition, the Company actively promoted capacity expanding and prepared for several projects in Henan, Hebei, Anhui, Heilongjiang and other regions. In the meantime, the Company's new projects in Liaoning and Jilin provinces have been put into operation respectively. During the reporting period, the Company's farms actively refined their internal management and strengthened talents recruiting and training.

In 2019, the Company seized the opportunity of shortage of hog inventories to expand business. Currently, the sow farms with different scale have been under construction, which are expected to be completed and put into operation after August 2020. It plans to cooperate with Anhui Haoxiang Agriculture and Animal Husbandry to rebuild 3 new farms in Anhui province in 2020, the sow farms and finisher farms cooperated with Jiahe Agriculture and Animal Husbandry in Heilongjiang province is expected to gradually release production capacity in 2020, and sow farms in North China are planned to be put into operation in the third or fourth quarters of 2020. At the same time, the Company's

new projects in Liaoning and Jilin provinces were put into operation in 2019, among which, the first phase of Shangnian breeder farm in Fushun city was officially put into operation in April 2019. Currently, it has sold high-quality commercial piglets to the market and received good feedback. It plans to build follow-up projects such as the second phase of parent stock farm, meanwhile, Fushun Guanmenshan breeder farm was put into operation in December 2019 and is expected to sell commercial piglets in October 2020. Jilin Hefeng breeder farm was put into operation in December 2019 and commercial piglets are expected to be sold in July 2020.

In addition to above projects, the Company is preparing to build the breeder farm in Lingyuan Lijayingzi village, which is expected to be completed by the end of 2020. The 500,000 heads of hog integration project built by the Company in cooperation with Aohan Banner People's Government has been designed, which is scheduled to be built in the autumn of 2020.

In 2019, while actively expanding its production capacity, the Company continued to refine its breeding technology and optimize herd structure, meanwhile, it constantly optimized and upgraded the equipment and environmental control facilities of self-built farms and contract farms. Moreover, the Company further improved management support for contract farms and provided them guidance and services, including herd management, feeding procedures and disease prevention, etc., to help farmers improve their management level and increase benefits.

In terms of talent training, Lingyuan breeder farm, a subsidiary of the Company, as the designated trial farm for national hog raising industry and the Company's training base for talents, actively trained technical staff for different hog projects of the Company, whilst steadily promoted its own hog breeding business. At the same time, the Company vigorously reserves outstanding talents through internal selection, external recruitment and other means to reserve talents for hog raising business.

b. Entering hog slaughtering business to complete the industrial chain

In 2019, the Company and its partner registered Chifeng Fuxinyuan Food Co., Ltd., which has two hog slaughtering and processing lines, with an annual production capacity of 1 million heads of hog and a 20,000-ton low-temperature storage house. The start-up of this

project will further improve the Company's industrial chain and enhance market competitiveness.

c. Strictly preventing ASF to ensure production safety

As ASF became the periodically normal phase, during the reporting period, the "Anti- ASF" supervision team of the Company's head office in conjunction with the bio-safety supervision departments and engineering departments of its subordinated farms, continuously upgraded the prevention system, equipped or transformed the facilities for preventing ASF, optimized bio-safety operation procedures and carried out all-round supervision through cameras, patrol inspection and other means to ensure the implementation of preventing measures. At the same time, the farm's decontamination department strictly set up a three-level system to comprehensively clean vehicles and materials close to the farm, whilst the professional testing center conducted defensive tests inside and outside the farm to ensure production safety. The Company has also continuously improved its support for contract farms, provided comprehensive guidance and services such as safe material supply, ASF monitoring and professional support teams, so that farmers can safely raise hogs in closed environment.

d. Feed raw materials trade business:

During the reporting period, the Company's raw material trade business realized the sales revenue of RMB 2.75 billion, decreased by 16.02% compared with the same period of prior year. The main reason was that soybean meal, as the Company's main product line, faced abnormal market price fluctuations affected by Sino-US trade friction, which had a great impact on the Company's purchase and sales businesses and caused losses. Fish meal, another major product, was also affected by fluctuations in exchange rates, which reduced final profits. In 2019, the IT construction for trade business has basically completed. Rapid data analysis and accurate marketing management have made the operation of the trade business more standardized and efficient.

D. Other work

a. In 2019, the Company participated in formulating 2 national standards, i.e. Feeding Standard for Starter and Growing-finishing pig, Formula feeds for Layers and Broilers, also participated in formulating another 7 community standards, i.e. Concentrate Supplement

with Co-fermented Bacteria and Enzyme for Lactating Cow organized by Beijing Bio-feed Industry Technology Innovation Strategic Alliance. The Company, as an organizer, cooperated with other 8 companies to undertake the major sci-tech project of Liaoning province from 2019 to 2021, i.e. Feed Quality and Safety Control and Low Protein Feed. Meanwhile, the Company participated in related projects, including Joint Building Chicken Net Energy Nutrition Technology System, which is chaired by Professor Guo Yuming of China Agricultural University, and the Application of Fermented Feed for Piglet under Antibiotic-free Raising together with Zhejiang University. As one of the important participants, the Company also took part in the project of Formulating Technology for New-type Amino Acid Used in Feed and Swine Feed with Low Protein led by Professor Qiao Shiyan of China Agricultural University, won the second prize of National Science and Technology Invention Award. So far, the Company has won 3 types of national-level sci-tech awards. The project of Research and Application of Biological Feed Additive jointly completed by the Company and the researcher Ding Hongbiao of the Institute of Feed of the Chinese Academy of Agricultural Sciences, won the second prize of the Shennong Agricultural Science and Technology Award. As the leading organizer, the project of Research and Promotion of Energy-saving and Eco-friendly Animal Feed won the second prize of Science and Technology Award of Liaoning Province. Moreover, the "W.in 5i88" product was honored as 2019 China's Outstanding Swine Feed Star -Innovation Award. In 2019, the Company newly applied for 14 patents and 6 authorized patents, including 4 patents for invention, thus, its authorized patents amounted to 62, including 44 patents for invention.

b. Implementing talent strategy via multiple measures

The Company has always taken talents as its most valued resource and share profits with the employees, it has innovated in introducing, cultivating, evaluating and incenting talents and created a competitive employer brand. During the reporting period, the Company achieved the performance appraisal objective for the first locking-up period stated in its 2018 Restricted Stock Incentive Plan, achieved a win-win situation with its employees. Meanwhile, the Company focused on improving salary system, building talent pools to form a high-quality and innovative staff team with high potentiality, which has laid a solid foundation for its long-term and healthy development. Furthermore, the Company

always sticks to publicize its corporate culture to make the core value of “Integrity, Responsibility and Win-Win” and the management culture of “Innovation, Efficiency and Self-Discipline” deeply entrench in the behaviors of staff, so as to further enhance the vitality and cohesion of the Company. In 2019, the Company received the honor of Top 10 Enterprise with Outstanding Corporate Culture in animal husbandry and feed industries.

c. Further promoting performance excellence model

The project of “Management Improvement based on Performance Excellence Model” has finished its introduction and project evaluation and entered it’s the phase of further promotion. In 2018, the Company revised its strategic layout and development goals for the next three years and ten years, improved function line strategies and further confirmed their KPI. Meanwhile, it formulated the “Strategic Management Approaches of Wellhope”, defining requirements of annual strategic management and reorganizing internal operation system. Relying on continuous promotion of this management model and self-improvement, it will generate internal force, constantly improve the Company's overall management level and core competitiveness, and gradually achieve excellent management performance.

d. Fully deepening IT application

In 2019, the Company fully deepened its IT application. It reorganized its information resources for group control, feed, broiler integration, raw materials trade, pet clinics, engineering management to build a solid foundation for data management. Meanwhile, it built a mixed cloud-based system architecture on the basis of HUAWEI cloud serving to establish a flexible and agile IT system and achieve off-site disaster recovery. Furthermore, the Company completed the innovative application of information technology in its feed business division, including ecosphere management, business process reengineering and decision data analysis, it also finished to apply IT system in the sectors of breeder, hatchery, feed and broiler raising in the demonstrated entities of its broiler integration business, and it built an ERP system for raw material trade business that connected business process with financial management, it also completed the interface connection between the business system and financial system in its pet clinics and started to introduce ERP system in its hog raising business.

E. Honors received in 2019

- China's Top 100 Public Company by Corporate Value in the Main Board Market for 2016, 2017, 2018
- China's Top 100 Enterprise in Light Industry for 2018, ranking 40
- China's Top 100 Enterprise in Light Industry Technology, ranking 21
- China's Top 50 Enterprise in Light Industry and Food Industry, ranking 12
- Top 5 Valuable Brand in Agriculture for 2018
- Listed in High-quality Pioneers of China's Public Company
- National Harmonious Labor Relationship Model Enterprise
- Rated Level-A in Information Disclosure by Shanghai Stock Exchange in 2018 and 2019
- Liaoning Province Governor's Quality Award

II. Operations Analysis

As at December 31, 2019, the Company's total assets recorded RMB 9.15 billion, the owner's equity attributable the Company reached RMB 5.70 billion, increased by 32.02% and 47.93% respectively compared with the end of prior year, meanwhile, its operating revenue realized RMB 17.79 billion and the net profit attributable to the shareholders of the Company reached RMB 1.20 billion, recorded the growth rate of 12.96% and 117.30% respectively.

1. Analysis of primary business**A. Analysis of changes of income and cash flow**

Unit: yuan Currency: RMB

Item	2019	2018	Change %
Operating revenue	17,792,091,973.58	15,750,798,120.67	12.96
Operating costs	15,792,020,015.55	14,421,297,677.40	9.50
Sales expenses	487,217,524.04	420,646,753.59	15.83
Administrative expenses	275,560,691.30	227,941,858.19	20.89
R&D expenses	65,209,116.65	61,100,349.28	6.72
Financial expenses	76,392,967.30	74,900,937.42	1.99
Net cash flow from operating activities	1,111,605,966.58	501,404,915.59	121.70
Net cash flow from investing activities	-874,207,823.29	-509,731,536.62	not applicable
Net cash flow from financing activities	378,955,170.80	166,992,723.63	126.93

B. Analysis of revenue and cost

During the reporting period, the Company achieved an operating revenue of RMB 17.79 billion with a growth rate of 12.96%, which was mainly contributed by the increased sales

revenue of feed and broiler integration businesses; the operating cost recorded RMB 15.79 billion with a growth rate of 9.50 %, mainly due to the increase in sales volume and sales revenue.

a. Primary business analyzed by industries, product classification and regions

Unit: yuan Currency: RMB

Analyzed by Industries						
Industry	Operating revenue	Operating cost	Gross profit margin %	YoY change of revenue %	YoY change of cost %	YoY change of gross profit margin %
Feed	7,785,871,895.11	6,810,914,502.60	12.52	6.68	6.06	Increased by 0.51 percentage points
Broiler integration	6,599,207,553.65	5,810,795,248.86	11.95	41.37	32.74	Increased by 5.73 percentage points
Raw materials trade	2,749,950,323.12	2,646,038,315.07	3.78	-16.02	-16.18	Increased by 0.18 percentage points
Hog raising	202,271,755.12	156,213,008.49	22.77	74.63	29.74	Increased by 26.72 percentage points
Related businesses	445,780,890.36	364,178,194.88	18.31	15.58	7.57	Increased by 6.08 percentage points
Analyzed by Product Categories						
Product	Operating revenue	Operating cost	Gross profit margin %	YoY change of revenue %	YoY change of cost %	YoY change of gross profit margin %
Feed	7,785,871,895.11	6,810,914,502.60	12.52	6.68	6.06	Increased by 0.51 percentage points
Broiler integration	6,599,207,553.65	5,810,795,248.86	11.95	41.37	32.74	Increased by 5.73 percentage points
Raw materials trade	2,749,950,323.12	2,646,038,315.07	3.78	-16.02	-16.18	Increased by 0.18 percentage points
Hog raising	202,271,755.12	156,213,008.49	22.77	74.63	29.74	Increased by 26.72 percentage points
Related businesses	445,780,890.36	364,178,194.88	18.31	15.58	7.57	Increased by 6.08 percentage points

Analyzed by Regions						
Region	Operating revenue	Operating cost	Gross profit margin %	YoY change of revenue %	YoY change of cost %	YoY change of gross profit margin %
East China	2,318,264,879.54	2,114,066,506.00	8.81	31.71	29.70	Increased by 1.42 percentage points
North China	2,182,297,415.77	1,958,166,930.40	10.27	-18.89	-21.69	Increased by 3.21 percentage points
Northeast China	8,618,028,827.69	7,422,506,070.75	13.87	7.97	2.69	Increased by 4.43 percentage points
Central and South China	2,749,166,429.97	2,547,675,975.73	7.33	46.34	48.42	Decreased by 1.30 percentage points
Southwest China	678,514,121.33	654,379,720.40	3.56	8.22	6.91	Increased by 1.18 percentage points
Northwest China	926,338,963.71	795,009,358.52	14.18	62.09	60.46	Increased by 0.87 percentage points
Oversea	310,471,779.35	296,334,708.10	4.55	33.19	27.45	Increased by 4.30 percentage points

Notes:**--Analyzed by different industries and product classification:**

Since the Company is committed to creating a dual-wheel operation model powered by broiler and hog integration businesses, it has reclassified its products and industries since 2019. Poultry business refers to white-feather broiler integration business included in the consolidated scope. In view of the actual situation of the current industrial chain, the operating revenue is mainly from broiler slaughtering. The hog business refers to hog raising business included in the consolidated scope. Related businesses mainly cover animal husbandry machinery, veterinary medicine, animal health products, food and so on. Related figures in 2018 have been adjusted accordingly.

During the reporting period, under the backdrop of prosperous market, the Company further improved and optimized its layout of broiler integration business and strengthened

in-depth lean management. As a result, its operation ability and profitability in broiler integration were continuously improved and the scale of broiler raising and slaughtering was greatly increased, which drove a year-on-year growth rate of 41.37% in the operation revenue of broiler integration. Meanwhile, in response to the changes in the feed market, the Company has continuously strengthened the researches on feed products, market development and services to further improve product performance and market competitiveness. The feed sales volume has increased by 11.29%, whilst the operating revenue increased by 6.68% on a year-on-year base.

--Analyzed by geographical region:

During the reporting period, the Company's sales volume in North China decreased by 18.89% compared with the same period prior year, mainly because of the selection and distribution of dealers in these regions were changed. However, total sales revenue grew steadily, mainly due to the high sales prices of chicken product and hog in 2019, and the production scale of feed, broiler integration and hog raising businesses have been expanding continuously.

b. Analysis of sales volume

Product	Production volume (10,000 tons)	Sales volume (10,000 tons)	Inventory (10,000 tons)	YoY change of production volume %	YoY change of sales volume %	YoY change of inventory %
Feed	263.80	261.76	5.36	12.31	11.29	61.45

c. Analysis of cost

Unit: yuan Currency: RMB

By Industry	Item	2019	% of total costs	2018	% of total costs	YoY change %
Feed	Raw material	6,249,372,402.87	95.14	6,119,294,900.03	95.63	2.13
Feed	Labor cost	74,966,723.16	1.14	71,606,347.71	1.12	4.69
Feed	Depreciation	79,197,047.98	1.21	79,320,489.62	1.24	-0.16
Feed	Energy (electricity, coal, steam)	79,658,096.87	1.21	63,975,504.94	1.00	24.51
Feed	Other manufacturing expenses (excl. energy and depreciation)	85,185,696.24	1.30	64,591,463.96	1.01	31.88
Feed	Total production cost	6,568,379,967.12	100.00	6,398,788,706.26	100.00	2.65

Broiler	Raw material	5,063,037,156.10	85.28	3,834,135,178.16	85.95	32.05
Broiler	Labor cost	229,677,924.71	3.87	195,744,620.92	4.39	17.34
Broiler	Depreciation	27,153,097.83	0.46	21,215,626.45	0.48	27.99
Broiler	Energy (electricity, coal, steam)	48,744,698.51	0.82	40,266,523.62	0.90	21.06
Broiler	Other manufacturing expenses (excl. energy and depreciation)	568,606,302.57	9.58	369,288,818.78	8.28	53.97
Broiler	Total production cost	5,937,219,179.72	100.00	4,460,650,767.93	100.00	33.10
By Product	Item	2019	% of total costs	2018	% of total costs	YoY change of cost %
Feed	Raw material	6,249,372,402.87	95.14	6,119,294,900.03	95.63	2.13
Feed	Labor cost	74,966,723.16	1.14	71,606,347.71	1.12	4.69
Feed	Depreciation	79,197,047.98	1.21	79,320,489.62	1.24	-0.16
Feed	Energy (electricity, coal, steam)	79,658,096.87	1.21	63,975,504.94	1.00	24.51
Feed	Other manufacturing expenses (excl. energy and depreciation)	85,185,696.24	1.30	64,591,463.96	1.01	31.88
Feed	Total production cost	6,568,379,967.12	100.00	6,398,788,706.26	100.00	2.65
Broiler	Raw material	5,063,037,156.10	85.28	3,834,135,178.16	85.95	32.05
Broiler	Labor cost	229,677,924.71	3.87	195,744,620.92	4.39	17.34
Broiler	Depreciation	27,153,097.83	0.46	21,215,626.45	0.48	27.99
Broiler	Energy (electricity, coal, steam)	48,744,698.51	0.82	40,266,523.62	0.90	21.06
Broiler	Other manufacturing expenses (excl. energy and depreciation)	568,606,302.57	9.58	369,288,818.78	8.28	53.97
Broiler	Total production cost	5,937,219,179.72	100.00	4,460,650,767.93	100.00	33.10

Note:

In 2019, the production cost of the Company's broiler business increased by 33.10%, mainly due to the blooming market of white feather broiler, whilst the price of raw materials (day old chick and delivery broiler) increased, the sales volume of chicken products continued to be increased simultaneously.

d. Top 5 customers and suppliers

The sales revenue of top 5 customers reached RMB 925.65 million, contributing towards 5.20% of the Company's total sales revenue, of which, the sales revenue related to sell products to the related parties reached RMB 592.88 million, accounting for 3.33% of the total annual sales.

The purchase orders of top 5 suppliers reached RMB 2.39 billion, accounting for 15.82% of the Company's purchase orders during the reporting period, of which, the orders related to purchase products from the related parties reached RMB 186.97 million, accounting for 1.24% of the annual purchase orders.

--Other Explanation:

Top 5 Customers

Customer	Business type	Sales revenue (RMB 10,000)	% of total operating revenue
Customer 1	Delivery broiler	20,458.22	1.15
Customer 2	Fish meal	19,868.29	1.11
Customer 3	Chicken product	19,298.66	1.08
Customer 4	Delivery broiler	18,961.91	1.07
Customer 5	Delivery broiler	13,977.62	0.79
Total		92,564.71	5.20

Top 5 Suppliers

Supplier	Business type	Purchase amount (RMB 10,000)	% of total Purchase amount
Supplier 1	Soybean meal, soybean oil, etc.	136,452.71	9.05
Supplier 2	Soybean meal, soybean oil, rapeseed meal, etc.	29,213.44	1.94
Supplier 3	Corn	27,739.74	1.84
Supplier 4	Soybean meal	26,461.30	1.75
Supplier 5	Delivery broiler	18,697.35	1.24
Total		238,564.54	15.82

C. Expense

Unit: yuan Currency: RMB

Item	2019	2018	Change %
Sales expense	487,217,524.04	420,646,753.59	15.83%
Administrative expense	275,560,691.30	227,941,858.19	20.89%
R&D expense	65,209,116.65	61,100,349.28	6.72%
Financial expense	76,392,967.30	74,900,937.42	1.99%

D. R&D Input

	Unit: yuan	Currency: RMB
R&D expenditure		65,209,116.65
Capitalized R&D expenditure		0
Total R&D expenditure		65,209,116.65
% of total operating revenue		0.37
R&D headcount		171
% of the Company's headcount		3.20
Percentage of capitalized R&D expenditure		0

R&D input

In 2019, targeted at product safety, quality stability, tailor-made nutrition and powering business performance, the Company focused on independent innovation, sought innovative inspirations from the market demands and development trends to continuously strength know-how and product identity. In the field of feed business, the Company has carried out nearly one hundred trials to vigorously optimize feed products for swine and broiler, to strengthen feed products for layer and ruminant, as well as to promote aquatic feed products. In the field of raising business, it has heightened the researches on know-how about broiler, duck, hog and food processing. Through accurate nutrition, strict quality control and innovative services, the Company is dedicated to providing customers with integrated solutions.

a. Swine feed:

The Company greatly increased the input in swine feed products, which laid a solid foundation for the growth of swine feed. Under the continuous impact of ASF, the Company successfully launched the line of products named "Wellhope Immune Nutrition" by strengthening the immune nutrition foundation of animals with vitamins and functional amino acids, which was honored as 2019 China's Outstanding Swine Feed Star -Innovation Award. In view of the shortages of hog inventories and high price, the Company immediately launched high yield and fast-growing products, whilst due to the demand of fattening more than 120 kg hog in some regions, timely developed super-large swine feed, which achieved satisfactory results.

b. Broiler feed:

The Company continuously applied and promoted the Pellet-Mash-Pellet feeding mode, and further studied on the post coating technology for liquid ingredients. Meanwhile, powered by scientific diet and nutrition program, as well as good bio-safety and environmental control, the performance of white feather broiler has been further improved, such as when promoting the body weight of broiler reaching 3 kg, the feed conversion rate has been further decreased as well.

c. Layer feed:

The Company constantly optimized the nutrition and feeding programs of chick and pullet, also upgraded 12%-layer premix products, and developed new feed lines for duck, quail and goose. It also started research projects cooperated with China Agricultural University and Jilin Academy of Agricultural Sciences in regard of the rational use of raw materials, improvement of gut health and egg shell quality. Meanwhile, the Company also prepared layer feed without soybean meal and improved the fermenting process of biological feed, which showed good effect on enhancing heat stress resistant in summer and egg quality, increased economic benefits of customers.

d. Ruminant feed:

The Company continuously improved the quality of compounds for calves and growing heifers with the aim to increase lifelong economic profit of dairy cattle. Meanwhile, it offered tailor-made compounds and precise ration program for dairy farms to gradually promote customers' farms to realize precise feeding. Moreover, the Company offered a series of feeding program for finishing lambs to reduce the incidence of urinary stone and improve the profit for customers. In the area of beef cattle, centered on declining metabolic disease and bettering the carcass quality, the Company developed new products that further heightened dressing percentage of beef cattle and improved customer's benefits.

e. Aquatic feed:

The Company formulated a set of fish feeding and water management techniques in winter aquaculture, which significantly decreased feed conversion ratio to save feed consumption, improved the economic benefits of fish farming customers. At the same

time, by using traditional Chinese medicine extract and fermentation technology, it developed fish feed with high immune to decline the morbidity, also launched shrimp and crab feed with high nutrition to improve immune and the advantage of easy-to-process. It also developed eco-friendly feed with low nitrogen and phosphorus excretion for white shrimp culture, which reduced the demand of water source and operating cost. Furthermore, the Company also launched starter feed suitable for special fish, which enhanced the livability of fry and growing performance to increase customer's profit.

f. Technology about antibiotic-free feed/reducing the use of antibiotic in farm:

China's feed industry will step into a new era of antibiotic-free in July 2020. Regarding this, the Company has conducted more than 100 researches and tests about antibiotic alternatives for feed from 2013 to 2019, reserved several programs to entirely substitute feed antibiotics. In 2019, the Company promoted and applied alternative programs in its farms and certain markets, which showed stable results to realize the goal of balanced nutrition, stable and easy to digest, good animals' health, strong immune and anti-stress. At the same time, the Company guided farmers to continuously improve bio-safety, farm management, feeding program and other aspects, striving to achieve non-antibiotic in feed and reduce the use of antibiotic throughout farms.

E. Cash flow

Unit: yuan Currency: RMB

Item	2019	2018	Change %
Cash inflow of operating activities	18,665,159,099.25	16,387,473,689.22	13.90%
Cash outflow of operating activities	17,553,553,132.67	15,886,068,773.63	10.50%
Net cash flow from operating activities	1,111,605,966.58	501,404,915.59	121.70%
Cash inflow of investing activities	348,000,132.83	61,627,106.73	464.69%
Cash outflow of investing activities	1,222,207,956.12	571,358,643.35	113.91%
Net cash flow from investing activities	-874,207,823.29	-509,731,536.62	Not applicable
Cash inflow of financing activities	2,365,290,378.12	1,818,096,102.83	30.10%
Cash outflow of financing activities	1,986,335,207.32	1,651,103,379.20	20.30%
Net cash flow from financing activities	378,955,170.80	166,992,723.63	126.93%
Net cash flow	619,185,607.71	148,523,982.16	316.89%

2. Assets and liabilities

Unit: yuan Currency: RMB

Item	Closing balance of 2019	% of total assets	Closing balance of 2018	% of total assets	YoY change %	Explanation
Monetary capital	1,554,781,324.13	16.99	928,902,753.06	13.40	67.38	In 2019, all business divisions developed rapidly, cash flow generated from business operating increased; the Company issued non-public stock to designated investors in 2019, increased the net flow from financing activities
Trading financial assets	40,000,000.00	0.44	0.00	0.00	Not applicable	Undue financial products
Derivative financial assets	3,912,584.30	0.04	2,042,527.60	0.03	91.56	In order to avoid risk of price fluctuations in the spot market, the Company increased its position of futures assets
Notes receivable	3,696,180.25	0.04	13,611,778.44	0.20	-72.85	Decrease of bills and letters of credit honoured at maturity
Available-for-sale financial assets	0.00	0.00	3,680,000.00	0.05	-100.00	The new standards for financial instruments in accounting policies were implemented, available-for-sale financial assets were classified into other equity instruments investment
Long-term equity investment	2,070,047,882.51	22.62	1,354,820,455.99	19.55	52.79	Associated companies had good performance, the long-term equity investment calculated according to the equity method increased
Other equity instruments investment	5,760,839.23	0.06	0.00	0.00	Not applicable	Newly added other equity instruments investment
Fixed assets	2,023,113,939.02	22.11	1,516,702,438.29	21.88	33.39	Fix assets for broiler and hog raising increased, including houses and equipment
Productive biological asset	94,826,312.88	1.04	30,484,794.88	0.44	211.06	External purchased and self-raised broiler and hog breeders increased
Other non-current assets	337,463,267.56	3.69	197,497,688.18	2.85	70.87	Raising business in 2019 realized rapid development, the production scale of contract farms increased, which led to the increase of

						prepayments of feeding fees
Advance receipt	209,529,248.68	2.29	161,173,916.67	2.33	30.00	Advances on sales increased
Tax payable	37,680,953.84	0.41	28,744,792.72	0.41	31.09	The profit increased, which led to the increase of corporate income tax
Non-current liabilities due within one year	70,593,717.62	0.77	32,999,999.96	0.48	113.92	Long-term borrowings and long-term payables due within one year increased
Long-term borrowings	174,330,000.00	1.91	118,500,000.00	1.71	47.11	Long-term bank borrowing increased
Long-term payable	11,025,000.09	0.12	23,345,833.38	0.34	-52.78	Long-term payables due within one year increased
Deferred income	31,841,250.00	0.35	20,252,967.41	0.29	57.22	The deferred income generated by the government grant received during this period increased
Deferred income tax liabilities	396,995.58	0.00	0.00	0.00	Not applicable	In 2019, the Company's subordinated small and micro enterprises enjoyed the one-time pre-tax deduction policy for fixed assets, the carrying value of assets was greater than tax base, which generated taxable temporary differences

3. Analyses of agriculture, forestry, animal husbandry and fishery industries relating to business operations

A. Fundamental state of industry and the Company

a. Industrial policies and their impacts on the Company

(a) The No. 1 Document issued by the CPC Central Committee proposes to foster a number of multinational agricultural group companies

In February 2019, the No. 1 Document was released, which was divided into eight parts of a total of more than 10,000 words, still centered on the significant importance of the work related to agriculture, farmers and rural areas. This was the 16th time for the No. 1 Document focusing on rural issues since 2004.

The Document underlined that different level of governments should support and promote agricultural export, and it's necessary to enhance international cooperation about agriculture among countries of the Belt and Road Initiative and cultivate some international enterprises to improve cooperation in the files of agriculture.

The Company always devotes to international cooperation and market exploration. In 2006, the Company established a strategic partnership with Royal De Heus, the largest family-owned feed group in the Netherlands, and has become a Sino-Dutch joint-venture controlled by Wellhope. Both sides had close cooperation in R&D, purchasing, investment and other aspects. The Company has a broad vision, international resources and management experience, and has built feed plants in the Philippines, Indonesia, Nepal and other countries. At the same time, the Company actively launches imports and exports in feed, raw material trade and food, keeping abreast with the Belt and Road Initiative, hence it had reputed as Outstanding Feed Company by International Cooperation of the Belt and Road Initiative in 2018 by China's Feed Industry Association.

(b) The era of antibiotic-free is coming

After releasing the *Pilot Program for Reducing the Use of Veterinary Antibiotic and the Plan of Pilot Program (2018-2021)* in July 10, 2019, the Ministry of Agriculture and Rural Area issued requirements in No. 194 Announcement that all commercial feed producers shall stop using antibiotics to promote growth of animals and the commercial feed with antibiotics shall be banned in the market from December 31, 2020. In the past four years, the government has been steadily promoting to reduce antibiotics in animal husbandry

industry, while the issue of No. 194 Announcement means that feed industry is ushering in the era of antibiotic-free.

The Company has a leading R&D team and a solid foundation of research. Since partnering with Royal De Heus in 2006, the Company has been studying technical thoughts and experiences about antibiotic-free feed and making significant progresses. The Company's comprehensive strategy for antibiotic-free feed is not only to find alternative additives, but also to consider the selection and cleaning of raw materials, pretreatment of raw materials and removal of anti-nutritional factors, the reasonable use of fiber materials, in addition, it also considers the level of nutrients, processing technology, feeding management and supporting solutions for farms, etc.

Withdrawal of growth-promoting antibiotics from feed poses less pressure on the growth and performance of aquatic, ruminant, layer and duck. Broiler in the middle and late growth period and piglets below 25 kg body weight will bear the brunt. After years of technical accumulations, the Company's broiler feed has already achieved antibiotic-free two years ago and broiler realized good production performance. As for swine feed, as of early February 2020, the Company's antibiotic-free feed program has been validated in some of its subsidiaries and contract farms for nearly six months and been proved feasible, the trials in some designated regions have been running for three months with stable results.

The Company will launch antibiotic-free products later, and up to the end of June in 2020, all feed products will be transferred to antibiotics-free.

(c) Revised Food Safety Law Enforcement Regulations come into effect, the market will usher in toughest supervision

In recent years, food safety in China have been improving, but at present the circumstances of small-scale, fragmented food industry with low enter barriers have not been fully changed, and the farm-to-table industry chain is too long and too large with many risk points.

In October 2019, Premier Li Keqiang issued the Decree of State Council and issued the new edition of *Food Safety Regulation of the People's Republic of China*, which not only provided clear regulatory initiatives to address specific issues, but also strengthened the penalties for violations of the law through the policy of "implementing penalties to

individuals". The Regulation came into force from December 1, 2019 and the market would be subject to the most stringent supervision since then.

The Company has always attached great importance on food safety and built its food safety system to control risk. These measures taken by the Company detail in Section IV hereof—Possible Risks.

(d) The State Council and different level of government offices issued policies intensively to promote stable production and hog supply

In 2019, a significant decline in hog production led to an overall increase in livestock prices, which drove the CPI upturn. In order to stabilize hog production and ensure pork supply, about 50 policies have been issued throughout the year by the State Council and other government offices to significantly support the recovery of hog production from ASF prevention, transportation and logistics to financial subsidies and other aspects.

Under the backdrop of declining hog inventories and the intensive policies issued to stabilize hog production and pork supply, the Company's hog raising business and swine feed business have made significant progresses this year.

In terms of hog raising, the Company has always paid great attention to bio-safety. Strict control and overall guarantee system help the Company to overcome risks brought by ASF. Meanwhile, the Company develops its hog businesses to cover high-quality breeder raising and sales and piglet sales, explores finisher raising via self-owned farms and contract farms, and further cultivates hog slaughtering to extend the industrial chain.

In terms of swine feed, as a leading enterprise across agriculture and animal husbandry in Northeast China, the Company always adheres to integrity operation and supplying high quality product, which has obtained higher brand awareness and recognition. In this year, the Company deeply strengthened its R&D strength, product quality, customer service and market exploration, its products have been well received by more and more customers due to stable performance and after-sales services. Hog feed of the Company in 2019 won a great share of market with an increase of 7.7% in sales volume.

b. The position of the Company in the industry, competitive advantages and disadvantages

(a) The position of the Company in the industry

As the Outstanding National Leading Enterprise of Agricultural Integration, the Company

stands in the leading position among peers in Northeast regions, it also has high brand influence in North, East, Central, Northwest and other regions across China. In terms of feed business, the Company's Chairman is the Vice President of China Feed Industry Association and it has been rated as the National Top 10 Leading Feed Enterprise. Meanwhile, the Company's broiler integration business has been developing rapidly in recent years, with quickly improved supporting capacity and production scale. Based on the total slaughter volume of the holding and associated companies, the Company has now entered the first echelon of China's white-feather broiler industry. Although the Company's entered hog raising business relatively late, it is rapidly expanding this business, and its production capacity will be gradually released in near years.

Furthermore, the Company has received many honors, including National-recognized Enterprise Technology Center, High-Technology Enterprise, China's Top 500 Enterprises from 2015-2017, China's Top 100 Public Company by Corporate Value in the Main Board Market for 2016, 2017 and 2018, Level-A in Information Disclosure by Shanghai Stock Exchange in 2018 and 2019, Liaoning Province Governor's Quality Award in 2018.

(b) Competitive advantages:

Detailed in "Core Competence".

(c) Competitive disadvantages:

In recent years, due to the change of market structure and competition mode as well as the development strategy, the Company is accelerating the layout in new businesses, new regions and new projects. This process is complex and changeable with great uncertainty and poses new challenges to the Company.

c. Company business model, upstream & downstream circumstances

➤ **Upstream & downstream circumstances**

(a) Upstream industry

The upstream raw materials of the Company's feed business mainly include corn, soybean meal and fish meal, etc. The upstream products of the broiler integration business mainly cover grandparent and parent breeder.

In terms of corn, domestic corn prices in 2019 showed a trend of falling first, then rising and then falling, with the overall price fluctuating upward. In the first quarter, the

concentrated supply led the price of corn to go down from a high level. Meanwhile, temporary reserve auctions boosted corn prices in the second quarter and changes in Sino-US trade relations led to a sharp rebound in corn prices under the help of market sentiment. In the second half of the year, affected by ASF, domestic corn prices fluctuated downward. Under the influence of policies and market factors, the supply and demand sides continued to shift.

As for soybean meal, the price fluctuation in 2019 was relatively severe. In the first quarter, terminal demand dropped sharply and soybean meal prices went down. The escalation of Sino-US trade friction in the second quarter, coupled with the backward planting schedule of US beans, led to a unilateral upward trend in domestic soybean meal prices in May and a shock adjustment in June. In the second half year, Sino-US trade negotiations experienced ups and downs. On December 13, an agreement was finally reached on the first phase. Soybean meal prices also presented a wide fluctuation in the second half year, reached the peak in October, then continuously showed a callback.

As for fish meal, the price trend in 2019 could be divided into the following stages. Market prices remained basically stable in the first quarter. In the second quarter, domestic fish meal prices rose driven by a series of foreign beneficial factors. After June, foreign fish meal prices fell and domestic fish meal also fluctuated downward. In late October, the supply of domestic fish meal was tight with stable price. In December, due to factors such as low quota, poor fishery harvesting and ban on fishing, the price of imported fish meal soared and domestic fish meal followed suit.

In terms of broiler, grandparent stock was renewed exceeded 1.3 million sets in 2019, promoted the inventories to return to a high level. However, since August, the number of forced molting decreased rapidly, and the phenomenon of forced molting had been basically eliminated by the end of the year. In terms of parent stock, the sales volume of parent chicks reached 50 million sets in 2019 with a year-on-year growth rate of 20%, reaching a five-year high. Generally speaking, the production capacity of white broilers increased significantly in 2019, whilst the price of day old chick is expected to drop off in 2020, the profitability of each segment in the industrial chain will be restructured and the profits contributed by the slaughtering sector will increase significantly.

Note: The statistical data in above industry information come from Industry Analysis

Report of www. Boyar.cn.**(b) Downstream industry**

Feed industry is the front end of the animal husbandry industry chain and its downstream connects with the animal raising industry, slaughtering industry and the terminal consumption of meat products. The Company mainly produces feed for swine, poultry and ruminant animals, so the demand of the Company's feed business is greatly affected by the market conditions of hog, layer, broiler, ruminant and the terminal consumption structure.

As for hog, the inventories of hog dropped sharply under the backdrop of ASF. With the consumption of pork inventories, the shortage of pork supply began to widen in the third quarter, and the prices of hog and pork rose rapidly, which became an important factor that contributed to the increased CPI. High-priced pork has inhibited terminal consumption, and a suite of policies on stabilizing hog production and guaranteeing pork supply have been issued intensively, which promoted the high price of hog to fall back to a relatively rational range later this year, while the market has maintained a low supply and demand for a long time.

In terms of layer, in 2019, the restocking of domestic day old chick accelerated and the inventories of layer continued to increase, making the supply of eggs higher than the average level in the past four years. Although there were signs of overcapacity in the industry, the substitutional demand for eggs supported high egg price due to the huge shortage in pork. In the second half year, the egg price reached an all-time high and the benefit of layer rearing was also close to the highest within ten years.

In terms of broiler, as ASF has greatly reduced the inventories of hog that caused a short supply of pork, so chicken, as the most suitable substitute, assumed the important task of balancing supply and demand. This year, broiler suppliers actively took measures to increase production capacity, the body weight generally increased and the deliveries have reached the highest level since 2016. In spite of this, the broiler industry was still in short supply, poultry prices remained high and the broiler industry chain recorded new-high profits.

In terms of ruminant, policies regarding poverty alleviation and stabilizing mutton sheep raising and increasing beef cattle in some provinces have ensured the sound development

of beef cattle and mutton sheep industries this year. The markets showed a flourishing supply and demand, an increasing production and sales volume with steadily increased benefits. The protein shortage caused by ASF increased the demand for beef, mutton and dairy products, which led a high price remained and a tight balance of overall supply and demand.

In terms of terminal consumption, under the influence of ASF, severely reduced China's hog inventories and sharply increased pork prices drove the prices of livestock and poultry products to a high level in 2019, and the consumption demand for "protein substitutes" represented by chicken increased significantly. In addition, chicken, featured by high protein, low fat and low cholesterol, were also more and more favored by people, which further accelerated the adjustment of meat consumption structure in China and significantly increased the percentage of chicken consumption.

d. Primary technology

--Feed technology

In 2019, by considering circumstance of domestic raw materials, market trends and the needs of customers, supported by advanced know-how and service concept of Royal De Heus, the Company continued to pursue technological innovations in various fields to adjust its technology regarding different product lines.

(a) Grain-saving and eco-friendly feed formulation: China's animal husbandry industry is facing problems such as shortage of feed raw materials and environmental pollutions, through applying corn by-products and unconventional protein materials, the Company has reduced the use of corn, soybean meal and other grain in animal feed, and developed feed products with lower soybean meal. By applying enzyme preparations to lower phosphorus and protein, it has realized a significant decline of excretion of nitrogen and phosphorus.

(b) Intestinal health control: Through controlling raw material quality and applying the technics in terms of fermentation, enzymolysis and pelleting, the Company has declined the antigens and anti-nutritional factors in raw materials. Meanwhile, the biological barrier effect of intestinal tract has been improved by applying functional additives to reduce infection of pathogenic bacteria and intestinal inflammation, which can promote intestinal health to boost the growth performance of animals.

(c) Precisely dynamic feed formulation and hardening and tempering pellet diet in high-temperature: The Company actively exchanged latest technology with China Agricultural University regarding dynamically processing feed materials and related database. Meanwhile, the Company is studying the technical scheme of hardening and tempering pellet diet in high-temperature that can reduce the loss of heat sensitive materials to enhance the products competitiveness and improve bio-safety level of animal feed.

(d) Applying functional dietary fiber in sow feed: The Company continued to verify and apply this technology in the farms and achieved remarkable results in high-yielding sows, such as the Danbred, which has been standing in the leading position in China. By adding a variety of non-fermentable dietary fiber and supplementing with cationic salts, the dietary fiber content in feed can be increased to improve the intestinal health, solve the constipation of high-yielding sows, whilst to enhance the satiety of gestation sows, reduce stereotypical behaviors to relieve parturition stress. More importantly, by doing this, it can improve postpartum appetite, increase feeding intake to realize better milk production during lactation period, thereby to improve the reproductive performance of high-yielding sows, reduce mortality and raising cost to increase economic benefits for customers.

(e) Balanced nutrition in laying feed: Along with improved genetic potential, producing 500 eggs in 100 weeks has become the trend in large-scale layer rearing, but there are problems like decreased production, higher mortality and weak egg shells in prolonged production period. Based on balancing nutrition in terms of energy and amino acids in laying feed and selecting suitable raw materials, as well as applying controlling program of fatty liver syndrome, the persistency and production period of layer has been effectively extended and reduced the mortality and strengthened egg quality.

(f) TMR (total mixed ration) program with high crude protein for growing heifers: According to nutritional requirement of growing heifers, the Company has developed total mixed ration diet with high crude protein for growing heifers instead of traditional feeding program with low crude protein to stimulate the development of mammary gland and the skeletal muscle, so as to assure that the growing heifers would be ready for first breeding around the age of 13 months with appropriate height and body weight. In this way, the

time for heifer period has been shortened and more time would be available for cattle to milk and thus heighten its lifelong profit.

(g) The strategy of improving carcass quality of finishing beef cattle: In order to improve the dressing percentage and the meat percentage, the Company has selected functional additives in compounds to better the rumen health of beef cattle, which has significantly improved the dry matter intake and stimulated the deposit of muscle by regulating the energy metabolism of animals.

(h) Overwintering feeding management for fish: Most of aquatic animals are poikilotherms, whose body temperature change with the ambient water temperature. During the cold winter, aquatic animals always suffer low water temperature, barely feed intake and deterioration of water quality. Starvation for long time results in high percentage of body weight loss and a series of health problems, even increases the mortality after overwintering. Considering related factors such as the changes of water temperature, physical & chemical indexes and the physiological characteristics of fish during the winter, the Company has refined the nutritional standards for various fish and crustacean, developed a series of special overwintering feed and formulated different feeding solutions, which could reduce the percentage of body mass loss, enhance the immunity of fish and reduce the risk of morbidity, etc.

(i) Antibiotic-free feed and reducing the use of antibiotic in farm: The Company has conducted more than 100 researches and experiments on antibiotic substitution from 2013 to 2019. So far, the feed for growing-finishing pig, sow, layer, broiler, ruminant and aquatic can all achieve antibiotic-free. In July 2020, the feed industry will usher in the era of antibiotic-free, the Company has reserved comprehensive schemes to completely substitute antibiotics, which have been promoted and applied in sell-owned farms and some regional markets. The effect of these schemes has been proved stable and can achieve the goals of balancing nutrition, stability, easy-to-digest, healthy status, strong immunity and anti-stress. At the same time, the Company guides the farmers to continuously improve bio-safety, farm management, feeding program and other aspects, striving to achieve antibiotic free and reduce the use of antibiotic throughout the farm.

--Animal raising technology

(a) Broiler raising technology: After years of researches and practices, the Company has

formulated different types and combinations of feeding and raising models to fully improve feed conversion ratio, reduce mortality and culling rate, and promote animal's growth potential. The Company's broiler raising management and know-how have realized major breakthroughs and good profits, especially for its three-tier cage system. Some of its technologies, including minimum ventilation for caged broiler, automatic controls of housing environment, ventilation and air inlet, automatic backwash water system and the control rate of weekly weight-gain, reached top level among peers in the industry. Meanwhile, by applying PCR, the early warning technique and HTSI, the monitoring technique, the Company can monitor the disease to realize early discovery and diagnosis as well as early treatment to prevent disease. Furthermore, the Company adopts the fermentation technology to treat chicken manure to protect the environment, whilst, its independently designed ventilation model and solar energy utilization technology can simplify ventilation and heat preservation to reduce electricity consumption, save coal and mitigate air pollution to realize sustainable development.

(b) Nutrition and feeding program for pullet: The body weight and uniformity of pullet determine the performance of layers in production period. Through the Company's scientific nutrition design of diet, good control of bio-security and house environment, the pullet can grow quickly and develop well under high density rearing. The average body weight, shank length, uniformity of body weight of 60-day-old pullet stand in the leading level of the market.

(c) Specialized strain cultivation technology: The Company has established the full phenotype database and genotype database of new Danbred pig in Northeast regions by combining gene marker, target gene sequencing and production traits. Through association analysis, specialized strain cultivation of Danbred pig can improve breeding efficiency, save costs and heighten the accuracy of breeder selection.

(d) Key technology of accurate nutrition and feeding model for high-yielding sow: Relying on know-how of formulating precise nutrition for high-yielding sow, the Company has accurately designed staged-nutrition, formula selection and nutritional standards to innovate the feeding program for sow, which has been divided into three stages to meet its growth needs, making the gilt bones stronger, muscle and other protein deposits better, the reproductive system and body condition more mature. Compared with one-stage

feeding and strictly restrictive feeding, the breeding rate of gilt has increased by about 5%. In the meantime, second birth syndrome has been greatly reduced with lower elimination rate before the third parity. During the gestation period, the Company adopts a two-stage feeding model with "high and low" nutrition, by doing this, the constipation of sow has been below 5%, and the delivery time has been shortened by about one hour, 90% of sows can be controlled within 2-4 hours, whilst it can quickly realize maximum feed intake after delivery and the average feed intake during lactation period increases by 0.5-1.0kg, meanwhile, the breeding rate of sows reaches more than 92% after one week of weaning and the average weaning weight of piglets increases by at least 10%. This achievement has reached the leading level nationwide.

(e) Proven diagnostic technique of ASF: The epidemic disease prevention has long been considered the key point of pig farm management, which will cause serious consequences in case of loophole, the prevention efforts directly determine the farms to live or die, especially under the high pressure of ASF. In the absence of vaccines and effective treatments, diagnostic techniques have been the only effective way to monitor and control ASF. Among many diagnostic technologies, the quantitative real time PCR method has become an important tool for routine diagnosis of ASF recommended by OIE due to its advantages of sensitivity, specificity, speediness and stability, which is also the main diagnosis to test ASF adopted by the Company. At present, Wellhope has formulated standardized operation requirements and targeted professional trainings for the operation process involved in the detection system to ensure safe, efficient and reliable manipulations. Since implementing the quantitative real time PCR, it has monitored and eliminated the pathogen risks for hundreds of times, and more than 10,000 heads of pig have been diagnosed and investigated, which provide a strong guarantee for the healthy operation of farm.

B. Production and sales circumstance

a. Production and sales mode

The Company has established a complete system of "purchasing-producing-selling", it produces feed products by orders with the sales model of selling on commission and direct selling. Regarding small and medium-sized back-yard farms, they buy feed from the dealers, and the large-scale farms buy products directly from the Company.

Where a co-production model with farmers (applicable)

The Company raised broilers by self-owned farms and contract farms. Regarding the contract farms, the Company signs contracts with farmers to clear and definite the rights and obligations for each party, and it conducts centralized management for these farms by unified site selection and design, unified supply of day old chicks, unified disease prevention and disinfection, unified supply of feed, unified supply of animal health products, unified technical guidance, unified detection and unified slaughtering and processing. In the reporting period, the broilers raised by the contract farms meet the repurchasing standards required by the Company, no breach of contract.

b. Main products distribution and selling

Main Product	Channel	Sales volume (10,000 tons)	Sales revenue (RMB 10,000)	Sales cost (RMB 10,000)	YoY change of sales volume %	YoY change of sales revenue %	YoY change of sales cost %
Feed	Direct selling	118.25	353,922.53	307,594.82	18.71	13.67	12.88
Feed	Selling on commission	143.51	424,664.66	373,496.63	5.83	1.47	1.03

Where adopts the model of selling on commission

As at the end of the reporting period, the Company had nearly 10,000 dealers of feed products, which mainly adopt the model of prepayment before product delivery and delivering products after receiving the payment. During the reporting period, there was no breach of the agreement by dealers.

Regarding the customers with lower than 50 tons of delivered products per year, shall be calculated as small-scale individual customer. These customers buy feed from dealers, they can be acquired by visiting the companies, product demonstration, new products promotion, training organized by dealers and animal raising technology seminar, as well as the "one-to-many" sales model.

Driven by the Company's brand influence, good product reputation and all-round tracking and guidance service provided by the technical supporting team, the customer composition is relatively stable, the payment settlement mainly adopts the method of prepayment before product delivery and delivering products after receiving the payment,

which has small risk of receivables collection.

In 2019, small-scale customers contributed to 5.48% of the Company's total sales revenue with RMB 427 million, bringing a small impact on operation.

C. Information of the Company divided by industry segments

Unit: 10,000 yuan Currency: RMB

Main products	Number of raising (10,000 broilers)	Number of sales (10,000 broilers)	Sales revenue	Sales cost	Gross profit margin %	Deliveries (10,000 broilers)	Inventory (10,000 broilers)
White feather broiler	10,856	9,803	285,808.62	239,198.33	16.31	9,803	1,411

Unit: 10,000 yuan Currency: RMB

Feed	Volume	Payment	Average Price/ton
Self-produced	446,296 tons	121,955.23	2,732.61 yuan
Externally purchased	35,122 tons	9,787.73	2,786.78 yuan

4. Investment analysis

As at December 31, 2019, the balance of the Company's long-term equity investment reached RMB 2.07 billion, increased by 52.79% compared with the end of prior year. For details, please refer to notes to the items of Consolidated Financial Statements--long-term equity investment.

5. Main holding and associated companies

Unit: 10,000yuan

Company	Core business	Registered capital	Total assets	Net assets	Net profit
Shenyang Wellhope Ruminant Feed	Feed production and selling	550.00	14,359.06	12,174.70	1,953.27
Beijing Sanyuan Wellhope Agri-Tech	Feed production and selling	1,000.00	22,877.15	19,830.11	1,103.28
Shenyang Wellhope Agri-Tech	Feed production and selling	8,210.00	18,605.65	13,117.31	1,643.30
Xi'an Wellhope Feed Sci-Tech	Feed production and selling	500.00	16,149.38	13,583.82	3,688.54
Dandong Wellhope Chengsan Agri-Tech	Broiler raising and feed	8,000.00	78,061.95	56,126.64	28,541.42
Tai'an Jiuguhe Agriculture Development	Broiler raising and feed	1,060.00	41,701.73	26,785.38	12,406.49
Anshan Jiuguhe Food	Broiler slaughtering, processing and selling	4,320.00	53,564.50	37,083.96	14,059.01
Linghai Jiuguhe Feed	Broiler raising and feed	1,755.00	17,895.97	16,473.00	8,542.03
Huluodao Jiuguhe Feed	Broiler raising and feed	1,085.00	20,632.93	11,056.64	5,464.95
Huluodao Jiuguhe Food	Broiler slaughtering, processing and selling	7,370.00	27,996.76	18,610.97	7,080.44

Unit: 10,000yuan

The impact of the net profit of subsidiary or the investment income from associated company on the net profit of the Company reaching 10% or above							
Company	Core business	Registered capital	Total assets	Net assets	Net profit	Operating revenue	Operating profit
Beipiao Hongfa Food	Feed, parent stock, day old chick, broiler raising and slaughtering	3,000.00	152,912.47	126,327.04	57,414.77	314,798.88	57,394.51
Dalian Heyuan Agri-Tech	Feed, parent stock, day old chick, broiler raising	10,000.00	121,428.37	78,313.99	42,211.70	255,888.56	42,442.95
Dalian Chengsan Animal Husbandry	Broiler raising and feed	1,008.61	191,625.10	141,179.01	60,477.75	320,377.75	60,825.08

III. Outlook on the Company's Future Development

1. Industry outlook

China is a large agricultural producer with a population of 1.4 billion. In China, agriculture has always been regarded as a strategic industry that provides security and stability to residents and lays the foundation of national economy. This is not only because agriculture is the source of food and clothing for mankind and the basis of survival, but also because it is the pillar of the independence and development of other industries.

China has paid great attention to agricultural development. Along with latest changes in international trade, resources and environment, technological conditions, industrial structure, policies and regulations and other factors, the development of agriculture has also ushered in a new phase. In 2017, the "No.1 Central Document" put forward views on further promoting agricultural supply-side structural reform, and in 2018, the "No.1 Central Document" completed the top-level design of the rural revitalization strategy, whilst in 2019, the "Document" further pointed out the special importance of the work related to agriculture, rural areas and farmers under the complicated situation of economic downturn and profound changes in the external environment. In the context of deepening supply-side reform and gradual transformation and upgrading of the industry, the livestock industry has been facing many challenges, whilst the Company have a new opportunity for growth.

A. Increasingly heightened industry consolidation weeding out unqualified players

Along with the fierce competition taking place in the feed industry, extra-large companies are constantly expanding their businesses, medium-sized producers are seeking business opportunities, whilst small producers are gradually squeezed out of the market. Regarding to large companies, they utilize their advantages in technology, cost, brand, management and capital to continuously improve their total factor productivity and rapidly expand production scale and seize market shares through mergers and building new plants, those small and medium-sized feed producers have gradually been weeded out in increasingly fierce competition due to their lower technical level, higher operation costs, weaker brand reputation, lack of management skills and financial pressure. Under the background of ASF becoming the periodically normal phase and the continuous transformation and upgrading of production, feed industry accelerates to weed out unqualified producers, which leads to

increasingly heightened consolidation. Statistics from the China Feed Industry Association showed that, in 2019, there were 621 large-scale feed plants with a production capability over 100,000 tons per year, where disappeared 35 plants compared with prior year. These plants produced 106.597 million tons of feed, with a year-on-year increase of 3.7%, which contributed towards 46.6% of China's total feed production, rose by 3.3 percentage points. Meanwhile, there were 31 large-scale feed groups with an annual output of more than 1 million tons, accounting for 50.5% of China's total feed output.

B. Continuously extended industrial chain

Animal husbandry industry consists of several industries such as feed production, animal health product, livestock and poultry raising, slaughtering and processing, etc., whilst its upstream connects to the planting industry and downstream serves agricultural and sideline food processing industry, where a variety of related industries form an organic whole. As competition becomes intensified to weed out unqualified players, large-scale companies are continuously expanding markets, whilst for reasons of risk control, profit growth, food safety and other needs, besides conducting mergers and acquisitions, the extra-large players gradually integrate resources to continuously extend to upstream and downstream industries so as to create stronger competitive advantages and anti-risk capabilities. Under the development trend of integration, seizing resources across the whole industry chain has become the mainstream.

C. Constantly strengthened environment protection promoting the concept of green development being practiced

In recent years, China has put forward a series of regulations on environmental protection, such as the revision of the Environmental Protection Law, the promulgation of the Environmental Protection Tax Law, and the release of the Regulations on Pollution Prevention of Scale Raising of Livestock and Poultry and the Action Plan for Pollution Prevention of the Agricultural and Rural Pollution, etc. These successively launched policies have showed China's determination to increase supervision on environmental protection in animal husbandry industry and local governments have also issued certain new regulations in regard of farm removal, ban of raising and restriction of farms, which will further weed out unqualified players and facilitate to reshuffle animal husbandry industry.

D. Great concern of food safety highlighting the strengths of large group companies

In recent years, food safety in China have been improving, but at present the circumstances of small-scale, fragmented food industry with low enter barriers have not been fully changed, and the farm-to-table industry chain is too long and too large with many risk points. In October 2019, Premier Li Keqiang issued the Decree of State Council and released the new edition of Food Safety Regulation of the People's Republic of China, which not only provided clear regulatory initiatives to address specific issues, but also strengthened the penalties for violations of the law through the policy of "implementing penalties to individuals". The Regulation came into force from December 1, 2019 and the market would be subject to the most stringent supervision since then. In the future, food safety and standardability of the industry will become more important; strict food safety supervision will further squeeze out unqualified players, whilst highlight the strengths of large integration company.

E. Bio-safety becoming a key factor in the coming Post-ASF era

Disease has always been one of the major risks faced by the livestock industry. ASF was discovered in August 2018 in China, spread to more than 20 provincial-level administrative regions in the next six months, severely hit China's hog industry. Affected by ASF, China's hog inventories deeply reduced in 2019, meanwhile, the "bio-safety" has raised the entry barriers for hog raising industry, the living space of small and medium-sized back-yard farms were continuously compressed, whilst large group companies took this opportunity to actively expand business and quickly seize market share relying on their capital, talents, technology and other resources. In the future, China will enter the era of "Post-African Swine Fever", the bio-safety system is becoming increasingly mature. Probability of widespread outbreaks in the future becomes small, but small outbreaks may be unavoidable. ASF has restrained the density of hog raising, which will hinder the recovery of domestic hog production until a safe and reliable vaccine becomes available, thus the growth rate of China's hog production will be hindered, the original cyclical fluctuation of this industry that is similar to the "Cobweb model" caused by imbalanced supply and demand will be weakened, and a new supply and demand model will be gradually formed.

F. High pork prices curb end demand, which accelerates the adjustment of meat consumption structure

In 2019, ASF has hit China's hog industry particularly hard, with severe production capacity losses and a significant increase in hog and pork prices, which fueled the prices of livestock and poultry products to record highs, becoming the main factor driving the CPI upward this year. Excessive pork price has obviously stressed consumption, pork purchases from the group meal dropped significantly and food producers were forced to shift raw materials towards chicken and vegetarian food, leading a significant increase in alternative demand for chicken and an accelerated adjustment in the structure of meat consumption. In addition, featured by high protein, low fat and cholesterol, chicken has been well recognized by residents, and white feather broilers have a big advantage over hogs in terms of growth rate and raising cost. The above factors together resulted in the accelerated adjustment of the structure of meat consumption in China, which significantly increased chicken consumption. Currently, per capita chicken consumption in China is less than 10 kg per year, which is lower compared to 42 kg per year in the US, 48 kg per year in Brazil and 18 kg per year in the EU, therefore we are convinced that chicken consumption has great growth potential.

2. Development strategy of the Company

The Company's long-term development goal is to become one of the world's leading enterprises across agriculture, animal husbandry and food industries. In the next three years, it is necessary to "steadily develop feed business, accelerate the progress towards integration business and to become an enterprise with leading-edge quality and efficiency, to complete the phased layout of food business and obtain food brand advantages in certain regions (2020-2022)".

According to three-year plan and based on the analysis and prediction of economic and industrial trends in 2020, the Company has confirmed its business strategy for 2020: upholding the core values of integrity, responsibility and win-win, and the management culture of innovation, high efficiency and self-discipline, the Company is well on its way to steadily developing feed business, vigorously promoting broiler integration and hog raising businesses and exploring the phased layout of food business, further enhancing its operating capability, optimizing the organizational structure and improving collaborative

management, strengthening brand building and risk control, innovating the incentive mechanism and heightening talents cultivation, technological innovation, information resources, investment and financing management, gradually creating an integrated operation model powered by two engines in terms of broiler and hog integration businesses, and eventually becoming an enterprise with leading-edge quality and efficiency across agriculture, animal husbandry and food industries.

At the beginning of 2020, stressed by the COVID-19 and ASF, all the Company's staff responded quickly and overcame the difficulties, resumed production as soon as possible to achieve the goal of "ensuring staff safety, guaranteeing production and supply, stabilizing sales and development", and fulfilled the responsibilities of safeguarding residents' meat supply, the sales volume of the Company's feed business are expected to increase by more than 40% from January to March.

3. Business plan for 2020

2020 is the year for Wellhope to heighten its strategic change, the Company will fully implement the excellent performance mode to improve operation and leverage the strengths of corporate culture, talents, market and brand accumulated over the years. While continuing to steadily develop feed and raw materials trade businesses, Wellhope will enlarge the input in broiler integration business and promote its in-depth management, whilst further expand hog raising business, taking 5 to 8 years to craft an operation model driven by two complementary engines in terms of broiler and hog integration businesses, focusing on achieving the management strength of "leading-edge quality and efficiency" that creates synergies and reduces costs among all business, to become one of the world's leading enterprises across agriculture, animal husbandry and food industries as well as a manufacturer of safe and high-quality meat products.

A. Feed and raw material trade business

The Company will keep a close eye on the market, face the problems caused by ASF and COVID-19 epidemic, further enhance brand strength as a leading enterprise, seize the opportunity of rapidly increased production scale of hog and poultry raising, strive to boost swine feed business and increase the sales volume of feed with high profit margin, constantly improve and innovate customer service systems to help customers to tide over the difficulties and grow business. While accelerating the pace of swine feed, the Company

will seize the opportunity of meat consumption structure changing to heighten its marketing of poultry and ruminant feed, further improve the product strength and customer service, strive to achieve a large increase in poultry and ruminant feed. Meanwhile, as for raw material trade, driven by IT application, lean management and standardized operation, Wellhope will strive to realize accurate decision-making and greatly increase efficiency and benefits. Overall, in 2020, the Company will continue to deepen internal reform, optimize the organizational structure, innovate the incentive policies, further reduce the production cost and period expense ratio, strengthen personnel management, to ensure operation system more efficient and competitive.

B. Broiler integration business

In 2020, under the backdrop of ASF and COVID-19, the Company will try to turn the crisis into opportunities, seize the opportunities arising from consolidated industry, further improve the production capacity through in-depth management and mergers and acquisitions, whilst accelerate the pace of broiler raising and cooked food business. Moreover, great efforts will be made to promote the scale of slaughtering business and further improve the percentage of high-value-added products and the chain structure, and gradually enable the supply of self-raised broilers can fully meet the slaughtering needs. The Company will strive to achieve the goal of raising over 460 million broilers in 2020 and slaughtering over 560 million birds (including holding and associated companies together). Meanwhile, the Company will continue to strengthen lean management and benchmarking management to improve internal operation continuously, reduce costs and beef up efficiency to heighten product competence, moreover, it will attach great importance to improve broiler raising technology and build bio-safety system, focus on product innovation, quality and safety as well as market promotion to further increase the percentages of fresh products, processed raw meat and further processed products as well as the exported products. The Company will continue to pursue safety and efficiency improvements for the business unit of broiler raising, to chase quality and structure improvement for processing business and to achieve further improvement in scale and quality for further processing business.

The Company will unswervingly expand and strengthen its broiler integration business, seize the opportunity brought by industry movements, give full play to its advantages and

take 5-8 years to realize the goal of slaughtering 1 billion white feather broilers per year and to provide each Chinese resident with one Wellhope broiler per year.

C. Hog raising business

Relying on explorations from 2018 to 2019, the Company has further clarified and been convinced for its strategy of entering hog raising business. In 2020, along with well operating the existing breeder farms, the Company will actively seek opportunities for mergers and acquisitions in hog raising and slaughtering businesses to speed up the market distribution in the dominant regions. Meanwhile, the Company will strengthen to build professional talents team, innovate the incentive mechanism for talents engaged in hog raising business and strengthen the bio-safety management in farms, also focus on the safety and epidemic prevention of self-owned farms and contract farmers. With the progress of newly built project, the production capacity will be gradually released, Wellhope's holding and associated companies will strive to achieve the goal of delivering 600,000 heads of hog in 2020 (without considering the uncertainties caused by ASF).

D. Other businesses

The Company will make efforts to seize opportunities in terms of improved raising scale, technologies and bio-safety system, to carry out accurate marketing, heighten customer service, and develop in coordination with the main business for win-win results. In the meantime, it will deepen to expand markets abroad, well manage the integrated operation in some countries in the field of hog and broiler, train talents and refine brand to further improve business scale and operation quality of the existing international business.

E. Key points of transformation and management in 2019

- ◇ Safety is the first priority.
- ◇ Uphold the driven rules for operation management: "Code of conduct of managers", "Strict management regarding three aspects" (strict intracompany management, strict performance appraisal and strict self-discipline).
- ◇ Continue to promote excellent performance management to deepen reform and complete business transformation and upgrading.
- ◇ Focus on talents echelon building, and innovating incentive systems.
- ◇ Fully conduct lean management, gradually achieve leading-edge quality and efficiency.
- ◇ Enhance the management of financing and risk control, ensure the healthy and

sustainable development.

- ◇ Systematically Implement brand strategy to enhance the core competitiveness.
- ◇ Speed up IT application, provide data for supporting decision-making and enhancing operating efficiency.
- ◇ Focus on process management and result-oriented management with appropriate supervision.
- ◇ Hold a series of activities to celebrate the 25th anniversary of the Company, thoroughly implement the corporate culture into practice, and further empower employees, benefit customers and the society.

4. 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 fluctuations of COVID-19, Sino-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 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) In terms of strategy, while steadily developing feed and feed raw materials trade businesses, the Company has increased its input in broiler integration business and quickened the expanding of hog raising business to create an operating model powered by broiler and hog integration businesses, which can effectively reduce the risks brought by the cyclic fluctuations in the industries.

(b) In terms of business, the Company's broiler integration business has established an industrial chain, whilst it also expanded hog slaughtering business in 2019 to extend its business to the downstream industries. The continuously improved industrial chain structure enables the price fluctuation of each sector in the chain to be fully hedged, so as to maximize the price fluctuation of the whole industrial chain.

(c) In terms of management, the Company has always been committed to improving the production standard and operation model of each business sector, reducing overall operating costs by optimizing the production indicators and improving per capita efficiency.

Costs advantage can mitigate the negative impacts on the Company when the industry is downward and improve the overall profitability when facing a booming industry.

C. Risks of serious animal disease

Feed and animal raising are the Company's two core 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 and incomes as well as 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) The Company attaches great importance to regional distribution and business structure, which is the most direct way to divert the risk of epidemic.

(b) The Company continues to improve the prevention technology of major epidemics, completes the early warning system and strives to control epidemics effectively before spreading.

(c) When the epidemic comes, the speed of response is particularly critical, the faster to response, the less to loss. The Company has set an emergency command system for major epidemics to minimize losses when they occur.

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

(e) For ASF, the Company has formed a relatively complete prevention system from product researches to farm management. Specific prevention measures detailed in Section IV hereof-Hog Raising Business.

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 supervision on environmental protection in animal husbandry industry, whilst the local governments have also issued certain new regulations. It can be seen that the continuously strengthened environmental protection is the trend of the industry also an unavoidable reality, which will further weed out unqualified players and re-shuffle the industry.

Solutions:

During the start-up period, the Company had input "Save Resources, Committed to Environmental Protection" as part of its Vision. During the past 25 years, the Company has always considered saving resources and protecting the environment as its important mission, taken strict compliance with laws and regulations and implementation of environmental protection requirements as key performance appraisal indicator for managers.

(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: Firstly, 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 to improve detection efficiency and share 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 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 significant progresses in antibiotic alternatives. By the end of June 2020, the Company will change all feed to antibiotic-free product.

(b) Regarding to broiler integration business, the integrated operation can ensure the ample supply of raw materials and strictly control the whole process from feed production, poultry rearing, slaughtering, meat and food processing. Through standardized management and streamline operation, it can integrate bio-safety, drug residue control and in-process hygiene to achieve food safety traceability.

Section V Important Disclosures

I. Common Stock Profit Distribution or Capital Reserve Converted into Share Capital

1. Cash dividend

Driven by the goal of realizing long-term and sustainable development, the Company has established a sustainable, stable and scientific profit distribution system for investors basing on considering its actual operation, shareholders' need, social factors such as capital costs, external financing environment, current and future profitability, cash flow status, project investment and capital demand, bank credit and debt financing environment, etc.

The Company made Three-Year's Shareholder Dividend Plan (2017-2019) in 2017, and at least every three years it will review the dividend plan and evaluate the ongoing profit distribution policy and make necessary modification based on the opinions of shareholders (especially non-controlling shareholders), independent directors and supervisory board directors.

During the reporting period, the Company distributed dividends for 2018 in June 2019: based on the total share capital on the equity registration date when distributing dividends for 2018, distributed cash dividends of RMB 1.8 yuan per 10 shares (tax included) to all shareholders, amounted to RMB 166,014,791.28.

The Company's 2019 profit distribution plan will be: based on the total share capital on the equity registration date when distributing dividends, it will distribute cash dividends of RMB 2.2 yuan per 10 shares (tax included) to all shareholders. This profit distribution plan will be submitted to the Shareholders' Meeting.

2. Plan or scheme of common stock profit distribution or capital reserve converted into share capital in the latest three years

Unit: yuan Currency:RMB

Year	Dividend per 10 shares (yuan, tax included)	Amount of cash dividends (tax included)	The net profit attributable to the common shareholders of the Company in the year of distributing cash dividend	Percentage of net profit attributable to the common shareholders of the Company in the consolidated statements %
2019	2.20	202,906,967.12	1,199,347,355.96	16.92
2018	1.80	166,014,791.28	551,928,618.35	30.08
2017	1.00	83,117,646.90	471,024,473.92	17.65

II. 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 2,2011, 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 2,2011, 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 2, 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 shares: the shares shall be sold through the centralized bidding trading system	April 2, 2014, within two years after the expiration of the lock-up period	yes	yes

			<p>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 15, 2017, three years	yes	yes

III. Changes in Accounting Policies and Estimates made by the Company

For details, please refer to Financial Report- Significant Accounting Policies and Estimates, Changes in Significant Accounting Policies and Estimates.

IV. Accounting Firm Engaged by the Company

Unit: 10,000 yuan Currency: RMB

Accounting Firm (Local)	SuyaJincheng CPA LLP
Payment	110
Length of Service	9 years

	Name	Payment
Accounting Firm of Internal Control	SuyaJincheng CPA LLP	35
Sponsor	Huang Haisheng, He Yu	

V. Major litigation and Arbitration Matters

Non

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

During the reporting period, there is no occurrence of the Company's controlling shareholders 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 21, 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 9, 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 11, 2019. (Announcement No. 2019-001)

VIII. Significant Related Party Transaction

Related transactions related to Day-to-Day Operations
Matters do not disclose in the Company's extraordinary announcement

Unit: 10,000 yuan Currency: RMB

Related Party	Relationship	Transaction type	Transaction content	Pricing principle	Transaction amount	Settlement mode
Anshan Fengsheng Food	Associated company	Selling product	Delivery broiler	Comparable uncontrolled price	20,458.22	Transfer of account
Anshan Jiuguhe Food	Associated company	Selling product	Delivery broiler	Comparable uncontrolled price	18,961.91	Transfer of account
Beipiao Hongfa Food	Associated company	Selling product	Feed raw material	Comparable uncontrolled price	559.34	Transfer of account
Dalian Chengsan Animal Husbandry	Associated company	Selling product	Feed raw material	Comparable uncontrolled price	377.73	Transfer of account
Dalian Chengsan Animal Husbandry	Associated company	Selling product	Feed raw material	Comparable uncontrolled price	716.10	Transfer of account
Guangzhou Yikun Trading	Associated company	Selling product	Feed raw material	Comparable uncontrolled price	19,868.29	Transfer of account
Huludao Jiuguhe Food	Associated company	Selling product	Feed	Comparable uncontrolled price	48.13	Transfer of account
Jinzhou Jiufeng Food	Associated company	Selling product	Delivery broiler	Comparable uncontrolled price	300.20	Transfer of account
Linghai Jiuguhe Feed	Associated company	Selling product	Feed raw material	Comparable uncontrolled price	5,258.89	Transfer of account
Qingdao Shenfeng Agri-Tech	Associated company	Selling product	Feed raw material	Comparable uncontrolled price	2,908.36	Transfer of account
Schippers (Beijing)	Associated company	Selling product	Other	Comparable uncontrolled price	70.56	Transfer of account
Tai'an Jiuguhe Agriculture	Associated company	Selling product	Feed raw material	Comparable uncontrolled price	9,803.51	Transfer of account
Anshan Jiuguhe Food	Associated company	Purchasing product	Broiler product	Comparable uncontrolled price	1,915.65	Transfer of account
Dalian Chengsan Animal Husbandry	Associated company	Purchasing product	Delivery broiler	Comparable uncontrolled price	18,697.35	Transfer of account
Dandong Wellhope Chengsan	Associated	Purchasing	Delivery broiler	Comparable uncontrolled	123.00	Transfer of account

Agri-Tech	company	product		price		
Gongzhuling Corn Purchasing and Storing	Associated company	Purchasing product	Feed raw material	Comparable uncontrolled price	36.09	Transfer of account
Guangzhou Yikun Trading	Associated company	Purchasing product	Feed raw material	Comparable uncontrolled price	1,202.96	Transfer of account
Huludao Jiuguhe Food	Associated company	Purchasing products	Broiler product	Comparable uncontrolled price	351.67	Transfer of account
Jinzhou Jiufeng Food	Associated company	Purchasing product	Broiler product	Comparable uncontrolled price	651.38	Transfer of account
Qingdao Shenfeng Agri-Tech	Associated company	Purchasing product	Feed	Comparable uncontrolled price	1,153.91	Transfer of account
Shenyang Zhongwenjie Bio-Tech	Associated company	Purchasing product	Animal medicine and vaccine	Comparable uncontrolled price	1.80	Transfer of account
Schippers (Beijing)	Associated company	Purchasing product	Other	Comparable uncontrolled price	195.96	Transfer of account
Tai'an Jiuguhe Agriculture	Associated company	Purchasing product	Feed	Comparable uncontrolled price	9,866.90	Transfer of account
Total				/	113,527.91	/
Wholesale sales return		non				
Interpretation 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. 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. Major contracts and performance

1. Cash management

Unit: 10,000 yuan, Currency: RMB

Type	Source of fund	Amount	Undue balance
Wealth investment product of bank	Idle raised funds	24,000	4,000

Details:

Unit: 10,000 yuan, Currency: RMB

Bank	Type	Amount	Start date	Maturity date	Source of fund	Interest	Annualized return	Real return	Whether recover
Shenyang Shenbei Branch of Industrial and Commercial Bank of China	Structured deposit	10,000	Jul. 1, 2019	Dec. 23, 2019	Idle raised funds	Breakeven floating income	1.3%-4.2%	201.37	Yes
Shenyang Branch of Shanghai Pudong Development Bank	Structured deposit	6,000	Jul. 1, 2019	Dec. 30, 2019	Idle raised funds	Breakeven floating income	3.9%	116.35	Yes
Shenyang Branch of China Minsheng Banking Corp	Structured deposit	4,000	Jul. 7, 2019	Oct. 9, 2019	Idle raised funds	Breakeven floating income	3.65%	36.80	Yes
Shenyang Branch of China Minsheng Banking Corp	Structured deposit	4,000	Oct. 9, 2019	Jan. 9, 2020	Idle raised funds	Breakeven floating income	3.70%		

X. Circumstance of Social Responsibilities

1. Anti-poverty project of the Listed Company

A. Targeted poverty alleviation

The 19th National Congress of the Communist Party of China has put forward to take targeted poverty alleviation as one of the three major challenges that must be fought to secure a decisive victory in building a moderately prosperous society in all respects. President Xi Jinping noted, "A thriving industry is prerequisite to solve all issues in the rural areas, blooming related industries reflects the new requirements for the agricultural and rural economy to adapt to the changes in market demand". Developing related industries is a fundamental strategy for alleviating poverty. The Company positively responds to the call and requirements of the Party Central Committee and the government at all levels for targeted poverty alleviation. Driving by the principle of contributing to the society, it has formulated poverty alleviation programs and work plans regarding to agricultural industry to facilitate targeted poverty alleviation

B. Overview of targeted poverty alleviation

Lankao 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, which implements the operating model of rearing ducks by the Company and contract farms. In line with the principle of mutual benefit, equality and voluntariness, the Company sign contracts with farmers and adopt unified supply of ducklings, feed, medicine, technical service and repurchasing, farmers are not required to prepare working capital. In 2019, Lankan duck company signed 3,738 contracts with 1,869 farmers, repurchased 19.32 million ducks with direct expenditure of RMB 12.30 million.

Meanwhile, in order to help Laifeng County to fight against poverty, Beijing Sanyuan Agri-Tech, one of the subsidiaries of the Company, donated RMB 200,000 to Laifeng County government for rural revitalization.

C. Figures of targeted poverty alleviation

Unit: 10,000 yuan, Currency: RMB

Index	Details
1. Overall	
of which: funds for poverty alleviation	20
2. In details	
a. Society poverty alleviation	
Targeted poverty alleviation	20

D. Follow-up targeted poverty alleviation

On June 16, 2019, the Company and the People's Government of Tai'qian county signed a poverty alleviation project agreement to cooperate in building 100 million white feather broiler project in Tai'qian county to alleviate poverty. The two sides will construct an advanced broiler integration base that contains animal raising, eco-cycle agriculture, feed processing, meat processing and commercial retailing. The total investment of the project is about RMB 1.7 billion with a 5-year's construction period, which covers white broiler rearing, slaughterhouse project, feed plant with an annual output of 500,000 tons, cooked food project with an annual production of 20,000 tons and a project to hatch 100 million commercial day old chicks per year. Through this cooperation, the Company aims to help rural residents to relieve financial pressure, reduce the risk of breeding and improve animal rearing technology, as well as to increase job opportunities to stimulate the development of rural areas, achieving mutual benefit.

The Company will give full play to its strengths to integrate resources and continuously

support poverty alleviation to contribute to the goal of securing a decisive victory in building a moderately prosperous society in all respects.

2. Social responsibilities

The upstream of animal husbandry links planting industry, whilst the downstream serves agricultural and sideline food processing industries. It is related to national economy and people's livelihood, such as food supply and farmers' income, and shoulders important missions and responsibilities. At the start-up period, the Company announced its Vision and Mission to inside and outside the industry, indicating and admonishing all employees about social responsibilities and missions during the development process. Over the years, the Company has been strictly fulfilling its commitment and practicing corporate responsibilities, and in 2018 the Company further refined its core values characterized by "Integrity, Responsibility, Win-win", once again stressed the importance of its responsibilities.

A. Responsibilities to society and industry

a. Practice of Wellhope Mission. The Company has taken "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" as its mission and ultimate goal since its establishment.

Saving resources: China needs to use only 7% of the world's land to feed 22% of the world's population. In response to increasing shortage of natural resources, the Company constantly innovates alternatives of raw materials and processing technologies to develop low-protein feed. Through applying corn by-products and unconventional protein, it has reduced the use of corn, soybean meal and other grain in feed. In terms of raising technology, the Company helps farmers to apply energy-saving technologies to improve resource utilization, for example, by using its ingenious ventilation mode and solar energy utilization technology to simplify ventilation and heat preservation, reduce electricity consumption and save coal. In terms of broiler slaughtering, the Company equips high-efficient facilities and continuously conducts lean management to improve slaughtering operation and achieve efficient killing-out percentage and energy saving.

Environment protection: Because animal husbandry has certain pollution to the

environment, the Company utilizes various ways such as technological innovation and equipment input to protect environment. In terms of technical innovation, it applies eco-friendly raw materials and additives in feed formulations and continuously develops safe and eco-friendly feed to reduce emissions of heavy metals, nitrogen and phosphorus. In terms of animal raising and slaughtering, the Company automates production lines and continuously improves the design, recycles wastes and combines planting with animal raising to realize environmental protection.

Food safety: The Company has never forgotten its social responsibility and food safety, and taken “becoming one of the world’s leading enterprises across agriculture, animal husbandry and food industries as well as becoming a safe and high-quality food manufacturer” as its development goal. Its R&D testing center has been equipped with advanced testing equipment and always conducted strict quality control of raw materials and feed products to ensure safety of feed products. For the broiler business, the Company takes strict farm-to-table controlling that integrates bio-safety, drug residue control and processing hygiene to achieve traceable food safety. Meanwhile, the Company has always attached importance to the know-how of antibiotic-free. From 2013 to 2019, it has carried out more than 100 studies and experiments on antibiotic substitutions, committed to achieving antibiotic-free feed and reducing the use of antibiotics in farms to ensure food safety. With years of focuses of providing high quality, stable and safe products, the Company was honored as Outstanding Integrity Enterprise and Leading Enterprise with Social Responsibility in the 17th Annual Meeting of China's Food Safety in 2019. In the future, Wellhope will continue to pay attention to food safety and provide safe and high-quality products.

b. Contributing to public charity giving

The Company has always persisted in the principle of contributing to its motherland by operating excellent businesses and giving back to the society. Over the years, the Company has donated to disaster areas, disabled aid projects and related educational institutions directly or through the Red Cross. Since the outbreak of COVID-19, the Company’s holding and associated companies, some managers and employees, have raised funds of RMB 12 million to support national and local-level government offices to defeat the disease. The Company has donated RMB 8.5 million as at the date of disclosing this annual report. The

Company also devotes to educational charity, it has continued to work with a supplier to participate in donation activities on the World Egg Day, providing high-quality eggs to poor pupils to care their healthy growth. Moreover, the Company provides awards and bursary supports to many college students nationwide, also offers them opportunities to attend in holiday internships and summer camps. In 2019, the Company donated over RMB 3 million of education funds and scholarships to Nanjing Agricultural University, Shenyang Agricultural University, Gansu Agricultural University and other universities. Its holding and associated companies also actively participated in charitable activities organized by local-level governments. Many managers of the Company also devoted themselves to public charity in different forms.

c. Offering job opportunities

According to the development needs, the Company holds job fair and campus recruitment every year, creating job opportunities for the society. In 2019, the Company recruited more than 300 undergraduates, masters and doctors from 28 universities across China and provided systematic trainings to help them to grow rapidly. In the face of COVID-19, the Company held online job recruitment by live broadcast to offer opportunities to ensure employment of graduates and shoulder social responsibility.

B. Responsibilities to shareholders

In the course of development, the Company has always conducted business driven by the principle of honesty and trustworthiness, improved corporate governance and observed the laws and compliance management. In 2019, the Company strictly implemented the regulations issued by China Securities Regulatory Commission, Shanghai Stock Exchange, its Company Constitution and other internal regulations, also actively adapted to the changes in regulatory policies and continuously improved its corporate governance and the effectiveness of information disclosure. In the reporting period, the Company honestly and normatively disclosed 45 extraordinary announcements and 4 periodic reports via designated media, which truly and comprehensively displayed its business operations and development plan to the investors. Moreover, its annual information disclosure in 2018 was appraised as A-level by Shanghai Stock Exchange. Entering 2019, it will continue to carry out the principles of honesty driven, protect the legitimate rights and interests of investors.

Meanwhile, driven by the principle of “sharing bumper harvest”, the Company has formulated stable profit distribution policy for rewarding shareholders. Since going public in 2014, its average dividend payout ratio was 22% with accumulated cash dividends of RMB 443 million, accounting for 104.42% of funds raised from IPO. All the funds raised in IPO have been returned to investors by cash dividends.

C. Responsibilities to staff

a. Adhering to “sharing bumper harvest”

Driven by the principle of “sharing bumper harvest”, the Company shares its achievements with employees in various ways. In 2018, 372 key managers were granted with restricted stock and the goal of performance appraisal in the first lock-up period regarding the restricted stock incentive plan had been achieved. This plan has achieved positive effects indeed based on the profit of the Company and other evaluations in 2019. Moreover, it has innovated incentive policies in hog raising business. By combining the interests of the Company, shareholders with the core staff team in various ways to share achievements and promote the sustainable development of the Company.

b. Powering career development of staff

In strict accordance with national laws and regulations, the Company provides social assurance and additional welfare to employees and also benefits their families. It also expands welfare through internal resource sharing, pilot flexible benefits and commendation awards to improve employees’ happiness index. In the meantime, the Company continues to upgrade its three-level training system, fully uses Wellhope E-Learning College and external resource to provide more training resources to promote the growth and value enhancement of employees. In the aspect of career development, the Company has created a “H-shaped” dual-channel development plan for employees to make every single employee can choose suitable career development according to their strengths, aiming to help them to release potential abilities to achieve their career goals.

c. Caring about employees’ life

The “Wings of Love” charitable foundation, established by the Company in 2007, continues to care employees. It gives certain rewards to the employees’ children who are admitted to the universities, encouraging employees to cultivate talents for the society.

Meanwhile, it provides financial assistance to the families of employees in difficulty, helping them to tide over hard time. In 2019, the foundation has donated RMB 3.69 million to employees. Moreover, the Company organizes different forms of activities to continuously enrich the work and life of employees every year. In March 2019, the Company was honored as National Model Enterprise with Harmonious Labor Relations.

D. Responsibilities to customers

Driven by the concept of progressing together with customers, the Company is dedicated to providing excellent and stable-quality products and services to customers. In terms of products, the Company continues to develop feed products catering to market and customers' needs. In terms of animal raising, it offers farmers systematic services such as raising model, feeding program, disease diagnosing and latest market information, also provides them trainings and farm management solutions to improve operation skills. Meanwhile, the Company continuous to explore various methods for innovating customer services, sending key technical experts to customers' farms to assist them to build data management system, collects and analyzes production data and formulates analysis report of production performance to improve production. Facing the ASF, the Company has built specialized teams to provide customers related services in terms of safe products and transportation, ASF prevention and solutions to resume production, etc. Meanwhile, the Company actively conducts on-line technical services and management guidance, including holding live streaming and experts on line to help customers prevent ASF and reduce losses.

3. Environmental protection policy

A. 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 a company with sewage & gas waste emission 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 the company with sewage & gas waste emission 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 a company with sewage waste emission of Kaifeng City. Shenyang Huakang Meat Poultry Co., Ltd. (hereinafter referred to as "Shenyang Huakang"), a holding subsidiary of the Company, has been listed as a company with sewage waste emission of Shenyang City, Pingyuan Wellhope Food Processing Co., Ltd. (hereinafter referred to as "Pingyuan Wellhope"), a holding subsidiary of the Company, has been listed as the company with sewage & gas waste emission of Handan City, Changchun Wellhope Food Co., Ltd. (hereinafter referred to as "Changchun Wellhope"), a holding subsidiary of the Company, has been listed as the company with sewage & gas waste emission of Changchun City. Details are presented as follows:

Puyang Wellhope: The main pollutants include waste gas and waste water, among which waste water mainly contains COD, ammonia nitrogen, total phosphorus, pH, suspended solids, biochemical oxygen requirement, animal and plant oil, total coliform and total nitrogen. The waste gas mainly contains SO₂, nitric oxide and particulate matter. Emission method: 1 waste water emission outlet for sewage treatment located in the southeast corner of the sewage monitoring station, 1 waste gas exhaust outlet distributed in the boiler room in the northeast corner of the plant. Puyang Wellhope strictly implements the Discharge Standard of Water Pollutants for Meat Processing Industry (GB 13457-1992) with the emission permit (9141092367412881xt001p) and the indirect emission limit 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), as well as follows the requirements of Boiler Air Pollutant Emission Standard and emission permit (9141092367412881xt001p, i.e., the emission concentration of SO₂ shall be ≤10mg/Nm³, particulate≤≤5mg/Nm³ and NO_x≤50 mg/Nm³. Total discharge amount of main pollutants under the emission permit: COD 15.58 tons per year and ammonia nitrogen 2.95 tons per year. During the reporting period, the discharged pollutants amounted to 7.915 tons of COD and 0.48123 tons of ammonia nitrogen controlled within the permitted scope, and the "three wastes" treatment met the standard requirements without exceeding the standards.

Kaifeng Wellhope: The main pollutant is waste water, which mainly contains COD, ammonia nitrogen, total phosphorus, pH, suspended solids, biochemical oxygen requirements, animal and plant oil, total coliform and total nitrogen. Emission method: 1

waste water emission outlet for sewage treatment located in the east side the plant. Kaifeng Wellhope strictly implements Level 2 standard of Discharge Standard of Water Pollutants for Meat Processing Industry (GB 13457-1992) with the emission permit (91410212MA4057G88A001R) and the sewage emission limit of No. 2501 Environmental Evaluation Criteria ($\text{COD} \leq 100\text{mg/L}$, $\text{NH}_3\text{-N} \leq 20\text{mg/L}$, $\text{BOD} \leq 40\text{mg/L}$, suspended solids $\leq 100\text{mg/L}$, pH value of 6-8.5, coliform ≤ 10000). At present its waste water discharge follows the standard of new emission permit, i.e., $\text{COD} \leq 350\text{ mg/L}$, $\text{NH}_3\text{-N} \leq 30\text{ mg/LD}$, total nitrogen $\leq 30\text{ mg/L}$ and total phosphorus $\leq 3\text{mg/L}$, other items follow Environmental Evaluation Criteria. During the reporting period, the discharged pollutants amounted to 3.52 tons of COD and 0.72 tons of ammonia nitrogen controlled within the permitted scope, and the "three wastes" treatment met the standard requirements without exceeding the standard.

Zhongjia Food: The main pollutants include waste gas and waste water, among which waste water mainly contains COD, ammonia nitrogen, total phosphorus, pH, suspended solids and total nitrogen. The waste gas mainly contains SO_2 , nitric oxide and particulate matter. Emission method: 1 waste water emission outlet for sewage treatment located in the west side of the new sewage treatment workshop, 1 waste gas exhaust outlet distributed on the roof of the boiler room. Zhongjia Food strictly implements the local level of Integrated Wastewater Discharge Standard of Liaoning Province, DB 21.1627-2008 ($\text{COD} \leq 50\text{mg/L}$, $\text{NH}_3\text{-N} \leq 8\text{mg/L}$, total phosphorus $\leq 0.5\text{mg/L}$, suspended solids $\leq 20\text{mg/L}$, total nitrogen $\leq 15\text{mg/L}$, pH value of 6-9) and follows the Boiler Air Pollutant Emission Standard for waste gas emission (GB 13271-2014). During the reporting period, the discharged pollutants were controlled within the permitted scope, and the "three wastes" treatment met the standard requirements without exceeding the standards.

Shenyang Huakang: The main pollutant is waste water, which mainly contains COD, ammonia nitrogen, pH, suspended solids, total phosphorus and total nitrogen. Emission method: 1 waste water emission outlet for sewage treatment located in the northeast of the sewage treatment station. Shenyang Huakang strictly implements level 3 standard of Integrated Wastewater Discharge Standard of Liaoning Province, the concentration of main pollutants discharged by the company's pollutant discharge permit follows $\text{COD} < 450\text{mg/L}$, ammonia nitrogen $< 30\text{mg/L}$, total nitrogen 50mg/L , total phosphorus $\leq 5\text{mg/L}$,

suspended solids < 300mg/L and pH value of 6-9, and the gas emission follows Boiler Air Pollutant Emission Standard (GB13271-2014), i.e., $SO_2 \leq 200mg/Nm^3$. During the reporting period, the discharged pollutants amounted to 84 tons of COD and 13.44 tons of ammonia nitrogen controlled within the permitted scope, and the "three wastes" treatment met the standard requirements without exceeding the standard.

Huakang Food: The main pollutants include waste gas and waste water, among which waste water mainly contains COD, ammonia nitrogen, total phosphorus, pH, suspended solids and total nitrogen, water gas mainly includes SO_2 , nitric oxide and particulate matter. Emission method: 1 waste water emission outlet for sewage treatment located in the southeast corner of sewage treatment workshop and 1 waste gas exhaust outlet distributed on the roof of the boiler room. Huakang Food strictly implements the local level of Integrated Wastewater Discharge Standard of Liaoning Province, DB 21.1627-2008 ($COD \leq 50mg/L$, i.e., 12.63 tons per year, $NH_3-N \leq 8mg/L$, i.e., 2.02 tons per year) and follows the Boiler Air Pollutant Emission Standard for waste gas emission (GB 13271-2014). During the reporting period, the discharged pollutants amounted to 8.62 tons of COD, 0.63 tons of ammonia nitrogen, 23.45 tons of SO_2 , 6.62 tons of nitric oxide and 13.17 tons of particulate matter, which were controlled within the permitted scope, and the "three wastes" treatment met the standard requirements without exceeding the standard.

Pingyuan Wellhope: The main pollutants include waste gas and waste water, among which, the waste water mainly contains COD, ammonia nitrogen, suspended solids, BOD_5 and animal and plant oil, the waste gas mainly contains SO_2 , nitrogen oxide and smoke. Emission method: 1 wastewater discharge outlet for sewage treatment distributed at the entrance of sewage monitoring station in the northeast corner of the plant, 3 waste gas exhaust outlets distributed in the east side of the boiler room. Pingyuan Wellhope strictly implements the wastewater discharge standard of Meat Processing Industry (GB 13457-1992) and Level 2 Discharge Standard of Livestock and Poultry Slaughtering and Processing (emission permit 91130423MA07LFUD6B001Q) and inlet water quality requirements of Linzhang County ($COD \leq 100mg/L$; $SS \leq 100mg/L$, ammonia nitrogen $\leq 20mg/L$; $BOD \leq 40mg/L$, animal and plant oil $20mg/L$, PH value of 6-8.5). Exhaust gas emission implements the Boiler Air Pollutant Emission Standard (GB 13271-2014) with the emission permit (91130423MA07LFUD6B001Q), i.e., SO_2 emission concentration

$\leq 50\text{mg}/\text{m}^3$, particulate emission concentration $\leq 20\text{mg}/\text{m}^3$, and NOX emission concentration $\leq 150\text{ mg}/\text{m}^3$. The total amount of main pollutants allowed under the company's emission permit: COD 39.45 tons per year, ammonia nitrogen 2.63 tons per year, SO 2.31 tons per year, NOX 2.36 tons per year. During the reporting period, the discharged pollutants were controlled within the permitted scope without exceeding the standards.

Changchun Wellhope: The main pollutants are waste water, mainly containing COD, ammonia nitrogen, total phosphorus, pH, suspended solids, biochemical oxygen demand, animal and plant oil, total coliform, total nitrogen. Emission method: 1 waste water discharge outlet for sewage treatment located at Xiajiadian Street, Dehui City. Changchun Wellhope strictly implements Level 2 standard of Pollution Discharge Standard of Meat Processing Industry (GB 13457-1992) with the emission permit (91220183MA13WF2K34001Y), at present its sewage discharge follow $\text{COD} \leq 100\text{mg}/\text{L}$, $\text{NH}_3\text{-N} \leq 20\text{mg}/\text{L}$, total nitrogen $\leq 10\text{mg}/\text{L}$ and total phosphorus $\leq 3\text{mg}/\text{L}$. The total amount of main pollutants discharged by the company's sewage permit: COD 3.60 tons per year, ammonia nitrogen 0.79 tons per year. During the reporting period, the discharged pollutants amounted to 3.52 tons of COD and 0.72 tons of ammonia nitrogen, both of which were controlled within the permitted scope and the treatment of "three wastes" met the standard requirements without exceeding the standards.

B. Circumstance of building and operating pollution control facilities

Puyang Wellhope:

a. Sewage treatment: Puyang Wellhope has a 2000-tons-per-day sewage treatment station, which adopts the treatment process of "pretreatment-oil separation-A2O -disinfection" to treat the wastewater. Its environmental protection facilities are running normally, and the pollutant emission indexes all meet the required standards.

b. Waste gas treatment: 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 15-meters-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 emission standards.

Kaifeng Wellhope:

Sewage treatment: Kaifeng Wellhope has a 1500-tons-per-day sewage treatment station, which adopts the treatment process of "air floatation-A2O" to treat the wastewater. Its environmental protection facilities are running normally, and the pollutant emission indexes all meet required standards.

Dalian Zhongjia:

a. Sewage treatment: Zhongjia Food has a 1200-tons-per-day sewage treatment station, which adopts the treatment process of "mechanical barrier-oil separator-regulation pool-hydrolysis pool- catalytic oxidation pool-sedimentation pool-sand filter" to treat the wastewater.

b. Waste gas treatment: Dedusting smoke and dust by wet method and conducting desulfurization by magnesium oxide. Discharging gas by a 25-meters-high chimney to has effectively met related standards.

Shenyang Huakang:

Sewage treatment: Shenyang Huakang has a 2220-tons-per-day sewage treatment station, which adopts the treatment process of "pretreatment- oil separation-A2O-disinfection" to treat wastewater. Its environmental protection facilities are running normally, and the pollutant emission indexes have reached all required standards.

Huakang Food:

a. Sewage treatment: Huakang Food has 900-tons-per-day and 300-tons-per-day sewage treatment stations 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 required standards.

b. Waste gas treatment: Dedusting the smoke and dust by wet method and conducting desulfurization by magnesium oxide. Gas emission meet all required standards.

Pingyuan Wellhope:

a. Sewage treatment: Pingyuan Wellhope has a 1000-tons-per-day sewage treatment station, which adopts AO treatment process to dispose wastewater. Its environmental

protection facilities are running normally, and the pollutant emission indexes have reached all required standards.

b. Waste gas treatment: 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 15-meters-high chimney in accordance with related standard; the traditional coal-fired boilers are replaced by gas-fired boilers with low carbon, all kinds of pollutants meet the emission standards.

Changchun Wellhope:

Sewage treatment: Changchun Wellhope has a 1000-tons-per-day sewage treatment station, which adopts AO treatment process to dispose wastewater. Its environmental protection facilities are running normally, and the pollutant emission indexes have reached all required standards.

C. 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 related environmental protection requirements.

D. Emergency plan for environmental incident

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

E. Self-monitoring program for environment

In accordance with requirements of self-monitoring environment and information disclosure, the pollutant discharging entities of the Company have formulated self-monitoring programs to monitor environment and disclose information as scheduled.

Section VI Changes in Common Shares and Shareholder Information

I. Changes in Common Shares

1. Changes of common 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 corporation						
C. Shares held by other domestic investors			88,831,340	88,831,340	88,831,340	9.63
including: Shares held by domestic corporation			54,133,857	54,133,857	54,133,857	5.87
Shares held by domestic natural person			34,697,483	34,697,483	34,697,483	3.76
D. Shares held by foreign investor			2,296,587	2,296,587	2,296,587	0.25
including: shares held by foreign corporation			2,296,587	2,296,587	2,296,587	0.25
Shares held by foreign natural person						
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 common shares	831,176,469	100.00	91,127,927	91,127,927	922,304,396	100.00

Explanation of changes in shares

➤ On November 21 and December 7, 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). As of December 27, 2018, the Company received the funds of RMB 70,688,750.00 subscribed by 372 incentive objects, of which RMB 14.575 million was increased in paid-up capital (capital stock), RMB 56.114 million was recorded in capital reserve (equity premium). On January 9, 2019, the Company completed the registration of restricted stock and issued 14.575 million restricted shares to 372 key managers, the total shares of the Company increased from 831,176,469 shares to 845,751,469 shares.

➤ On November 9, 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 24, 2019. The total shares of the Company increased from 845,751,469 shares to 922,304,396 shares.

2. Changes in restricted shares

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 period end	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, 24, 2020
Shenzhen Galaxy Investment Co., Ltd.			4,921,259	4,921,259	non-public issuing stock	April, 24, 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, 24, 2020
Wu Ying			14,763,779	14,763,779	non-public issuing stock	April, 24, 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, 25, 2022
DE HEUS MAURITIUS			2,296,587	2,296,587	non-public issuing stock	April, 25, 2022
Ding Yunfeng			1,531,058	1,531,058	non-public issuing stock	April, 25, 2022
Wang Zhongtao			765,529	765,529	non-public issuing stock	April, 25, 2022
Total			91,127,927	91,127,927	/	/

II. The issuance and listing of securities

1. Securities issued as at the reporting period

Variety	Issuing date	Issuing price	Shares	Listing date	Number of approved transactions	Termination date
RMB common share	April 24, 2019	RMB 10.16	76,552,927	April 24, 2019	0	

Explanation: On November 9, 2018, in accordance with the approval of the CSRC, the Company non-public issued 76,552,927 A-shares to 8 investors in April 2019, and completed the registration of new shares on April 24, 2019. The total shares of the Company increased from 845,751,469 shares to 922,304,396 shares.

2. Changes in the Company's total shares and the structures of shareholders, assets and liabilities

In the reporting period, the Company finished non-public offering new shares and implemented restricted stock incentive plan, making its share capital increase from 831,176,469 shares to 922,304,396 shares. As at the end of the reporting period, Jin Weidong directly held 149,549,498 shares of the Company, accounting for 16.21% of the share equity, controlled 5.24% of the voting rights of the Company through holding Wulian Heli Investment, and controlled 24.67% of the voting rights through signing the Agreement of Acting in Concert with Ding Yunfeng (shareholding 8.88%), Wang Fengjiu (shareholding 5.33%), Shao Caimei (shareholding 5.40%) and Wang Zhongtao (shareholding 5.06%). Jin Weidong is the actual controller of the Company, who totally controls 46.12% of the Company's voting rights. By the end of 2019, the Company's total assets reached RMB 9.15 billion, total liabilities were RMB 2.65 billion, its asset-liability ratio has dropped from 38.45% at the end of prior year to 28.97%, structure of assets and liabilities has been further optimized.

III. Shareholder and actual controller

1. Total shareholders

Total number of common shareholders as at December 31, 2019	30,359
Total number of common shareholder at the end of February 2020	29,061

2. 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	Shares	
Jin Weidong	3,062,117	149,549,498	16.21	3,062,117	Pledged	56,270,000	Domestic natural person
DE HEUS MAURITIUS	2,296,587	82,303,939	8.92	2,296,587	Non		Foreign legal person
Ding Yunfeng	1,531,058	81,929,558	8.88	1,531,058	Pledged	49,450,000	Domestic natural person
Shao Caimei	-4,786,000	49,773,878	5.40		Non		Domestic natural person
Wang Fengjiu	-938,400	49,146,202	5.33		Pledged	10,260,000	Domestic natural person
Zhang Tiesheng		48,360,000	5.24		Pledged	6,600,000	Domestic natural person
Wulian Heli Equity Investment Partnership (Limited Partnership)		48,360,000	5.24		Non		Domestic non-State-owned legal person
Wang Zhongtao	-525,771	46,625,229	5.06	765,529	Non		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
Sinosafe Assets Management-Industrial and Commercial Bank of China-Sinosafe Assets Management Stably Increasing Profit No. 12 Collection 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	49,773,878	RMB common stock	49,773,878
Wang Fengjiu	49,146,202	RMB common stock	49,146,202
Zhang Tiesheng	48,360,000	RMB common stock	48,360,000
Wulian Heli Equity Investment Partnership (Limited Partnership)	48,360,000	RMB common stock	48,360,000
Wang Zhongtao	45,859,700	RMB common stock	45,859,700
Gao Junsong	9,874,372	RMB common stock	9,874,372
Wang Zhenyong	9,800,000	RMB common stock	9,800,000
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 Wulian Heli Equity Investment Partnership; 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 24, 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 24, 2020		Restricted period-12 months
3	Wu Ying	14,763,779	April 24, 2020		Restricted period-12 months
4	Shenzhen Galaxy Investment Co., Ltd.	4,921,259	April 24, 2020		Restricted period-12 months
5	Jin Weidong	3,062,117	April 25, 2022		Restricted period-36 months
6	DE HEUS MAURITIUS	2,296,587	April 25, 2022		Restricted period-36 months
7	Ding Yunfeng	1,531,058	April 25, 2022		Restricted period-36 months
8	Wang Zhongtao	765,529	April 25, 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.			

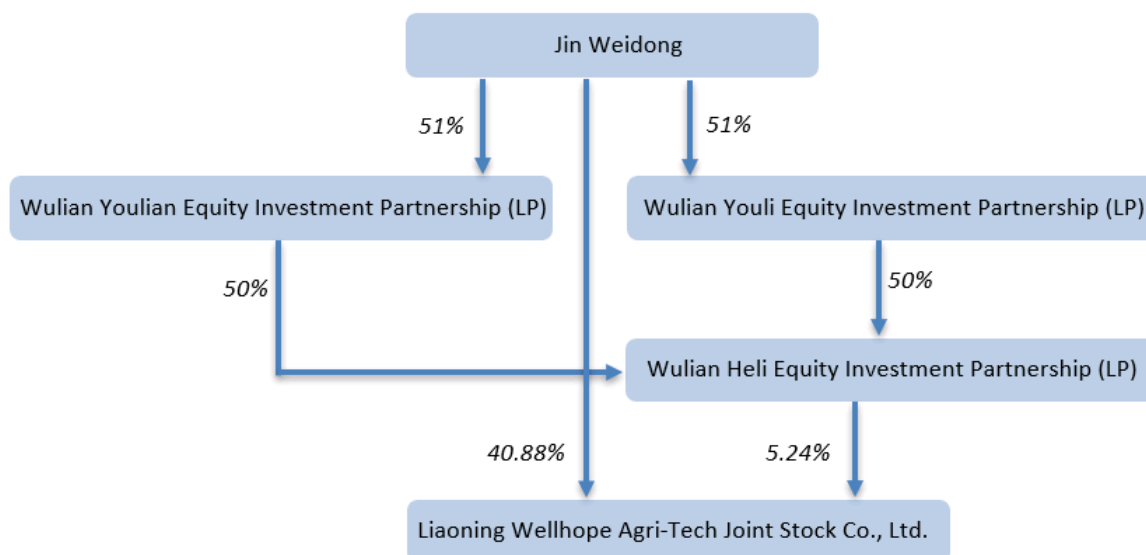
IV. Controlling shareholder and actual controller

1. Controlling shareholder

A. Natural person

Name	Jin Weidong
Nationality	China
Whether acquire the right of abode in other countries or regions	No
Major occupation and position	Chairman of Liaoning Wellhope Agri-Tech Joint Stock Co., Ltd.

B. A block diagram of the property rights and controlling relationship between the Company and its controlling shareholder



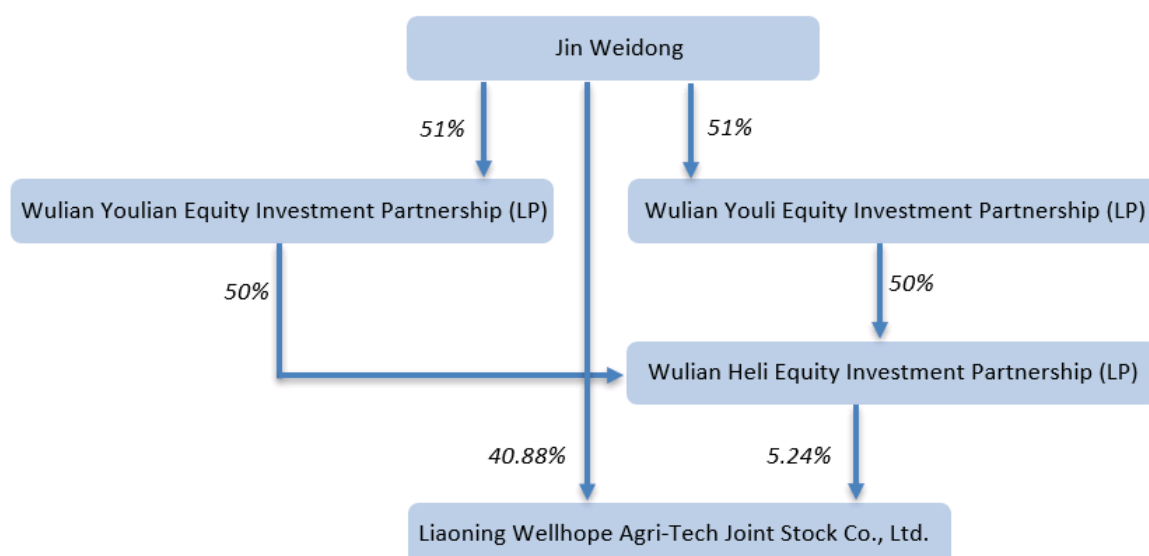
Note: As at the end of the reporting period, Jin Weidong directly held 149,549,498 shares of the Company, accounting for 16.21% of the total equity, controlled 5.24% of the voting rights of the Company through holding Wulian Heli Investment, and controlled 24.67% of the voting rights through signing the Agreement of Acting in Concert with Ding Yunfeng (shareholding 8.88%), Wang Fengjiu (shareholding 5.33%), Shao Caimei (shareholding 5.40%) and Wang Zhongtao (shareholding 5.06%). Jin Weidong is the actual controller of the Company, who totally controls 46.12% of the Company's voting rights.

2. Actual controller

A. Natural person

Name	Jin Weidong
Nationality	China
Whether acquire the right of abode in other countries or regions	No
Major occupation and position	Chairman of Liaoning Wellhope Agri-Tech Joint Stock Co., Ltd.
Domestic and foreign listed companies once held by the actual controller in the past 10 years	Non

B. A block diagram of the property rights and controlling relationship between the Company and its actual controller



Note: As at the end of the reporting period, Jin Weidong directly held 149,549,498 shares of the Company, accounting for 16.21% of the total equity, controlled 5.24% of the voting rights of the Company through holding Wulian Heli Investment, and controlled 24.67% of the voting rights through signing the *Agreement of Acting in Concert* with Ding Yunfeng (shareholding 8.88%), Wang Fengjiu (shareholding 5.33%), Shao Caimei (shareholding 5.40%) and Wang Zhongtao (shareholding 5.06%). Jin Weidong is the actual controller of the Company, who totally controls 46.12% of the Company's voting rights.

Section VII Preference Share

Not Applicable

Section VIII Directors, Supervisors, Senior Management and Employees

I. Changes in Shareholdings and Remuneration

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

Name	Office title	Gender	Age	Start of tenure	End of tenure	Opening shareholding (shares)	Closing shareholding (shares)	Changes in shareholding (shares) in 2019	Reason of changes	Pre-tax remuneration paid by the Company (10,000 yuan)	Whether obtain remuneration from related parties of the Company
Jin Weidong	Chairman	male	57	Feb. 3, 2015	Feb. 1, 2021	146,487,381	149,549,498	3,062,117	Buying non-public issuing stock	62.07	No
Ding Yunfeng	Director and President	male	57	Feb. 3, 2015	Feb. 1, 2021	80,398,500	81,929,558	1,531,058	Buying non-public issuing stock	60	No
Wang Fengjiu	Vice President	male	51	Feb. 3, 2015	Feb. 1, 2021	50,084,602	49,146,202	-938,400	Selling shares in the secondary market	48	No
Shao Caimei	Director and Chief Technical Officer	female	54	Feb. 3, 2015	Feb. 1, 2021	54,559,878	49,773,878	-4,786,000	Selling shares in the secondary market	55.37	No
Wang Zhongtao	Chairman of the Supervisory Board	male	56	Feb. 3, 2015	Feb. 1, 2021	47,151,000	46,625,229	-525,771	Buying non-public issuing stock, selling shares in the secondary market	56	No
Wang Zhenyong	Vice President	male	54	Feb. 3, 2015	Feb. 1, 2021	9,800,000	9,800,000			46.6	No
Zhang Wenliang	Director and Chief Financial Officer	male	60	Feb. 3, 2015	Feb. 1, 2021	8,565,100	8,565,100			39.6	No
Zhao Xin	Director, Board Secretary, Chief HR Officer	female	48	Feb. 3, 2015	Feb. 1, 2021	4,470,160	4,470,160			53	No

Qiu Jiahui	Vice President	male	48	Feb. 3, 2015	Feb. 1, 2021					56	No
Hu Jianmin	Independent Director	male	61	Feb. 3, 2015	Feb. 1, 2021					6	No
Liu Huan	Independent Director	male	65	Feb. 3, 2015	Feb. 1, 2021					6	No
Wang Zhe	Independent Director	female	40	Feb. 2, 2018	Feb. 1, 2021					6	No
Jacobus Johannes de Heus	Director	male	51	Feb. 3, 2015	Feb. 1, 2021					-	No
Marcus Leonardus van der Kwaak	Supervisor	male	51	Feb. 3, 2015	Feb. 1, 2021					-	No
Yuan Minger	Supervisor	female	50	Feb. 3, 2015	Feb. 1, 2021					16	No
Li Jun	Supervisor	male	48	Apr. 27, 2016	Feb. 1, 2021					28	No
Wei Yanjin	Supervisor	male	62	Jul. 20, 2016	Mar. 26, 2019					-	No
Ren Bingxin	Supervisor	male	57	Mar. 27, 2019	Feb. 1, 2021	5,429,500	5,429,500			25	
total						406,946,121	405,289,125	-1,656,996	/	563.64	/

Name	Work experience
Jin Weidong	Male, born in 1963, master's degree, the core founder of Wellhope, Chairman of the Board, also holds the posts of President of Liaoning Feed Industry Association, member of Liaoning Province Standing Committee of the Chinese People's Political Consultative Conference, Vice President of China Feed Industry Association, Vice President of China Animal Husbandry Industry Association, Doctoral Advisor of Shenyang Agricultural University, Guest Professor of Remin University of China, Ocean University of China and Northeast Agricultural University, etc.
Ding Yunfeng	Male, born in 1963, bachelor's degree, one of the founders of Wellhope, now holds the posts of board director and President.
Wang Fengjiu	Male, born in 1969, master's degree, one of the founders of Wellhope, now holds the post of Vice President.
Shao Caimei	Female, born in 1966, Ph.D., one of the founders of Wellhope, the board director and CTO, also holds the posts of standing director of Animal Nutrition Branch of Chinese Association of Animal Science and Veterinary Medicine, member of Chinese Feed Industrial Standardization Technical Committee, etc.
Wang Zhongtao	Male, born in 1964, master's degree, one of the founders of Wellhope, now holds the post of Chairman of the supervisory board.
Wang Zhenyong	Male, born in 1966, Ph.D., joined Wellhope in 1996, now holds the post of Vice President, taking charge of international business.
Zhang	Male, born in 1960, master's degree, joined Wellhope in 1996, now holds the posts of board director and CFO.

Wenliang	
Zhao Xin	Female, born in 1972, bachelor's degree, joined Wellhope in 1995, now holds the posts of board director, board secretary, CHO.
Qiu Jiahui	Male, born in 1972, bachelor's degree, joined Wellhope in 2000, now holds the post of Vice President, taking charge of broiler integration business division.
Wang Zhe	Female, born in 1980, Ph.D., professor and doctoral advisor of School of Animal Husbandry and Veterinarian of Shenyang Agricultural University, independent director of Wellhope.
Hu Jianmin	Male, born in 1959, Ph.D., professor of School of Animal Husbandry and Veterinarian of Shenyang Agricultural University, independent director of Wellhope.
Liu Huan	Male, born in 1955, Chinese nationality, CPA, Deputy Dean of School of Tax Administration of Central University of Finance and Economics, independent director of Wellhope.
Jacobus Johannes de Heus	Male, born in 1969, the Dutch nationality, master's degree, CEO of Royal De Heus, board director of Wellhope.
Marcus Leonardus van der Kwaak	Male, born in 1969, the Dutch nationality, master's degree, CFO of Royal De Heus, supervisor of Wellhope.
Yuan Minger	Female, born in 1970, bachelor's degree, supervisory board director and audit manager of Wellhope.
Li Jun	Male, born in 1972, master's degree, joined Wellhope in 2004, holds the posts of supervisory board director and director of raw material trade business division and general manager of Liaoning Expert Trading Co., Ltd.
Wei Yanjin	Male, born in 1958, master's degree, joined Wellhope in 2001, President of related business division.
Ren Bingxin	Male, born in 1963, Ph.D., once worked in Animal Husbandry and Veterinary Science Institute of Liaoning province, now holds the posts of the supervisory board director and technical director of Wellhope's broiler integration business division.

2. Post held in other entity

Name	Other entity	Post	Start of tenure	End of tenure
Wang Zhe	Shenyang Agricultural University	Professor	2015	
Hu Jianmin	Shenyang Agricultural University	Professor	2000	
Hu Jianmin	Liaoning-Shenyang Agricultural Wellhope Bio-Tech Co., Ltd.	Board director	2016	
Liu Huan	School of Tax Administration of	Deputy dean and professor	2010	

	Central University of Finance and Economics			
Jacobus Johannes de Heus	Royal De Heus	CEO	2002	
Marcus Leonardus van der Kwaak	Royal De Heus	CFO	2001	
Jin Weidong	Beijing BOYAR Agriculture and Animal Husbandry Technology Co., Ltd.	Supervisor	2010	

II. Remuneration of Directors, Supervisors and Senior Management

Decision-making procedure for remuneration	According to the Company's performance appraisal management, related regulations and the stipulations of the Remuneration and Performance Appraisal Committee of the Board of Directors.
Basis for determining remuneration	According to the remuneration level in the industry, the Company's business performance, job responsibilities, etc., and in accordance with the work plan made by the Board of Directors at the beginning of the year, in combination with individual's work performance and other qualitative and quantitative indicators.
Actual payment	Paying in accordance with the annual performance of the Company, the work performance of senior managers and management ability, etc.
Total remuneration during the reporting period	Totally paid RMB 5.64 million to board directors, supervisory board directors and senior managers.

III. Changes of Directors, Supervisors and Senior Management

Name	Office title	Change	Reason
Wei Yanjin	Supervisor	outgoing	Personal reason
Ren Bingxin	Supervisor	new electing	new electing

IV. Employees of the Parent Company and Major Subsidiaries

1. Headcount

Full time employee of parent company	235
Full time employee of major subsidiaries	5,112
Total full time employees	5,347
The number of retired employees whose expenses are borne by the parent company and major subsidiaries	16
Functions	
Line	Employees
Production	1,958
Sales	2,044
Technology	657
Finance	298
Administration	390
Total	5,347
Educational backgrounds	
Educational background	Employees
Master's degree and above	351
Bachelor's degree	1,922
Junior college	1,653
Below junior college	1,421
Total	5,347

2. Remuneration policy

The Company continually follows the human resource strategy of providing a fair, just and merit-based environment for rewarding employees, weeding out substandard performance, constantly optimizes the remuneration and performance management system to make the salary level more attractive and performance management more incentive. In 2019, the broadband salary project was promoted to clarify the Company's salary control mode and to confirm the ranking of post values, as well as to determine the salary level with reference to peer enterprises and market levels, so as to maximumly fuel employees' enthusiasm and ensure internal fairness. At the same time, the Company strengthened short-term performance management to provide staff more effective incentives. Moreover, it has actively explored and innovated the incentive policies regarding broiler and hog integration businesses, quickly attracted and encouraged talents under the favorable industry situation of hog business.

Meanwhile, the Company has been paying close attention to the long-term incentives for

outstanding employees. In 2018, 372 key talents were granted restricted stocks and signed performance agreements. Exercise rights were implemented according to the results of working performance, to fully mobilize the enthusiasm and sense of ownership of key talents and promote the rapid development of the Company's business in various fields.

In strict accordance with national laws and regulations, the Company provides staff social insurances and housing fund, and on this basis, also provides commercial insurance to benefit employees and their families. It also provides welfare protection for employees through internal resource sharing, welfare system, pilot flexible welfare and other ways to improve employees' satisfaction.

3. Training plan

The Company has been committed to the growth and career development of its employees. Under the guidance of top-level strategy and human resource strategy, a relatively complete training system with three levels has been set up. In 2019, the Company continued to optimize its training system and formulate annual training plan to employees nationwide via various channels and ways.

A. The Company constantly strengthens the progressive training system, which is operated by three levels in terms of head office, regional center of each business division and business unit of each subsidiary companies, they cooperate in many fields such as new staff training, on- job skill training and business line manager training, etc. Meanwhile, the Company has launched talent pool and related training programs to power the progress of staff and the Company, such as Sunflower training project for middle managers, Seedling training for fresh graduates, etc. Furthermore, the New Employee Training Manual has been operated online.

B. Moreover, the Company has increasingly explored internal training courses by its own trainers based on work scene and task module as well as new tools and methods. In 2019, the internal trainers produced 75 courses and 16 kinds of course list, among them, 80 new trainers were promoted.

C. Relying on on-line platform, the Company constantly promotes employee's self-directed learning. With more than 2,600 external courses and 300 self-owned course resources, and with the assistance of competitions and special topics, employees can freely and actively choose suitable courses, realizing an annual login rate of 94% and an online

learning rate of 75%. The Company also held a knowledge competition in 2019, 1,637 staff took part in this competition, totally 98,927 staff participated in the competition within 3 days.

D. Furthermore, the Company energetically held live broadcast in 2019. At the beginning of the year, influence by African Swine Fever, the Company quickly organized the training for ASF via live broadcast within one week, over 100,000 viewers attended the live-streaming, helping employees and customers to learn practices about solutions to ASF. Using the live broadcast platform, the Company has totally conducted 43 live broadcasts throughout the year with more than 450,000 visitors and 40,000 fans. Live broadcast, small video and clock-in have become the new normal for training, which also greatly save costs and improve organizational efficiency.

4. Labor outsourcing

The total number of working hours	2,607,292.00
Total amount of remuneration paid for outsourcing	RMB 50,953,348.29

Section IX Corporate Governance

I. Overview of Corporate Governance

In accordance with the Corporation Law, the Securities Law, the Guidelines for Governance of Listed Company and other requirements, the Company has constantly improved its corporate governance and persisted in normative operation, including building basic systems, standardizing operations, strengthening information disclosure, formulating relevant rules of procedure and working system. In the meantime, the Company has established a relatively thorough internal control system to heighten the protection for minority shareholders, and it also strictly fulfills the obligation of information disclosure in a true, accurate, timely and complete manner in accordance with relevant provisions to ensure that all shareholders have fair access to information.

In 2019, the Company held a shareholders' meeting, 4 times of board meetings and 3 times of supervisory board meetings. Meanwhile, the Shareholders' Meeting deliberated and approved the proposals of revising the Company Constitution, the Rules of Procedure of the Board and Supervisory Board, Working Rules for Independent Director, Provision on Related Party Transaction, to further consummate the Company's governance structure. the Company's operations, including the management of shareholders and shareholders' meeting, board member and board meeting, supervisory board and member, stakeholders, peer competition and related party transactions, information disclosure and transparency, meet the requirements of relevant authorities.

II. Shareholders' Meeting Convened during the Reporting Period

Meeting	Date	Query URLs of Resolution	Disclosing Date of Resolution
2018 Annual Shareholders' Meeting	May 20, 2019	www.sse.com.cn	May 21, 2019

Explanation:

During the reporting period, the Company held a Shareholders' Meeting to deliberate 2018 Annual Report, dividend plan, the proposals of revising the Company Constitution, the Rules of Procedure of the Board and Supervisory Board, Working Rules for Independent Director, Provision on Related Party Transaction, etc. Relevant meeting resolutions has been detailed in the Company's extraordinary notice no. 2019-019

published on the SSE website.

III. Performance of Duties of the Board Director

Name	Independent director or not	Attendance of Board Meeting						Shareholders' Meeting
		Number of attended board meetings in 2019	Physical presence	Via Tele-communi	Via proxy	Number of absences	Whether continually fail to physically attend the meeting two times	Number of attended shareholders' meeting
Jin Weidong	no	4	4	2	0	0	no	0
Ding Yunfeng	no	4	4	1	0	0	no	1
Jacobus Johannes de Heus	no	4	4	3	0	0	no	0
Shao Caimei	no	4	4	2	0	0	no	0
Zhang Wenliang	no	4	4	3	0	0	no	0
Zhao Xin	no	4	4	1	0	0	no	1
Hu Jianmin	yes	4	4	3	0	0	no	1
Liu Huan	yes	4	4	4	0	0	no	0
Wang Zhe	yes	4	4	3	0	0	no	1

Number of board meetings held in 2019	4
Including: on-site meeting	0
Number of meeting held via telecommunication	1
Number of meeting held via on-site meeting and telecommunication	3

IV. Whether Disclosing Self-evaluation Report of the Internal Control

The Company will disclose the evaluation report of its internal control when discloses its 2019 Annual Report. Details please refer to the website of Shanghai Stock Exchange (<http://www.sse.com.cn>).

V. Explanation of Audit Report for Internal Control

Jiangsu Suyajincheng CPA LLP issued the Audit Report of Internal Control, holding that the Company has maintained effective internal control over financial reporting in all major aspects on December 31, 2019 in accordance with relevant regulations. Details please refer to the website of Shanghai Stock Exchange (<http://www.sse.com.cn>).

Section X Corporate Bond

Not applicable

Section XI Financial Statements

I. Audit Report

Audit Report

Suya Audit No. [2020]110

To all the shareholders of Liaoning Wellhope Agri-Tech Joint Stock Co., Ltd.,

1. Opinion

We have audited the financial statements of Liaoning Wellhope Agri-Tech Joint Stock Co., Ltd. (hereinafter referred to as "the Company"), which comprise the statement of financial position as at December 31 2019, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31 2019, and of its operating performance and cash flow for the year then ended, and have been properly prepared in compliance with the Accounting Standards for Business Enterprises ("the ASBE").

2. Basis for Opinion

We conducted our audits in accordance with China's CPA Auditing Standards. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with China CPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Key Audit Matters

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

A. Confirmation and recognition of revenue	
Please refer to Important Accounting Policies and Accounting Estimates	
Key audit matters	How our audit addressed the key audit matter
<p>The operating revenue of the Company's principal businesses, including feed and feed raw materials, broiler integration, grew faster in the reporting period, these revenues had been confirmed after receiving payment for products or finishing credit procedure or delivering products. In 2019, the operating revenue of Wellhope's principal businesses realized RMB 17.78 billion, increase by RMB 2.04 billion compared with prior year with a growth rate of 12.96%, of which, the revenue of feed business increase by RMB 487.28 million with a growth rate of 6.68%, broiler integration business increased by RMB 1.93 billion with 41.37%. We took the operating revenue as a key audit matter.</p>	<p>Our audit procedures mainly include:</p> <p>a. Understood and evaluated the design of internal control in Wellhope's sales process, and tested the effectiveness of the implementation of critical control.</p> <p>b. Through sampling sales contracts and interviewing the management, we analyzed and evaluated the major risks related to the recognition of sales revenue and the time point of compensation transfer, and evaluated the recognition policies of sales revenue.</p> <p>c. We carried out analytical review based on the circumstances of Wellhope business divisions, industry development and the actual situation of Wellhope to judge the rationality of changes in sales revenue and gross profit.</p> <p>d. We conducted the following procedures for sales revenue by sampling method to confirm the occurrence and cut-off of sales revenue:</p> <p>(a) Check the supporting documents related to revenue recognition, including sales contracts, sales orders, sales invoices, customer receipt, etc.;</p> <p>(b) Issuing external confirmations to confirm the balance of accounts receivable and the amount of sales revenue;</p> <p>(c) Regarding the sales revenue confirmed before and after the date of balance sheet, check the supporting documents detailed to customers' signed receipt to assess whether the sales revenue had been recognized within the appropriate period.</p>
B. Income from long-term equity investment recognized by the equity method.	
Please refer to Important Accounting Policies and Accounting Estimates	
Key audit matters	How our audit addressed the key audit matter
<p>The income from long-term equity investment calculated by the equity method in the reporting period reached RMB 629.09 million, which had a great impact on current gains and losses, thus we took it as the key audit matter.</p>	<p>Our audit procedures mainly include:</p> <p>a. We reviewed and evaluated Wellhope's internal control regarding the income from long-term equity investment measured by the equity method.</p> <p>b. We obtained related investee's constitution, investment agreements and other documents to judge whether Wellhope had a significant effect on related investee and whether the accounting method was correct.</p> <p>c. We obtained related investee's audit reports and financial statements to review whether the income from investment calculated by the equity method was accurate.</p> <p>d. Regarding the investee with large investment income under the equity method, we reviewed the qualification of the audit institutions and its auditing circumstance, paid attention to the professional competence of other CPAs, and utilized the work reports of other CPAs; we also conducted analytical procedure regarding related information of investee, such as the operating revenue, operating costs and inventory, etc.</p>

	e. Check whether the share of change in net assets of investee confirmed by Wellhope's shareholding percentage was correct.
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4. Other Information

The management of the Company is responsible for the other information. The other information comprises information covered by the Company's 2019 Annual Report, but excludes the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the audit or otherwise appears to be materially misstated.

If, based on the work we have executed, we confirm that there is a material misstatement in the other information, we are required to report the fact. We have nothing to report in this regard.

5. Responsibilities of the Management and Those Charged with Governance for Financial Statements

The management of the Company is responsible for preparing the financial statements that give a fair view in accordance with the ASBE, and for designing, executing and maintaining requisite internal control to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Company or to cease operation, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

6. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

E. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

F. Obtain sufficient and appropriate audit evidence regarding the financial information of related entities or business activities within the Company to express an opinion on its financial statements. We are responsible for guiding, overseeing and performing the audit of the Company, and solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timetable of the audit and significant audit findings, including any noteworthy deficiencies in the internal control that we identify during our audit.

We also provide those charged with governance with a statement to declare that we have complied with the professional ethics related to independence, and communicate with the governance on all relationships and other matters that may reasonably be considered to affect our independence, as well as the relevant precautions.

From the matters communicated with those charged with governance, we determine which matters are the most important for the audit of the current financial statements and thus constitute the key audit matters. We describe these matters in the audit report, unless laws and regulations prohibit the public disclosure of these matters, or in rare cases, if it is reasonably expected that the negative consequences of communicating a matter in the audit report will outweigh the benefits in terms of the public interest, we determine that the matter should not be communicated in the audit report.

Jiangsu Suyajincheng CPA LLP

CPA: Zhou Jiawen(Project Partner)

CPA: Wang Lei

China

Nanjing

March 27, 2020

II. Financial Statements

Consolidated Balance Sheet

Dec. 31, 2019

Liaoning Wellhope Unit: yuan Currency: RMB

Item	Dec. 31, 2019	Dec. 31, 2018
Current Assets:		
Monetary capital	1,554,781,324.13	928,902,753.06
Tradable financial assets	40,000,000.00	
Derivative financial assets	3,912,584.30	2,042,527.60
Notes receivable	3,696,180.25	13,611,778.44
Accounts receivable	362,060,802.38	397,891,678.23
Prepayments	222,064,368.55	185,899,348.53
Other receivables	85,600,811.75	98,997,213.04
including: Interest receivable		
Dividends receivable	25,353,722.11	5,481,783.34
Inventory	1,568,373,133.15	1,410,869,192.26
Other current assets	121,711,175.93	118,636,045.77
Total current assets	3,962,200,380.44	3,156,850,536.93
Non-current assets:		
Available-for-sale financial assets		3,680,000.00
Long-term equity investment	2,070,047,882.51	1,354,820,455.99
Other equity instruments investment	5,760,839.23	
Fixed assets	2,023,113,939.02	1,516,702,438.29
Construction in progress	240,012,874.86	255,719,188.30
Productive biological assets	94,826,312.88	30,484,794.88
Intangible assets	245,564,167.39	206,387,940.29
Goodwill	290,425.67	290,425.67
Long-term prepaid expenses	134,504,217.80	177,903,367.82
Deferred income tax assets	35,987,736.49	30,357,726.08
Other non-current assets	337,463,267.56	197,497,688.18
Total non-current assets	5,187,571,663.41	3,773,844,025.50
Total Assets	9,149,772,043.85	6,930,694,562.43

Consolidated Balance Sheet(continue)

Unit: yuan Currency: RMB

Item	Dec. 31, 2019	Dec. 31, 2018
Current liabilities:		
Short-term borrowings	1,050,878,205.81	1,347,690,168.49
Accounts payable	659,216,483.84	572,729,779.31
Advance receipt	209,529,248.68	161,173,916.67
Payroll	62,549,364.12	49,731,930.35
Taxes and surcharges payable	37,680,953.84	28,744,792.72
Other payables	342,239,361.28	309,537,195.12
including: Interest payable	1,528,201.39	1,784,257.05
Dividends payable	1,434,027.14	526,000.00
Non-current liabilities due within one year	70,593,717.62	32,999,999.96
Total current liabilities	2,432,687,335.19	2,502,607,782.62
Non-current Liabilities:		
Long-term borrowings	174,330,000.00	118,500,000.00
Long-term payable	11,025,000.09	23,345,833.38
Deferred income	31,841,250.00	20,252,967.41
Deferred income tax liabilities	396,995.58	
Total Non-current liabilities	217,593,245.67	162,098,800.79
Total Liabilities	2,650,280,580.86	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 reserves	882,723,066.29	153,824,536.37
deduct: Treasury stock	70,688,750.00	70,688,750.00
Other comprehensive income	6,122,835.30	-1,316,942.00
Surplus reserves	352,059,456.90	272,882,920.19
Undistributed profits	3,605,618,553.05	2,651,462,525.08
Total Equity attributable to the owners of parent company	5,698,139,557.54	3,851,915,758.64
Non-controlling interests	801,351,905.45	414,072,220.38
Total owners' equity (or shareholders' equity)	6,499,491,462.99	4,265,987,979.02
Total liabilities and owners' equity (or shareholders' equity)	9,149,772,043.85	6,930,694,562.43

Consolidated Balance Sheet of Parent Company

Dec. 31, 2019

Unit: yuan Currency :RMB

Item	Dec. 31, 2019	Dec. 31, 2018
Current assets:		
Monetary capital	1,039,575,222.99	750,589,871.09
Tradable financial assets	40,000,000.00	
Derivative financial assets	2,285,934.30	2,042,527.60
Accounts receivable	13,631,690.45	16,033,809.05
Prepayments	7,560,408.95	2,278,798.85
Other receivables	1,020,785,676.46	869,671,230.01
including: Interest receivable		
Dividends receivable	33,977,209.35	15,225,270.58
Inventory	49,839,754.57	41,986,504.36
Total current assets	2,173,678,687.72	1,682,602,740.96
Non-current assets:		
Available-for-sale financial assets		3,000,000.00
Long-term equity investment	4,117,315,830.10	3,285,783,087.96
Other equity instruments investment	5,539,369.92	
Fixed assets	132,106,337.38	73,509,615.43
Construction in progress	5,163,075.76	56,425,656.79
Intangible assets	15,425,425.33	16,169,866.87
Long-term prepaid expenses	797,929.30	854,845.30
Deferred income tax assets	10,699,738.59	9,060,127.91
Total non-current assets	4,287,047,706.38	3,444,803,200.26
Total assets	6,460,726,394.10	5,127,405,941.22
Current liabilities:		
Short-term borrowings	770,000,000.00	1,075,000,000.00
Accounts payable	34,960,859.00	7,636,692.77
Advance receipt	5,019,752.33	2,690,153.80
Payroll	4,611,910.56	2,749,116.65
Taxes and surcharges payable	4,624,045.02	4,166,334.74
Other payables	1,109,464,926.75	1,026,382,418.43
including: Interest payable	1,261,159.72	1,601,798.61
Dividends payable		
Non-current liabilities due within one year	52,000,000.00	20,000,000.00
Total current liabilities	1,980,681,493.66	2,138,624,716.39
Non-current liabilities:		
Long-term borrowings	174,000,000.00	118,000,000.00
Deferred income	21,520,000.00	7,425,000.00
Deferred income tax liabilities	8,972.25	
Total non-current liabilities	195,528,972.25	125,425,000.00
Total liabilities	2,176,210,465.91	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	875,861,339.55	160,705,065.92
deduct: Treasury stock	70,688,750.00	70,688,750.00
Other Comprehensive income	5,621,991.32	-1,305,935.62
Surplus reserves	352,059,456.90	272,882,920.19
Undistributed profits	2,199,357,494.42	1,656,011,455.34
Total owners' equity	4,284,515,928.19	2,863,356,224.83
Total liabilities and owners' equity (or shareholders' equity)	6,460,726,394.10	5,127,405,941.22

Consolidated Income Statement**January-December, 2019**

Liaoning Wellhope

Unit: yuan Currency: RMB

Item	2019	2018
1. Total operating revenue	17,792,091,973.58	15,750,798,120.67
Including: Operating revenue	17,792,091,973.58	15,750,798,120.67
2. Total operating costs	16,722,910,797.89	15,230,738,485.17
including: Operating costs	15,792,020,015.55	14,421,297,677.40
Taxes and surtaxes	26,510,483.05	24,850,909.29
Selling expenses	487,217,524.04	420,646,753.59
Administrative expenses	275,560,691.30	227,941,858.19
R&D expenses	65,209,116.65	61,100,349.28
Financial expenses	76,392,967.30	74,900,937.42
including: Interest expenses	77,508,278.78	66,635,982.41
Interest income	9,696,477.31	4,414,083.01
add: Other income	11,495,398.41	14,165,463.22
Income from investment	637,479,444.82	286,014,954.24
including: Income from investments in associated companies and joint ventures	629,093,604.62	281,184,722.34
Gain or loss from changes in fair value	577,449.00	-369,580.00
Credit impairment loss	-26,344,201.05	
Assets impairment loss	-98,459,269.89	-124,028,241.87
Gain or loss from assets disposal	572,151.35	-5,252,624.79
3. Operating profit	1,594,502,148.33	690,589,606.30
add: Non-operating income	13,406,536.26	10,354,127.19
deduct: Non-operating expenditure	25,737,839.85	9,404,244.62
4. Pretax profit	1,582,170,844.74	691,539,488.87
deduct: Income tax expense	84,706,528.93	86,850,335.00
5. Net profit	1,497,464,315.81	604,689,153.87
Net Profit from continuing operations	1,497,464,315.81	604,689,153.87
Net profit attributable to the shareholders of parent company	1,199,347,355.96	551,928,618.35
Non-controlling interests income	298,116,959.85	52,760,535.52
6. Other comprehensive income, net of tax	8,699,609.38	-1,325,947.22
Attributable to owners of parent company	7,921,322.05	-1,316,942.00
a. Other comprehensive income that	-278,647.43	

cannot be reclassified into gains or losses		
(a) Changes in the fair value of other equity instruments	-278,647.43	
b. Other comprehensive income that will be reclassified into the gains or losses	8,199,969.48	-1,316,942.00
(a) Other comprehensive income that can be transferred in gains or losses under the equity method	7,238,557.02	-1,305,935.62
(b) Exchange differences on translation of foreign currency financial statements	961,412.46	-11,006.38
Attributable to non-controlling interests	778,287.33	-9,005.22
7. Total comprehensive income	1,506,163,925.19	603,363,206.65
Attributable to the owners of parent company	1,207,268,678.01	550,611,676.35
Attributable to non-controlling interests	298,895,247.18	52,751,530.30
8. EPS		
(1) Basic earnings per share (yuan per share)	1.34	0.66
(2) Diluted earnings per share (yuan per share)	1.34	0.66

Consolidated Income Statement of Parent Company**January-December, 2019**

Unit: yuan Currency: RMB

Item	2019	2018
1. Total operating revenue	653,173,744.91	623,566,267.53
deduct: Operating cost	440,528,615.18	415,589,730.95
Taxes and surtaxes	1,565,707.59	1,514,878.36
Selling expenses	15,499,507.05	14,708,404.12
Administrative expenses	35,606,213.46	26,911,250.47
R&D expenses	19,801,103.17	24,141,364.43
Financial expenses	25,764,751.95	22,370,584.84
including: Interest expenses	56,712,261.00	49,300,111.55
Interest income	31,126,902.17	27,053,420.01
add: Other income	2,446,851.22	4,850,607.00
Income from Investment	699,355,097.82	321,116,524.32
including: Income from investments in associated companies and joint ventures	625,627,992.53	283,297,787.16
Gain or loss from changes in fair value	689,565.00	-369,580.00
Credit impairment loss	-15,937,167.84	
Assets impairment loss		-30,418,264.45
Gain or loss from assets disposal	-22,077.70	
2. Operating profit	800,940,115.01	413,509,341.23
add: Non-operating income	8,319,590.00	3,827,456.11
deduct: Non-operating expenditure	3,435,681.90	705,058.28
3. Pretax profit	805,824,023.11	416,631,739.06
deduct: Income tax expense	16,371,114.85	12,667,136.02
4. Net profit	789,452,908.26	403,964,603.04
Net profit from continuing operations	789,452,908.26	403,964,603.04
5. Other comprehensive income, net of tax	7,238,557.02	-1,305,935.62
a. Other comprehensive income that cannot be reclassified into gains or losses		
b. Other comprehensive income that will be reclassified into gains or losses	7,238,557.02	-1,305,935.62
(a) Other comprehensive income that can be transferred in gains or losses under the equity method	7,238,557.02	-1,305,935.62
6. Total comprehensive income	796,691,465.28	402,658,667.42

Consolidated Statement of Cash Flow**January-December, 2019**

Liaoning Wellhope	Unit: yuan	Currency: RMB
Item	2019	2018
1. Cash flow from operating activities		
Cash received by selling goods, providing labor services	18,515,520,875.71	16,234,878,306.02
Tax refunds	31,713,272.85	25,981,833.91
Cash received from other activities related to operating	117,924,950.69	126,613,549.29
Sub-total of cash inflow of operating activities	18,665,159,099.25	16,387,473,689.22
Cash paid for goods purchase and labor services	16,331,792,562.75	14,693,894,419.34
Cash paid to and for employee	664,160,201.72	575,676,082.13
Tax payments	126,114,944.41	131,636,206.28
Cash paid to other activities related to operating	431,485,423.79	484,862,065.88
Sub-total of cash outflow of operating activities	17,553,553,132.67	15,886,068,773.63
Net cash flow from operating activities	1,111,605,966.58	501,404,915.59
2. Cash flow from investing activities		
Cash received from disinvestment	267,623,915.25	28,502,239.82
Cash received from return on investment	39,407,633.67	18,281,844.61
Net cash received from disposal of fixed assets, intangible assets and other long-lived assets	5,272,664.08	11,789,308.39
Net cash received from disposal of subsidiaries and other business units	344,858.74	3,053,713.91
Cash received from other activities related to investment	35,351,061.09	
Sub-total of cash inflow of investing activities	348,000,132.83	61,627,106.73
Cash paid for acquiring and building fixed assets, intangible assets and other long-lived assets	752,328,478.91	427,473,918.37
Cash paid for investments	431,091,352.29	143,884,724.98
Net cash paid for acquiring subsidiaries and other business units	753,128.13	
Cash paid to other activities related to investment	38,034,996.79	
Sub-total of cash outflow of investing activities	1,222,207,956.12	571,358,643.35
Net cash flow from investing activities	-874,207,823.29	-509,731,536.62
3. Cash flow from financing activities		
Cash received by absorbing investments	833,019,100.67	96,474,856.62
including: Capital contributed by non-controlling interests to subsidiaries	77,295,000.00	25,786,106.62
Cash received from borrowings	1,512,771,597.45	1,680,490,000.00

Cash received from other activities related to financing	19,499,680.00	41,131,246.21
Sub-total of cash inflow of financing activities	2,365,290,378.12	1,818,096,102.83
Repayments of borrowings	1,723,732,178.39	1,469,954,166.66
Cash paid for distributing dividends, profits, or paid for interests	256,169,043.57	155,249,212.54
including: Dividends or profits paid by subsidiaries to non-controlling interests	3,804,074.08	4,409,000.00
Cash paid to other activities related to financing activities	6,433,985.36	25,900,000.00
Sub-total of cash outflow of financing activities	1,986,335,207.32	1,651,103,379.20
Net cash flow from financing activities	378,955,170.80	166,992,723.63
4. Effect of foreign exchange rate fluctuations on cash and cash equivalents	2,832,293.62	-10,142,120.44
5. Net increase in cash and cash equivalents	619,185,607.71	148,523,982.16
add: Opening balance of cash and cash equivalents	889,204,873.97	740,680,891.81
6. Closing balance of cash and cash equivalents	1,508,390,481.68	889,204,873.97

Consolidated Statement of Cash Flow of Parent Company

January-December, 2019

Unit: yuan Currency: RMB

Item	2019	2018
1. Cash flow from operating activities		
Cash received by selling goods, providing labor services	657,717,981.13	617,488,886.12
Cash received from other activities related to operating	48,571,846.31	536,969,369.05
Sub-total of cash inflow of operating activities	706,289,827.44	1,154,458,255.17
Cash paid for goods purchase and labor services	413,396,277.57	402,821,941.75
Cash paid to and for employee	28,770,817.79	25,121,026.30
Tax payments	19,458,354.60	17,800,791.44
Cash paid to other activities related to operating	35,097,588.50	422,473,394.25
Sub-total of cash outflow of operating activities	496,723,038.46	868,217,153.74
Net cash flow from operating activities	209,566,788.98	286,241,101.43
2. Cash flow from investing activities		
Cash received from disinvestment	242,076,974.20	37,848,161.29
Cash received from return on investment	83,541,669.81	53,246,572.37
Net cash received from disposal of fixed assets, intangible assets and other long-lived assets	54,912.63	
Sub-total of cash inflow of investing activities	325,673,556.64	91,094,733.66
Cash paid for acquiring and building fixed assets, intangible assets and other long-lived assets	12,973,326.66	19,033,211.74
Cash paid for investments	486,919,077.89	253,599,265.53
Cash paid to other activities related to investing	174,207,415.01	
Sub-total of cash outflow of investing activities	674,099,819.56	272,632,477.27
Net cash flow from investing activities	-348,426,262.92	-181,537,743.61
3. Cash flow from financing activities		
Cash received by absorbing investments	769,777,738.50	70,688,750.00
Cash received from borrowings	940,000,000.00	1,450,000,000.00
Cash received from other activities related to financing	87,172,401.90	
Sub-total of cash inflow of financing activities	1,796,950,140.40	1,520,688,750.00
Repayments of borrowings	1,157,000,000.00	1,277,000,000.00
Cash paid for distributing dividends, profits, or paid for interests	218,297,464.88	133,440,300.12

Sub-total of cash outflow of financing activities	1,375,297,464.88	1,410,440,300.12
Net cash flow from financing activities	421,652,675.52	110,248,449.88
4. Effect of foreign exchange rate fluctuations on cash and cash equivalents	86.36	-1,343.50
5. Net increase in cash and cash equivalents	282,793,287.94	214,950,464.20
add: Opening balance of cash and cash equivalents	740,891,873.25	525,941,409.05
6. Closing balance of cash and cash equivalents	1,023,685,161.19	740,891,873.25

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

Unit: yuan Currency: RMB

Item	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
Other					-91,554.12	91,554.12			
2. Opening balance of current period	845,751,469.00	153,824,536.37	70,688,750.00	-1,798,486.75	272,791,366.07	2,651,554,079.20	3,851,434,213.89	414,071,574.65	4,265,505,788.54
3. Changes of current period	76,552,927.00	728,898,529.92		7,921,322.05	79,268,090.83	954,064,473.85	1,846,705,343.65	387,280,330.80	2,233,985,674.45
A. Total comprehensive income				7,921,322.05		1,199,347,355.96	1,207,268,678.01	298,895,247.18	1,506,163,925.19
B. Capital contributed and reduced by owners	76,552,927.00	728,898,529.92					805,451,456.92	92,189,157.70	897,640,614.62
a. Common stock invested by owners	76,552,927.00	709,853,069.86					786,405,996.86	94,885,588.06	881,291,584.92
b. Amount of share-based payment included in the owner's equity		22,783,015.06					22,783,015.06		22,783,015.06

c. Other		-3,737,555.00					-3,737,555.00	-2,696,430.36	-6,433,985.36
C. Profit distribution					79,268,090.83	-245,282,882.11	-166,014,791.28	-3,804,074.08	-169,818,865.36
a. Appropriation of surplus reserves					79,268,090.83	-79,268,090.83			
b. Extraction of general risk provisions									
c. Dividend to owners (or shareholders)						-166,014,791.28	-166,014,791.28	-3,804,074.08	-169,818,865.36
4. Closing balance of current period	922,304,396.00	882,723,066.29	70,688,750.00	6,122,835.30	352,059,456.90	3,605,618,553.05	5,698,139,557.54	801,351,905.45	6,499,491,462.99

Item	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									
Other									
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	14,575,000.00	50,231,236.31	70,688,750.00	-1,316,942.00	40,396,460.30	428,414,511.15	461,611,515.76	58,112,135.76	519,723,651.52

A. Total comprehensive income				-1,316,942.00		551,928,618.35	550,611,676.35	52,751,530.30	603,363,206.65
B. Capital contributed and reduced by owners	14,575,000.00	50,231,236.31	70,688,750.00				-5,882,513.69	8,825,605.46	2,943,091.77
a. Common stock invested by owners	14,575,000.00	56,113,750.00	70,688,750.00					25,786,106.62	25,786,106.62
b. Amount of share-based payment included in the owner's equity		1,997,989.57					1,997,989.57		1,997,989.57
c. Other		-7,880,503.26					-7,880,503.26	-16,960,501.16	-24,841,004.42
C. Profit distribution					40,396,460.30	-123,514,107.20	-83,117,646.90	-3,465,000.00	-86,582,646.90
a. Appropriation of surplus reserves					40,396,460.30	-40,396,460.30			
b. Extraction of general risk provisions									
c. Dividend to owners (or shareholders)						-83,117,646.90	-83,117,646.90	-3,465,000.00	-86,582,646.90
4. Closing balance of current 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

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

Unit: yuan Currency: RMB

Item	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
Other					-91,554.12	-823,987.07	-915,541.19
2. Opening balance of current period	845,751,469.00	160,705,065.92	70,688,750.00	-1,616,565.70	272,791,366.07	1,655,187,468.27	2,862,130,053.56
3. Changes of current period	76,552,927.00	715,156,273.63		7,238,557.02	79,268,090.83	544,170,026.15	1,422,385,874.63
A. Total comprehensive income				7,238,557.02		789,452,908.26	796,691,465.28
B. Capital contributed and reduced by owners	76,552,927.00	715,156,273.63					791,709,200.63
a. Common stock invested by owners	76,552,927.00	692,373,258.57					768,926,185.57
b. Amount of share-based payment that included in the owner's equity		22,783,015.06					22,783,015.06
C. Profit distribution					79,268,090.83	-245,282,882.11	-166,014,791.28
a. Appropriation of surplus reserves					79,268,090.83	-79,268,090.83	
b. Dividend to owners (or shareholders)							
c. Other						-166,014,791.28	-166,014,791.28
4. Closing balance of current period	922,304,396.00	875,861,339.55	70,688,750.00	5,621,991.32	352,059,456.90	2,199,357,494.42	4,284,515,928.19

Item	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							
Other							
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	14,575,000.00	58,111,739.57	70,688,750.00	-1,305,935.62	40,396,460.30	280,450,495.84	321,539,010.09
A. Total comprehensive income				-1,305,935.62		403,964,603.04	402,658,667.42
B. Capital contributed and reduced by owners	14,575,000.00	58,111,739.57	70,688,750.00				1,997,989.57
a. Common stock invested by owners	14,575,000.00	56,113,750.00	70,688,750.00				
b. Amount of share-based payment that included in the owner's equity		1,997,989.57					1,997,989.57
C. Profit distribution					40,396,460.30	-123,514,107.20	-83,117,646.90
a. Appropriation of surplus reserves					40,396,460.30	-40,396,460.30	
b. Dividend to owners (or shareholders)						-83,117,646.90	-83,117,646.90
c. Other							
4. Closing balance of current 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

III. Basic Information of the Company

1. Overview of the Company

Approved by the People's Government of Liaoning Province, Liaoning Wellhope Agri-Tech Joint Stock Co., Ltd. (hereinafter referred to as the Company) is a limited liability company founded by 23 natural persons, including Jin Weidong, Ding Yunfeng, etc., which was registered in Liaoning Province Administrative Bureau of Industry and Commerce on March 27th, 2003. The head office of the Company is located in Shenyang, currently it holds the business license with the number of 9121000074712989XU and the registered capital of RMB 922.30 million, registered address (headquarters address): No. 169, Huishan Street, Shenbei New District, Shenyang, Liaoning Province. Jin Weidong is the legal representative.

The Company's business scope covers feed and feed raw material trade, broiler integration, hog raising, etc. The parent company covers feed and feed additives processing, marketing; grain purchase (self-use); sales of feed raw materials; poultry and livestock raising, seawater and freshwater aquaculture; agricultural and sideline products processing; enterprise management service; supply chain management; information services (internet information services only), ordinary road freight (the business activities which need to be approved by the law, shall receive the approval of relevant authorities).

The financial statements have been approved to be disclosed by the 14th board meeting of the 6th Session of Board of Directors on March 27, 2020.

2. Scope of the Consolidated Financial Statements

The scope of the Company's consolidated financial statements is determined on the basis of control, all the controlled subsidiaries are included in the consolidated financial statements.

The changes in the scope of the consolidated financial statements are shown in the table below:

A. The subsidiaries which are newly included in the consolidation scope in the reporting period

Company	Way of obtaining
Suizhong Renhe Fishery	Combination under different control
Harbin Baoweikang Bio-Tech	Combination under different control
Hebei Deheng Raising	Combination under different control
Shulan Fengtai Agriculture and Animal Husbandry	Invested
Shulan Fengtai Raising	Invested
Xi'an Linfeng Shengyi Trading	Invested
Linxi Helai Agri-Tech	Invested
Nanchang Wellhope Agri-Tech	Invested
Hengyang Wellhope Agri-Sci-Tech	Invested
Chongqing Dahongda Construction Engineering	Invested
Anhui Wellhope Haoxiang Agricultural Development	Invested
Lixin Xiangfeng Agriculture and Animal Husbandry	Invested
Lixin Hongfeng Agriculture and Animal Husbandry	Invested
Guangzhou Dashang Trading	Invested
Shandong Heyuan Food	Invested
Zhangwu Jiufeng Trading	Invested
Wafangdian Yifeng Agri-Tech	Invested

B. The subsidiaries which are excluded from the consolidation scope in the current period

Company	Reason of excluding from the consolidation scope
Weifang Wellhope Xinhesheng Feed	Transferred
Luohe Hongfeng Poultry	Transferred
Dalian Tianyicheng Trading	Cancelled

IV. Basis of Preparing Financial Statements

1. Basis of preparing

The Company, on the basis of going concern operation, confirms and measures the transactions and activities actually occurred in accordance with the Accounting Standards for Business Enterprises -- Basic Standards and various specific accounting standards and other relevant provisions, and prepares financial statements on this basis.

2. Going concern

The Company has the ability of going concern within at least 12 months since the end of

the reporting period, and there are no major issues affecting the ability of going concern.

V. Important Accounting Policies and Accounting Estimates

The following important accounting policies and accounting estimates of the Company are formulated in accordance with the Accounting Standards for Business Enterprises. The business not mentioned is subject to relevant accounting policies in Accounting Standards for Business Enterprises.

1. Declaration about compliance with Accounting Standards for Business Enterprises

The financial statements prepared by the Company are in line with the requirements of Accounting Standards for Business Enterprises, which truly and completely reflect the Company's financial position, operating results, changes in shareholders' equity, cash flow and other relevant information during the reporting period.

2. Accounting period

The Financial Year of the Company starts from January 1 and ends on December 31 of the Gregorian calendar.

3. Operating cycle

The Company takes a 12-month operating cycle.

4. Bookkeeping base currency

RMB

5. Accounting treatment methods for business combination under the same control or the different control

(1) Accounting treatment methods for business combination under the same control

The Company adopts pooling of interest method to deal with the accounting of business combination, which is under the same control.

On the date of combination, the assets and liabilities acquired by the Company in business combination under the same control shall be measured according to the book value of assets and liabilities of the combining party in the consolidated financial statements of the

final controlling party. The share of the book value of the owner's equity held by the combining party, which is owned, by the final controlling party in the consolidated statement of the final controlling party is regarded as the initial investment cost of long-term equity investment in the individual financial statements. The balance between initial cost of investment of long-term equity investment and paid combining consideration (including paid cash, non-cash assets transferred, book value of occurred or assumed debt as well as the total face value of issued stocks), capital reserve (equity premium or capital premium) shall be adjusted; If the balance of capital reserve (equity premium or capital premium) is not sufficient for offset, the surplus reserves and undistributed profit shall be offset successively.

(2) Accounting treatment methods for business combination under the different control

The Company adopts acquisition method to deal with the accounting of business combination, which is under the different control.

① The identifiable assets, liabilities and contingent liabilities acquired in the business combination under the different control are measured at fair value. Based on the fair value of assets, liabilities incurred or assumed and issued equity securities paid out as the combining consideration on the acquisition date, the balance between the fair value and the book value of the Company is included into current gains and losses.

② Combined cost shall be confirmed according to the following conditions respectively:

(A) For the business combination realized by one-time transaction, the combined costs shall be confirmed by the sum of the fair values, on the acquisition date, of the assets paid, the liabilities occurred or assumed and the equity securities issued by the Company to obtain the control right on the acquiree and the contingent consideration complying with the confirmation conditions. Combined cost is initial investment cost of such long-term equity investment.

(B) For business combination realized step by step through multiple exchange transactions, the combined cost shall be the sum of the amount of equity investments held prior to the acquisition date that are re-measured at fair value on the acquisition date and the investment cost newly increased on the acquisition date. The long-term equity investment

in individual financial statements is the sum of the book value of the equity investment held before the acquisition date and the investment cost newly increased on the acquisition date. Exclude package deal.

③ The Company allocates the combined cost between the identifiable assets and liabilities acquired on the acquisition date.

(A) Where other assets other than intangible assets obtained from the Acquiree in the business combination (not only finite to the assets which have been originally confirmed by the Acquiree), the future economic benefits are expected to flow into the Company and the fair values reliably measured, they shall be separately confirmed and measured at the fair values.

(B) Where the fair value of the intangible assets of the Acquiree acquired by the Company in business combination can be reliably measured, it shall be separately confirmed and measured at the fair value.

(C) Where the acquiree's liabilities, other than contingent liabilities, acquired by the Company in business combination, are expected to result in the outflow of economic benefits from the Company and the fair value can be reliably measured, they shall be separately confirmed and measured at the fair value.

(D) Where the fair value of the contingent liabilities of the Acquiree acquired by the Company in business combination can be reliably measured, they shall be separately confirmed as liabilities and shall be measured at the fair values.

(E) When the Company allocates the cost of business combination and confirms that it has acquired identifiable assets and liabilities in the combination, it shall not consider the goodwill and deferred income tax items that have been confirmed by the Acquiree before the combination.

④ Disposal of the balance of the business combination cost and the share of the fair value of the identifiable net assets obtained from the Acquiree in the combination.

(A) The balance between the business combination costs greater than the share of fair value of the identifiable net assets obtained from the Acquiree in the combination, shall be confirmed as goodwill.

(B) The balance between the business combination cost less than the share of fair value of the identifiable net assets obtained from the Acquiree in the combination shall be disposed pursuant to the following provisions.

(a) The measurement of the fair values of the identifiable assets, liabilities and contingent liabilities obtained from the Acquiree as well as the combination costs shall be reviewed;

(b) After the review, if the combined costs are still less than the fair value share of the identifiable net assets obtained from the Acquiree in the combination, the balance shall be included into the current gains and losses.

(3) Disposal of relevant expenses accrued due to business combination by the Company

① All direct related expenses accrued due to business combination of the Company (including audit, legal service, assessment consultation and other agency expense and other relevant administrative expenses accrued due to business combination), shall be included into current gains and losses when accruing.

② The commission and service fee paid by the Company for issuing debt securities for the merger of enterprise shall be included in the initial measurement amount of debt securities.

(A) If the bond is issued at the discount or par value, the amount of discount will be increased.

(B) If the bond is issued at premium, the premium amount shall be reduced in this part of expenses.

③ The commission and service fee paid by the Company for issuing equity securities as consideration for the business combination shall be included in the initial measurement amount of equity securities.

(A) When equity securities are issued at the premium, the cost shall be deducted from the capital reserve (equity premium).

(B) When equity securities are issued at par value or at discount, the retained earnings shall be written down from the fee.

6. Preparation methods for consolidated financial statements

(1) Uniform accounting policy and accounting period

All the accounting policies and accounting period adopted by subsidiaries included in the consolidated financial statements shall be consistent with the Company. In case of any inconsistency, adjustment according to the accounting policies and accounting period is necessary when preparing consolidated financial statements.

(2) Preparation methods for consolidated financial statements

Based on the financial statements of the Company and its subsidiaries, according to other relevant information, the parent company prepares consolidated financial statements after adjusting the long-term equity investment in the subsidiaries according to the equity method to offset the impact of internal transactions among the Company and its subsidiaries on the consolidated financial statements.

(3) The reflection of excess deficit of subsidiaries in consolidated financial statements

In the consolidated financial statements, if the current loss shared by the parent company exceeds its share of the owner's equity of the subsidiary company at the beginning of the period, the balance of write-downs shall be attributed to the owner's equity of the parent company(undistributed profits). If the current loss shared by the non-controlling shareholders of the subsidiaries exceeds its share of the owner's equity of the subsidiary company at the beginning of the period, the balance shall continually offset the non-controlling interests.

(4) Disposal of increased or decreased number of subsidiaries during the report period

① Disposal of increased number of subsidiaries during the report period

(A) Disposal of increased number of subsidiary due to business combination under the same control during the report period

During the report period, if the number of subsidiary increases due to business combination under the same control, the Company shall adjust the opening balance of consolidated balance sheet, take the income, expenses and profit of such subsidiary from the beginning to the end of combination into the consolidated income statement, and the cash flow of the subsidiary from the acquisition date to the end of the report period shall be included in the consolidated cash flow statement.

(B) Disposal of increased number of subsidiary due to business combination under the

different control during the report period

During the report period, if the number of subsidiaries increases due to business combination under the different control, the Company shall not adjust the opening balance of consolidated balance sheet, take the income, expenses and profit of such subsidiary from the acquisition date to the end of the report period into the consolidated income statement, and the cash flow of the subsidiary from the acquisition date to the end of the report period shall be included in the consolidated cash flow statement.

② Disposal of subsidiary during the report period

Where the company disposes a subsidiary during the report period, the opening balance of the consolidated balance sheet shall not be adjusted, take the income, expenses and profit of such subsidiary from the beginning of the beginning to the disposal date into the consolidated profit statement, and include the cash flow of such subsidiary into the consolidated cash flow statement, and the cash flow of the subsidiary from the beginning to the disposal date shall be included in the consolidated cash flow statement.

7. Confirmation standard of cash and cash equivalents

Cash shall include cash on hand of the Company, as well as bank deposit and other monetary funds which can be used for payment at any time.

The investments with short term (generally refer to three months from the acquisition date), high liquidity, convenience to convert into known amount of cash and with low risk of change in value owned by Company shall be confirmed as cash equivalent.

8. Foreign currency transactions and foreign currency statement translation

(1) Accounting methods of foreign currency transactions

① Initial confirmation of foreign currency transaction

For foreign currency transactions, the Company shall convert the amount of foreign currency into the amount of the book-keeping base currency according to the spot exchange rate (intermediate price) announced by the People's Bank of China on the date of the transaction. Of which, for foreign currency exchange or related transactions, the Company shall convert according to the exchange rate on the date of the transaction.

② Adjustment or settlement of balance sheet date or settlement date

On the balance sheet date or settlement date, the Company shall dispose the foreign currency monetary items and foreign currency non-monetary items according to the following methods:

(A) Accounting treatment principle for foreign currency monetary item

For foreign currency monetary items, on the balance sheet date or settlement date, the Company adopts spot exchange rate (intermediate price) for conversion on the balance sheet date or settlement date to adjust the amount of the accounting base currency of foreign currency monetary items caused by exchange rate fluctuations, and treat them as exchange balances. Among them, the exchange balance between foreign currency loans related to the acquisition, construction or production of assets eligible for capitalization is included in the cost of assets eligible for capitalization. Other balance of exchange shall be included into current financial expense.

(B) Accounting treatment principle for foreign currency non-monetary item

(a) For the foreign non-monetary currency asset measured at historical cost, the Company shall convert at spot rate (intermediate price) on transaction date with unchanging its original recording currency amount and without exchange balance.

(b) For inventory measured at a lower cost between the cost and net realizable value, if the net realizable value is confirmed in foreign currency, the Company first converts the net realizable value into the accounting standard currency, and then compares it with the inventory cost reflected by the accounting standard currency when determining the end value of the inventory.

(c) For non-monetary items measured at fair values, if the fair value at the end of the period is reflected in foreign currency, the Company shall convert the foreign currency into the amount of recording currency based on the spot exchange rate on the day when fair values are confirmed, then compare them with the original amount of recording currency, and the balance shall be treated as gains and losses from the changes in fair value and included into current gains and losses.

(2) Accounting treatment methods for foreign currency statement translation

① The Company shall conduct translation of the financial statements of overseas

operations as the following methods:

(A) The asset and liability items in the balance sheets shall be translated at a spot exchange rate on the balance sheet date, among the equity items of owner, except for the items as "undistributed profits", other items shall be translated at the spot exchange rate at the time when they are incurred.

(B) The income and expense items in the profit statements shall be translated at the spot exchange rate of the transaction date, or at a spot exchange rate which is confirmed through a systematic and rational method and which is approximate to the spot exchange rate on the transaction date.

The balance in the financial statement of foreign currency translated by the above-mentioned methods shall be listed in the owners' equity item "Other Comprehensive Income" of consolidated balance sheet.

②The Company shall translate the financial statements of overseas operations in hyperinflation economy according to the following methods:

(A) The Company shall restate the balance sheet items by utilizing the general price index, restate the items of the income statement by utilizing the variation of the general price index, and then translate them at the spot exchange rate on the recent balance sheet date.

(B) If an overseas business is no longer situated in the hyperinflationary economy, the Company shall stop the restatement and shall translate the restated financial statements at the price of the cessation date.

③When the Company disposes any overseas operation, shall translate the balance of foreign currency financial statements related to the overseas business as shown below under the owner's equity items in the balance sheet, and the balance shall be transferred from the owner's equity items and disposed as current gains and losses; When the Company disposes part of the overseas operations, shall calculate the balance according to the proportion of the disposal of foreign currency financial statements, and dispose the balance as the current gains and losses.

9. Financial Instrument

The financial instrument refers to a contract that forms the financial assets of one party and the financial liabilities or equity instruments of the other party.

(1) Classification of financial instruments

① Classification of financial assets

According to the business model of financial assets management and the contractual cash flow characteristics of financial assets, the Company classifies financial assets into the following three categories : (A) financial assets measured at amortized cost; (B) financial assets measured at fair value and the changes included in other comprehensive income (including financial assets designated to be measured at fair value and the changes are included in other comprehensive income); (C) financial assets measured at fair value and the changes recorded in current gains or losses.

② Classification of financial liabilities

According to business characteristics and risk management requirements, the Company divides the financial liabilities into the following two categories: (A) The financial liabilities measured at fair value and the changes included in current gains and losses (including trading financial liabilities and the financial liabilities designated to be measured at fair value and of the changes included in current gains or losses); (B) Other financial liabilities.

(2) Confirmation basis and method of measurement of financial instruments

① Confirmation basis of financial instruments

When becoming one party of financial instrument contract, the Company shall confirm a financial asset or financial liability.

② Measurement method of financial instruments

(A) Financial assets

Financial assets shall be measured at fair value when they are initially recognized.

For financial assets measured at fair value and the changes booked into current gains or losses, relevant transaction expenses shall be directly recorded into current gains or losses; for other financial assets, relevant transaction expenses shall be included in the initial recognized amount. Accounts receivable or notes receivable arising from selling products or providing labor services that do not contain a significant financing component or do not

consider the financing component of contracts that do not exceed one year, shall take the amount of consideration to which it is expected to be entitled as the initially recognized amount.

(a) Financial assets measured at amortized cost

After the initial recognition, the real interest method shall be adopted to implement follow-up measurement of such financial assets at amortized cost. Gains or losses of financial assets measured at amortized cost and not belong to part of any hedging relationship shall be recorded into current gains and losses when recognition is terminated, reclassified, amortized or recognized as impairment according to the real interest method.

(b) Financial assets measured at fair value and the changes included in other comprehensive income

After the initial recognition, such financial assets shall be subsequently measured at fair value. The impairment loss or gain, exchange gain or loss and the interest calculated by the real interest method shall be recorded into current gains or losses, other gains or losses shall be booked into other comprehensive income. When the recognition is terminated, the accumulated gains or losses booked into other comprehensive income before shall be transferred out from other comprehensive income and booked into current gains or losses. Where the Company designates part of non-trading equity instrument investments as the financial assets that measured at fair value and the changes included in other comprehensive income, relevant dividend income of such financial assets shall be included in current gains or losses, and changes in fair value shall be included in other comprehensive income. When the recognition is terminated, the accumulated gains or losses recorded in other comprehensive income shall be transferred to retained income, and not recorded in current gains or losses.

(c) Financial assets measured at fair value and the changes recorded in current gains and losses.

Besides the financial assets measured at amortized cost and those measured at fair value and the changes included in other comprehensive income, the Company classifies other financial assets as the assets measured at fair value and the changes included in current gains or losses.

In addition, in the initial recognition, in order to eliminate or significantly reduce

accounting mismatches, the Company designates some financial assets as the financial assets measured at fair value and the changes recorded into current gains or losses. For such financial assets, the Company adopts fair value for follow-up measurement, and the changes in fair value are recorded into current gains or losses.

(B) Financial liabilities

(a) Financial liabilities measured at fair value and the changes included in current gains or losses

Trading financial liabilities (including derivative instruments belonging to financial liabilities) shall be subsequently measured in accordance with the fair value, and the changes in fair value shall be recorded into current gains or losses except for those related to hedge accounting. For the financial liabilities that are designated to be measured at fair value and the changes included in current gains or losses, in case the changes in the fair value of liabilities are caused by the changes in the Company's own credit risk shall be included in other comprehensive income, and when terminates such liabilities, the accumulated changes in fair value shall be transferred to retained earnings. Other changes in fair value shall be booked into current gains or losses.

(b) Financial liabilities measured at amortized cost

Besides the financial liabilities that do not meet the condition of derecognition or the financial liabilities formed by transferred financial assets or financial guarantee contract, other financial liabilities shall be measured at amortized cost, gains or losses arising from the termination of recognition or amortization shall be booked into current gains or losses.

(3) The confirmation basis and measurement method of financial assets transfer

If the Company transfers almost all the risks and rewards in the ownership of financial assets, it shall terminate to recognize the financial assets and separately recognize the rights and obligations generated or retained in the transfer as assets or liabilities; if almost all the risks and rewards in the ownership of financial assets are retained, the transferred financial assets shall continue to be recognized. If the Company neither transfers nor retains almost all the risks and rewards on the ownership of the financial asset, it shall deal with the following situations:

① If it does not retain control of the financial asset, the recognition of the financial asset shall be terminated, and the rights and obligations generated or retained in the transfer

shall be separately recognize as assets or liabilities;

② If the control of the financial asset is retained, the relevant financial asset shall be recognized according to the phases of transferred financial asset, and relevant liabilities shall be recognized accordingly.

(4) Terminating the recognition of financial liabilities

When the current obligation of the financial liability (or part thereof) has been discharged, the Company shall terminate the recognition of such financial liability (or part thereof) and record the difference between its book value and the consideration paid (including non-cash assets transferred or liabilities assumed) into the current gains or losses.

(5) Offsetting financial assets and financial liabilities

Financial assets and financial liabilities shall be listed separately in the balance sheet and shall not be offset mutually. However, if the following conditions are met at the same time, the net offset shall be shown in the balance sheet:

① The Company has the legal right to offset recognized amount, and such legal right is currently enforceable;

② The Company plans to implement net settlement, or simultaneously sell off the financial assets and liquidate such financial liabilities.

(6) Equity instrument

Equity instruments are the contracts that prove the ownership of the residual equity in the Company's assets after deducting all liabilities. Instruments issued (including refinancing), repurchased, sold or written off by the Company shall be taken as the disposal of changes in equity. The company does not recognize changes in the fair value of equity instruments.

Transaction expenses associated with equity transactions shall be deducted from equity.

The Company shall take the distribution of equity instrument holders as profit distribution, and the stock dividends paid will not affect the total equity of shareholders.

(7) The method of recognizing the fair value of financial instruments

When implement initial recognition, if the fair value of the financial asset or financial liability is determined by quoting the same asset or liability in an active market or by other means other than valuation techniques of observable market data, the Company will defer the difference between that fair value and the trading price. After the initial recognition, the Company recognizes the deferred difference as the gain or loss of the corresponding

accounting period based on the degree of change of a factor in the corresponding accounting period.

(8) Impairment of financial assets

Regarding the financial assets measured at amortized cost and the debt instrument investment measured at fair value and the changes recorded in other comprehensive income, the Company recognizes loss provision based on expected credit losses.

① Recognition method of impairment provision

(A) General method

At each balance sheet date, the Company measures the expected credit losses of financial instruments at different stages. If the credit risk of the financial instrument has not significantly increased since its initial recognition, it is in the first stage. The Company measures the loss provision according to the expected credit loss within the next 12 months. If the credit risk of the financial instrument has significantly increased since its initial recognition but no credit impairment has occurred, it is in the second stage, the Company measures the loss provision according to the expected credit loss of the instrument during the whole period. If the financial instrument has experienced credit impairment since its initial recognition, it is in the third stage, and the Company measures the loss provision according to the expected credit loss of the instrument during the whole period. For the financial instruments (such as time deposit in commercial banks with high credit rating, financial instruments with external credit rating of "investment grade" or above), that have lower credit risk in the balance sheet date, assuming that the credit risk has not increased significantly since the initial recognition, the Company measures the loss provision according to expected credit loss within the next 12 month.

(B) Simplified method

For accounts receivable and revenue-related notes receivable that do not contain a significant financing component or do not consider the financing component of contracts that do not exceed one year, the Company measures the loss provision in accordance with the expected credit loss for the entire duration.

② Criteria for determining whether credit risk has increased significantly since the initial recognition

If the probability of default of the financial asset recognized on the balance sheet date is

significantly higher than the probability of default at the time of initial recognition, the credit risk of the financial asset is proved to be significantly increased.

No matter which way used by the Company to assess whether a significant increase in credit risk, if the contract payment is overdue more than 30 (included), usually can presume the credit risk of financial assets increase significantly, unless rational and evidence-based information is available to be obtained by the company at reasonable cost to prove that the credit risk does not increase significantly even after 30 days of delay

Except for special cases, the Company uses the change of default risk within the next 12 months as a reasonable estimate of default risk in the whole duration to determine whether the credit risk has increased significantly since the initial recognition.

③ The combination method and determination basis of credit risk assessment based on combination

The Company respectively evaluates the credit risks of notes receivable, accounts receivable and other receivables with the following characteristics. Such as: the receivables in dispute with the other party or involving litigation or arbitration; receivables with a clear indication that the debtor is likely to be unable to repay.

When it is impossible to evaluate the information of the expected credit loss of each financial asset at a reasonable cost, the Company divides the receivables into several portfolios according to the credit risk characteristics and calculates the expected credit loss based on the portfolios.

Portfolio	Accrual method
Bank's acceptance bill, commercial acceptance bill	For the notes receivable divided into portfolios, the expected credit loss shall be calculated based on the default risk exposure and the expected credit loss rate of the entire duration by referring to the experience of past credit losses and combining the current situation and the forecast of future economic conditions. It will not accrue the allowance for doubtful accounts of bank's acceptance bill
Aging	For the accounts receivable divided into aging portfolios, the Company shall, by referring to the experience of past credit loss and combining with the current situation and the prediction of future economic situation, prepare a table comparing the aging of accounts receivable with the expected credit loss rate of the whole period to calculate the expected credit loss.
Other	The Company does not accrue allowance for doubtful accounts for the receivables from subsidiaries that have no significant recovery risk.

10. Notes Receivable

The determination method and accounting arrangement method for the expected credit loss of the receivables received by the Company from January 1, 2019 have been shown in "Financial Instruments".

11. Accounts Receivable

The determination method and accounting arrangement method for the expected credit loss of the receivables received by the Company from January 1, 2019 have been shown in "Financial Instruments".

12. Other Receivable

The determination method and accounting arrangement method for the expected credit loss of the receivables received by the Company from January 1, 2019 have been shown in "Financial Instruments".

13. Inventory

(1) Classification of inventory

The Company's inventory is divided into raw materials, revolving materials (including packaging and low-value consumables), in process products, finished products (inventory goods), expendable biological assets, commissioned processing materials and so on.

(2) Valuation method for delivery of inventory

The issued materials are calculated by weighted average method, and the issued goods are calculated by weighted average method.

(3) Confirmation basis of net realizable value of inventory and the accrual method for inventory falling price reserves

① Confirmation basis of net realizable value of inventory

(A) For merchandise inventory (or finished products) for sale including materials for direct sale, during the normal production and operation, the net realizable value shall be confirmed by the amount of estimated sales price of the inventory deducting the estimated selling expenses and related taxes and dues.

(B) The materials inventory needs to be processed, during the normal process of production and management, the estimated sale price of the finished products minus the

estimated costs when finished the works, the estimated selling expenses and related tax payments, the net realizable value can be confirmed.

(C) For the inventory hold to execute sale contract or labor contract, its net realizable value shall be calculated based on the contract price; In case inventory quantity hold by the Company is more than the order quantity of the sale contract, the net realizable value of the exceeding part inventory shall be calculated based on general sale price.

(D) But for materials held for production, etc., if the net realizable value of finished products made from the materials is higher than the cost, the materials shall still be measured at the cost; If the decline of material prices indicates that the net realizable value of finished products is lower than the cost, the materials can be measured based on net realizable value.

(E) For consumable biological Assets: on the balance sheet date, the consumable biological assets shall be measured at the lower of cost and net realizable value, and the falling price reserves shall be calculated by the same way as that for recognizing the falling price reserves of inventory. If the influencing factors of impairment have disappeared, the amount of write-down shall be recovered and the amount of write-down shall be reversed back and recorded into the current gains or losses. If the Company changes the use of consumable biological assets, the cost after the change of use shall be determined by the book value at the time of the change of use.

② Accrual method of inventory falling price reserves

The Company shall accrue inventory falling price reserves according to the lower of cost and net realizable value of a single inventory item. For those inventories with large number and low unit price, the falling price reserves for inventory shall be accrued according to the categories.

(4) Inventory system

The Company adopts perpetual inventory system for the stock inventory and regularly conducts physical inventory.

(5) The amortization method for revolving materials

① The amortization method of low-value consumption goods:

The Company adopts fifty percent amortization method for ring mould and wooden pallets, and one-time amortization method for other low-value consumables.

② Amortization method of packing material

The Company shall conduct amortization by once write-off process in case of receiving packing materials.

14. Available-for-sale Assets

(1) Available-for-sale

① Range of non-current assets and disposal group of available-for-sale assets

When the Company recovers its book value mainly by selling (including the exchange of non-monetary assets with commercial substance) rather than continuing to use non-current asset or disposal group, it classifies the non-current asset or disposal group as holding for sale.

Disposal group refers to a group of assets disposed of as a whole through sale or other means in transaction, and liabilities directly related to these assets transferred in the transaction.

② Confirmation condition for non-current assets and disposal group of available-for-sale assets

(A) The Company shall classify the non-current assets and the disposal group that meet the following conditions as available-for-sale assets:

According to the usual practice of selling such assets or disposal groups in similar transactions, they can be sold immediately in the current situation.

(B) They are likely to be sold, that is, the Company has made a decision on sale plan and obtained definite purchase commitment, and the sale is expected to be completed within one year. They can be sold with the approval of the relevant authority or regulatory authority of the Company.

③ Accounting treatment method and reporting for non-current assets and disposal group of available-for-sale assets.

The Company shall measure the book value of assets and liabilities in non-current assets or disposal groups according to relevant accounting standards before dividing non-current

assets or disposal groups into available for sale assets for the first time.

When the Company initially measures or recalculates non-current assets or disposal groups held for sale on the balance sheet date, if its book value is higher than the net amount of fair value minus selling expenses, the book value is written down to the net amount of fair value minus selling expenses, and the amount written down is confirmed as the loss of assets impairment, which is recorded in the current gains and losses, and the provision for holding impairment of assets for sale is made. For the amount of loss of impairment of assets confirmed by the disposal group held for sale, it shall firstly offset the book value of goodwill in the disposal group, and then offset proportionally the book value according to the proportion of the book value of each non-current asset in the disposal group. There is no depreciation or amortization of non-current assets held for sale.

The non-current assets held for sale or assets in disposal groups held for sale shall not offset each other with the liabilities in the disposal group held for sale and shall be shown as current assets and current liabilities respectively.

If the Company loses control of its subsidiary Company due to the sale of its investment in subsidiary Company or other reasons, no matter whether the enterprise retains part of equity investment after the sale, when the investment in subsidiary Company to be sold meets the conditions for the classification of categories held for sale, the investment in subsidiary Company will be divided into categories held for sale as a whole in the individual financial statements of the parent Company , and all assets and liabilities of subsidiaries will be divided into category of available-for-sale in the consolidated financial statements.

(2) Discontinuing operation

Termination of business refers to a separate component of Company that meets one of the following conditions and has been disposed of or classified as category held for sale:

- ① The constituent part represents an independent principal business or a principal business region;
- ② The constituent part is a part intended for disposal planning of a major independent business or a main business region;

③ The constituent part is a subsidiary Company specially acquired for resale.

15. Long-term equity investment

(1) Initial investment cost recognition of long-term equity investment

① The recognition of the initial investment cost of long-term equity investment formed by business combination can be seen in the accounting treatment of business combination under the same control and under the different control in Note 5.

② Besides the long-term equity investment formed by business combination, the initial investment cost of the long-term equity investment obtained by other means shall be recognized in accordance with the following provisions:

(A) For long-term equity investment acquired through paying cash, the acquisition price actually paid shall be taken as the initial investment cost. The initial investment cost includes the expenses directly related to the long-term equity investment obtained, taxes and other necessary expenses.

(B) The long-term equity investment obtained by issuing equity securities (equity instruments) is regarded as its initial investment cost according to the fair value of equity securities (equity instruments) issued. If there is conclusive evidence that the fair value of long-term equity investment obtained is more reliable than that of equity securities (equity instruments) issued, the initial investment cost is confirmed on the basis of the fair value of long-term equity investment invested by investors. If the fees directly related to the issuance of equity securities (equity instruments), including service fees and commissions, are reduced by the issuance premium, and if the premium is insufficient to be reduced, the surplus reserve and undistributed profits are reduced in turn. Long-term equity investment obtained by issuing debt securities (debt instruments) shall be treated by issuing equity securities (equity instruments).

(C) For the long-term equity investment obtained through debt restructuring, the Company takes the fair value of the shares enjoyed by the creditor's rights into equity as its initial investment cost.

(D) For long-term equity investment acquired through non-monetary assets exchange, if non-monetary assets exchange is of commercial substance and fair value of converted

assets can be reliably measured. The Company confirms its initial investment cost on the basis of fair value of converted assets, unless there is solid evidence that the fair value of converted assets is more reliable. If the above-mentioned conditions cannot be met, the book value of swap-out assets and related payable taxes shall be taken as the initial investment cost of swap-in long-term equity investments.

The expenses, taxes and other necessary expenses incurred by the Company directly related to the acquisition of long-term equity investment are included in the initial investment cost of long-term equity investment.

No matter how the Company acquires long-term equity investment, the cash dividends or profits declared but not yet paid in actual payments or consideration shall be accounted for separately as the dividend receivable and shall not constitute the cost of long-term equity investment.

(2) The subsequent measurement and loss and profit confirmation method of long-term equity investment

① The long-term equity investment checked and calculated by cost method

(A) The Company shall adopt method to calculate the long-term equity investment can be controlled by the invested unit, that is, investment in subsidiaries.

(B) For long-term equity investment calculated by cost method, except for cash dividends or profits which have been declared but not yet paid in the actual price or consideration at the time of investment, the Company, regardless of whether it belongs to the net profits realized by the invested units before and after investment, shall recognize the investment income according to the cash dividends or profits declared by the invested units.

② The long-term equity investment checked and calculated by equity method

(A) A Company shall adopt the equity method to account for joint venture under the joint control of the invested entity or joint venture with significant influence.

(B) For long-term equity investment adopted equity method, if the initial investment cost is more than the enjoyed share of net asset fair value identified by the invested units when the investment happens, the initial investment cost of the long-term equity interest investment shall not be adjusted; If the initial investment cost is less than the enjoyed

share of net asset fair value identified by the invested units when the investment happens, its balance shall be included into the current gains and losses and the initial investment cost of the long-term equity investment shall be adjusted simultaneously.

(C) After obtaining a long-term equity investment, the Company shall confirm the investment losses and profits and other comprehensive income respectively and adjust the book value of the long-term equity investment in terms of the due owned or borne share of the net gains or losses and other comprehensive income achieved by the invested unit. When confirming the net loss and profit of the invested unit that shall be owned or borne, confirmation shall be conducted for the net profit of the invested unit upon adjustment based on fair value of net identifiable assets of the invested unit when obtaining the investment. However, if the Company is unable to reasonably confirm the fair value of the identifiable assets of the invested unit at the time of obtaining investment, the balance between the fair value of the identifiable assets of the invested unit at the time of investment and book value is small or it is impossible to obtain relevant information of the invested unit due to other reasons, the Company shall directly calculate and confirm the investment gains and losses on the basis of the net book gains and losses of the invested unit. The Company shall reduce correspondingly the book value of the long-term equity investment according to the deserved portion of assigning cash dividends or profit declared by the invested unit. As for other changes concerning owner's equity of the invested unit besides net profit or loss, other comprehensive income and profit distribution, the Company shall adjust the book value of the long-term equity investment and include them into the owner's equity.

When affirming the investment income generated by the investment of joint ventures, the Company offsets the unrealized internal transaction income between the Company and the joint venture which belongs to the Company according to the share-holding ratio, and affirms the investment gains and losses. The internal transaction loss occurred between the Company and invested unit belongs to assets impairment loss, which shall be confirmed in full amount. The Company shall offset the unrealized internal transaction gains and losses between subsidiaries incorporated into combination and joint ventures in

accordance with the above-mentioned principles, and confirm the investment gains and losses.

When net deficiency of the invested entity that confirmed to be borne, it shall be disposed as the following orders: The book value of the long-term equity investment shall be offset at first. If the book value of long-term equity investment is not enough to be offset, the investment losses shall be confirmed continuously according to the limit that the book value of other long-term equity investments substantially constitutes the net investment in the invested entity, to offset the book value of long-term receivables; After the process above, if the Company still shall share extra duty according to investment contract or the agreement, confirm beforehand liabilities according to estimated duty that shall be undertaken and include it in the current investment loss. If the invested unit realizes to be profitable in the following period, the Company shall process it in the sequence contrary to the mentioned above after deducting the contribution of loss that hasn't been confirmed, write down the book value that has been confirmed to be estimated liabilities, resume other book values that constitute the long-term interest and long-term equity investment of the invested unit in substance and meanwhile confirm investment income.

(3) The basis confirmed to have joint control and significant influence on the invested entity

① The basis confirmed to have joint control on the invested entity

The joint control refers to the control jointly performed towards certain arrangement as per the related agreements, and the related activities thereof must be agreed by all the participants who share the control rights before making decisions. The relevant activities generally include sale and purchase of goods or labor services, management of financial assets, acquisition and disposal of asset, R&D activities and financing activities. Joint venture refers to the joint venture arrangement that the Company has the right to arrange the net assets of the Company. The joint venture arrangement in which the joint venture party enjoys assets related to arrangement and bears relevant liabilities is cooperation rather than joint venture.

② The basis confirmed to have significant influence on the invested entity

The significant influence refers to having the power to participate in the formulation of financial and operating policies of an enterprise, but cannot control or jointly control the formulation of these policies together with other parties. When the Company can exert significant influence on the invested unit, the invested unit is its joint venture.

16. Fixed assets

(1). Confirmation conditions

The fixed assets refer to the tangible assets held for commodity production, rendering service, lease or operation management with a service life of more than one accounting year. The fixed assets are confirmed when the following conditions are met:

- ① The economic interests related to the fixed assets are likely to flow into the Company;
- ② The costs of the fixed assets can be calculated reliably.

(2). Method of depreciation

Item	Method of depreciation	Period of depreciation (year)	RM value rate %	Yearly depreciation %
Office and buildings	straight-line service life depreciation	10-40	3	2.43-9.70
Machinery equipment	straight-line depreciation	10	3	9.70
Transportation equipment	straight-line depreciation	4	3	24.25
Other equipment	straight-line depreciation	5	3	19.40

(3). Confirmation basis, pricing and depreciation method of fixed assets under finance lease

① Confirmation basis of fixed assets under finance lease

At the beginning of the lease period, the Company shall recognize the leased fixed assets that meet the financial lease criteria as the financial leased fixed assets.

② Pricing method of fixed assets under finance lease

At the beginning of the lease period, the Company shall regard the lower of the fair value of leased assets and the present value of the minimum lease payment on the lease start date and the initial direct expenses incurred as the accounting value of the financing leased assets, the lowest lease payment as the value of the long-term accounts payable,

and the balance between the lower of the fair value of leased assets and the present value of the minimum lease payment on the lease start date as the accounting value of the financing leased assets and the minimum rental payments as unconfirmed financing cost. Unconfirmed financial charges shall be amortized to each period in lease term according to effective interest method.

③ Method for depreciation of fixed assets under finance lease

The Company shall adopt the depreciation policy consistent with owned fixed asset to accrue leasing asset depreciation. If it is reasonable to be certain that the lessee will obtain the ownership of the leasing asset when the lease term expires, the leasing asset shall be accrued depreciation within its service life. If it is not reasonable to be certain that the lessee shall obtain the ownership of the leasing asset at the expiry of the lease term, the leasing asset shall be accrued depreciation within the shorter one between the lease term and the service life of leasing asset.

17. Construction in progress

(1) Category of construction in process

Construction in process shall be calculated separately according to the approved projects

(2) The standard and time point for construction in process carried down fixed assets

All expenditures of the construction in progress that incurred before it reaches the estimated serviceable condition shall be regarded as entry value of the fixed assets. The self-operating engineering shall be measured according to direct materials, direct wages, direct mechanical construction costs, etc.; Package project is measured according to the payable project price; The borrowing expenses that meet the capitalization conditions and occur before the project under borrowing reaches its intended usable state shall be capitalized and included in the cost of the project under construction.

If the fixed assets have reached the intended usable state but have not yet completed the final accounts, the Company shall, from the date of reaching the intended usable state, determine its cost according to the project budget, cost or actual cost of the project, as well as the estimated value, transfer it to the fixed assets, and calculate the depreciation of the fixed assets in accordance with the Company's fixed assets depreciation policy;

After final account is completed, the Company shall adjust the original provisionally estimated value according to actual cost, but not adjust the previously accrued amount of depreciation.

18. Borrowing cost

(1) Range of the borrowing cost

The borrowing cost of the Company shall include interest on borrowings, amortization of discount or premium, auxiliary expenses, and exchange balance incurred from foreign currency borrowings.

(2) Borrowing cost principle

Where the incurred borrowing cost of the Company can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, it shall be capitalized and reckoned in the costs of relevant assets; Other borrowing costs shall be confirmed as costs on the basis of the actual amount accrued, and shall be included into the current gains and losses.

The term "assets eligible for capitalization" shall refer to the fixed assets, investment real estate, inventories and other assets, of which the acquisition and construction or production may take quite a long time to get ready for its intended use or for sale.

(3) Confirmation of the time period for capitalization of the borrowing cost

① Confirmation of the time point for capitalization of the borrowing cost

After assets expenditures and the borrowing expenses have happened, the necessary acquisition and construction or production activities have already started in order to reach the pre-confirmed usable or marketable state for the assets, the borrowing expenses can begin capitalization. The asset expenses shall include the cash, transferred non-cash assets or expenses that bearing debts paid for the acquisition and construction or production for assets eligible for capitalization

② Confirmation of the suspending time point for capitalization of the borrowing costs

If assets eligible for capitalization is interrupted abnormally during the course of acquisition and construction or production, and the interruption lasts more than 3 months, the capitalization of borrowing costs shall be suspended. The borrowing costs occurred

during the interruption shall be confirmed as current gains or losses, until the acquisition and construction or production activities of the asset restart, the capitalization of borrowing costs shall be continued. If the interruption is a necessary step for making the acquired, built or produced assets which are eligible for capitalization reaching estimated usable and marketable status, the capitalization of the borrowing costs shall be continued.

③ Confirmation of the suspending time point for capitalization of the borrowing costs

When the acquired, built or produced assets which are eligible for capitalization can reach estimated usable and marketable state, shall stop capitalizing on borrowing costs; the borrowing costs incurred thereafter shall be confirmed as current gains and losses according to the real amount.

Where each part of the acquired, built or produced assets which are eligible for capitalization is completed separately, and every single part is available to use or sell during the continuing construction of other parts, and the acquisition and construction or production activities, which are necessary to make such part of asset reaching the estimated status of being available to use or sell, have already been completed substantially, shall stop capitalizing on the borrowing costs in relation to this part of asset. Where each part of the acquired, built or produced assets which are eligible for capitalization is completed separately and but it cannot be available to use or sell till the whole construction finishing, shall stop capitalizing on the borrowing costs when the assets can be completed entirely.

(4) The confirmation of the amount of the capitalization of borrowing costs

① The confirmation of the amount of the capitalization of borrowing interests

During the capitalization period, the interests' capitalization amount (including the amortization of discounts or premiums) in each accounting period shall be confirmed according to the following provisions:

(A) As for special borrowing costs arising from the acquisition and construction or production of assets which are eligible for capitalization, the amount shall be confirmed based on the interests cost of the special borrowings costs occurred actually in the current period deducting the interests' income earned from depositing the unused borrowing

costs or the income from temporary investment.

(B) If ordinary borrowings used for acquisition and construction or production of assets which are eligible for capitalization, the interests' amount of ordinary borrowings to be capitalized shall be confirmed by the weighted average of the asset expenditures for cumulative capital expenditure that exceed the capital expenditure of specific borrowings to multiply the capitalization rate of ordinary borrowings. The capitalization rate is confirmed by the calculation of the weighted average interest rate of general borrowing costs.

(C) If there is any discount or premium of the borrowings, the number of discounts or premiums amortized during each accounting period shall be confirmed by the effective interest rate method, and an adjustment shall be made to the amount of interests in each period.

(D) Within period of the capitalization, the interest capitalization amount of each accounting period shall not exceed the amount of interest actually occurred to the relevant borrowings in the current period.

② The confirmation of the amount of the capitalization of borrowing auxiliary expenses

(A) Article For the ancillary expense incurred to a specifically borrowings, those incurred before assets eligible for capitalization under acquisition, construction or production is ready for the intended use or sale shall be capitalized at the incurred amount when they are incurred, and shall be included into the costs of the asset eligible for capitalization those incurred after a qualified asset under acquisition and construction or production is ready for the intended use or sale shall be confirmed as expenses on the basis of the incurred amount when they are incurred, and shall be recorded into the gains and losses of the current period.

(B) The auxiliary expenses arising from general borrowings shall be confirmed as expenses at the time of occurrence and shall be included into the gains and losses of the current period.

③ The confirmation of the amount of the capitalization of the balance of exchange

During the period of capitalization, the exchange balance on foreign currency specific

borrowings shall be capitalized, and shall be included in the cost of assets eligible for capitalization.

19. Biological assets

(1) Classification of biological assets

Biological assets refer to live animals and plants. The Company's biological assets are divided into expendable biological assets and productive biological assets.

(2) Conformation conditions of biological assets

The Company shall confirm the biological assets that satisfy the following conditions at the same time:

- ① The Company possesses or controls the biological asset as a result of past transaction or matter;
- ② The economic benefits or service potential concerning this biological asset are likely to flow into the Company;
- ③ The cost of the biological asset can be measured reliably.

(3) Depreciation of productive biological assets

The Company shall depreciate the productive biological assets that meet projected production and operation, and reasonably confirm their service life, estimated net residual value and depreciation method according to nature, usage and expected realization of the economic benefits involved.

The type, service life, anticipated net residual value and yearly depreciation of the Company's productive biological assets are as follows:

Type	Service life	Anticipated net residual value	Depreciation method
Breeder-Swine	36 months	20.00%	straight-line service life
Breeder-Broiler	30 weeks	RMB 22.50 per broiler	workload

The depreciation rate and depreciation amount of the productive biological assets which have been prepared for impairment are recalculated according to the book value, estimated net residual value and usable life of the productive biological assets.

The Company reviews the service life, estimated net residual value and depreciation

methods of productive biological assets at regular intervals. If the expected number of service life or estimated net residual value is different from the original estimate, or if there is any significant change in the expected realization of the economic benefits involved, it shall be treated as a change in accounting estimate.

20. Intangible assets

(1). Valuation methods, service life, and impairment test

① Initial measurement of intangible assets

(A) Initial measurement of outsourcing intangible assets

The cost of outsourcing intangible assets, including acquisition price, relevant taxes and dues as well as other expenditures which is directly attributed to make intangible assets to the estimated purpose. When the payment of purchased intangible assets price exceeding normal credit conditions is delayed in payment, with financing nature in essence, the intangible assets cost shall be confirmed based on the present value of purchase price. The balance between the cost actually paid and the present value of the purchasing cost will be included into the current gains and losses during the credit period except the part that shall be capitalized.

(B) Initial calculation for independently developed intangible assets

The cost of self-developed intangible assets shall be confirmed according to the total expenditure incurred from meeting the capitalization conditions to reaching the intended purpose, and the expenditure already expended in the previous period shall not be adjusted.

For the intangible assets researched and developed by the Company, the expenditure during research stage shall be recorded into the current gains and losses as occurring; if the expenditures in development stage which don't meet the conditions of capitalization shall be included into current gains and losses when it occurs. Those meeting the condition of capitalization shall be confirmed as intangible assets. When the expenditures occur during research or development stage cannot be distinguished, all the R&D expenditures occurred shall be included into the current gains and losses.

② Subsequent measurement of intangible assets

The service life shall be analyzed and confirmed by the Company when obtaining the

intangible assets. The intangible assets acquired by the Company include intangible assets with finite service life and indefinite service life.

(A) Subsequent calculation for intangible assets with finite service life

For intangible assets with limited service life, the Company will adopt the straight-line method to amortize them in phases during their service life from the time they reach their intended purpose, without reserving residual value. The amortization amount of intangible assets shall be included into current gains and losses. If the economic benefits of an intangible asset are realized through product or other assets, the amortization amount shall be included into the cost of the relevant assets.

The categories of intangible assets, estimated service life, estimated net residual value and annual amortization rate are listed as follows:

Categories	Estimated service life(year)	Estimated net residual value %	Annual amortization rate %
Land use rights	According to the useful life of land certificate	0	-
Computer software and other	5-10	0	10-20

The Company shall review the service life and the amortization method of intangible assets with the finite service life on the balance sheet date.

(B) The subsequent measurement for intangible assets with indefinite service life

The Company shall not amortize intangible assets with uncertain service life during the holding period.

③ Estimate the service life of intangible assets

(A) The service life of the intangible asset derived from the contractual rights or other statutory rights shall be confirmed according to the limit not exceed the contractual rights or other statutory rights; If when the contract rights or other statutory rights are due, they can be extended because of renewal, and there is evidence that the Company does not need to pay a large amount of cost to renew contract, then the renewal period shall be included into the service life.

(B) If the service life is not stipulated in the contract or law, the Company shall confirm the period when intangible assets can bring economic benefits to the Company by employing

relevant experts for demonstration or comparing with those in the same industry and referring to the Company's historical experience.

(C) In accordance with the above method, if it is still unable to reasonably confirm the time limit when the intangible assets can bring economic benefits for the Company, the intangible assets shall be deemed as the intangible assets with uncertain service life.

④ Treatment of land use right

(A) The land use right acquired by the Company is usually confirmed as intangible assets, but if the land use right is used to earn rent or capital appreciation, it will be converted into investment real estate.

(B) If the Company develops and constructs buildings such as factory buildings, it shall treat the relevant land use rights and buildings separately.

(C) The price paid for the acquisition of land and buildings shall be allocated between the building and the right to use the land. If they cannot be reasonably distributed, they shall be confirmed as fixed assets.

(2). Accounting policies of internal R&D expenditure

① The specific standard for the partition of the research stage and development stage of the Company internal R&D project

According to the actual situation of R&D, the Company divides R&D projects into two stages: research stage and development stage.

(A) Research stage

Research stage refers to the stage for ingenious and planned investigation, research activities so as to acquire and understand new scientific or technical knowledge, etc.

(B) Development stage

Development stage refers to before the commercial manufacture or use, the stage for the application of research achievement and other knowledge to a certain plan or design to produce new or substantial improved materials, devices or products, etc.

The expenditure of the internal R&D projects at the research stage shall be included into current gains and losses when incurred.

② The specific standards for expenditure at development stage which meet capitalization

The expenditure of the internal R&D projects at the development stage shall be confirmed as the intangible assets when meeting the following conditions simultaneously:

- (A) Complete the intangible assets to make them feasible to be used or sold in technology;
- (B) Possess the intention to complete the intangible assets and use or sell them;
- (C) The ways of intangible assets to generate economic benefits include the ability to prove the existence of the market where there are the products produced by the intangible assets or the existence of that of the intangible assets, and prove its usefulness if intangible assets will be used internally;
- (D) There are sufficient technologies, financial resources and other resources supporting to complete the development of the intangible assets, and the Company is able to use or sell the intangible assets;
- (E) Expenditures that belong to the development stage of the intangible assets can be measured reliably.

21. Impairment of long-lived assets

The impairment test shall be made to long-term equity investments, investment property measured by using the cost model, fixed assets, projects under construction, intangible assets with finite service life and other long-term assets with signs of impairment on the balance sheet date. If the impairment test result is indicated that the recoverable amount of assets is lower than its book value, it is withdrawn impairment reserves in accordance with the balance and calculated into the impairment loss. The recoverable amount shall be the higher one of the net amounts of the fair value of the assets deducted by the disposal expenses and the present value of the expected future cash flow of the assets. Calculate and confirm the assets impairment reserves based on single asset; shall it be difficult to estimate the recoverable amount of single asset, the recoverable amount of the asset group shall be confirmed based on its belonging asset group. Asset group is the minimum asset portfolio that can generate cash inflow independently.

Each year, the Company performs the impairment test on the goodwill and the intangible assets with uncertain service life, no matter whether there are signs of impairment or not. When the Company conducts the impairment test on business reputation, as for the book

value of goodwill formed due to the business combination, it shall be amortized to related assets groups from the acquisition date according to the reasonable methods; The part that is hard to be allocated to related assets groups shall be amortized to related combined assets groups. When apportioning the book value of the goodwill to the relevant asset groups or combinations of asset groups, it shall be apportioned on the basis of the proportion of the fair value of each asset group or combination of asset groups to the total fair value of the relevant asset groups or combinations of asset groups. Where it is difficult to measure the fair value reliably, it shall be apportioned on the basis of the proportion of the carrying value of each asset group or combination of asset groups to the total carrying value of the relevant asset groups or combinations of asset groups. When making an impairment test on the relevant asset groups or combinations of asset groups including goodwill, if any evidence shows that the impairment of asset groups or combinations of asset groups is possible, the Company first makes an impairment test on the asset groups or combinations of asset groups not including goodwill, calculate the recoverable amount, compare it with the relevant carrying value and confirm the corresponding impairment losses. The Company makes an impairment test of the asset groups or combinations of asset groups containing business reputation, and compares the book value of these relevant asset groups or combinations of asset groups (including the book value of goodwill amortized thereto) and their recoverable amount. Where the recoverable amount of relevant assets or combinations of the asset groups is lower than the book value thereof, the depreciation of the goodwill losses shall be confirmed.

Once the impairment loss of above-mentioned asset is confirmed, it shall not be reversed in following accounting periods.

22. Long-term prepaid expenses

(1) Scope of long-term prepaid expense

The long-term prepaid expense refers to an expense that has incurred but shall be amortized by the current period and subsequent periods with the time limit of more than 1 year (exclusive), and includes improvement expenditures incurred in fixed assets by way of operating lease.

(2) Initial calculation for long-term prepaid expense

The long-term prepaid expense received initial calculation based on the actual cost.

(3) Amortization of long-term prepaid expense

Long-term prepaid expenses in benefit period will be of amortization average using the straight-line method.

23. Employee remuneration

(1). The accounting treatment method of short-term remuneration

Short-term remuneration refers to employee remuneration that needs to be paid in full amount within 12 months after the end of annual report period that the employee provides related service, except for the remuneration given for labor relation removing with the employee.

Short-term remuneration includes: Employee salary, bonus, allowance and subsidy, employee welfare expenses, medical insurance premiums, industrial injury insurance premium, birth insurance premium and other social insurance premiums, housing accumulation fund, labor union expenditure and employee education expenditure, short-term compensated absence, short-term profit-sharing plan, non-monetary welfare and other short-term remunerations.

The Company shall confirm the actual short-term remuneration accrued as liabilities and include it into current gains and losses or related asset cost during the accounting period of services provided by staff.

(2). The accounting treatment method of post-employment welfare

The Company participates in the establishment of withdrawal plans, which include basic pension insurance premiums, unemployment insurance premiums and enterprise annuity payments for employees in accordance with relevant regulations. The amount due for deposit shall be confirmed as the debt of employee remuneration on the balance sheet date in order to exchange for the service provided by employees during accounting period, and include into the current gains and losses or relevant asset cost.

(3). Accounting treatment method of dismissal welfare

Dismissal welfare refers to the remuneration for the employee when the Company terminates the labor relationship with the employee before the labor contract expires or

when the Company encourages the employee to receive layoff voluntarily. If the Company provides dismissal welfare for staffs, the staff remuneration liability generating from confirming dismissal welfare on the earlier one of the following two dates shall be included into current gains and losses:

- ① When the Company cannot unilaterally withdraw the dismissal welfare provided by labor relationship relief plan or reduction suggestion.
- ② When the Company confirms cost or expense relevant to the restructuring involved in paying dismissal welfare.

(4). Accounting treatment method of other long-term employee benefits

Other long-term employee welfare refers to other welfares of all employees other than short-term remuneration, welfare after demission and dismisses welfare. At the end of report period, staff remuneration cost generating from other permanent staff welfare shall be confirmed to the following constituent parts:

- ① Cost to serve.
- ② Net interest amount of net liabilities or net asset of other permanent staff welfares.
- ③ The change generating from the recalculation of net liability or net asset of other permanent staff welfares.

In order to simplify the relevant accounting treatments, the total net amount of above items is recorded into current gains and losses or relevant asset costs.

24. Estimated Liabilities

(1) Confirmation principles of estimated liabilities

When the external guarantees, pending litigation or arbitration, product quality assurance, loss of contract, the obligation of restructuring matters or the relevant business meet three of the following conditions, it shall be confirmed as estimated liabilities:

- ① That obligation is a current obligation undertaken by the Company;
- ② It is likely to cause the economic benefit to flow out of the Company due to the performance of the obligation;
- ③ The amount of the obligation can be measured reliably.

(2) Calculated method for estimated liabilities

The amount of the estimated liability is measured in accordance with the best estimate of the expenditure required for the contingency.

① If there is a sequent range for the necessary expenses and if all the outcomes within this range are equally likely to occur, the best estimate shall be confirmed in accordance with the middle estimate within the range.

② In other cases, the best estimate shall be disposed according to the following cases respectively:

(A) If the contingencies involve a single item, it shall be confirmed according to the most likely outcome.

(B) If the contingencies involve two or more items, the best estimate shall be calculated and confirmed according to all possible outcomes and the relevant probabilities.

25. Share-based payment

The share-based payments shall consist of equity-settled share-based payments and cash-settled share-based payments.

(1) Accounting treatment on the grant date

In addition to share-based payments of the immediate vesting, regardless of equity-settled share-based payment or cash-settled share-based payment, the Company shall not accept accounting treatment on the grant date.

(2) Accounting treatment on each balance sheet date in the waiting period

In the waiting period of each balance sheet date, services acquired in hiring employees or other parties shall be included in the cost, and the owner's equity or liabilities shall be confirmed.

As for share-based payments with market conditions, as long as employees meet all other non-market conditions, the acquired service shall be confirmed. When the performance conditions are non-market conditions, after the waiting period is fixed, if the subsequent information indicates that the estimation of feasible rights needs to be adjusted, the earlier estimate shall be modified.

As for equity-settled share-based payment involving employees, according to fair value of equity instruments in the grant date, it shall be included in cost and capital reserve (other

capital reserve), and its subsequent changes of fair value shall not be confirmed. As for cash-settled share-based payment involving employees, it shall be recounted according to fair value of equity instruments at each balance sheet date to recognize the cost and payable employee remuneration.

On each balance sheet date within the waiting period, the Company shall make the best estimates according to the newly obtained changes in exercisable right staff number variation and other follow-up information, and amend the number of equity instruments of expected exercisable right.

According to the fair value of the above-mentioned equity instruments and the number of equity instruments with predicted feasible rights, the cumulative cost and expense amount that shall be confirmed up to the current period is calculated, with the cumulative confirmed amount in the previous period subtracted, as the cost and expense amount that shall be confirmed in the current period.

(3) Accounting Treatment on the Vesting Date

① As for equity-settled share-based payment, after vesting date, the confirmed cost and the total owner equity shall no longer be adjusted. On the vesting date, the Company shall confirm the share capital and share premium according to the exercise situation, and the capital reserve (other capital reserve) in the waiting period shall be carried forward at the same time.

② As for cash-settled share-based payment, after the vesting date, the Company shall no longer confirm the cost, and changes in fair value of liabilities (staff remuneration) shall be included in current gains and losses (changes of profit or loss in fair value).

(4) Accounting treatment for using repurchased share as incentive stock option for staff
Where the Company rewards its employees in the form of share repurchase, when it repurchases shares, it shall treat all the expenditures of the share repurchase as stock shares, and make a record. On each balance sheet date during the waiting period, according to the fair value of equity instruments on the granting date, the obtained staff services are included in the cost and expenses, and the capital reserve (other capital reserve) is increased. When the employee's right to purchase shares of Company receives

the price, the cost of the stocks in stock delivered to the employee and the accumulated amount of capital reserve (other capital reserve) during the waiting period shall be resold, and the capital reserve (equity premium) shall be adjusted according to its balance.

26. Revenue

The revenues mainly consist of the income of selling goods, providing labor services, and transferring the right to use assets. And the principles of income confirmation shall be driven as below:

(1) Confirming principle of the revenue for selling products

The main risks and rewards of the property in the commodities have been transferred to the acquiree by the Company; The Company retains neither continuing management right related with the ownership nor effective control over the products sold; The amount of revenue can be measured in a reliable way; The relevant economic interests may be flowed into the Company; When the relevant cost incurred or to incur can be measured reliably, it shall be confirmed as the realization of product sales income. The Company's sales revenue, mainly includes feed products, feed raw materials, poultry products and raising business. The revenue shall be confirmed after receipt of payment or completion of credit procedures and delivery of products.

(2) Confirming principle of the revenue for providing labor services

① Principle of confirmation of labor income is to provide labor transactions in the case of reliable estimation

On the balance sheet date, when the labor service transaction results rendered can be reliably estimated, the Company shall confirm the revenue from providing labor service by the percentage-of-completion method.

When the amount of income can be reliably measured, the relevant economic benefits may flow into the Company, the completion schedule of the transaction can be reliably confirmed, and the costs that have occurred and will occur in the transaction can be reliably measured, the results of the labor transaction can be reliably estimated.

② Confirmation principle of labor income under the condition that provide labor transactions in the case of unreliable estimation

On the balance sheet date, when the labor service transaction results provided by the Company cannot be reliably measured, it shall confirm labor services income by the following three kinds of condition.

(A) If labor service cost incurred is estimated to be compensated in full amount, provision of labor service income shall be confirmed according to the amount that has been regained or can be regained by estimation and carry forward the labor service cost that has accrued;

(B) If the labor cost estimation that has occurred can be compensated partly, the labor revenue shall be confirmed to provide as the labor cost amount that has occurred or can be compensated, and the occurred labor cost will be carried over;

(C) If the cost of labor services incurred is expected not to be compensated, the cost incurred shall be included into current gains and losses (main business cost), and no income from the provision of labor services will be confirmed.

(3) Confirmation principles of transferring the right to use assets

When the trade-related economic interest is likely flow into this Company, and the relevant revenue that can be reliably calculated, the realization of the revenue from transferring the right to use assets shall be confirmed.

27. Governmental grant

(1) Category of governmental grant

Government grant refers to the monetary assets or non-monetary assets that the Company obtains from the government free of charge, including the government grant related to assets and income.

The government grants pertinent to assets refer to the government assets that are obtained by enterprises used for purchase or construction, or forming the long-term assets by other ways.

The government grants related to earnings refer to the government grants besides the government grants related to assets.

(2) Confirmation principle and confirmation time-point of government grant

Confirmation principle of government grant

① The Company can meet all attached conditions for governmental grant;

② The Company is able to receive governmental grant.

Government grant may be confirmed on condition that it meets the above conditions simultaneously.

(3) Measurement for government grant

① If the government grants belong to monetary assets, shall be calculated according to the received or receivable amount.

② Non-monetary assets of government grants shall be measured by the fair value; if the fair value cannot be obtained reliably, it shall be measured according to the nominal amount (the nominal amount is RMB 1).

(4) Accounting treatment method for government grants

① The government grant related to assets shall, when acquired, be deducted with the book value of the relevant assets or confirmed as deferred income. If it is confirmed as deferred income, it shall be divided into gains and losses in stages according to a reasonable and systematic method during the service life of the relevant assets. The governmental grants calculated according to the nominal amount shall be directly included in the current gains and losses.

② Government grant related to the incomes shall be disposed separately according to the conditions:

(A) If the grants are used to compensate for related expenses or losses in the later period of the Company, it shall be confirmed as deferred income and included in the current gains and losses during confirmation of relevant expenses or loss

(B) Those used for compensating the related expenses or losses have been incurred shall be included in current gains and losses directly or relevant offset cost as obtaining.

③ If government grants that include both asset-related and revenue-related parts can be distinguished, they are treated separately in different parts. If it is difficult to distinguish, it shall be wholly confirmed as government grants related to incomes.

④ Government grants related to the day-to-day operation of the Company shall be accounted for as other benefits or deducted with relevant costs in accordance with the

nature of its economic operations. Government grants unrelated to the daily activities of enterprise are included in the income and expenditure of non-business activities. If the finance allocates the discount funds directly to the Company, the Company will deduct the relevant borrowing costs from the corresponding discount.

⑤ If it is necessary to return governmental grants which have been confirmed, it shall be disposed respectively according to the following conditions:

(A) If the book value of the relevant assets is deducted at the time of initial confirmation, the book value of the assets shall be adjusted.

(B) If there is the deferred income concerned, the book balance of the deferred income shall be offset against, but the excessive part shall be included in the current gains and losses.

(C) In other circumstances, it shall be directly included in the gains and losses of the current period.

28. Deferred income tax assets/deferred income tax liabilities

The Company adopts the balance sheet debt method to calculate the income tax.

(1) Confirmation of the deferred income tax assets and the deferred income tax liabilities

① When the Company obtains the assets or liabilities, it shall determine its tax basis. On the balance sheet date, the Company analyses and compares the book value of assets and liabilities with their tax basis, and the book value of assets and liabilities with their tax basis. If there is temporary balance between the book value of assets and liabilities and their tax basis, the Company shall recognize deferred income tax liabilities or deferred income tax assets respectively for taxable temporary balance or deductible temporary balance if the relevant temporary balance occurs in the current period and meets the confirmation conditions. Tax assets.

② Confirmation basis of deferred income tax assets

(A) The Company shall confirm the deferred income tax assets arising from a deductible temporary balance to the extent of the amount of the taxable income which it is likely to obtain and which can be deducted from the deductible temporary balance. The amount of taxable income likely to be obtained in the future period includes the amount of taxable

income realized in normal production and operation activities in the future period, and the amount of taxable income increased due to the return of temporary balance of taxable income during the period of deductible temporary balance.

(B) As for any deductible losses and tax deduction that can be carried over to the next years, the corresponding deferred income tax assets shall be confirmed to the extent that the amount of future taxable income to be offset for the deductible loss and tax to be likely obtained.

(C) On the balance sheet date, the book value of deferred income tax assets shall be re-checked. If it is unlikely to obtain sufficient taxable income to deduct from the benefit of the deferred income tax asset, the carrying amount of the deferred income tax assets shall be written down. The write-down amount shall be reversed when it is likely that the sufficient taxable income is available.

③ Confirmation basis of the deferred income tax liabilities

The Company shall confirm the current or past taxable temporary balance that shall be paid but is not paid as deferred income tax liabilities. But it doesn't include goodwill and transaction formed by non- business combination and the temporary balance neither affects the accounting profit nor taxable income when transaction incurred.

(2) Measurement for the deferred income tax assets and the deferred income tax liabilities

① On the balance sheet date, the deferred income tax assets and deferred income tax liabilities shall be measured at the applicable tax rate of the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

② If the applicable tax rate varies, the deferred income tax assets and deferred income tax liabilities which have been confirmed are re-measured, excluding the deferred income tax assets and deferred income tax liabilities arising from any transactions or events directly confirmed as the owners' equities, the amount affected by them shall be included into the income tax expenses of the current period during which the change occurs.

③ When measuring deferred income tax assets and deferred income tax liabilities, the Company adopts tax rates and tax basis consistent with the expected way of recovering assets or paying off debts.

④ The Company shall not discount any deferred income tax asset and deferred income tax liability.

29. Lease

(1). Accounting treatment method of operating lease

A tenant includes the rental payment of operation lease into the relevant cost of assets or current gains and losses according to the straight-line method in each period of the lease term. The initial direct costs accrued to the Company shall be included into current gains or losses. The contingent rental shall be included into the current gains or losses when it is actually accrued.

A lessor includes the assets subject to operating lease in relevant items of its balance sheets in light of the nature of the asset. The rent in operating lease shall be confirmed as current gains and losses during each lease term according to straight-line method. The initial direct costs accrued to the Company shall be included into current gains and losses. The depreciation of fixed assets in the operation lease assets shall be withdrawn by adopting depreciation policy of similar asset; other operation lease assets shall be amortized adopting systematic and reasonable method. The contingent rental shall be included into gains and losses of the current period when it is actually accrued.

(2). Accounting treatment methods of financial lease

As tenant, on the commencement date of the lease term, the lower one between fair value of leased asset and present value of minimum lease payments as account record value of leased asset, and regard the minimum lease payments as account record value of long-term payables, and their balance shall be treated as the unconfirmed financing costs. The initial direct costs such as commissions, attorney's fees and traveling expenses, stamp duties, etc. directly attributable to the leased item incurred during the process of lease negotiating and signing the leasing agreement shall be included into the rent asset value. The unconfirmed financing costs shall be amortized during each lease term, and the current financing costs shall be confirmed adopting real interest method. The contingent rental shall be included into gains and losses of the current period when it is actually accrued.

On the commencement date of the lease term, a lessor recognizes the sum of the

minimum lease receipts on the lease commencement date and the initial direct costs as the entry value in an account of the finance lease values receivable, and record the un-guaranteed residual value at the same time. The balance between the sum of the minimum lease collection amount, the initial direct expenses and the non-guaranteed residual value, and the sum of their present values shall be confirmed as the unrealized financing income. The unrealized financing income shall be allocated to each period during the lease term. The lessor shall calculate and recognize the financing income at the current period by adopting the effective interest rate method. The contingent rental shall be included into the gains and losses of the current period when it is actually accrued.

30. Changes of important accounting policies and estimates

Important accounting policies

Content and reason for the changes of accounting policies	Approval procedure	Note
In March 2017, China's Ministry of Finance issued the Accounting Standards for Business Enterprise: No. 22 - Recognition and Measurement of Financial Instruments, No. 23 - Transfer of Financial Assets, No. 24 - Hedging Accounting, No. 37 - Presentation of Financial Instruments, the Company has implemented the new standards of financial instruments since January 1, 2019	Board of Directors	See below

The Ministry of Finance promulgated the Notice on Revision of 2019 General Corporate Financial Statement Format ([2019] No. 6) in 2019. The Company prepared its 2019 financial statements in accordance with the notice and adjusted corresponding items as follows:

Contents	Items changed	Impacted amount(increase/decrease:yuan)	
		December 31, 2018 Consolidated scope	December 31, 2018 Parent company
The Company divides notes receivable and receivables to notes receivable, accounts receivable respectively	Accounts receivable	397,891,678.23	16,033,809.05
	Notes receivable	13,611,778.44	
	Notes receivable and accounts receivable	-411,503,456.67	-16,033,809.05
The Company divides notes payable and accounts payable to notes payable, accounts payable respectively	Accounts payable	572,729,779.31	7,636,692.77
	Notes payable		
	Notes payable and accounts payable	-572,729,779.31	-7,636,692.77

Consolidated balance sheet

Unit: yuan Currency: RMB

Item	Dec. 31, 2018	January 1, 2019	Adjustment
Current Assets:			
Monetary capital	928,902,753.06	928,902,753.06	
Derivative financial assets	2,042,527.60	2,042,527.60	
Notes receivable	13,611,778.44	13,611,778.44	
Accounts receivable	397,891,678.23	397,891,678.23	
Prepayments	185,899,348.53	185,899,348.53	
Other receivables	98,997,213.04	98,997,213.04	
including: Interest receivable			
Dividends receivable	5,481,783.34	5,481,783.34	
Inventory	1,410,869,192.26	1,410,869,192.26	
Other current assets	118,636,045.77	118,636,045.77	
Total current assets	3,156,850,536.93	3,156,850,536.93	
Non-current assets:			
Available-for-sale financial assets	3,680,000.00		-3,680,000.00
Long-term equity investment	1,354,820,455.99	1,354,820,455.99	
Other equity instruments investment		3,197,809.52	3,197,809.52
Fixed assets	1,516,702,438.29	1,516,702,438.29	
Construction in progress	255,719,188.30	255,719,188.30	
Productive biological assets	30,484,794.88	30,484,794.88	
Intangible assets	206,387,940.29	206,387,940.29	
Goodwill	290,425.67	290,425.67	
Long-term prepaid expenses	177,903,367.82	177,903,367.82	
Deferred income tax assets	30,357,726.08	30,357,726.08	
Other non-current assets	197,497,688.18	197,497,688.18	
Total non-current assets	3,773,844,025.50	3,773,361,835.02	-482,190.48
Total Assets	6,930,694,562.43	6,930,212,371.95	-482,190.48
Current liabilities:			
Short-term borrowings	1,347,690,168.49	1,347,690,168.49	
Accounts payable	572,729,779.31	572,729,779.31	
Advance receipt	161,173,916.67	161,173,916.67	

Payroll	49,731,930.35	49,731,930.35	
Taxes and surcharges payable	28,744,792.72	28,744,792.72	
Other payables	309,537,195.12	309,537,195.12	
including: Interest payable	1,784,257.05	1,784,257.05	
Dividends payable	526,000.00	526,000.00	
Non-current liabilities due within one year	32,999,999.96	32,999,999.96	
Total current liabilities	2,502,607,782.62	2,502,607,782.62	
Non-current Liabilities:			
Long-term borrowings	118,500,000.00	118,500,000.00	
Long-term payable	23,345,833.38	23,345,833.38	
Deferred income	20,252,967.41	20,252,967.41	
Total Non-current liabilities	162,098,800.79	162,098,800.79	
Total Liabilities	2,664,706,583.41	2,664,706,583.41	
Owners' equity (or shareholders' equity):			
Paid-up capital (or share capital)	845,751,469.00	845,751,469.00	
Capital reserves	153,824,536.37	153,824,536.37	
deduct: Treasury stock	70,688,750.00	70,688,750.00	
Other comprehensive income	-1,316,942.00	-1,798,486.75	-481,544.75
Surplus reserves	272,882,920.19	272,791,366.07	-91,554.12
Undistributed profits	2,651,462,525.08	2,651,554,079.20	91,554.12
Total Equity attributable to the owners of parent company	3,851,915,758.64	3,851,434,213.89	-481,544.75
Non-controlling interests	414,072,220.38	414,071,574.65	-645.73
Total owners' equity (or shareholders' equity)	4,265,987,979.02	4,265,505,788.54	-482,190.48
Total liabilities and owners' equity (or shareholders' equity)	6,930,694,562.43	6,930,212,371.95	-482,190.48

Explanation of adjustment:

For the consolidated balance sheet, the adjustments of "available-for-sale financial assets", "other equity instruments investment" and "other comprehensive income" were caused by implementing the new financial instrument standards. Details please refer to the Note to changes in owners' equity.

Meanwhile, the adjustments of "surplus reserve", undistributed profit" and "long-term

equity investment" were caused by the Company changing the accounting of long-term equity investment in Weifang Wellhope Xinhesheng Feed Co., Ltd. from cost method to equity method after losing the control of this company and implementing retroactive adjustment of residual equity. Details please refer to the Note to changes in owners' equity.

Consolidated balance sheet of parent company

Unit: yuan Currency: RMB

Item	Dec. 31, 2018	January 1, 2019	Adjustment
Current Assets:			
Monetary capital	750,589,871.09	750,589,871.09	
Derivative financial assets	2,042,527.60	2,042,527.60	
Notes receivable			
Accounts receivable	16,033,809.05	16,033,809.05	
Prepayments	2,278,798.85	2,278,798.85	
Other receivables	869,671,230.01	869,671,230.01	
including: Interest receivable			
Dividends receivable	15,225,270.58	15,225,270.58	
Inventory	41,986,504.36	41,986,504.36	
Total current assets	1,682,602,740.96	1,682,602,740.96	
Non-current assets:			
Available-for-sale financial assets	3,000,000.00		-3,000,000.00
Long-term equity investment	3,285,783,087.96	3,284,867,546.77	-915,541.19
Other equity instruments investment		2,689,369.92	2,689,369.92
Fixed assets	73,509,615.43	73,509,615.43	
Construction in progress	56,425,656.79	56,425,656.79	
Intangible assets	16,169,866.87	16,169,866.87	
Long-term prepaid expenses	854,845.30	854,845.30	
Deferred income tax assets	9,060,127.91	9,060,127.91	
Total non-current assets	3,444,803,200.26	3,443,577,028.99	-1,226,171.27
Total Assets	5,127,405,941.22	5,126,179,769.95	-1,226,171.27
Current liabilities:			
Short-term borrowings	1,075,000,000.00	1,075,000,000.00	

Accounts payable	7,636,692.77	7,636,692.77	
Advance receipt	2,690,153.80	2,690,153.80	
Payroll	2,749,116.65	2,749,116.65	
Taxes and surcharges payable	4,166,334.74	4,166,334.74	
Other payables	1,026,382,418.43	1,026,382,418.43	
including: Interest payable	1,601,798.61	1,601,798.61	
Dividends payable			
Non-current liabilities due within one year	20,000,000.00	20,000,000.00	
Total current liabilities	2,138,624,716.39	2,138,624,716.39	
Non-current Liabilities:			
Long-term borrowings	118,000,000.00	118,000,000.00	
Deferred income	7,425,000.00	7,425,000.00	
Total Non-current liabilities	125,425,000.00	125,425,000.00	
Total Liabilities	2,264,049,716.39	2,264,049,716.39	
Owners' equity (or shareholders' equity):			
Paid-up capital (or share capital)	845,751,469.00	845,751,469.00	
Capital reserves	160,705,065.92	160,705,065.92	
deduct: Treasury stock	70,688,750.00	70,688,750.00	
Other comprehensive income	-1,305,935.62	-1,616,565.70	-310,630.08
Surplus reserves	272,882,920.19	272,791,366.07	-91,554.12
Undistributed profits	1,656,011,455.34	1,655,187,468.27	-823,987.07
Total owners' equity (or shareholders' equity)	2,863,356,224.83	2,862,130,053.56	-1,226,171.27
Total liabilities and owners' equity (or shareholders' equity)	5,127,405,941.22	5,126,179,769.95	-1,226,171.27

Explanation of adjustment:

For the consolidated balance sheet of parent company, the adjustments of "available-for-sale financial assets", "other equity instruments investment" and "other comprehensive income" were caused by implementing the new financial instrument standards. Details please refer to the Note to changes in owners' equity.

Meanwhile, the adjustments of "surplus reserve", undistributed profit" and "long-term equity investment" were caused by the Company changing the accounting of long-term

equity investment in Weifang Wellhope Xinhesheng Feed Co., Ltd. from cost method to equity method after losing the control of this company and implementing retroactive adjustment of residual equity. Details please refer to the Note to changes in owners' equity.

VI. Tax

1. Categories of taxes and tax rate

Categories	Taxation basis	Tax rate
Value-added tax	Output VAT--deductable input VAT	9%、10%、13%、16% (VAT on sales)
Urban maintenance and construction tax	Turnover tax payable	1%、5%、7%
Corporate income tax	Income tax payable	15%、20%、25%
Extra charges of education funds	Turnover tax payable	3%
Extra charges of local education funds	Turnover tax payable	2%

2. Tax preference

A. value-added tax

In accordance with the "Notice on the Exemption of Value-added Tax on Feed Products" (Finance and Taxation No. [2001] 121) and other documents, the sales of feed products of the Company and related subsidiaries are exempted from value-added tax.

According to the regulation issued by the Ministry of Finance and Taxation of China, from April 1, 2019, taxpayers who have VAT taxable sales that were subject to the original tax rates of 16% and 10%, would be adjusted to 13% and 9% respectively.

The Company and related subsidiaries, which are suitable to related government policies, such as receiving the certificates of High-Tech enterprise, the applicable corporate income tax rate is 15% in the valid period.

VII. Notes to the Items of Consolidated Financial Statements

1. Monetary capital

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Cash on hand	693,912.75	253,687.16
Cash at bank	1,507,696,568.93	888,951,186.81
Other monetary capital	46,390,842.45	39,697,879.09
Total	1,554,781,324.13	928,902,753.06
including: total amount of funds deposited abroad	719,833.99	523,693.62

Other explanation:

Guarantee deposits of letter of credit included in other monetary capital was RMB 1,779,880.44, futures margin was RMB 44,610,962.01 in the end of the period.

2. Trading financial assets

Item	Unit: yuan Currency: RMB	
	Closing balance	Opening balance
Measured at fair value and whose changes are booked into current profits and losses	40,000,000.00	
including		
Wealth management products	40,000,000.00	
total	40,000,000.00	

Other explanation:

The Company bought structure-deposit from China Minsheng Banking Corp. Shenyang Branch on October 9, 2019 with principal of RMB 40 million and will mature on January 9, 2020 with an expected annualized return of 3.70%.

3. Derivative financial assets

Item	Unit: yuan Currency: RMB	
	Closing balance	Opening balance
Futures	3,912,584.30	2,042,527.60
total	3,912,584.30	2,042,527.60

4. Notes receivable

Item	Unit: yuan Currency: RMB	
	Closing balance	Opening balance
Bank's acceptance bill	3,696,180.25	6,442,013.54
Commercial acceptance bill		851,559.80
Letter of credit		6,318,205.10
total	3,696,180.25	13,611,778.44

5. Accounts receivable

A. Categorized by aging

Aging	Unit: yuan Currency: RMB	
	Closing book balance	
Within 1 year	334,873,133.11	
1-2 years	38,053,142.80	
2-3 years	41,451,474.20	
Over 3 years	58,040,694.84	
Total	472,418,444.95	

B. Categorized by bad debt accrual method

Unit: yuan Currency: RMB

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Percentage %	Amount	Accruing percentage %		Amount	Percentage %	Amount	Accruing percentage %	
Accruing bad debt provision individually	38,365,146.19	8.12	35,941,019.04	93.68	2,424,127.15	37,991,261.32	7.61	35,163,112.98	92.56	2,828,148.34
Accruing bad debt provision by grouping	434,053,298.76	91.88	74,416,623.53	17.14	359,636,675.23	461,404,961.77	92.39	66,341,431.88	14.38	395,063,529.89
including										
Aging	434,053,298.76	91.88	74,416,623.53	17.14	359,636,675.23	461,404,961.77	92.39	66,341,431.88	14.38	395,063,529.89
total	472,418,444.95	/	110,357,642.57	/	362,060,802.38	499,396,223.09	/	101,504,544.86	/	397,891,678.23

➤ Accruing bad debt provision individually

Unit: yuan Currency: RMB

Name	Closing balance			
	Book balance	Bad debt provision	Accruing percentage %	Reason
Customer 1	23,998,355.83	23,998,355.83	100.00	Estimated to be uncollectible
Customer 2	4,734,285.00	4,734,285.00	100.00	Estimated to be uncollectible
Customer 3	2,942,919.70	1,177,167.88	40.00	According to estimated losses
Customer 4	927,022.22	370,808.89	40.00	According to estimated losses
Customer 5	807,150.00	807,150.00	100.00	Estimated to be uncollectible
Customer 6	691,950.00	691,950.00	100.00	Estimated to be uncollectible
Customer 7	655,702.49	655,702.49	100.00	Estimated to be uncollectible
Customer 8	642,738.60	642,738.60	100.00	Estimated to be uncollectible
Customer 9	434,825.00	434,825.00	100.00	Estimated to be uncollectible
Customer 10	337,150.00	337,150.00	100.00	Estimated to be uncollectible
Customer 11	219,425.00	219,425.00	100.00	Estimated to be uncollectible
Customer 12	189,425.00	189,425.00	100.00	Estimated to be uncollectible
Customer 13	157,125.00	157,125.00	100.00	Estimated to be uncollectible
Customer 14	90,783.00	90,783.00	100.00	Estimated to be uncollectible
Customer 15	106,384.00	106,384.00	100.00	Estimated to be uncollectible
Customer 16	56,000.00	56,000.00	100.00	Estimated to be uncollectible
Customer 17	109,700.00	109,700.00	100.00	Estimated to be uncollectible
Customer 18	256,166.38	256,166.38	100.00	Estimated to be uncollectible
Customer 19	170,270.00	68,108.00	40.00	According to estimated losses
Customer 20	183,899.57	183,899.57	100.00	Estimated to be uncollectible
Customer 21	464,366.00	464,366.00	100.00	Estimated to be uncollectible
Customer 22	112,102.80	112,102.80	100.00	Estimated to be uncollectible
Customer 23	23,220.00	23,220.00	100.00	Estimated to be uncollectible
Customer 24	54,180.60	54,180.60	100.00	Estimated to be uncollectible
total	38,365,146.19	35,941,019.04	93.68	/

➤ Accruing bad debt provision according to aging

Unit: yuan Currency: RMB

Aging	Closing balance		
	Account receivable	Bad debt provision	Accruing percentage %
Within 1 year	330,061,447.51	16,503,072.39	5.00
1-2 years	37,869,243.23	3,786,924.31	10.00
2-3 years	19,993,302.00	7,997,320.81	40.00
Over 3 years	46,129,306.02	46,129,306.02	100.00
total	434,053,298.76	74,416,623.53	

C. Bad debt provision

Unit: yuan Currency: RMB

Category	Opening balance	Changes in current period			Closing balance
		Accruing	Charge off or write-off	Other change	
Accounts receivable	101,504,544.86	9,898,584.12	840,340.07	-205,146.34	110,357,642.57
total	101,504,544.86	9,898,584.12	840,340.07	-205,146.34	110,357,642.57

D. The actual write-off of accounts receivable in current period

Unit: yuan Currency: RMB

Item	Write-off amount
Actual write-off of accounts receivable	840,340.07

Other important write-off of accounts receivable

Unit: yuan Currency: RMB

Name	Nature	Write-off amount	Reason	Whether generated by related party transactions
Customer 1	Payment of products	308,152.80	Uncollectible long-term debt	No
total	/	308,152.80	/	/

E. Top 5 accounts receivable

Unit: yuan Currency: RMB

Debtor	Closing balance	Percentage of the closing balance of total accounts receivable %	Bad debt provision
1	24,042,357.79	5.09	1,202,117.89
2	23,998,355.83	5.08	23,998,355.83
3	21,356,822.76	4.52	1,067,841.14
4	20,997,862.10	4.44	1,049,893.11
5	8,293,237.00	1.76	7,130,907.00
Total	98,688,635.48	20.89	34,449,114.97

6. Prepayments

A. Presenting by aging

Unit: yuan Currency: RMB

Aging	Closing balance		Opening balance	
	Amount	Percentage %	Amount	Percentage %
Within 1 year	217,146,116.15	97.79	181,416,954.06	97.59
Over 1 year	4,918,252.40	2.21	4,482,394.47	2.41
Total	222,064,368.55	100.00	185,899,348.53	100.00

B. Top 5 prepayments

Company	Closing balance	Percentage of the closing balance of total prepayments %
1	18,062,882.99	8.13
2	12,070,482.65	5.44
3	9,015,000.00	4.06
4	8,812,132.47	3.97
5	7,399,258.43	3.33
Total	55,359,756.54	24.93

7. Other receivables

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Interest receivable		
Dividends receivable	25,353,722.11	5,481,783.34
Other receivables	60,247,089.64	93,515,429.70
Total	85,600,811.75	98,997,213.04

A. Dividends receivable

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Dividends from long-term investment under the cost method		
Dividends from long-term investment under the equity method	25,353,722.11	5,481,783.34
Total	25,353,722.11	5,481,783.34

B. Other receivables

a. Presenting by aging

Unit: yuan Currency: RMB

Aging	Closing book balance
Within 1 year	25,517,642.94
1-2 years	2,805,993.08
2-3 years	56,216,558.50
Over 3 years	6,614,567.76
Total	91,154,762.28

b. Presenting by nature

Unit: yuan Currency: RMB

Nature	Closing book balance	Opening book balance
General operating receivables	48,549,112.40	69,098,131.11
Deposit and security	14,096,016.42	8,459,232.04
Export rebates receivable	37,833.46	83,420.35
Receivable from disposal of long-lived assets		2,386,850.00
Receivable from disposal of investment	28,471,800.00	28,471,800.00
Total	91,154,762.28	108,499,433.50

c. Accruing bad debt provision

Unit: yuan Currency: RMB

Bad debt provision	First stage	Second stage	Third stage	Total
	Expected credit losses over the next 12 months	Expected credit loss for the entire duration (no credit impairment)	Expected credit loss for the entire duration (credit impairment occurred)	
Balance on January 1, 2019	10,478,041.43		4,505,962.37	14,984,003.80
Accruing in the reporting period	16,455,616.93		-10,000.00	16,445,616.93
Reversing back in the reporting period	17,280.00			17,280.00
Write off in the reporting period			539,228.09	539,228.09
Balance on December 31, 2019	26,950,938.36		3,956,734.28	30,907,672.64

d. Bad debt provision

Unit: yuan Currency: RMB

Category	Opening balance	Changes in current period			Closing balance
		Accruing	Collected or reversed	Charge off or write-off	
Other receivables	14,984,003.80	16,445,616.93	17,280.00	539,228.09	30,907,672.64
total	14,984,003.80	16,445,616.93	17,280.00	539,228.09	30,907,672.64

e. The actual write-off of other receivables in current period

Unit: yuan Currency: RMB

Item	Write-off amount
Actual write-off of other receivables	539,228.09

Important write-off of other receivables

Unit: yuan Currency: RMB

Name	Nature	Write-off amount	Reason	Whether generated by related party transactions
Company 1	Prepayment for raw materials	539,228.09	Expected to be uncollectable	No
Total	/	539,228.09	/	/

f. Top 5 other receivables

Unit: yuan Currency: RMB

Company	Nature	Closing balance	Aging	Percentage of closing balance of total other receivables %	Closing balance of bad debt provision
1	Receivable from disposal of investment	28,471,800.00	2-3 years	31.23	11,388,720.00
2	Temporary borrowing	27,067,493.00	2-3 years	29.69	10,826,997.20
3	Guarantee deposit	4,920,000.00	less than 1 year	5.40	246,000.00
4	Temporary borrowing	3,035,880.00	less than 1 year	3.33	151,794.00
5	Prepayment for corn	2,014,874.40	3-4 years	2.21	2,014,874.40
Total	/	65,510,047.40	/	71.86	24,628,385.60

8. Inventory

A. Category of inventory

Unit: yuan Currency: RMB

Item	Closing balance			Opening balance		
	Book balance	Falling price reserve	Book value	Book balance	Falling price reserve	Book value
Raw material	651,999,952.04	2,852,699.42	649,147,252.62	597,791,390.18	2,023,583.41	595,767,806.77
Product in process	55,837,226.60	653,313.59	55,183,913.01	20,992,307.08	637,575.55	20,354,731.53
Finished product	585,118,896.60	9,725,789.76	575,393,106.84	601,323,157.89	2,482,860.62	598,840,297.27
Consumptive biological assets	274,774,516.57	19,595,499.74	255,179,016.83	180,062,002.46	6,188,094.69	173,873,907.77
Low priced and easily worn articles	13,182,022.60		13,182,022.60	10,842,865.30		10,842,865.30
Wrappage	15,557,821.25		15,557,821.25	11,189,583.62		11,189,583.62
Engineering construction	4,730,000.00		4,730,000.00			
Total	1,601,200,435.66	32,827,302.51	1,568,373,133.15	1,422,201,306.53	11,332,114.27	1,410,869,192.26

B. Falling price reserves

Unit: yuan Currency: RMB

Item	Opening balance	Increased amount		Reduced amount		Closing balance
		Accruing	Other	Reversing back or charging off	Other	
Raw material	2,023,583.41	1,014,376.63			185,260.62	2,852,699.42
Product in process	637,575.55	2,250,852.04		2,235,114.00		653,313.59
Finished product	2,482,860.62	19,616,686.66		12,373,757.52		9,725,789.76
Consumptive biological assets	6,188,094.69	17,360,385.74		3,952,980.69		19,595,499.74
Total	11,332,114.27	40,242,301.07		18,561,852.21	185,260.62	32,827,302.51

9. Other current assets

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Available for deducting VAT and prepaid tax	121,711,175.93	118,636,045.77
total	121,711,175.93	118,636,045.77

10. Long-term equity investment

Unit: yuan Currency: RMB

Investee	Opening balance	Changes in the current period					Closing balance	Other	Closing balance of impairment provision
		Additional investment	Decreased investment	Gains or losses on investments recognized under the equity method	Adjustment of other comprehensive income	Dividends or profits declared			
1. Joint ventures									
Unphung Joint Venture Company	4,167,616.44							4,167,616.44	
Nepal Wellhope Agri-tech Pvt. Ltd.	7,501,575.10							7,501,575.10	
NEXUS WELL-HOPE AGRITECH INTERNATIONAL LIMITED									17,900,000.00
subtotal	11,669,191.54							11,669,191.54	17,900,000.00
2. Associated companies									
Qingdao Shenfeng	15,869,483.64			1,454,165.33		3,750,000.00		13,573,648.97	
Anshan Jiuguhe Food	99,497,295.50			57,927,493.27		4,986,360.00		152,438,428.77	
Tai'an Jiuguhe Agriculture	64,730,262.77			51,548,986.17		4,986,360.00		111,292,888.94	
Linghai Jiuguhe Feed	33,937,715.81			32,265,495.00		3,800,000.00		62,403,210.81	
Huludao Jiuguhe Food	57,876,002.94			26,905,668.40		14,060,000.00		70,721,671.34	
Dandong Wellhope Chengsan Food	34,766,209.71			17,848,604.52				52,614,814.23	
Dandong Wellhope Chengsan Agri-Tech	55,170,432.87			57,082,842.71				112,253,275.58	
Haicheng New Hongzunda Agri-Tech	11,305,724.87			1,544,312.96				12,850,037.83	
Beipiao Hongfa Food	251,972,960.58			200,951,677.50		10,780,000.00		442,144,638.08	
Beijing Dahong	16,852,987.18			3,234,994.94				20,087,982.12	

Hengfeng								
Tai'an Jiufeng Agri-Tech	498,065.13			5,453,739.37			5,951,804.50	
Schipper(Beijing)	1,081,661.30			189,216.47			1,270,877.77	
Shenyang Wenjie Bio-Tech	12,057,026.09			385,878.90			12,442,904.99	
Huludao Jiuguhe Feed	25,048,412.84			20,766,810.51		3,800,000.00	42,015,223.35	
Jinzhou Jiufeng Food	30,001,627.45	1,600,000.00		16,874,865.04			48,476,492.49	
Zhangjiakou Jiahe Agriculture and Animal Husbandry	60,757,671.84			7,387,637.15			68,145,308.99	
Tai'an Fengjiu Agri-Tech	5,380,308.75			32,457,229.14			37,837,537.89	
Anshan Fengsheng Food	19,697,339.60			10,732,965.16			30,430,304.76	
Dalian Chengsan Animal Husbandry	251,767,836.43			102,186,395.46			353,954,231.89	
Tailai Jiahe Agriculture and Animal Husbandry	21,155,152.08	35,000,000.00		-29,020,598.46			27,134,553.62	
Gongzhuling Corn Purchasing and Storing	61,421,126.87			73,476.56			61,494,603.43	
Lankao Skyland Duck	36,533,583.81	16,000,000.00		3,632,096.32		6,323,784.29	49,841,895.84	
Hainan Nongken Wenfeng Wenchang Chicken	401,914.99	1,225,000.00		-555,372.59			1,071,542.40	
Dunhua Wellhope Agri-Tech	3,434,662.23			744,009.02			4,178,671.25	
Dunhua Fengda Agriculture and Animal Husbandry	1,914,892.90			1,071,704.24			2,986,597.14	
PT KARKA NUTRI	36,985,298.13			391,923.84	1,621,517.75		38,998,739.72	

INDUSTRI.									
GOLDEN HARVESTA INC.	101,827,983.03			-146,867.14	3,250,109.93			104,931,225.82	
Guangrong Xinchuang	12,471,059.83	30,727,497.50		2,051,975.84	2,366,929.34			47,617,462.51	
Shenyang Zhongwenjia Bio-Tech		4,000,000.00		60,534.77				4,060,534.77	
Shulan Fengtai Organic Fertilizer		1,500,000.00						1,500,000.00	
Weifang Wellhope Xinhesheng Feed		5,000,000.00		-482,522.59			820,378.27	5,337,855.68	
Liaoning Mubang Animal Husbandry Equipment Manufacturing				1,791,476.38				1,791,476.38	
Anshan Yufeng Feed				-193,154.81				-193,154.81	
Suizhong Renhe Fishery	3,433,748.91	220,000.00	400,000.00	-105,879.39		3,147,869.52			
Dalian Wellhope Fish Meal	5,333,693.74			390,754.67				5,724,448.41	
Liaoning Petmate Bio-Tech	5,028,829.99	1,327,144.00		-779,893.07				5,576,080.92	
Guangzhou Yikun Trading	537,451.04			-429,193.31				108,257.73	
Guangzhou Pulihe Trading	227,805.07		221,857.04	-5,948.03					
Jilin Hengfeng Animal Health Products	184,916.64	1,071,000.00		576,964.06				1,832,880.70	
Shenyang Wanlitan Agriculture and Animal Husbandry	1,023,509.57	800,000.00		424,192.67				2,247,702.24	
Daqing Supply and Marketing Wellhope	2,966,610.32			560,580.16				3,527,190.48	

Agri-Tech									
Heilongjiang Zhongyi Pasture Information Technology Service		400,000.00		42,305.46				442,305.46	
Indonesia Max Livestock Technology		1,460,475.96						1,460,475.96	
Dalian Sida Food		34,000,000.00		1,802,062.02				35,802,062.02	
Subtotal	1,343,151,264.45	134,331,117.46	621,857.04	629,093,604.62	7,238,557.02	55,634,373.81	820,378.27	2,058,378,690.97	
Total	1,354,820,455.99	134,331,117.46	621,857.04	629,093,604.62	7,238,557.02	55,634,373.81	820,378.27	2,070,047,882.51	17,900,000.00

11. Other equity instruments Investment

A. Other equity instruments Investment

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
China-Russia Friendship Association of Liaoning Province	10,000.00	10,000.00
Hengshui Hejia Agriculture and Animal Husbandry	1,454,281.94	1,454,281.94
Hengshui Jiarun Agriculture and Animal Husbandry		1,050,000.00
Xi'an Micro Monkey E-commerce	175,087.98	175,087.98
Jiayu Agriculture and Animal Husbandry in Xinji City	900,000.00	
Jiahe Agriculture and Animal Husbandry in Shenze County	1,500,000.00	
Dalian Xuelong Heniu Import and Export	1,500,000.00	
Henan Shanghui Feed Development	127,230.32	107,852.76
Shenyang Bononveit Animal Health	61,696.77	78,682.20
Beijing Haobang Swine Artificial Insemination Service	32,542.22	321,904.64
Total	5,760,839.23	3,197,809.52

B. Non-transactional equity instrument investment

Unit: yuan Currency: RMB

Item	Dividend income recognized in the current period	Cumulative gains	Cumulative losses
China-Russia Friendship Association of Liaoning Province			
Hengshui Hejia Agriculture and Animal Husbandry			145,718.06
Xi'an Micro Monkey E-commerce			164,912.02
Jiayu Agriculture and Animal Husbandry in Xinji City			
Jiahe Agriculture and Animal Husbandry in Shenze County			
Dalian Xuelong Heniu Import and Export			
Henan Shanghui Feed Development			372,769.68
Shenyang Bononveit Animal Health			18,303.23
Beijing Haobang Swine Artificial Insemination Service	100,000.00		67,457.78
Total	100,000.00		769,160.77

12. Fixed assets

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Fixed assets	2,023,113,939.02	1,516,702,438.29
Disposal of fixed assets		
Total	2,023,113,939.02	1,516,702,438.29

Circumstance of fixed assets

Unit: yuan Currency: RMB

Item	Buildings and structures	Machinery equipment	Transportation vehicle	Other equipment	Total
1. Original value					
A. Opening balance	1,289,641,808.28	965,871,551.46	97,684,289.71	63,904,358.83	2,417,102,008.28
B. Increased amount	440,468,960.82	301,019,591.93	17,582,235.93	11,915,949.02	770,986,737.70
a. Purchased	167,432,910.84	143,931,095.11	14,959,826.93	10,155,541.20	336,479,374.08
b. Construction in progress transferred in	261,288,665.60	145,202,426.36	2,353,002.75	1,541,756.60	410,385,851.31
c. Increased by business combination	11,747,384.38	11,886,070.46	269,406.25	218,651.22	24,121,512.31
C. Decreased amount	12,964,005.96	35,143,740.60	7,339,290.45	2,074,826.29	57,521,863.30
a. Disposed or scrapped	2,824,018.84	23,686,198.25	7,042,388.45	1,894,073.29	35,446,678.83
b. Decreased by business combination	10,139,987.12	11,457,542.35	296,902.00	180,753.00	22,075,184.47
D. Closing balance	1,717,146,763.14	1,231,747,402.79	107,927,235.19	73,745,481.56	3,130,566,882.68
2. Accumulated depreciation					
A. Opening balance	307,757,445.38	426,982,299.43	76,353,459.85	44,045,455.43	855,138,660.09
B. Increased amount	64,788,232.08	95,323,640.56	10,038,802.99	9,365,797.03	179,516,472.66
a. Accruing	64,777,282.08	92,920,096.56	9,810,302.99	9,351,723.03	176,859,404.66
b. Increased by business combination	10,950.00	2,403,544.00	228,500.00	14,074.00	2,657,068.00
C. Decreased amount	1,805,220.51	21,106,096.56	6,095,930.98	1,672,819.76	30,680,067.81
a. Disposed or scrapped	1,746,351.81	19,500,985.96	5,991,879.26	1,603,567.92	28,842,784.95
b. Decreased by	58,868.70	1,605,110.60	104,051.72	69,251.84	1,837,282.86

business combination					
D. Closing balance	370,740,456.95	501,199,843.43	80,296,331.86	51,738,432.70	1,003,975,064.94
3. Impairment provision					
A. Opening balance	29,496,073.35	15,584,842.90	99,538.65	80,455.00	45,260,909.90
B. Increased amount	30,465,249.40	27,319,696.80	104,850.08	327,172.54	58,216,968.82
a. Accruing	30,465,249.40	27,319,696.80	104,850.08	327,172.54	58,216,968.82
C. Decreased amount					
a. Disposed or scrapped					
D. Closing balance	59,961,322.75	42,904,539.70	204,388.73	407,627.54	103,477,878.72
4. Book value					
A. Closing book value	1,286,444,983.44	687,643,019.66	27,426,514.60	21,599,421.32	2,023,113,939.02
B. Opening book value	952,388,289.55	523,304,409.13	21,231,291.21	19,778,448.40	1,516,702,438.29

13. Construction in progress

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Construction in progress	240,012,874.86	255,719,188.30
Engineering material		
Total	240,012,874.86	255,719,188.30

A. Circumstance of construction in progress

Unit: yuan Currency: RMB

Item	Closing balance		Opening balance	
	Book balance	Book value	Book balance	Book value
Dalian Heyuan-Dayao hatching farm	25,304,688.50	25,304,688.50	14,698,247.50	14,698,247.50
Jilin Hefeng-pig farm	4,607,316.99	4,607,316.99	11,889,319.05	11,889,319.05
Dalian Zhongjia -workshop renovation	2,226,208.39	2,226,208.39	18,742,578.01	18,742,578.01
Liaoning Wellhope-intelligent premix plant			56,425,656.79	56,425,656.79
Shulan Fengtai-poultry house	55,672,411.04	55,672,411.04		
Fushun Agriculture and Animal Husbandry-pig farm	81,582,306.27	81,582,306.27	116,448,215.28	116,448,215.28

Puyang Wellhope-broiler house	6,345,004.05	6,345,004.05		
Shenyang Huakang-workshop renovation	8,929,925.91	8,929,925.91		
Lankao Wellhope-premix project	8,510,622.36	8,510,622.36		
Huai'an Wellhope-high-grade aquatic feed			21,832,594.00	21,832,594.00
Hainan Wellhope-feed production line with 200,000 tons per year	13,326,858.52	13,326,858.52	3,392,062.06	3,392,062.06
Pingyuan Food-second production line	1,723,490.95	1,723,490.95		
Huakang Xinxin Food-refrigerated warehouse	3,660,000.00	3,660,000.00		
Liaoning Wellhope-operation center	2,319,079.26	2,319,079.26		
Gansu Wellhope-bulk feed workshop renovation	2,132,421.08	2,132,421.08		
Anhui Wellhope-finished products workshop	2,004,000.00	2,004,000.00		
Shenyang Wellhope-starter feed production line for piglet	1,119,600.00	1,119,600.00		
Daqing Wellhope-livestock raising equipment	1,324,452.00	1,324,452.00		
Liaoning Wellhope-office building decoration	2,518,656.50	2,518,656.50		
Other constructions	16,705,833.04	16,705,833.04	12,290,515.61	12,290,515.61
Total	240,012,874.86	240,012,874.86	255,719,188.30	255,719,188.30

B. Important constructions in progress

Unit: yuan Currency: RMB

Project	Budget	Opening balance	Increased amount	Amount transferred in fixed assets	Other decreased amount	Closing balance	Percentage of accumulated input accounting for budget %	Construction progress %	Source of funds
Dalian Heyuan-Dayao hatching farm	50,000,000.00	14,698,247.50	20,075,382.60		9,468,941.60	25,304,688.50	69.55	60%	Self-owned
Jilin Hefeng-pig farm	70,000,000.00	11,889,319.05	32,334,758.73	39,616,760.79		4,607,316.99	63.18	85%	Raised
Dalian Zhongjia-workshop renovation	40,000,000.00	18,742,578.01	4,222,041.47	20,738,411.09		2,226,208.39	96.46	96%	Self-owned
Liaoning Wellhope-intelligent premix plant	70,000,000.00	56,425,656.79	10,820,353.83	67,246,010.62			96.07	100%	Self-owned
Shulan Fengtai-poultry house	67,256,185.00		55,672,411.04			55,672,411.04	82.78	75%	Self-owned
Fushun Agriculture and Animal Husbandry-pig farm	300,300,000.00	116,448,215.28	120,109,594.84	154,975,503.85		81,582,306.27	78.77	80%	Raised
Puyang Wellhope-broiler house	28,762,478.67		18,799,332.70	12,454,328.65		6,345,004.05	65.36	67%	Self-owned

Shenyang Huakang-workshop renovation	12,741,491.00		8,929,925.91			8,929,925.91	70.08	69%	Self-owned
Lankao Wellhope-premix project	23,800,000.00		8,510,622.36			8,510,622.36	35.76	50%	Self-owned
Huai'an Wellhope-high-grade aquatic feed	45,000,000.00	21,832,594.00	19,668,531.58	41,501,125.58			92.23	100%	Self-owned
Hainan Wellhope-feed production line with 200,000 tons per year	60,000,000.00	3,392,062.06	9,934,796.46			13,326,858.52	22.21	22%	Self-owned
Pingyuan Food-second production line	2,023,490.95		1,723,490.95			1,723,490.95	85.17	85%	Self-owned
Huakang Xinxin Food- refrigerated warehouse	4,300,000.00		3,660,000.00			3,660,000.00	85.12	85%	Self-owned
Liaoning Wellhope-operation center	6,000,000.00		2,319,079.26			2,319,079.26	38.65	50%	Self-owned
Gansu Wellhope-bulk feed workshop renovation	2,626,021.00		2,132,421.08			2,132,421.08	81.20	81%	Self-owned

Anhui Wellhope-finished products workshop	2,900,000.00		2,004,000.00			2,004,000.00	69.10	69%	Self-owned
Shenyang Wellhope-starter feed production line for piglet	1,399,500.00		1,119,600.00			1,119,600.00	80.00	80%	Self-owned
Daqing Wellhope-livestock raising equipment	1,620,000.00		1,324,452.00			1,324,452.00	81.76	81%	Self-owned
Liaoning Wellhope-office building decoration	3,309,962.00		2,518,656.50			2,518,656.50	76.09	76%	Self-owned
	792,039,128.62	243,428,672.69	325,879,451.31	336,532,140.58	9,468,941.60	223,307,041.82	/	/	

14. Productive biological asset

Productive biological assets using cost measurement model

Unit: yuan Currency: RMB

Item	Animal husbandry		Total
	Breeder (broiler)	Breeder (hog)	
1. Original value			
A. Opening balance	29,698,340.93	3,942,160.43	33,640,501.36
B. Increased amount	40,762,641.23	84,770,756.65	125,533,397.88
a. Externally purchased	40,762,641.23	55,430,777.87	96,193,419.10
b. Raised by own farm		29,339,978.78	29,339,978.78
C. Decreased amount	18,196,239.39	20,759,462.86	38,955,702.25
a. Disposed	18,196,239.39	20,759,462.86	38,955,702.25
D. closing balance	52,264,742.77	67,953,454.22	120,218,196.99
2. Accumulated depreciation			
A. Opening balance	2,175,083.04	980,623.44	3,155,706.48
B. Increased amount	30,530,615.09	3,650,977.17	34,181,592.26
a. Accruing	30,530,615.09	3,650,977.17	34,181,592.26
C. Decreased amount	10,615,433.24	1,329,981.39	11,945,414.63
a. Disposed	10,615,433.24	1,329,981.39	11,945,414.63
D. Closing balance	22,090,264.89	3,301,619.22	25,391,884.11
3. Impairment provision			
4. Book value			
A. Closing book value	30,174,477.88	64,651,835.00	94,826,312.88
B. Opening book value	27,523,257.89	2,961,536.99	30,484,794.88

15. Intangible assets

Unit: yuan Currency: RMB

Item	Land use rights	Computer software and other	Total
1. Original value			
A. Opening balance	240,859,888.90	9,451,008.10	250,310,897.00
B. Increased amount	43,571,525.11	3,386,610.29	46,958,135.40
a. Purchased	42,031,525.11	3,386,610.29	45,418,135.40
b. Increased by business combination	1,540,000.00		1,540,000.00
C. Decreased amount	546,144.00	41,690.25	587,834.25
a. Disposed		7,040.25	7,040.25
b. Decreased by business combination	546,144.00	34,650.00	580,794.00
D. closing balance	283,885,270.01	12,795,928.14	296,681,198.15
2. Accumulated amortization			
A. Opening balance	39,855,472.69	4,067,484.02	43,922,956.71
B. Increased amount	5,962,394.07	1,238,720.23	7,201,114.30
a. Accruing	5,739,094.07	1,238,720.23	6,977,814.30
b. Increased by business combination	223,300.00		223,300.00
C. Decreased amount		7,040.25	7,040.25
a. Disposed		7,040.25	7,040.25
b. Decreased by business combination			

D. Closing balance	45,817,866.76	5,299,164.00	51,117,030.76
3. Impairment provision			
4. Book value			
A. Closing book value	238,067,403.25	7,496,764.14	245,564,167.39
B. Opening book value	201,004,416.21	5,383,524.08	206,387,940.29

16. Goodwill

Original value of goodwill

Unit: yuan Currency: RMB

Invested entity or matters forming goodwill	Opening balance	Increased amount	Decreased amount	Closing balance
		Formed by business combination	Disposal	
Dalian Zhongjia Food Co., Ltd.	290,425.67			290,425.67
Total	290,425.67			290,425.67

17. Long-term prepaid expenses

Unit: yuan Currency: RMB

Item	Opening balance	Increased amount	Amortized amount	Other decreased amount	Closing balance
Broiler cages	131,404,249.61	3,641,134.16	52,884,068.66		82,161,315.11
Land lease fee	28,911,923.10	5,382,921.00	3,768,731.53		30,526,112.57
Fixed assets improvement	14,506,104.02	4,815,304.71	2,794,716.77	149,185.62	16,377,506.34
Other	3,081,091.09	5,017,049.30	2,658,856.61		5,439,283.78
Total	177,903,367.82	18,856,409.17	62,106,373.57	149,185.62	134,504,217.80

18. Deferred income tax assets/deferred income tax liabilities

a. Deferred income tax assets that are not offset

Unit: yuan Currency: RMB

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for the impairment of assets	156,147,402.07	30,646,841.04	123,490,892.94	24,192,802.11
Unrealized profit of internal transaction	23,895,127.90	4,804,391.92	24,135,874.13	4,740,032.12
Equity incentive expense	3,243,114.20	508,474.55		
Changes in fair value	112,115.92	28,028.98	629,750.00	94,462.50
Deferred income			8,291,717.40	1,330,429.35
Total	183,397,760.09	35,987,736.49	156,548,234.47	30,357,726.08

b. Deferred income tax liabilities that are not offset

Unit: yuan Currency: RMB

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Book value of asset greater than the tax base	1,611,908.32	396,995.58		
Total	1,611,908.32	396,995.58		

c. Details of unrecognized deferred income tax asset

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Deductible temporary difference	51,189,855.72	42,034,648.58
Deductible losses	234,143,729.40	169,916,278.85
Total	285,333,585.12	211,950,927.43

d. The deductible losses of unrecognized deferred income tax assets will be due in the following years

Unit: yuan Currency: RMB

Year	Closing balance	Opening balance	Note
2020	26,306,707.29	25,063,480.88	
2021	37,833,545.02	43,093,813.02	
2022	38,752,564.40	41,661,829.48	
2023	40,585,903.64	51,299,045.25	
2024	77,825,369.67		
2027	2,082,969.89	2,082,969.89	
2028	6,715,140.33	6,715,140.33	
2029	4,041,529.16		
Total	234,143,729.40	169,916,278.85	

19. Other non-current assets

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Prepayments of long-lived assets	44,490,695.92	102,807,235.63
Prepayments of broiler raising fees to contract farms	277,650,038.27	94,690,452.55
Prepayments of house rent	15,322,533.37	
Total	337,463,267.56	197,497,688.18

20. Short-term borrowing

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Guaranteed loan	109,638,205.81	100,460,168.49
Credit loan	941,240,000.00	1,247,230,000.00
Total	1,050,878,205.81	1,347,690,168.49

Explanation: The guaranteed loan is the bank loan guaranteed by the Company for its

subsidiary companies, including Lingyuan Wellhope, Chongqing Dahong Machinery and Liaoning Expert Trading Company.

21. Accounts payable

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Accounts payable related to purchasing and expenses	613,009,029.34	541,799,353.46
Accounts payable related to long-lived assets	46,207,454.50	30,930,425.85
Total	659,216,483.84	572,729,779.31

22. Advance receipt

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Sales proceeds	209,529,248.68	161,173,916.67
Total	209,529,248.68	161,173,916.67

23. Payroll

a. Payroll

Unit: yuan Currency: RMB

Item	Opening balance	Increased amount	Decreased amount	Closing balance
1. Short-term benefits	48,645,762.59	634,476,932.06	622,121,416.68	61,001,277.97
2. Post-employment benefits-defined contribution plan	1,086,167.76	45,696,035.37	45,234,116.98	1,548,086.15
3. Termination benefits		546,668.20	546,668.20	
4. Other benefits due within one year				
Total	49,731,930.35	680,719,635.63	667,902,201.86	62,549,364.12

b. Short-term benefits

Unit: yuan Currency: RMB

Item	Opening balance	Increased amount	Decreased amount	Closing balance
1. Wages, bonuses, allowances and subsidies	46,465,210.11	558,861,700.00	545,668,762.48	59,658,147.63
2. Staff benefits expenses		38,235,752.17	38,235,752.17	
3. Social insurance charges	431,646.28	24,761,282.53	24,738,429.80	454,499.01
including: Medical insurance premiums	371,654.46	21,024,760.74	21,020,949.01	375,466.19
Occupational injury insurance premium	33,932.05	1,964,249.10	1,946,109.02	52,072.13
Birth insurance premium	26,059.77	1,772,272.69	1,771,371.77	26,960.69
4. Housing provident fund	123,033.00	8,347,751.16	8,331,268.16	139,516.00
5. Employee labor union dues, employee education expense	373,221.25	3,649,036.29	3,273,142.21	749,115.33

6. Short-term paid absences		21,238.20	21,238.20	
7. Short-term profit sharing plan				
8. Other short-term benefits	1,252,651.95	600,171.71	1,852,823.66	
Total	48,645,762.59	634,476,932.06	622,121,416.68	61,001,277.97

c. Defined contribution plan

Unit: yuan Currency: RMB

Item	Opening balance	Increased amount	Decreased amount	Closing balance
Basic endowment insurance	1,059,329.17	44,185,407.10	43,745,219.83	1,499,516.44
Unemployment insurance expense	26,838.59	1,510,628.27	1,488,897.15	48,569.71
Enterprise annuity				
Total	1,086,167.76	45,696,035.37	45,234,116.98	1,548,086.15

24. Tax payable

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Value-added tax	1,351,995.42	799,254.04
Corporate income tax	32,731,646.44	25,166,379.53
Individual income tax	729,362.56	422,794.82
City maintenance and construction tax	109,286.49	107,516.70
Extra charges of education funds	74,513.94	78,629.58
House property tax	697,937.54	669,396.33
City and town land use tax	1,343,282.00	1,088,230.44
Stamp tax	462,741.13	322,623.83
Other	180,188.32	89,967.45
Total	37,680,953.84	28,744,792.72

25. Other payables

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Interest payable	1,528,201.39	1,784,257.05
Dividends payable	1,434,027.14	526,000.00
Other payables	339,277,132.75	307,226,938.07
Total	342,239,361.28	309,537,195.12

A. Interest payable

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Interests of long-term loan that pay interests periodically and repay the principal due at maturity	237,583.33	69,376.61
Interest payable of short-term borrowing	1,290,618.06	1,714,880.44
Total	1,528,201.39	1,784,257.05

B. Dividends payable

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Common stock dividends	1,434,027.14	526,000.00
Total	1,434,027.14	526,000.00

26. Other payables

a. Other payables by nature

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Operational payables related to expenses and transactions	204,082,682.75	138,332,488.07
Investment related payables	64,505,700.00	98,205,700.00
Repurchasing obligations of non-restricted stock	70,688,750.00	70,688,750.00
Total	339,277,132.75	307,226,938.07

b. Important other payables with over 1 year aging

Unit: yuan Currency: RMB

Item	Closing balance	Reason
Xinjiang Heyin Growth Equity Investment Partnership	58,205,700.00	Not up to the agreed payment date
Total	58,205,700.00	/

27. Non-current liability due within 1 year

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Long-term borrowings due within 1 year	52,000,000.00	20,000,000.00
Long-term payables due within 1 year	18,593,717.62	12,999,999.96
Total	70,593,717.62	32,999,999.96

28. Long-term borrowing

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Credit loan	174,330,000.00	118,500,000.00
Total	174,330,000.00	118,500,000.00

List of long-term borrowing

Unit: yuan Currency: RMB

Item	Due date	Annual interest rate %	Closing balance
Shenyang Heping Branch of Agricultural Bank of China	Dec.21, 2021	4.9875	28,000,000.00
Shenyang Heping Branch of Agricultural Bank of China	Oct. 28, 2022	4.8000	96,000,000.00
Shenyang Hunnan Branch of China Construction Bank	Nov. 20, 2022	4.7500	50,000,000.00
Chongqing Rural Commercial Bank	Oct. 24, 2021	0.00	330,000.00
Sub-total			174,330,000.00

29. Long-term payable

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
long-term payable	11,025,000.09	23,345,833.38
Total	11,025,000.09	23,345,833.38

A. Long-term payable by nature

Unit: yuan Currency: RMB

Item	Opening balance	Closing balance
Accrued financial lease outlay	11,025,000.09	23,345,833.38

30. Deferred income

Unit: yuan Currency: RMB

Item	Opening balance	Increased amount	Decreased amount	Closing balance	Reason
Government grant	20,252,967.41	15,590,000.00	4,001,717.41	31,841,250.00	
total	20,252,967.41	15,590,000.00	4,001,717.41	31,841,250.00	/

Projects receiving government grants:

Unit: yuan Currency: RMB

Liability item	Opening balance	Amount of newly increased grant	Amount included in other income	Closing balance	Related to assets/ related to income
Lingyuan Wellhope 100,000 tons ruminant feed project	4,000,000.00		500,000.00	3,500,000.00	related to asset
Lingyuan Wellhope corn purchasing and storage barn	2,700,000.00		300,000.00	2,400,000.00	related to asset
Sci-tech grant for Changchun Wellhope feed R&D project	866,717.41		866,717.41		related to income
Shenyang city central industrial transformation and upgrading funds	9,686,250.00		1,035,000.00	8,651,250.00	related to asset
Lingyuan Wellhope 50,000 tons organic fertilizer project	3,000,000.00		300,000.00	2,700,000.00	related to asset
Research on organic and eco-friendly piglet starter feed resisting for weaning stress		1,000,000.00	1,000,000.00		related to income
2019 provincial		2,180,000.00		2,180,000.00	related to

sic-tech major special project funds					asset
Project funds related to benefit farming policy		4,310,000.00		4,310,000.00	related to asset
2019 Central Government's development funds for high-quality development of manufacturing industry (green manufacturing)		8,100,000.00		8,100,000.00	related to asset
Total	20,252,967.41	15,590,000.00	4,001,717.41	31,841,250.00	/

31. Share capital

Unit: yuan Currency: RMB

	Opening balance	Changes(increase/decrease)		Closing balance
		Issuing new shares	Subtotal	
Total shares	845,751,469.00	76,552,927.00	76,552,927.00	922,304,396.00

Note: In April 2019, the Company issued 76,552,927 shares to 8 investors, the net amount raised was RMB 768,926,185.57, including RMB 76,552,927 share capital and RMB 692,373,258.57 capital premium.

32. Capital reserve

Unit: yuan Currency: RMB

Item	Opening balance	Increased amount	Decreased amount	Closing balance
Capital premium (share capital premium)	147,495,090.70	709,853,069.86	3,737,555.00	853,610,605.56
Other capital reserves	6,329,445.67	22,783,015.06		29,112,460.73
Total	153,824,536.37	732,636,084.92	3,737,555.00	882,723,066.29

Note: The capital premium increased to RMB 692,373,258.57 due to non-public issuing new shares to designated investors, and the premium of capital increased by non-controlling shareholders that belongs to the parent company was RMB 17,479,811.29. The decreased amount in the current period is the change caused by the change of the Company's shareholdings in the subsidiaries. Other increased capital reserves are caused by the capital reserves of share option recognized in the current period regarding to the Company's restricted stock incentive plan.

33. Treasury stock

Unit: yuan Currency: RMB

Item	Opening balance	Increased amount	Decreased amount	Closing balance
Repurchase of restricted stock	70,688,750.00			70,688,750.00
Total	70,688,750.00			70,688,750.00

34. Other comprehensive income

Unit: yuan Currency: RMB

Item	Opening balance	Amount in current period			Closing balance
		Pre-tax	After-tax, attributable to parent company	After-tax, attributable to non-controlling interest	
1. Other comprehensive income that cannot be reclassified into gains or losses	-481,544.75	-286,970.29	-278,647.43	-8,322.86	-760,192.18
Changes in the fair value of other equity instruments	-481,544.75	-286,970.29	-278,647.43	-8,322.86	-760,192.18
2. Other comprehensive income that will be reclassified into gains or losses	-1,316,942.00	8,986,579.67	8,199,969.48	786,610.19	6,883,027.48
including: other comprehensive income that can be transferred in gains or losses under the equity method	-1,305,935.62	7,238,557.02	7,238,557.02		5,932,621.40
Translation balance of foreign currency financial statements	-11,006.38	1,748,022.65	961,412.46	786,610.19	950,406.08
Total other comprehensive income	-1,798,486.75	8,699,609.38	7,921,322.05	778,287.33	6,122,835.30

35. Surplus reserve

Unit: yuan Currency: RMB

Item	Opening balance	Increased amount	Closing balance
Statutory surplus reserve	272,791,366.07	79,268,090.83	352,059,456.90
Total	272,791,366.07	79,268,090.83	352,059,456.90

36. Undistributed profit

Unit: yuan Currency: RMB

Item	2019	2018
Undistributed profit at the end of prior period before adjustment	2,651,462,525.08	2,223,048,013.93
Adjusting total undistributed profit at the beginning of current period	91,554.12	
Undistributed profit at the beginning of current period after adjustment	2,651,554,079.20	2,223,048,013.93
add: Net profit attributable to the owners of the parent company in current period	1,199,347,355.96	551,928,618.35
deduct: Extraction of statutory surplus reserve	79,268,090.83	40,396,460.30
Extraction of discretionary surplus reserve		
Extraction of general risk provisions		
Common stock dividends payable	166,014,791.28	83,117,646.90
Dividends of common stock transferred to share capital		
Undistributed profit at the end of current period	3,605,618,553.05	2,651,462,525.08

Explanation: Due to retroactive adjustment in accordance with Accounting Standards for Business Enterprises and its related new provisions, the impacts on the opening balance of undistributed profits was 91,554.12 yuan.

37. Operating revenue and cost

Unit: yuan Currency: RMB

Item	2019		2018	
	Revenue	Cost	Revenue	Cost
Principal businesses	17,783,082,417.36	15,788,139,269.90	15,742,792,774.42	14,415,344,771.04
Other businesses	9,009,556.22	3,880,745.65	8,005,346.25	5,952,906.36
Total	17,792,091,973.58	15,792,020,015.55	15,750,798,120.67	14,421,297,677.40

38. Taxes and surtaxes

Unit: yuan Currency: RMB

Item	2019	2018
City maintenance and construction tax	1,137,929.68	940,097.90
Extra charges of education funds	807,658.13	676,683.45
House property tax	6,831,387.45	6,978,501.15
Land use tax	10,819,153.17	10,539,729.72
Vehicle and vessel use tax	29,944.90	42,942.77
Stamp tax	5,826,905.19	5,211,980.74
Environmental protection tax	1,057,504.53	460,973.56
Total	26,510,483.05	24,850,909.29

39. Sales expenses

Unit: yuan Currency: RMB

Item	2019	2018
Payroll	205,619,077.91	162,608,694.49
Travelling expense	114,195,701.76	105,628,967.15
Transportation and handling expense and vehicle expense	79,208,314.37	81,816,784.59
Service fee	15,968,067.70	15,601,209.62
Business entertainment expense	20,982,184.66	15,315,493.59
Business advertising expense	13,494,317.66	10,584,270.74
Lease expense	6,181,904.43	5,970,164.05
Meeting expenditure	4,368,050.10	4,100,827.77
Sales service charge	4,927,406.41	2,780,212.04
Office and communication fee	5,134,153.70	2,704,622.28
subtotal of other items	17,138,345.34	13,535,507.27
Total	487,217,524.04	420,646,753.59

40. Administration expense

Unit: yuan Currency: RMB

Item	2019	2018
Payroll	112,439,535.70	102,981,629.02
Depreciation	40,847,499.96	35,198,583.05
Office and communication fee	16,797,136.59	12,103,084.06
Travelling expense	9,014,660.58	8,776,171.14
Repair charge	11,342,686.18	5,451,152.88
Lease expense	5,146,925.10	5,177,268.87
Amortization of intangible assets	7,683,509.63	6,328,067.44
Business entertainment expense	7,482,966.92	5,231,882.50
Water and electricity	4,299,424.06	3,641,887.47
Service fee	9,642,037.71	5,654,971.79
Heating fee	6,817,865.20	4,116,865.94
Other	44,046,443.67	33,280,294.03
Total	275,560,691.30	227,941,858.19

41. R&D expenditure

Unit: yuan Currency: RMB

Item	2019	2018
Payroll	25,431,025.81	20,252,008.67
Design and testing fee	17,512,053.59	28,296,665.97
Material and appliance charge	10,743,283.02	5,253,593.05
Travel expense	3,941,624.57	3,364,720.06
Depreciation and amortization charge	3,058,470.18	3,094,972.99
Subtotal of other items	4,522,659.48	838,388.54
Total	65,209,116.65	61,100,349.28

42. Financial expense

Unit: yuan Currency: RMB

Item	2019	2018
Interest expenditure	77,508,278.78	66,635,982.41
deduct: interest income	-9,696,477.31	-4,414,083.01
add: exchange loss (deduct income)	5,689,613.00	9,638,461.65
add: service charge	2,891,552.83	3,040,576.37
Total	76,392,967.30	74,900,937.42

43. Other income

Unit: yuan Currency: RMB

Item	2019	2018
Government grant charged in	11,495,398.41	14,165,463.22
Total	11,495,398.41	14,165,463.22

Other explanation: Details are listed in "Government Grants"

44. Income from investment

Unit: yuan Currency: RMB

Item	2019	2018
Income from long-term equity investment measured by the equity method	629,093,604.62	281,184,722.34
Income from disposal of long-term equity investment	3,624,691.43	1,374,325.45
Income from disposal of financial assets measured at fair value and the changes included in current gains or losses	195,571.87	3,190,994.43
Income from holding other equity instrument investment	100,000.00	100,000.00
After loss of control, gains or losses obtained from remeasuring residual equity at fair value	820,378.27	164,912.02
Income from disposal of other equity instrument investment	100,000.00	
Income from holding trading financial assets	3,545,198.63	
Total	637,479,444.82	286,014,954.24

45. Income form changes in fair value

Unit: yuan Currency: RMB

Source of income from changes in fair value	2019	2018
Income from fair value changes generated by derivative financial instruments	577,449.00	-369,580.00
Total	577,449.00	-369,580.00

46. Credit impairment loss

Unit: yuan Currency: RMB

Source of income from changes in fair value	2019	2018
Bad debt loss of other receivables	-16,445,616.93	
Bad debt loss of account receivables	-9,898,584.12	
Total	-26,344,201.05	

47. Asset impairment loss

Unit: yuan Currency: RMB

Item	2019	2018
Bad debt loss		-66,218,692.38
Inventory falling price loss	-40,242,301.07	-9,791,880.79
Impairment losses on long-term equity investments		-6,150,602.09
Impairment losses on fixed assets	-58,216,968.82	-41,867,066.61
Total	-98,459,269.89	-124,028,241.87

48. Income from assets disposal

Unit: yuan Currency: RMB

Item	2019	2018
Gains or losses from disposal of fixed assets	1,177,420.87	-1,939,342.38
Gains or losses from disposal of construction in progress		-1,496,120.61
Gains or losses from disposal of intangible assets		-1,817,161.80
Gains or losses from disposal of productive biological asset	-605,269.52	
Total	572,151.35	-5,252,624.79

49. Non-operating Income

Unit: yuan Currency: RMB

Item	2019	2018	Amount included in current non-recurring gains and losses
Total gains or losses from disposal of non-current assets	54,984.56	247,406.47	54,984.56
including: gains or losses from disposal of fixed assets		247,406.47	
Government grants	10,868,297.38	5,305,777.88	10,868,297.38
Inventory profit gains		351,193.28	
Insurance indemnity income		2,001,544.16	
Other	2,483,254.32	2,448,205.40	2,483,254.32
Total	13,406,536.26	10,354,127.19	13,406,536.26

Government grants included in current gains and losses

Unit: yuan Currency: RMB

Item	2019	2018	Related to assets/related to earnings
Special fund for the development of foreign economic trade industry	3,884,800.00	2,011,900.00	related to income
Incentive fund for China's top 500 private enterprises	2,000,000.00		related to income
Special fund for financial development in 2019	2,000,000.00		related to income
Support fund for enterprise development	550,000.00		related to income
Subtotal for other projects under RMB 500,000	2,433,497.38	2,793,877.88	related to income
Shenyang Mayor Quality Award		500,000.00	related to income
Total	10,868,297.38	5,305,777.88	/

50. Non-operating expenditure

Unit: yuan Currency: RMB

Item	2019	2018	Amount included in current non-recurring gains and losses
Total losses from disposal of non-current assets	7,397,933.97	4,698,080.39	7,397,933.97
including: Losses from disposal of fixed assets	2,982,022.27	4,698,080.39	2,982,022.27
Losses from scrapped productive biological assets	4,415,911.70		4,415,911.70
Losses from debt restructuring		1,147,367.47	
External donations	3,782,783.00	1,064,405.00	3,782,783.00
Special loss	13,449,568.40	590,640.65	13,449,568.40
Amercement outlay	924,253.69	632,789.35	924,253.69
other	183,300.79	1,270,961.76	183,300.79
Total	25,737,839.85	9,404,244.62	25,737,839.85

51. Income tax expense

Unit: yuan Currency: RMB

Item	2019	2018
Income tax expense	90,037,145.50	80,735,273.83
Deferred income tax expense	-5,330,616.57	6,115,061.17
Total	84,706,528.93	86,850,335.00

Adjustment procedure for accounting profit and income tax expense

Unit: yuan Currency: RMB

Item	2019
Total profit	1,582,170,844.74
Income tax expenses calculated at statutory/applicable tax rates	237,325,626.71
Effects of subsidiaries that are subject to different tax rates	-80,518,036.66
Effects of adjusting the income tax on previous periods	-3,401,269.07
Effects of non-taxable income	-90,567,175.64
Effects of non-deductible costs, expenses and losses	4,637,521.77
Effects of using deductible losses of unrecognized deferred income tax assets of prior period	-4,319,490.62
Effects of deductible temporary difference or deductible loss of unrecognized deferred income tax assets of current period	28,485,337.97
Calculation and deduction of R&D expenditure	-3,615,589.36
Other	-3,320,396.18
Income tax expense	84,706,528.93

52. Other comprehensive income

See note 54

53. Items in cash flow statement**A. Cash received from other activities related to operating**

Unit: yuan Currency: RMB

Item	2019	2018
Government grants	33,951,978.38	20,320,148.27
Interest income	9,696,477.31	4,414,083.01
Subtotal of transactions and other	74,276,495.00	101,879,318.01
Total	117,924,950.69	126,613,549.29

B. Cash paid for other activities related to operating

Unit: yuan Currency: RMB

Item	2019	2018
Travelling expense	127,151,986.91	114,405,138.29
Transportation and handling expense and vehicle expense	79,208,314.37	81,816,784.59
R&D expenditure	32,777,996.09	37,753,367.62
Business entertainment expense	28,465,151.58	20,547,376.09
Office and communication fee	21,931,290.29	14,807,706.34
Service fee	22,863,995.41	21,256,181.41
Other operating expenses	76,106,845.41	90,976,916.72
Transactions and other	42,979,843.73	103,298,594.82
Total	431,485,423.79	484,862,065.88

C. Cash received from other activities related to investment

Unit: yuan Currency: RMB

Item	2019	2018
L/C Guarantee deposits decreased	28,220,000.81	
Cash received from acquiring subsidiaries	7,131,060.28	
Total	35,351,061.09	

D. Cash paid for other activities related to investment

Unit: yuan Currency: RMB

Item	2019	2018
Futures trading guarantee increased	34,912,964.17	
Net cash of disposal of subsidiaries	3,122,032.62	
Total	38,034,996.79	

E. Cash received from other activities related to financing

Unit: yuan Currency: RMB

Item	2019	2018
Subsidiaries receive capital increase from non-controlling interests in advance	19,499,680.00	40,000,000.00
Cash received from disposal of subsidiaries' shareholdings		1,131,246.21
Total	19,499,680.00	41,131,246.21

F. Cash paid for other activities related to financing

Unit: yuan Currency: RMB

Item	2019	2018
Cash paid for buying non-controlling interests of the subsidiary	6,433,985.36	25,900,000.00
Total	6,433,985.36	25,900,000.00

54. Supplementary information of cash flow statement**A. Supplementary information**

Unit: yuan Currency: RMB

Further information	2019	2018
1. Adjusting net profit to cash flow from operating activities		
Net profit	1,497,464,315.81	604,689,153.87
add: Assets impairment provision	124,803,470.94	124,028,241.87
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	208,991,452.47	166,814,214.58
Amortization of intangible assets	6,977,214.30	5,955,716.79
Amortization of long-term unamortized expense	61,409,487.93	41,650,758.04
Losses on disposal of fixed assets, intangible assets and other long-lived assets	20,792,517.81	4,450,673.92
Losses on retirement of fixed assets	-572,151.35	5,252,624.79
Losses due to changes in fair value	-577,449.00	369,580.00
Financial expense	82,145,120.02	76,778,102.85
Investment losses	-637,479,444.82	-286,014,954.24
Decrease of deferred income tax assets	-5,727,612.15	6,115,061.17
Increase of deferred income tax liabilities	396,995.58	
Decrease of inventory	-200,278,163.60	-202,815,701.27
Decrease of operating receivables	-223,764,950.58	-168,481,074.50
Increase of operating payables	195,376,635.14	60,557,196.59
Other	-18,351,471.92	62,055,321.13
Net cash flow from operating activities	1,111,605,966.58	501,404,915.59
2. Net changes in cash and cash equivalents		
Closing balance of cash	1,508,390,481.68	889,204,873.97
deduct: opening balance of cash	889,204,873.97	740,680,891.81
add: Closing balance of cash equivalent		
deduct: Opening balance of cash equivalent		
Net increase in cash and cash equivalents	619,185,607.71	148,523,982.16

B. Cash paid for acquiring subsidiaries

Unit: yuan Currency: RMB

	Amount
Cash or cash equivalents paid for business combinations occurred in current period	1,000,000.00
including: Harbin Baoweikang Bio-Tech Co., Ltd.	1,000,000.00
deduct: Cash and cash equivalents held by the subsidiary on the acquiring date	246,871.87
including: Harbin Baoweikang Bio-Tech Co., Ltd.	246,871.87
add: Cash or cash equivalents paid for business combinations occurred in previous periods	
Net cash paid for acquiring subsidiaries	753,128.13

C. Cash received from disposal of subsidiaries

Unit: yuan Currency: RMB

	Amount
Cash or cash equivalents received from disposal of subsidiaries during the current period	7,750,000.00
including: Weifang Wellhope Xinhesheng Feed Co., Ltd.	7,750,000.00
deduct: Cash and cash equivalents held by the subsidiary on the date of losing control	7,405,141.26
including: Weifang Wellhope Xinhesheng Feed Co., Ltd.	7,405,141.26
add: Cash or cash equivalents received in current period from disposal of subsidiaries during previous periods.	
Net cash received from disposal of subsidiaries	344,858.74

D. Cash and cash equivalents

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
1. Cash	1,508,390,481.68	889,204,873.97
including: Cash on hand	693,912.75	253,687.16
bank deposits available for payment at any time	1,507,696,568.93	888,951,186.81
2. Cash equivalent		
3. Closing balance of cash and cash equivalents	1,508,390,481.68	889,204,873.97

55. Note to the statement of “changes in owners' equity”

A. Changes in owners' equity of parent company

a. Regarding to “other comprehensive income” of RMB -310,630.08 in the financial statement: In accordance with the new Financial Instrument Standard, the Company transferred the "available-for-sale financial assets" measured at cost into the item of “other equity instrument” that measured at fair value and the changes recorded in "other comprehensive income". On December 31, 2018, the changes in fair value of "available-for-sale financial assets" of the parent company was RMB -310,630.08.

b. The Company conducted retroactive adjustment regarding retained earnings of RMB -915,541.19, including adjusting surplus reserve of RMB -91,554.12 and undistributed profit of RMB -823,987.07. The reason was that, the Company originally held 51% shareholding in Weifang Wellhope Xinhesheng that measured at cost method as a long-term equity investment, in June 2019, the Company reduced its equity by 31% and held 20% of the shares of Weifang Xinhesheng that measured at equity method.

B. Changes in owners' equity of consolidated statement

a. Regarding to “other comprehensive income” of RMB -481,544.75 and “non-controlling interests” of RMB -645.73: In accordance with the new Financial Instrument Standard that has been implemented by the Company from January 1, 2019, the Company transferred

the "available-for-sale financial assets" into the item of "other equity instrument" that measured at fair value and the changes recorded in "other comprehensive income". On December 31, 2018, the changes in fair value of "available-for-sale financial assets" of the Company was RMB -482,190.48, including "non-controlling interests" of RMB -645.73

b. Due to above reasons, the Company conducted retroactive adjustment for surplus reserve of RMB -91,554.12 and undistributed profit of RMB 91,554.12 in the consolidated statements.

56. Assets in which ownership or use rights are restricted

Unit: yuan Currency: RMB

Item	Closing book value	Reason for restriction
Monetary capital	44,610,962.01	Futures margin
Monetary capital	1,779,880.44	L/C guarantee deposit
Total	46,390,842.45	/

57. Foreign currency monetary items

A. Foreign currency monetary items

Unit: yuan

Item	Closing balance of foreign currency	Translating exchange rate	Closing balance translated into RMB
Monetary capital			2,865,709.69
including: US dollar	307,506.44	6.9762	2,145,227.79
Euro	82.90	7.8155	647.91
Ruble	6,392,773.68	0.1126	719,833.99
Short-term borrowing			78,638,205.81
including: US dollar	11,272,355.41	6.9762	78,638,205.81
Accounts payable			1,678,289.84
including: Ruble	14,904,724.24	0.1126	1,678,289.84
Prepayment			576,285.77
including: Ruble	5,117,936.29	0.1126	576,285.77
Advance receipt			609,122.81
including: Ruble	3,606,785.62	0.1126	406,128.39
US dollar	29,098.14	6.9762	202,994.42
Account receivable			17,150,053.33
including: US dollar	1,121,166.43	6.9762	7,821,481.26
Hong Kong dollar	10,413,909.74	0.89578	9,328,572.07

B. Explanation of overseas business entity

Name of overseas business entity	Business place abroad	Recording currency	Currency selection basis
Russia Wellhope Agri-Tech	Russia	Ruble	Local currency

58. Government grants

Unit: yuan Currency: RMB

Category	Amount	Present item	Amount recorded in current gains or losses
Special fund for the development of foreign economic trade industry	3,884,800.00	non-operating income	3,884,800.00
Incentive fund for China's top 500 private enterprises	2,000,000.00	non-operating income	2,000,000.00
Special fund for financial development in 2019	2,000,000.00	non-operating income	2,000,000.00
Supporting fund of Shenyang city for coal-fired boiler elimination	1,158,500.00	other income	1,158,500.00
Corn grant	1,000,000.00	other income	1,000,000.00
Bonus for outstanding manufacturing	770,000.00	other income	770,000.00
Research grants	600,000.00	other income	600,000.00
Supporting fund for enterprise development	550,000.00	non-operating income	550,000.00
Subtotal for other grants under 500,000 yuan	2,433,497.38	non-operating income	2,433,497.38
Subtotal for other grants under 500,000 yuan	3,965,181.00	other income	3,965,181.00
Deferred income transferred in current period	4,001,717.41	other income	4,001,717.41
Total	22,363,695.79	/	22,363,695.79

VIII. Change of consolidation scope

1. Business combination under different control

A. Business combination under different control occurred in current period

Unit: yuan Currency: RMB

Investee	Date of acquiring	Acquisition cost	Shareholding %	Way of acquisition	Acquisition date	Basis for determining acquisition date	Investee's income from acquisition date to the period end	Investee's net profit from acquisition date to the period end
Suizhong Renhe Fishery	Apr. 8, 2019	550,000.00	55.00	Cash	Apr. 8, 2019	Control right shifting	12,627,273.07	446,764.33
Harbin Baoweikang Bio- Tech	Mar. 22, 2019	1,000,000.00	100.00	Cash	Mar. 22, 2019	Control right shifting	19,189,900.08	325,331.53
Hebei Deheng Farming	Jul. 17, 2019	6,300,000.00	100.00	Cash	Jul. 17, 2019	Control right shifting	476,190.50	-156,461.15

B. Combined cost and goodwill

Unit: yuan Currency: RMB

Combined cost	Suizhong Renhe Fishery	Harbin Baoweikang Bio- Tech	Hebei Deheng Farming
Cash	550,000.00	1,000,000.00	6,300,000.00
Fair value of the equity, which held prior to the acquiring date, on the acquisition date	400,000.00		
Total combined costs	950,000.00	1,000,000.00	6,300,000.00
deduct: Fair value share of identifiable net assets obtained	950,000.00	1,000,000.00	6,301,844.71

Goodwill or combined cost is less than the amount of the fair value share of the identifiable net assets obtained			-1,844.71
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C. Identifiable assets and liabilities of the investee on the acquisition date

Unit: yuan Currency: RMB

	Suizhong Renhe Fishery		Harbin Baoweikang Bio- Tech		Hebei Deheng Farming	
	Fair value on acquisition date	Book value on acquisition date	Fair value on acquisition date	Book value on acquisition date	Fair value on acquisition date	Book value on acquisition date
Assets:	11,379,824.51	11,379,824.51	7,723,448.94	7,723,448.94	19,873,061.60	19,873,061.60
Monetary capital	7,681,060.28	7,681,060.28	246,871.87	246,871.87		
Account receivable			2,215,989.95	2,215,989.95		
Prepayment			2,906,607.86	2,906,607.86		
Other receivables			1,209.68	1,209.68		
Inventory	637,729.06	637,729.06	2,352,769.58	2,352,769.58		
Fixed assets	1,744,335.17	1,744,335.17			19,720,109.14	19,720,109.14
Construction in progress					152,952.46	152,952.46
Intangible assets	1,316,700.00	1,316,700.00				
Liabilities:	10,379,824.51	10,379,824.51	6,723,448.94	6,723,448.94	13,571,216.89	13,571,216.89
Accounts payable			557,932.42	557,932.42	10,690,132.89	10,690,132.89
Advance receipt	2,510,150.70	2,510,150.70	4,637,675.18	4,637,675.18		
Payroll			42,373.33	42,373.33	260,923.00	260,923.00
Taxes and surcharges payable			29,576.00	29,576.00		
Dividends payable	7,869,673.81	7,869,673.81	1,434,027.14	1,434,027.14		
Other payable			21,864.87	21,864.87	2,620,161.00	2,620,161.00
Net assets	1,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00	6,301,844.71	6,301,844.71
deduct:						
Non-controlling interests	50,000.00	50,000.00				
Net assets acquired	950,000.00	950,000.00	1,000,000.00	1,000,000.00	6,301,844.71	6,301,844.71

D. Gain or loss arising from remeasuring the equity held prior to the acquisition date by fair value

Unit: yuan Currency: RMB

Investee	Book value of the equity, which held prior to the acquiring date, on the acquisition date	Fair value of the equity, which held prior to the acquiring date, on the acquisition date	Gain or loss arising from remeasuring the equity held prior to the acquisition date by fair value	Determination method and main assumptions of fair value on the acquisition date
Suizhong Renhe Fishery	400,000.00	400,000.00		Reference transaction price

2. Disposal of subsidiary

Unit: yuan Currency: RMB

Subsidiary	Disposal price	Percentage of disposed shareholding %	Disposal way	Date of losing control	The difference of the share of such subsidiary's net asset held by the Company in the consolidated financial statements which caused by disposal price and disposal of investment	Residual shareholding on the date of losing control %	Booking value of residual equity on the date of losing control	Fair value of residual equity on the date of losing control	Gains or losses arising from remeasuring residual equity by fair value
Weifang Wellhope Xinhesheng Feed	7,750,000.00	31	Transferred	June 30, 2019	1,271,586.31	20	4,179,621.73	5,000,000.00	820,378.27
Luohe Hongfeng Poultry Rearing	1.00	51	Transferred	June 30, 2019	2,808,277.31				

3. Change of consolidation scope caused by other reason

Newly initiated companies, including Nanchang Wellhope, Xi'an Linfeng Shengyi Trading, Shulan Fengtai Agriculture and Animal husbandry, Shulan Fengtai Farming, Linxi Helai Agri-Tech, Dahongda Chongqing Construction Engineering, Anhui Hefeng Haoxiang Agricultural Development, Lixin Xiangfeng Agriculture and Animal Husbandry, Lixin Hongfeng Agriculture and Animal Husbandry, Guangzhou Dashang Trading, Shandong Heyuan Food, Wangfangdian Yifeng Agri-Tech and Zhangwu Jiufeng Trading, have been newly included in the consolidation scope in current period.

IX. Equity in other entities

1. Equity in subsidiaries

A. Composition of the Company

Subsidiary	Business site	Registered site	Business type	Shareholding %		Mode of acquisition
				Direct	Indirect	
Haicheng Xinzhongxin Wellhope Feed	Haicheng city	Haicheng city	production	51.00		investment
Dalian Huakang Xinxin Food	Dalian city	Dalian city	production	65.00		investment
Changchun Hengfeng Agriculture and Animal Husbandry	Changchun city	Changchun city	trading		51.00	investment
Jinan Xinweita Trading	Jinan city	Jinan city	trading		76.00	investment
Henan Wellhope Agri-Tech	Kaifeng city	Kaifeng city	production	100.00		investment

Zhengzhou Wellhope Agri-Tech	Zhengzhou city	Zhengzhou city	production	70.00		investment
Zhumadian Wellhope Agri-Tech	Zhumadian city	Zhumadian city	production	90.00		investment
Jiaozuo Wellhope Feed	Jiaozuo city	Jiaozuo city	production	98.30		investment
Nanyang Wellhope Feed	Nanyang city	Nanyang city	production	70.00		investment
Zhangwu Wellhope Agriculture Development	Zhangwu county	Zhangwu county	production	60.00		investment
Xifeng Qianyue Planting	Xifeng county	Xifeng county	production		100.00	investment
Sanjiang Wellhope Agri-Tech	Jixian county	Jixian county	production	100.00		investment
Jixian Expert Trading	Jixian county	Jixian county	trading		100.00	investment
Gongzhuling Wellhope Agri-Tech	Gongzhuling city	Gongzhuling city	production	100.00		investment
Shenyang Expert Trading	Shenyang city	Shenyang city	trading	100.00		investment
Liaoning Skyland Livestock Equipment	Shenyang city	Shenyang city	production	100.00		investment
Shenyang Wellhope Ruminant Feed	Shenyang city	Shenyang city	production	100.00		investment
Shenyang Wellhope Extruded Feed	Shenyang city	Shenyang city	production	100.00		investment
Shenyang Wellhope Aquatic Feed	Shenyang city	Shenyang city	production	100.00		investment
Shenyang Jiahe Tianfeng Commerce and Trade	Shenyang city	Shenyang city	trading	100.00		investment
Liaoning Wellhope Food	Beipiao city	Beipiao city	production	60.00		investment
Haicheng Wellhope Agri-Tech	Haicheng city	Haicheng city	production	100.00		investment
Tai'an Wellhope Feed	Tai'an county	Tai'an county	production	100.00		investment
Lingyuan Wellhope Agri-Tech	Lingyuan city	Lingyuan city	production	90.50		investment
Beijing Helai Sci-Tech	Beijing city	Beijing city	production	100.00		investment
Beijing Wellhope Agri-Tech	Beijing city	Beijing city	trading	100.00		investment
Beijing Sanyuan Wellhope Agri-Tech	Beijing city	Beijing city	production	70.00		investment
Jilin Wellhope Agri-Tech	Jilin city	Jilin city	production	100.00		investment
Jilin Hefeng Hog Breeding	Gongzhuling city	Gongzhuling city	production	100.00		investment
Harbin Weierhao Trading	Harbin city	Harbin city	trading	51.00		investment
Daqing Wellhope Bayi Nongda Animal Sci-Tech	Daqing city	Daqing city	production	70.00		investment
Mudanjiang Wellhope Agri-Tech	Mudanjiang city	Mudanjiang city	production	100.00		investment
Jinzhou Wellhope Agri-Tech	Jinzhou city	Jinzhou city	production	100.00		investment
Gongzhuling Wellhope	Gongzhuling	Gongzhuling	production	100.00		investment

Ruminant Feed	city	city				
Heilongjiang Wellhope Agri-Tech	Harbin city	Harbin city	production	100.00		investment
Tangshan Wellhope Feed	Tangshan city	Tangshan city	production	80.00		investment
Cangzhou Helai Sci-Tech	Cangzhou city	Cangzhou city	production	70.00		investment
Xi'an Wellhope Feed Sci-Tech	Xi'an city	Xi'an city	production	85.00		investment
Gansu Wellhope Agri-Tech	Wuwei city	Wuwei city	production	100.00		investment
Jining Wellhope Agri-Tech	Jining city	Jining city	production	70.00		investment
Shanghai Wellhope Feed	Shanghai city	Shanghai city	production	65.00		investment
Shanghai Hehong Trading	Shanghai city	Shanghai city	trading	32.00	42.00	investment
Zhejiang Pinghu Wellhope Agri-Tech	Pinghu city	Pinghu city	production	85.00		investment
Huai'an Wellhope Feed	Huai'an city	Huai'an city	production	100.00		investment
Qingdao Wellhope Agri-Tech	Pingdu city	Pingdu city	trading	95.00		investment
Guangzhou Xiangshun Livestock Equipment	Guangzhou city	Guangzhou city	production	56.00		investment
Hainan Wellhope Agri-Tech	Chengmai county	Chengmai county	production	60.00		investment
Fuyu Wellhope Agri-Tech	Fuyu city	Fuyu city	production	97.00		investment
Fuyu Wellhope Taolaizhao Poultry Raising	Fuyu city	Fuyu city	production	97.00		investment
Changchun Wellhope Feed	Nong'an county	Nong'an county	production	98.00		investment
Changtu Wellhope Feed	Changtu county	Changtu county	production	100.00		investment
Lankao Wellhope Agri-Tech	Lankao county	Lankao county	production	100.00		investment
Tongliao Wellhope Tianyi Prataculture	Tongliao city	Tongliao city	production	51.00		investment
Liaoning Wellhope Purchasing & Trading	Shenyang city	Shenyang city	trading	100.00		investment
Shenyang Wellhope Agri-Tech	Shenyang city	Shenyang city	production	100.00		investment
Liaoning Expert Trading	Shenyang city	Shenyang city	trading	100.00		combined under the same control
Shenyang Fame Bio-Tech	Shenyang city	Shenyang city	production	100.00		combined under the same control
Shenyang Pufeng Commerce and Trade	Shenyang city	Shenyang city	trading	100.00		combined under the same control

Shenyang Huawei Pharmaceutical	Shenyang city	Shenyang city	production		51.00	combined under the same control
Liaoning Wellhope Agriculture and Animal Husbandry Development	Shenyang city	Shenyang city	production	100.00		combined under different control
Puyang Wellhope Food	Puyang city	Puyang city	production	49.81		combined under different control
Jingzhou Wellhope Agricultural Sci-Tech	Jingzhou city	Jingzhou city	trading	86.00		investment
Dalian Heyuan Wellhope Agri-Tech	Dalian city	Dalian city	production	51.00		investment
Shenyang Nongda Wellhope Feed	Shenyang city	Shenyang city	production	100.00		investment
Dalian Wellhope Feed	Dalian city	Dalian city	production	100.00		investment
Xingcheng Wellhope Feed	Xingcheng city	Xingcheng city	production	100.00		investment
Yunnan Wellhope Feed	Kunming city	Kunming city	production	96.00		investment
Liaoning Godaji E-commerce	Shenyang city	Shenyang city	trading	100.00		investment
Anhui Wellhope Agri-Tech	Haozhou city	Haozhou city	production	70.00		investment
Shanxi Wellhope Agri-Tech	Yuanping city	Yuanping city	production	100.00		investment
Pingyuan Wellhope Food	Handan city	Handan city	production	100.00		investment
Shenyang Huaweida Animal Health Product	Shenyang city	Shenyang city	trading		100.00	investment
Dalian Zhongjia Food	Dalian city	Dalian city	production		100.00	combined under different control
Wellhope Food(Shenyang)	Shenyang city	Shenyang city	production	100.00		investment
Changchun Wellhope Food	Changchun city	Changchun city	production	85.00		investment
Pingyuan Wellhope Agri-Tech	Handan city	Handan city	production		100.00	investment
Puyang Wellhope Agri-Tech	Puyang city	Puyang city	production		100.00	investment
Chongqing Dahong Agriculture and Animal Husbandry Equipment	Chongqing city	Chongqing city	production		50.00	combined under different control
Beijing Brilliant Dragon Commerce and Trade	Beijing city	Beijing city	trading		51.00	investment
Tangshan Hejia Agriculture and Animal	Tangshan city	Tangshan city	production	65.00		investment

Husbandry						
Tangshan Wellhope Sci-Tech	Tangshan city	Tangshan city	production	70.00		combined under different control
Shenyang Huakang Xinxin Food	Shenyang city	Shenyang city	production	85.00		investment
Kaifeng Wellhope Meat Food	Kaifeng city	Kaifeng city	production		100.00	investment
Shenyang Huakang Broiler	Shenyang city	Shenyang city	production	85.00		investment
Kaifeng Wellhope Agriculture and Animal Husbandry	Kaifeng city	Kaifeng city	production		100.00	investment
Fushun Wellhope Agriculture and Animal Husbandry	Fushun city	Fushun city	production		100.00	investment
Shenyang Wellhope Poultry	Shenyang city	Shenyang city	production		100.00	investment
Shenyang Huakang Agriculture and Animal Husbandry	Shenyang city y	Shenyang city y	production		100.00	investment
Dehui Wellhope Agri-Tech	Dehui city	Dehui city	production		100.00	investment
Shenyang Tianjingde Trading	Shenyang city	Shenyang city	trading		100.00	investment
Chongqing Wellhope Agri-Tech	Chongqing city		production	65.00		investment
Dahong Agriculture and Animal Husbandry Technology Research Institute Chongqing Branch	Chongqing city		production		100.00	investment
Russia Wellhope Agri-Tech			production	55.00		investment
Suizhong Renhe Fishery	Suizhong county	Suizhong county	production	95.00		
Harbin Baiweikang Bio-Tech	Harbin city	Harbin city	production		100.00	
Shulan Fengtai Agriculture and Animal Husbandry	Shulan city	Shulan city	production	60.00		investment
Shulan Fengtai Farming	Shulan city	Shulan city	production	51.00		investment
Xi'an Linfeng Shengyi Trading	Xi'an city	Xi'an city	trading	100.00		investment
Linxi Helai Agri-Tech	Linxi city	Linxi city	production	100.00		investment
Nanchang Wellhope Agri-Tech	Nanchang city	Nanchang city	production	65.00		investment
Hengyang Wellhope Agri-Sci-Tech	Hengyang city	Hengyang city	production	78.50		investment
Anhui Wellhope Haoxiang Agricultural Development	Lixin county	Lixin county	production	100.00		investment
Lixin Xiangfeng	Lixin county	Lixin county	production	100.00		investment

Agriculture and Animal Husbandry						
Lixin Hongfeng Agriculture and Animal Husbandry	Lixin county	Lixin county	production	100.00		investment
Guangzhou Dashang Trading	Guangzhou city	Guangzhou city	trading	51.00		investment
Shandong Heyuan Food	Weihai city	Weihai city	production	65.00		investment
Wafangdian Yifeng Agri-Tech	Wafangdian city	Wafangdian city	production		51.00	investment
Hebei Deheng Farming	Handan city	Handan city	production		100.00	combined under different control
Dahongda Chongqing Construction Engineering	Chongqing city	Chongqing city	production		100.00	investment
Zhangwu Jiufeng Trading	Zhangwu city	Zhangwu city	trading		100.00	investment

B. Important non-wholly owned subsidiary

Unit: yuan Currency: RMB

Subsidiary	Shareholding of non-controlling interests	Gain or losses attributable to non-controlling interests	Declared dividends to non-controlling interests	Closing balance of non-controlling interests
Dalian Heyuan Agri-Tech	49.00	207,356,024.45		379,455,245.54
Xi'an Wellhope Feed Sci-Tech	15.00	5,532,812.91		20,375,730.80
Beijing Sanyuan Wellhope Agri-Tech	30.00	3,309,845.30		59,490,335.92
Tangshan Wellhope Feed	15.00	-228,356.25		10,471,116.05

C. Financial figures of important non-wholly owned subsidiary

Unit: yuan Currency: RMB

Subsidiary	Closing balance						Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Dalian Heyuan Agri-Tech	647,431,144.31	566,852,586.60	1,214,283,730.91	406,157,814.72	24,986,023.48	431,143,838.20	387,238,954.52	386,397,787.09	773,636,741.61	384,749,243.08	38,499,083.34	423,248,326.42
Xi'an Wellhope Feed Sci-Tech	120,990,215.88	40,503,567.21	161,493,783.09	25,655,577.75		25,655,577.75	77,754,831.17	43,262,494.18	121,017,325.35	22,717,956.94		22,717,956.94
Beijing Sanyuan Wellhope Agri-Tech	203,102,041.98	25,669,497.12	228,771,539.10	30,470,419.37		30,470,419.37	180,774,234.54	26,952,555.35	207,726,789.89	22,111,712.84		22,111,712.84
Tangshan Wellhope Feed	50,349,221.33	73,444,222.46	123,793,443.79	53,986,003.46		53,986,003.46	47,477,540.37	77,434,251.30	124,911,791.67	53,739,426.35		53,739,426.35

Subsidiary	2019				2018			
	Operation revenue	Net profit	Total comprehensive income	Cash flow from operating activities	Operation revenue	Net profit	Total comprehensive income	Cash flow from operating activities
Dalian Heyuan Agri-Tech	2,558,885,564.63	422,116,992.52	422,116,992.52	546,194,647.16	1,805,702,344.34	138,744,110.24	138,744,110.24	99,805,558.21
Xi'an Wellhope Feed Sci-Tech	507,204,197.17	36,885,419.43	36,885,419.43	49,487,674.37	387,215,020.67	21,517,306.35	21,517,306.35	27,803,030.51
Beijing Sanyuan Wellhope Agri-Tech	372,855,922.14	11,032,817.68	11,032,817.68	27,252,191.23	360,806,758.21	8,242,076.15	8,242,076.15	10,929,723.62
Tangshan Wellhope Feed	161,847,154.96	-1,522,374.99	-1,522,374.99	15,383,862.25	187,093,547.70	-11,917,558.86	-11,917,558.86	2,684,520.75

2. Transactions that change the share of owner's equity of the Company in subsidiary but the Company still controls the subsidiary

A. Circumstance of the change of owner's equity

During the current period, the Company transferred 8.00% of shareholdings of Beijing Brilliant Dragon, 5.00% of Shenyang Huakang Xinxin Food and 5.00% of Shenyang Huakang Broiler, non-controlling shareholders of Puyang Wellhope Food bought 10.19% of its shareholding, and non-controlling shareholders of Hainan Wellhope Agri-Tech bought 40.00% of its shareholding.

The Company acquired 25.00% of shareholding Shenyang Huaweida Animal Health Product, 5.00% of Tangshan Wellhope Feed, 20.00% of Shenyang Tianjingde Commerce, increased investment in Yunnan Wellhope Feed to dilute 1.00% of non-controlling shareholder's share.

B. The impact of the transaction on non-controlling interests and the equity attributable to the owners of parent company

Unit: yuan Currency: RMB

	Shenyang Huaweida Animal Health Product	Tangshan Wellhope Feed	Shenyang Tianjingde Commerce	Yunnan Wellhope Feed	Beijing Brilliant Dragon	Shenyang Huakang Xinxin Food	Shenyang Huakang Broiler	Puyang Wellhope Food	Hainan Wellhope Agri-Tech
Cost of acquisition/disposal considerations	2,590,684.72	3,265,881.29	577,419.35	250,000.00	687,058.18			7,642,312.50	18,000,000.00
--Cash	2,590,684.72	3,265,881.29	577,419.35	250,000.00	687,058.18			7,642,312.50	18,000,000.00
total cost of acquisition/disposal considerations	2,590,684.72	3,265,881.29	577,419.35	250,000.00	687,058.18			7,642,312.50	18,000,000.00
deduct: Share of net assets in the subsidiary calculated by gained or disposed shareholdings	2,590,684.72	2,973,144.29	577,419.35	790,566.00	687,058.18	-928,537.00	-745,586.00	13,718,704.50	17,087,457.00
Balance		292,737.00		-540,566.00		928,537.00	745,586.00	-6,076,392.00	912,543.00
including: Adjusting capital reserve		292,737.00		-540,566.00		928,537.00	745,586.00	-6,076,392.00	912,543.00

3. Equity in joint ventures or associated companies**A. Important joint ventures or associated companies**

Unit: yuan Currency: RMB

Company name	Business site	Registered site	Business type	Shareholding %		Accounting treatment methods
				Direct	Indirect	
Beipiao Hongfa Food	Beipiao city	Beipiao city	production	35.00		equity method
Anshan Jiuguhe Food	Tai'an county	Tai'an county	production	41.55		equity method
Tai'an Jiuguhe Agriculture	Tai'an county	Tai'an county	production	41.55		equity method
Dalian Chengsan Animal Husbandry	Dalian city	Dalian city	production	20.00		equity method

B. Financial figures of important joint ventures or associated companies

Unit: yuan Currency: RMB

	2019				2018			
	Beipiao Hongfa Food	Anshan Jiuguhe Food	Tai'an Jiuguhe Agriculture	Dalian Chengsan Animal Husbandry	Beipiao Hongfa Food	Anshan Jiuguhe Food	Tai'an Jiuguhe Agriculture	Dalian Chengsan Animal Husbandry
Current assets	808,320,727.52	433,236,440.94	225,516,906.39	1,467,906,023.75	503,634,934.55	417,277,140.35	283,786,492.81	780,819,026.16
Non-current assets	720,803,998.40	102,408,547.67	191,500,344.01	448,345,020.68	438,127,861.68	112,079,862.26	30,783,891.85	375,918,473.97
Total assets	1,529,124,725.92	535,644,988.61	417,017,250.40	1,916,251,044.43	941,762,796.23	529,357,002.61	314,570,384.66	1,156,737,500.13
Current liabilities	242,424,331.42	162,491,901.70	148,906,962.33	498,609,123.11	174,740,051.73	274,529,095.54	157,969,045.26	353,316,814.51
Non-current liabilities	23,430,000.00	2,313,480.78	256,500.00	5,851,807.11	47,100,000.00	12,578,401.85	812,500.00	16,328,633.74
Total liabilities	265,854,331.42	164,805,382.48	149,163,462.33	504,460,930.22	221,840,051.73	287,107,497.39	158,781,545.26	369,645,448.25
Non-controlling interests				224,864,512.85				111,098,427.82
Equity attributable to shareholders of parent company	1,263,270,394.50	370,839,606.13	267,853,788.07	1,186,925,601.36	719,922,744.50	242,249,505.22	155,788,839.40	675,993,624.06
Share of net assets calculated by shareholdings	442,144,638.08	154,083,856.35	111,293,248.94	237,385,120.27	251,972,960.58	100,654,669.42	64,730,262.77	135,198,724.82
Adjustment		-1,645,427.58	-360.00	116,569,111.62		-1,157,373.92		116,569,111.61
--Goodwill				116,569,111.62				116,569,111.61
--Unrealized profit of internal transaction		-1,645,427.58				-1,157,373.92		
--Other			-360.00					
Book value of equity investment in joint venture	442,144,638.08	152,438,428.77	111,292,888.94	353,954,231.89	251,972,960.58	99,497,295.50	64,730,262.77	251,767,836.43
Operating	3,147,988,768.25	2,268,540,275.94	1,962,268,400.56	3,203,777,482.74	2,587,369,620.08	1,856,147,804.84	1,212,886,039.39	2,550,658,470.89

revenue								
Financial expense	9,410,923.65	6,045,197.17	443,973.81	747,012.45	12,661,907.37	10,792,355.27	755,441.88	8,143,098.38
Income tax expense							2,130,807.75	
Net profit	574,147,650.00	140,590,100.91	124,064,948.67	604,777,510.19	231,638,507.94	69,303,074.75	97,455,832.09	307,020,416.94
Total comprehensive income	574,147,650.00	140,590,100.91	124,064,948.67	604,777,510.19	231,638,507.94	69,303,074.75	97,455,832.09	307,020,416.94
Dividends received from associated companies	10,780,000.00	4,986,360.00	4,986,360.00		12,127,500.00			

C. Financial information of unimportant joint ventures and associated companies

Unit: yuan Currency: RMB

	2019	2018
Joint venture:		
Book value of investment	11,669,191.54	11,669,191.54
Items calculated according to the shareholdings		
--Net profit	7,181,908.21	4,007,001.33
--Other comprehensive income	53,833.62	-2,412,673.32
--Total comprehensive income	7,235,741.84	1,594,328.01
Associated company:		
Book value of investment	998,548,503.29	675,182,909.17
Items calculated according to the shareholdings		
--Net profit	216,479,052.22	81,585,071.51
--Other comprehensive income	7,238,557.02	-1,305,935.62
--Total comprehensive income	223,717,609.24	80,279,135.89

Note: Unphung Joint Venture Company, Nepal Wellhope Agri-tech Pvt. Ltd., NEXUS WELL-HOPE AGRITECH INTERNATIONAL LIMITED use cost method.

X. Risks Related to Financial Instruments

The Company's main financial instruments include equity investment, borrowing, accounts receivable and accounts payable. Detailed descriptions of various financial instruments can be found in the relevant items in Note V. The Company manages and monitors these risk exposures to ensure to control the risks above in the limited scope.

The Company's objective in risk management is to strike a balance between risks and return, minimize the negative impact of risk on the Company's operating results, and maximize the benefits of shareholders and other equity investors. Based on this risk management objective, the basic strategy of the Company's risk management is to identify and evaluate various risks of the Company, set up appropriate limit of risk tolerance, conduct risk management, and supervise various risks in a timely and reliable way to control risks within the limited range.

1. Market risks

A. Interest rate risk

The Company's risk of cash flow changes in financial instruments due to the changes in interest rates mainly related to floating-rate bank loans. The Company's policy is to maintain the floating-rate of these loans.

B. Foreign exchange risks

Foreign exchange risk refers to the risk of loss caused by exchange rate movement. The Company's main business activities are settled in RMB, with a small amount of import and export business, changes in exchange rate have little impact on the Company.

2. Credit risk

The maximum credit risk exposure that may cause financial losses to the Company mainly comes from financial assets loss caused by the other party of contract failed to perform duty.

In order to reduce credit risk, the Company constantly strengthens the risk management awareness of accounts receivable, and only deals with confirmed and reputable third parties. In accordance with the Company's policies, it is necessary to conduct credit audit and approval, carefully confirm the credit limit, implement other monitoring procedures and take necessary measures to recover overdue claims.

3. Liquidity risk

In regard of managing liquidity risk, the Company monitors cash and cash equivalents, to satisfy its operation demand, and to reduce the influence caused by cash flow fluctuation. The management of the Company supervises the usage circumstances of bank loans and ensures the Company complying with the agreement of loan.

XI. Disclosure of fair value

1. Fair value of assets and liabilities in the end of period

Unit: yuan Currency: RMB

Item	Closing fair value			
	The first level of fair value measurement	The second level of fair value measurement	The third level of fair value measurement	Total
Continuous fair value measurement				
1. Trading financial assets			40,000,000.00	40,000,000.00
Financial assets measured at fair value and changes recorded into current gains or losses			40,000,000.00	40,000,000.00
2. Other equity instrument investment			5,760,839.23	5,760,839.23
3. Derivative financial assets	3,912,584.30			3,912,584.30
Total assets continuously measured at fair value	3,912,584.30		45,760,839.23	49,673,423.53

2. The determination basis of market price of the item measured at fair value of the sustainable and non-sustainable first level fair value measurement

The derivative financial assets of the Company are futures, which are measured by the unadjusted quoted price of the same assets or liabilities in the active market on the balance sheet date.

XII. Related party and transaction

1. Snapshot of joint ventures and associated companies

Circumstance of the joint ventures and associated companies, which had related transactions with the Company in the period.

Company	Relationship
Unphung Joint Venture Company	joint venture
Nepal Wellhope Agri-tech Pvt. Ltd.	joint venture
Anshan Fengsheng Food	associated company
Anshan Jiuguhe Food	associated company
Beipiao Hongfa Food	associated company
Dalian Chengsan Animal Husbandry	associated company
Dalian Wellhope Fish Meal	associated company
Daqing Supply and Marketing Wellhope Agri-Tech	associated company
Dandong Wellhope Chengsan Agri-Tech	associated company
Dunhua Wellhope Agri-Tech	associated company
Gongzhuling Corn Purchasing and Storing	associated company
Guangzhou Yikun Trading	associated company
Haicheng New Hongzunda Agri-Tech	associated company
Huluodao Jiuguhe Food	associated company
Huluodao Jiuguhe Feed	associated company
Jinzhou Jiufeng Food	associated company
Lankao Skyland Feed	associated company
Lankao Skyland Duck	associated company
Linghai Jiuguhe Feed	associated company
Qingdao Shenfeng Agri-Tech	associated company
Shenyang Wenjie Bio-Tech	associated company
Schipper(Beijing)	associated company
Suizhong Rehen Fishery	subsidiary(other explanation)
Tai'an Fengjiu Agri-Tech	associated company
Tai'an Jiufeng Agri-Tech	associated company
Tai'an Jiuguhe Agriculture Development	associated company
Tailai Jiahe Agriculture and Animal Husbandry	associated company
Zhangjiakou Jiahe Agriculture and Animal Husbandry	associated company
Beijing Dahong Hengfeng Agri-Tech	associated company
Shenyang Zhongwenjie Bio-Tech	associated company
Liaoning Mubang Animal Husbandry Equipment Manufacturing	associated company
Dunhua Fengda Agriculture and Animal Husbandry Development	associated company
Heilongjiang Zhongyi Pasture Information Technology Service	associated company

Other explanation: In April 2019, the Company made additional investment and acquired

55.00% of shareholding of Suizhong Renhe Fishery, the shareholding percentage changed from 40.00% to 95.00%, and the joint venture became a subsidiary.

2. Snapshot of other related party

Related party	Relationship
Wulian Heli Equity Investment Partnership (Limited Partnership)	Other
DE HEUS MAURITIUS	Other
Jin Weidong	Other
Ding Yunfeng	Other
Shao Caimei	Other
Wang Fengjiu	Other
Wang Zhongtao	Other
Zhang Tiesheng	Other
Wang Zhenyong	Other
Zhang Wenliang	Other
Ren Bingxin	Other
Zhao Xin	Other
Qiu Jiahui	Other
Yuan Minger	Other
Li Jun	Other
Jacobus Johannes de Heus	Other
Marcus Leonardus van der Kwaak	Other
Hu Jianmin	Other
Liu Huan	Other
Wang Zhe	Other

Wulian Heli Equity Investment Partnership and DE HEUS MAURITIUS are the shareholders that hold more than 5% shares of the Company; Jin Weidong is the actual controller and Chairman; Ding Yunfeng, Wang Fengjiu, Shao Caimei and Wang Zhongtao are the shareholders who hold more than 5% shares of the Company and they are senior managers; Zhang Tiesheng holds more than 5% shares of the Company; the rest persons are the board directors, supervisory board directors and senior managers of the Company.

3. Snapshot of related party transaction

A. Purchasing and selling products, providing and accepting labor service

Unit: yuan Currency: RMB

Relate party	Transaction	2019	2018
Suizhong Rehen Fishery	feed raw materials		4,063,349.71
Dalian Wellhope Fish Meal	feed raw materials	74,187,322.55	89,540,418.85
Anshan Jiuguhe Food	broiler product	19,156,542.50	10,607,617.64
Dalian Chengsan Animal Husbandry	delivery broiler	186,973,531.46	165,113,902.72
Huludao Jiuguhe Food	broiler product	3,516,670.71	5,435,308.49
Schipper(Beijing)	other	1,959,646.55	428,182.58
Guangzhou Yikun Trade	feed raw materials	12,029,615.50	6,188,772.00
Tai'an Fengjiu Agri-Tech	day old chick	21,997,336.14	3,350,549.01
Zhangjiakou Jiahe Agriculture and Animal Husbandry	piglet	9,975,239.60	5,928,183.50
Tai'an Jiuguhe Agriculture Development	feed	98,668,970.35	12,429,921.60
Haicheng New Hongzunda Agri-Tech	feed	658,306.00	1,120,316.47
Shenyang Wenjie Bio-Tech	other	13,150,075.20	6,280,763.74
Jinzhou Jiufeng Food	broiler product	6,513,833.00	

Daqing Supply and Marketing Wellhope Agri-Tech	feed raw materials	36,588,085.03	8,880,812.73
Linghai Jiuguhe Feed	other		638,607.11
Gongzhuling Corn Purchasing and Storing	feed raw materials	360,872.66	970,780.18
Qingdao Shenfeng Agri-Tech	feed	11,539,082.78	
Dandong Wellhope Chengsan Agri-Tech	delivery broiler	1,230,045.91	
Lankao Skyland Duck	feed	301,315.88	
Liaoning Mubang Animal Husbandry Equipment Manufacturing	equipment	14,861,627.35	
Shenyang Zhongwenjie Bio-Tech	animal medicine	18,000.00	
Total		513,686,119.17	320,977,486.33

Selling products or providing labor service

Unit: yuan Currency: RMB

Relate party	Transaction	2019	2018
Nepal Wellhope Agri-tech Pvt. Ltd.	feed		199,620.44
Linghai Jiuguhe Feed	feed raw materials	52,588,895.71	37,878,202.08
Tai'an Jiuguhe Agriculture Development	feed raw materials	98,035,082.01	68,389,964.35
Anshan Jiuguhe Food	broiler	189,619,141.00	158,951,429.95
Qingdao Shenfeng Agri-Tech	feed raw materials	29,083,613.37	18,359,677.35
Beipiao Hongfa Food	feed raw materials	5,593,402.11	7,260,089.78
Huludao Jiuguhe Food	feed	481,301.83	13,736,255.76
Haicheng New Hongzunda Agri-Tech	feed raw materials	38,303,436.30	33,009,620.76
Dandong Wellhope Chengsan Agri-Tech	feed raw materials	7,160,969.75	10,820,771.04
Tai'an Jiufeng Agri-Tech	feed raw materials	1,248,972.58	1,924,877.65
Huludao Jiuguhe Feed	feed raw materials	30,081,192.14	25,481,359.12
Suizhong Rehen Fishery	feed		111,724.14
Schipper(Beijing)	other product	705,596.51	887,414.00
Zhangjiakou Jiahe Agriculture and Animal Husbandry	feed	23,746,562.54	23,059,889.84
Dalian Wellhope Fish Meal	feed raw materials	165,589.72	537,672.40
Guangzhou Yikun Trade	feed raw materials	198,682,941.12	145,040,015.85
Jinzhou Jiufeng Food	broiler	3,002,040.00	5,211,589.00
Anshan Fengsheng Food	broiler	204,582,154.82	99,451,627.68
Dalian Chengsan Animal Husbandry	feed raw materials	3,777,282.46	10,337,579.61
Tailai Jiahe Agriculture and Animal Husbandry	feed	14,596,398.75	41,863,178.67
Daqing Supply and Marketing Wellhope Agri-Tech	feed raw materials	34,314,134.88	29,511,060.56
Lankao Skyland Duck	feed raw materials		129,207.19
Lankao Skyland Feed	feed raw materials		2,196,704.00
Dunhua Wellhope Agri-Tech	feed raw materials	4,759,518.19	5,062,091.02
Dunhua Fengda Agriculture and Animal Husbandry Development	delivery broiler	857,264.00	
Heilongjiang Zhongyi Pasture Information Technology Service	feed	113,959.73	
Total		941,499,449.52	739,411,622.24

B. Related party guarantee

The Company acted as guarantor

Unit: yuan Currency: RMB

Guaranteed party	Amount of guarantee	Guarantee date	Guarantee maturity date	Whether the guarantee has been fulfilled
Lingyuan Wellhope Agri-Tech	20,000,000.00	May 28, 2019	May 24, 2020	No
Chongqing Dahong agricultural and animal husbandry machinery	7,000,000.00	Oct. 17, 2019	Oct. 16, 2020	No
Chongqing Dahong agricultural and animal husbandry machinery	4,000,000.00	Nov. 8, 2019	Nov. 7, 2020	No
Liaoning Expert Trading	9,964,046.03	Apr. 22, 2019	Apr. 21, 2020	No
Liaoning Expert Trading	29,843,112.42	Feb. 26, 2019	Feb. 13, 2020	No
Liaoning Expert Trading	38,831,047.36	Apr. 29, 2019	May 20, 2020	No

C. Borrowings to related party

Unit: yuan Currency: RMB

Related party	Borrowings	Starting date	Due date	Note
Lankao Skyland Duck	27,067,493.00			After transferring part of the equity, it became an associated company of the Company.
Weifang Wellhope Xinhesheng	3,035,880.00			After transferring part of the equity, it became an associated company of the Company.

D. Remuneration for key management

Unit: 10,000yuan Currency: RMB

Item	2019	2018
Remuneration for key management	563.64	709.09

4. Related party receivables and payables**A. Receivables**

Unit: yuan Currency: RMB

Item	Related party	Closing balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivable	Dandong Wellhope Chengsan Agri-Tech			285,000.00	14,250.00
Accounts receivable	Anshan Jiuguhe Food	21,356,822.76	1,067,841.14	29,448,163.62	1,472,408.18
Accounts receivable	Zhangjiakou Jiahe Agriculture and Animal Husbandry	3,618,629.61	180,931.48	4,185,015.26	209,250.76
Accounts receivable	Guangzhou Yikun Trade	24,042,357.79	1,202,117.89	3,492,893.69	174,644.68
Accounts	Anshan Fengsheng Food	6,249,082.04	312,454.10	6,876,402.60	343,820.13

receivable					
Accounts receivable	Dalian Chengsan Animal Husbandry	523,200.00	26,160.00	1,062,573.20	53,128.66
Accounts receivable	Tailai Jiahe Agriculture and Animal Husbandry	2,695,169.64	134,758.48	69,020.56	3,451.03
Accounts receivable	Dunhua Wellhope Agri-Tech			30,351.21	1,517.56
Accounts receivable	Daqing Supply and Marketing Wellhope Agri-Tech	525,195.44	26,259.77	711,060.56	35,553.03
Accounts receivable	Haicheng New Hongzunda Agri-Tech	234,200.00	11,710.00		
Accounts receivable	Tai'an Jiufeng Agri-tech	218,159.00	10,907.95		
Accounts receivable	Heilongjiang Zhongyi Pasture Information Technology Service	43,174.50	2,158.73		
Other receivables	Lankao Skyland Duck	27,067,493.00	10,826,997.20	5,000,000.00	500,000.00
Other receivables	Lankao Skyland Feed			38,067,493.00	3,806,749.30
Other receivables	Weifeng Wellhope Xinhesheng	3,035,880.00	151,794.00		
Prepayment	Dunhua Fengda Agriculture and Animal Husbandry Development	5,000,000.00			
Prepayment	Dalian Wellhope Fish Meal	914,705.00		205,850.00	
Prepayment	Suizhong Rehen Fishery			7,200,000.20	
Prepayment	Gongzhuling Corn Purchasing and Storing			1,825,000.00	
Prepayment	Liaoning Mubang Animal Husbandry Equipment Manufacturing	7,624,669.60			
Prepayments	Guangzhou Yikun Trade	4,997,400.00			

B. Payables

Unit: yuan Currency: RMB

Item	Related party	Closing book balance	Opening book balance
Accounts payable	Dalian Wellhope Fish Meal	2,716,351.95	3,543,366.00
Accounts payable	Anshan Jiuguhe Food	1,049,646.00	8,783,890.00
Accounts payable	Tai'an Jiuguhe Agriculture Development	7,077,312.65	6,143,639.40
Accounts payable	Shenyang Wenjie Bio-Tech	2,593,516.64	1,312,595.06
Accounts payable	Gongzhuling Corn Purchasing and Storing		313,608.00
Accounts payable	Suizhong Rehen Fishery		539,819.05
Accounts payable	Dalian Chengsan Animal Husbandry	4,749,094.21	10,604,874.78
Accounts payable	Tai'an Fengjiu Agri-Tech	138,708.74	
Accounts payable	Jingzhou Jiufeng Food	1,617,740.00	
Accounts payable	Liaoning Mubang Animal Husbandry Equipment Manufacturing	11,284,184.00	
Accounts payable	Shenyang Zhongwenjie Bio-Tech	18,000.00	
Accounts payable	Daqing Supply and Marketing Wellhope	457,060.50	

	Agri-Tech		
Advance receipt	Linghai Jiuguhe Feed	7,860.00	
Advance receipt	Huhudao Jiuguhe Feed	564,892.50	53,613.00
Advance receipt	Nepal Wellhope Agri-tech Pvt. Ltd.	38,700.00	38,700.00
Advance receipt	Tai'an Jiuguhe Agriculture Development	281,300.00	1,502,000.00
Advance receipt	Dunhua Wellhope Agri-Tech	323,000.00	
Advance receipt	Tai'an Jiufeng Agri-Tech		49,892.50
Other payables	Nepal Wellhope Agri-tech Pvt. Ltd.	2,999.41	2,999.41
Other payables	Unphung Joint Venture Company	71,682.43	71,682.43
Other payables	Liaoning Mubang Animal Husbandry Equipment Manufacturing	5,932,500.00	

XIII. Share-based payment

1. Circumstance of share-based payment

Unit: share Currency: RMB

Total amount of equity instrument granted by the Company during current period	
Total amount of exercised equity instruments	

Note:

In accordance with the approved resolutions--Liaoning Wellhope 2018 Restricted Stock Incentive Plan and Its Abstract (draft), Adjusting Related Items regarding to 2018 Restricted Stock Incentive Plan, the Company issued 14.575 million restricted shares to 372 key managers at the price of 4.85 yuan per share in 2018, increased RMB 14.575 million yuan of the registered capital.

This incentive plan should be valid from the date of granting restricted shares to the date when all restricted shares could be removed trading restrictions or repurchased and written off by the Company, with a maximum period of no more than 48 months. The restricted shares should not be transferred, used for guarantee or repaying debts before removing the trading restrictions, and the shares and dividends obtained from the restricted shares due to the Company conducting capital reserve converted to share capital, distributing share dividends, etc., should be simultaneously locked according to the incentive plan. After the expiration of restricted period, the Company shall handle related matters, such as removing trading restrictions, whilst the restricted shares held by the incentive objects who could not meet the conditions of removing restriction, should be repurchased and written off by the Company, relevant equity could not be deferred to the next period.

Arrangement of restricted shares:

Arrangement of removing trading restrictions	Time of removing trading restrictions	Percentage of unrestricted shares
First unrestricted period	The first trading day after 12 months from the date of finishing the registration of granted shares to the last trading day within 24 months from the date of finishing the registration of granted shares	30.00%
Second unrestricted period	The first trading day after 24 months from the date of finishing the registration of granted shares to the last trading day within 36 months from the date of finishing the registration of granted shares	30.00%
Third unrestricted period	The first trading day after 36 months from the date of finishing the registration of granted shares to the last trading day within 48 months from the date of finishing the registration of granted shares	40.00%

2. Equity-settled share-based payment

Unit: yuan Currency: RMB

Confirmation method of fair value of equity instrument at the grant date	Closing price at the grant date
Basis for determining the number of exercised equity instrument	It is expected that the conditions can be met and all the granted objects can exercise the equity
Accumulated amount of equity-settled share-based payment that recorded into capital reserve	22,783,015.06
Total expense recognized by equity-settled share-based payment	22,783,015.06

XIV. Commitment and contingency

1. Important commitment

Important commitment to external, its nature and amount existed on the balance sheet date

As at December 31, 2019, the operating lease contracts that the Company had signed or were ready to perform, were mainly the lease of operating site and buildings, as follows:

Period	Lease payable(10,000 yuan)
The first year after the balance sheet date	3,294.80
The second year after the balance sheet date	3,317.16
The third year after the balance sheet date	3,107.23
After the third year after the balance sheet date	26,277.18

2. Contingency

The Company has no material contingencies that need to be disclosed.

XV. Events after the balance sheet date

1. Circumstance of profit distribution

Unit: yuan Currency: RMB

Profit or dividend planned to be distributed	202,906,967.12
Declared profit or dividend after receiving internal approval	202,906,967.12

XVI. Notes to major items of the parent company's financial statements

1. Accounts receivable

A. Categorized by aging

Unit: yuan Currency: RMB

Aging	Closing book balance
Within 1 year	8,458,099.08
1-2 years	5,257,913.25
2-3 years	1,440,624.00
Over 3 years	28,017,011.19
Total	43,173,647.52

B. Categorized by bad debt provision method

Unit: yuan Currency: RMB

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Percentage%	Amount	Accruing %		Amount	Percentage%	Amount	Accruing %	
Accruing bad debt provision by grouping	43,173,647.52	100.00	29,541,957.07	68.43	13,631,690.45	45,176,203.73	100.00	29,142,394.68	64.51	16,033,809.05
including:										
Aging	43,173,647.52	100.00	29,541,957.07	68.43	13,631,690.45	44,933,347.23	99.46	29,142,394.68	64.86	15,790,952.55
Other						242,856.50	0.54			242,856.50
Total	43,173,647.52	100.00	29,541,957.07	68.43	13,631,690.45	45,176,203.73	100.00	29,142,394.68	64.51	16,033,809.05

Accruing bad debt provision according to aging

Unit: yuan Currency: RMB

Aging	Closing balance		
	Accounts receivable	Bad debt provision	Accruing percentage %
Within 1 year	8,458,099.08	422,904.95	5.00
1 -2 year	5,257,913.25	525,791.33	10.00
2-3 years	1,440,624.00	576,249.60	40.00
Over 3 years	28,017,011.19	28,017,011.19	100.00
Total	43,173,647.52	29,541,957.07	64.83

C. Bad debt provision

Unit: yuan Currency: RMB

Category	Opening balance	Changes in current period	Closing balance
		Accruing	
Aging	29,142,394.68	399,562.39	29,541,957.07
total	29,142,394.68	399,562.39	29,541,957.07

D. Top 5 accounts receivable

Unit: yuan Currency: RMB

Debtor	Closing balance	Percentage of total accounts receivable %	Bad debt provision
1	8,293,237.00	19.21	7,130,907.00
2	7,350,590.00	17.03	7,350,590.00
3	7,053,335.00	16.34	7,053,335.00
4	3,917,755.25	9.07	259,900.63
5	2,997,424.50	6.94	299,742.45
Total	29,612,341.75	68.59	22,094,475.08

2. Other receivable

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Interest receivable		
Dividends receivable	33,977,209.35	15,225,270.58
Other receivables	986,808,467.11	854,445,959.43
Total	1,020,785,676.46	869,671,230.01

A. Dividends receivable

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Dividends from long-term investment under cost method	8,623,487.24	9,743,487.24
Dividends from long-term investment under equity method	25,353,722.11	5,481,783.34
Total	33,977,209.35	15,225,270.58

B. Other receivable

a. Categorized by aging

Unit: yuan Currency: RMB

Aging	Closing book balance
Within 1 year	
Subtotal	953,821,925.11
1-2 years	100,110.00
2-3 years	55,549,173.00
Over 3 years	259,254.66
Total	1,009,730,462.77

b. Categorized by nature

Unit: yuan Currency: RMB

Nature	Closing book balance	Opening book balance
Operating receivable	665,830.66	784,899.62
Cash pledge and guarantee deposit	259,200.00	200,000.00
Related party- fund transfer	980,333,632.11	832,356,370.02
Receivables from disposal of investment	28,471,800.00	28,471,800.00
Total	1,009,730,462.77	861,813,069.64

c. Bad debt provision accruing

Unit: yuan Currency: RMB

Bad debt provision	First stage	Second stage	Third stage	Total
	Expected credit losses over the next 12 months	Expected credit loss for the entire duration (no credit impairment)	Expected credit loss for the entire duration (credit impairment occurred)	
Balance on January 1, 2019	7,367,110.21			7,367,110.21
Accruing in the reporting period	15,537,605.45			15,537,605.45
Reversing back in the reporting period	17,280.00			17,280.00
Balance on December 31, 2019	22,921,995.66			22,921,995.66

d. Bad debt provision

Unit: yuan Currency: RMB

Category	Opening balance	Changes in current period			Closing balance
		Accruing	Collected or reversed	Charge off or write-off	
Aging	7,367,110.21	15,537,605.45	17,280.00		22,921,995.66
total	7,367,110.21	15,537,605.45	17,280.00		22,921,995.66

Of which, collecting or reversing important bad debt provision

Unit: yuan Currency: RMB

Company	Reversed or collected	Way of collection
Customer 1	17,280.00	Returned money
Total	17,280.00	/

e. Top 5 other receivables

Unit: yuan Currency: RMB

Company	Type	Closing balance	Aging	% of closing balance of total other receivables	Closing balance of bad debt provision
1	account current	84,249,163.45	within 1 year	8.34	
2	account current	82,575,553.35	within 1 year	8.18	
3	account current	82,259,763.10	within 1 year	8.15	
4	account current	73,304,450.20	within 1 year	7.26	
5	account current	70,560,241.07	within 1 year	6.99	
Total	/	392,949,171.17	/	38.92	

3. Long-term equity investment

Unit: yuan Currency: RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investment in subsidiaries	2,113,924,536.04		2,113,924,536.04	1,956,908,795.47		1,956,908,795.47
Investment in associates and joint ventures	2,021,291,294.06	17,900,000.00	2,003,391,294.06	1,345,858,751.30	17,900,000.00	1,327,958,751.30
Total	4,135,215,830.10	17,900,000.00	4,117,315,830.10	3,302,767,546.77	17,900,000.00	3,284,867,546.77

A. Investment in subsidiaries

Unit: yuan Currency: RMB

Company	Opening balance	Increase in current period	Decrease in current period	Closing balance
Haicheng Wellhope Feed	12,526,045.83	94,470.00		12,620,515.83
Tai'an Wellhope Feed	33,004,797.91	55,107.50		33,059,905.41
Shenyang Wellhope Ruminant Feed	5,554,147.92	495,967.50		6,050,115.42
Liaoning Wellhope Agriculture and Animal Husbandry	47,115,974.95	425,115.00		47,541,089.95
Shenyang Nongda	44,231,529.17	362,135.00		44,593,664.17

Wellhope Feed				
Xingcheng Wellhope Feed	82,523,989.59	275,537.50		82,799,527.09
Dalian Wellhope Feed	42,123,304.16	267,665.00		42,390,969.16
Jinzhou Wellhope Feed	17,021,247.92	244,047.50		17,265,295.42
Changtu Wellhope Feed	3,000,000.00			3,000,000.00
Shenyang Wellhope Extruded Feed	33,003,427.08	39,362.50		33,042,789.58
Shenyang Wellhope Aquatic Feed	15,023,304.17	267,665.00		15,290,969.17
Shenyang Wellhope Agri-Tech	82,186,362.50	850,230.00		83,036,592.50
Shenyang Wellhope Poultry	5,483.33	62,980.00		68,463.33
Gongzhuling Wellhope Agri-Tech	35,033,585.42	480,222.50		35,513,807.92
Jilin Wellhope Agri-Tech	16,052,135.42	196,812.50		16,248,947.92
Gongzhuling Wellhope Ruminant Feed	5,006,854.17	78,725.00		5,085,579.17
Sanjiang Wellhope Agri-Tech	21,190,803.31	23,617.50		21,214,420.81
Mudanjiang Wellhope Agri-Tech	23,255,122.96	31,490.00		23,286,612.96
Heilongjiang Wellhope Agri-Tech	120,073,339.58	802,995.00		120,876,334.58
Beijing Helai Sci-Tech	25,040,439.59	432,987.50		25,473,427.09
Beijing Wellhope Agri-Tech	5,000,000.00	94,470.00		5,094,470.00
Huai'an Wellhope Feed	30,021,247.92	244,047.50		30,265,295.42
Gansu Wellhope Agri-Tech	40,007,539.58	110,215.00		40,117,754.58
Henan Wellhope Agri-Tech	52,649,754.16	393,625.00		53,043,379.16
Lankao Wellhope Agri-Tech	43,006,854.17	78,725.00		43,085,579.17
Shenyang Huaweida Animal Health Product	6,168.75	70,852.50		77,021.25
Jilin Wellhope Hog Breeding	15,000,000.00			15,000,000.00
Shenyang Expert Trading	30,000,000.00			30,000,000.00
Shenyang Jiahe Tianfeng Commerce and Trade	10,012,337.50	133,832.50		10,146,170.00
Liaoning Expert Trading	50,057,575.00	23,842,357.50		73,899,932.50
Shenyang Pufeng Commerce and Trade	15,499,788.72			15,499,788.72
Liaoning Wellhope Purchasing & Trading	30,022,618.75	259,792.50		30,282,411.25
Hainan Wellhope Agri-Tech	25,000,000.00	13,164,884.20		38,164,884.20
Liaoning Skyland	28,559,595.83	110,215.00		28,669,810.83

Livestock Equipment				
Shenyang Fame Bio-Tech	20,154,131.85	346,390.00		20,500,521.85
Pingyuan Wellhope Food	147,273,304.17	267,665.00		147,540,969.17
Pingyuan Wellhope Agri-Tech	21,933.33	251,920.00		273,853.33
Kaifeng Meat Food	100,000,000.00			100,000,000.00
Wellhope Food (Shenyang)	3,002,741.67	2,157,450.00		5,160,191.67
Liaoning Godaji E-commerce	10,009,595.83	488,095.00		10,497,690.83
Linxi Helai Agri-Tech		9,023,617.50		9,023,617.50
Xi'an Linfeng Shengyi Trading		2,000,000.00		2,000,000.00
Lingyuan Wellhope Agri-Tech	16,671,247.91	244,047.50		16,915,295.41
Haicheng Xinzhongxin Feed	5,901,808.98	102,342.50		6,004,151.48
Fuyu Wellhope Agri-Tech	46,563,427.08	39,362.50		46,602,789.58
Changchun Wellhope Feed	84,313,585.41	291,282.50		84,604,867.91
Daqing Wellhope Bayi Nongda Animal Sci-Tech	13,730,966.67	165,322.50		13,896,289.17
Beijing Sanyuan Wellhope Agri-Tech	7,155,589.58	1,653,225.00		8,808,814.58
Tangshan Wellhope Feed	40,018,506.25	3,423,331.29		43,441,837.54
Cangzhou Helai Sci-Tech	3,510,281.25	23,617.50		3,533,898.75
Shanxi Wellhope Agri-Tech	40,003,427.08	39,362.50		40,042,789.58
Tangshan Hejia Agriculture and Animal Husbandry	6,510,966.67	13,125,960.00		19,636,926.67
Tangshan Wellhope Sci-Tech	21,002,741.67	31,490.00		21,034,231.67
Shanghai Wellhope Feed	1,980,158.34	322,772.50		2,302,930.84
Pinghu Wellhope Agri-Tech	864,393.75	165,322.50		1,029,716.25
Anhui Wellhope Agri-Tech	32,208,225.00	37,957,450.08		70,165,675.08
Xi'an Wellhope Feed	4,308,945.83	653,417.50		4,962,363.33
Zhengzhou Wellhope Agri-Tech	3,918,966.67	125,960.00		4,044,926.67
Zhumadian Wellhope Agri-Tech	9,006,854.17	55,107.50		9,061,961.67
Nanyang Wellhope Feed	11,039,039.89	86,597.50		11,125,637.39
Jiaozuo Wellhope Feed	49,154,797.92	55,107.50		49,209,905.42
Jingzhou Wellhope	21,152,676.92	291,282.50		21,443,959.42

Agri-Sci-Tech				
Qingdao Wellhope Agri-Tech	28,531,529.16	362,135.00		28,893,664.16
Jining Wellhope Agri-Tech	19,609,595.83	141,705.00		19,751,300.83
Yunnan Wellhope Feed	4,802,741.67	19,481,490.00		24,284,231.67
Fuyu Wellhope Taolaizhao Poultry Raising	5,628,741.67	31,490.00		5,660,231.67
Harbin Weierhao Trading	3,574,112.50	396,705.00		3,970,817.50
Changchun Hengfeng Agriculture and Animal Husbandry Equipment	19,191.66	220,430.00		239,621.66
Beijing Brilliant Dragon Commerce and Trade	17,820.83	204,685.00		222,505.83
Shanghai Hehong Trading	978,506.25	212,557.50		1,191,063.75
Jinan Xinweita Trading	13,708.33	157,450.00		171,158.33
Zhangwu Wellhope Agriculture	1,800,000.00			1,800,000.00
Tongliao Wellhope Tianyi Prataculture	10,200,000.00			10,200,000.00
Chongqing Dahong Agriculture and Animal Husbandry Equipment	9,595.83	110,215.00		119,810.83
Guangzhou Xiangshun Livestock Equipment	2,954,112.50	47,235.00		3,001,347.50
Dalian Huakang Xinxin Food	10,504,868.75	1,204,492.50		11,709,361.25
Dalian Heyuan Agri-Tech	51,056,889.58	653,417.50		51,710,307.08
Dalian Zhongjia Food	15,764.58	181,067.50		196,832.08
Shenyang Huakang Broiler	1,727,416.67	425,115.00		2,152,531.67
Shenyang Huakang Xinxin Food	1,721,933.33	251,920.00		1,973,853.33
Shenyang Huakang Agriculture and Animal Husbandry	61,687.50	708,525.00		770,212.50
Changchun Wellhope Food	8,513,708.33	157,450.00		8,671,158.33
Dehui Wellhope Agri-Tech	4,112.50	47,235.00		51,347.50
Weifang Wellhope New Hesheng Feed	12,750,000.00		12,750,000.00	
Puyang Wellhope Food	20,017,135.42	196,812.50		20,213,947.92
Luohe Hongfeng Poultry	4,080,000.00		4,080,000.00	
Puyang Wellhope Agri-Tech	4,112.50	47,235.00		51,347.50
Kaifeng Wellhope Agriculture and Animal	4,112.50	47,235.00		51,347.50

Husbandry				
Liaoning Wellhope Food	30,013,708.33	31,490.00		30,045,198.33
Russia Wellhope Agri-Tech	1,000,000.00	10,700,000.00		11,700,000.00
Chongqing Wellhope Agri-Tech		1,500,000.00		1,500,000.00
Nanchang Wellhope Agri-Tech		3,250,000.00		3,250,000.00
Hengyang Wellhope Agri-Sci-Tech		4,600,000.00		4,600,000.00
Shulan Fengtai Agriculture and Animal Husbandry		6,000,000.00		6,000,000.00
Shulan Fengtai Raising		5,100,000.00		5,100,000.00
Total	1,956,908,795.47	173,845,740.57	16,830,000.00	2,113,924,536.04

B. Investment in associates and joint ventures

Unit: yuan Currency: RMB

Company	Opening balance	Increase or decrease in current period				Closing balance	Closing balance of impairment provision
		Additional investment	Gains or losses on investments recognized under equity method	Adjustment of other comprehensive income	Declaring of paying dividend or profit		
1. Joint Venture							
Unphung Joint Venture Company	4,167,616.44					4,167,616.44	
Nepal Wellhope Agri-tech Pvt. Ltd.	7,501,575.10					7,501,575.10	
NEXUS WELL-HOPE AGRITECH INTERNATIONAL LIMITED							17,900,000.00
Subtotal	11,669,191.54					11,669,191.54	17,900,000.00
2. Associated Company							
Qingdao Shenfeng	15,869,483.64		1,454,165.33		3,750,000.00	13,573,648.97	
Anshan Jiuguhe Food	100,654,669.42		56,770,119.35		4,986,360.00	152,438,428.77	
Tai'an Jiuguhe Agriculture	64,730,262.77		51,548,986.17		4,986,360.00	111,292,888.94	
Linghai Jiuguhe Feed	33,937,715.81		32,265,495.00		3,800,000.00	62,403,210.81	
Huludao Jiuguhe Food	57,876,002.94		26,905,668.40		14,060,000.00	70,721,671.34	
Dandong Wellhope Chengsan Food	34,766,209.71		17,848,604.52			52,614,814.23	
Dandong Wellhope Chengsan Agri-Tech	55,170,432.87		57,082,842.71			112,253,275.58	
Haicheng New	11,305,724.87		1,544,312.96			12,850,037.83	

Hongzunda Agri-Tech						
Beipiao Hongfa Food	251,972,960.58		200,951,677.50		10,780,000.00	442,144,638.08
Beijing Dahong Hengfeng Sci-Tech	16,852,987.18		3,234,994.94			20,087,982.12
Tai'an Jiufeng Agri-Tech	498,065.13		5,453,739.37			5,951,804.50
Schipper (Beijing)	1,081,661.30		189,216.47			1,270,877.77
Shenyang Wenjie Bio-Tech	12,057,026.09		385,878.90			12,442,904.99
Huluodao Jiuguhe Feed	25,048,412.84		20,766,810.51		3,800,000.00	42,015,223.35
Jinzhou Jiufeng Food	30,001,627.45	1,600,000.00	16,874,865.04			48,476,492.49
Zhangjiakou Jiahe Agriculture and Animal Husbandry	60,757,671.84		7,387,637.15			68,145,308.99
Tai'an Fengjiu Agri-Tech	5,380,308.75		32,457,229.14			37,837,537.89
Anshan Fengsheng Food	20,445,173.72		9,985,131.04			30,430,304.76
Dalian Chengsan Animal Husbandry	251,767,836.43		102,186,395.46			353,954,231.89
Tailai Jiahe Agriculture and Animal Husbandry	21,155,152.08	35,000,000.00	-29,020,598.46			27,134,553.62
Gongzhuling Corn Purchasing and Storing	49,529,442.90		73,476.56			49,602,919.46
Lankao Skyland Duck Meat	39,310,461.52	16,000,000.00	3,632,096.32		6,323,784.29	52,618,773.55
Hainan Nongken Wenfeng Wenchang Chicken	401,914.99	1,225,000.00	-555,372.59			1,071,542.40
Dunhua Wellhope Agri-Tech	3,434,662.23		744,009.02			4,178,671.25

Dunhua Fengda Agriculture and Animal Husbandry	1,914,892.90		1,071,704.24			2,986,597.14	
PT KARKA NUTRI INDUSTRI.	36,985,298.13		391,923.84	1,621,517.75		38,998,739.72	
GOLDEN HARVESTA INC.	101,827,983.03		-146,867.14	3,250,109.93		104,931,225.82	
Guangrong Xinchuang	12,471,059.83	30,727,497.50	2,051,975.84	2,366,929.34		47,617,462.51	
Shenyang Zhongwenjie Bio-Tech		4,000,000.00	60,534.77			4,060,534.77	
Shulan Fengtai Organic Fertilizer		1,500,000.00				1,500,000.00	
Weifang Wellhope Xinhe sheng Feed	-915,541.19	5,000,000.00	433,018.60			4,517,477.41	
Liaoning Mubang Animal Husbandry Equipment Manufacturing			1,791,476.38			1,791,476.38	
Anshan Yufeng Feed			-193,154.81			-193,154.81	
subtotal	1,316,289,559.76	95,052,497.50	625,627,992.53	7,238,557.02	52,486,504.29	1,991,722,102.52	
Total	1,327,958,751.30	95,052,497.50	625,627,992.53	7,238,557.02	52,486,504.29	2,003,391,294.06	17,900,000.00

4. Operating revenue and cost

Unit: yuan Currency: RMB

Item	2019		2018	
	Revenue	Cost	Revenue	Cost
Revenue from principal businesses	649,240,507.19	439,956,536.80	622,265,592.28	414,962,519.59
revenue from other businesses	3,933,237.72	572,078.38	1,300,675.25	627,211.36
Total	653,173,744.91	440,528,615.18	623,566,267.53	415,589,730.95

5. Return on investment

Unit: yuan Currency: RMB

Item	2019	2018
Income from long-term equity investments under cost method	71,426,000.00	46,691,821.24
Income from long-term equity investments under equity method	625,627,992.53	283,297,787.16
Income from disposal of long-term equity investments	-4,079,999.00	-12,064,078.53
Income from disposal of financial assets that are measured at fair value and its changes are recorded in current gains and losses	2,735,905.66	3,190,994.45
Income from disposal of other equity instrument investments	100,000.00	
Income from tradable financial assets during the holding period	3,545,198.63	
Total	699,355,097.82	321,116,524.32

XVII. Supplementary Information

1. Non-recurring gains and losses in 2019

Unit: yuan Currency: RMB

Item	Amount	Note
Gains or losses from disposal of non-current assets	-3,146,106.63	
Government grants charged to current gains or losses (excl. the government grants which 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 policies)	22,363,695.79	
Income generated from investment costs for acquiring subsidiaries, associated companies and joint ventures are less than the fair value of the investee's net identifiable assets acquired by the Company	1,844.71	
Gains or losses on fair-value changes in trading financial assets and liabilities, derivative financial assets and liabilities, and the 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 that arise in the Company's ordinary course of business)	4,418,219.50	
Non-operating income and expense other than those described above	-15,858,496.27	
Other gain and loss items that meet the definition of non-recurring gains and losses	820,378.27	After the Company losing the control right to Weifang Wellhope Xinhesheng Feed Co., Ltd. in current period, the

		gains generated by the residual equity re-measured by the fair value
Income tax effects	-4,200,204.18	The main reason for the large income tax effect is that, there is a large loss on asset disposal and retirement by scrapping of Anhui subsidiary, but the income tax rate is 0
Non-controlling interests effects	3,972,264.26	
Total	8,371,595.45	

2. Return on equity and earnings per share

Profit in 2019	Weighted average ROE %	EPS	
		Basic EPS	Diluted EPS
Net profit attributable to common shareholders of the Company	24.57	1.34	1.34
Net profit attributable to common shareholders of the Company after deducting non-recurring gains and losses	24.40	1.33	1.33

Section XII Reference

Reference file directory	Financial statements with 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.
Reference file directory	The original audit report with the seal of the accounting firm and the signature and seal of the CPA.
Reference file directory	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: March 31, 2020