

Stock Code: 603609

Stock Abbreviation (English): Wellhope

Wellhope Foods Co., Ltd.
2020 Annual Report



March 2021

Important Statements

I. The Board of Directors, Supervisory Board, Directors, Supervisors and Senior Management of 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 Directors attended the Board Meeting.

III. Suyajincheng CPA LLP has issued a standard audit report for Wellhope.

IV. Wellhope'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 dividend plan for the reporting period has been deliberated by the Board of Directors.

The plan for 2020 dividend distribution will be: based on total share capital on the equity registration date, Wellhope plans to pay dividends of RMB 2.20 yuan per 10 shares (tax included) to all shareholders. This dividend plan has been 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 such as 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 shareholder and his related parties.

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

IX. Material Risk Warning

Wellhope describes possible risks in detail, 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 2020 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, the Company	refers to	Wellhope Foods Co., Ltd.
Reporting Period	refers to	January 1, 2020-December 31, 2020
The end of the reporting period	refers to	December 31, 2020
Royal De Heus	refers to	Koninklijke De Heus B.V., the parent company of De Heus Mauritius Ltd., the biggest privately-owned feed company in the Netherlands
Company Constitution	refers to	The Constitution of Wellhope Foods Co., Ltd.
Shareholders' Meeting	refers to	The Shareholders' Meeting of Wellhope Foods Co., Ltd.
Board of Directors	refers to	The Board of Directors of Wellhope Foods Co., Ltd.
Supervisory Board	refers to	The Supervisory Board of Wellhope Foods 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

Section II Company Profile and Key Financial Information

I. Company Information

Company name (English)	Wellhope Foods Co., Ltd.
Abbreviation (English)	Wellhope
Company name (Chinese)	禾丰食品股份有限公司
Abbreviation (Chinese)	禾丰股份
Legal Representative	Jin Weidong

II. Contact Person

	Secretary of the Board	Representative of Securities Affairs
Name	Zhao Xin	Zhao Changqing
Address	No. 169, Huishan Street, Shenbei New District, Shenyang, Liaoning Province, China	No. 169, Huishan Street, Shenbei New District, Shenyang, Liaoning Province, 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 Province, China
Postal code	110164
Office address	No. 169, Huishan Street, Shenbei New District, Shenyang, Liaoning Province, 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

V. Stock Information

Stock information			
Stock type	Stock exchange for IPO	Stock abbreviation	Stock code
A share	Shanghai Stock Exchange	Wellhope(禾丰股份)	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 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 representative	Xu Hailin, He Yu
	Period of conducting continuous supervision	2020

VII. Key Accounting Data and Financial Performance Indicators in the Latest Three Years**1. Key accounting data**

Unit: yuan Currency: RMB

Item	2020	2019	Year-on-Year change %	2018
Operating revenue	23,817,600,766.26	17,792,091,973.58	33.87	15,750,798,120.67
Net profit attributable to the shareholders of the Company	1,235,162,151.48	1,199,347,355.96	2.99	551,928,618.35
Net profit attributable to the shareholders of the Company deducting extraordinary items	1,230,677,435.86	1,190,975,760.51	3.33	542,459,604.74
Net cash flow from operating activities	765,945,453.03	1,111,605,966.58	-31.10	501,404,915.59
	As at the end of 2020	As at the end of 2019	Year-on-Year change %	As at the end of 2018
Net assets attributable to the shareholders of the Company	6,752,397,489.35	5,698,139,557.54	18.50	3,851,915,758.64
Total assets	11,646,508,203.99	9,149,772,043.85	27.29	6,930,694,562.43

2. Key financial performance indicators

Item	2020	2019	Year-on-Year change %	2018
Basic earnings per share (yuan per share)	1.34	1.34	0.00	0.66
Diluted earnings per share (yuan per share)	1.34	1.34	0.00	0.66
Basic earnings per share deducting extraordinary items (yuan per share)	1.33	1.33	0.00	0.65
Weighted average return on equity (%)	19.93	24.57	Decreased 4.64 percentage points	15.30
Weighted average return on equity deducting extraordinary items (%)	19.86	24.40	Decreased 4.54 percentage points	15.04

VIII. Key Financial Figures by Quarters in 2020

Item	Unit: yuan Currency: RMB			
	Q1	Q2	Q3	Q4
Operating revenue	4,457,455,800.34	5,390,924,051.94	7,009,559,518.56	6,959,661,395.42
Net profit attributable to the shareholders of the Company	303,680,389.66	302,335,346.35	322,168,482.30	306,977,933.17
Net profit attributable to the shareholders of the Company deducting extraordinary items	303,734,949.01	298,855,270.78	317,160,086.57	310,927,129.50
Net cash flow from operating activities	-40,329,752.04	491,725,779.82	-168,590,314.05	483,139,739.30

IX. Extraordinary Items

Item	Unit: yuan Currency: RMB		
	2020	2019	2018
Gains or losses on disposal of non-current assets	3,169,342.06	-3,146,106.63	-3,713,387.32
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)	33,102,019.89	22,363,695.79	19,471,241.10
Income generated from the investment costs for acquiring subsidiaries, associated companies and joint ventures being 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
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)	-148,741.92	4,418,219.50	2,821,414.45
Non-operating income and expense other than those described above	-24,964,468.42	-15,858,496.27	-3,208,527.84
Other items that meet the definition of deducting extraordinary items		820,378.27	
Non-controlling interests' effects	-3,449,600.51	3,972,264.26	-590,792.81
Income tax effects	-3,223,835.48	-4,200,204.18	-4,163,566.50
Total	4,484,715.62	8,371,595.45	9,469,013.61

X. Item Measured at Fair Value

Unit: yuan Currency: RMB

Item	Opening balance	Closing balance	Change	Effects on current profit
Derivative financial assets	3,912,584.30	4,725,552.30	812,968.00	-1,397,309.00
Total	3,912,584.30	4,725,552.30	812,968.00	-1,397,309.00

Section III Business Overview

I. Primary Business, Operation Model and Circumstance of Industries in the Reporting Period

Wellhope is one of the renowned large-scale enterprises across domestic agriculture and animal husbandry industries, primary businesses cover animal feed, feed raw materials trade, broiler integration, and swine raising, it is also involved in veterinary drug, farming equipment manufacturing, pet clinic, etc. In 2018, Wellhope identified food business as its strategic business, which is now in full swing implementation. Since establishment, Wellhope has always adhered to its corporate mission, i.e., "Through advanced technology, professional service, and high-quality products, Wellhope is devoted to the development of China's animal husbandry industry, resources conservation, environment protection, as well as food security for the benefit of people", and all Wellhope people hold together to set sights on becoming one of the world's leading enterprise across agriculture, animal husbandry, and food industries.

During the reporting period, the primary businesses of Wellhope have not changed significantly.

Primary business	Feed	Broiler integration	Swine raising
Primary products	Swine, poultry, ruminant, aquatic feed	Live broiler, broiler parts products	Finisher, piglet, pig breeders
Operation model	Sales model -dealer, direct sales Operation model -R&D, purchasing, production, marketing, service	Industrial chain -covering broiler breeder raising, day old chick hatching, feed processing, commercial broiler rearing, slaughtering and processing, further processing of prepared food and cooked food Raising model of commercial broiler -own farms together with contract farms(outsourcing)	Industrial chain -covering a complete swine breeding system, including great grandparent, grandparent and parent stock, piglet, and commercial swine Raising model of finisher -own farms together with contract farms(outsourcing)
Business distribution	29 provincial-level administrative regions	Liaoning, Jilin, Henan, Hebei, and Shandong provinces	Liaoning, Jilin, Heilongjiang, Anhui, Hebei, and Henan provinces

1. Animal feed, feed raw materials trade businesses

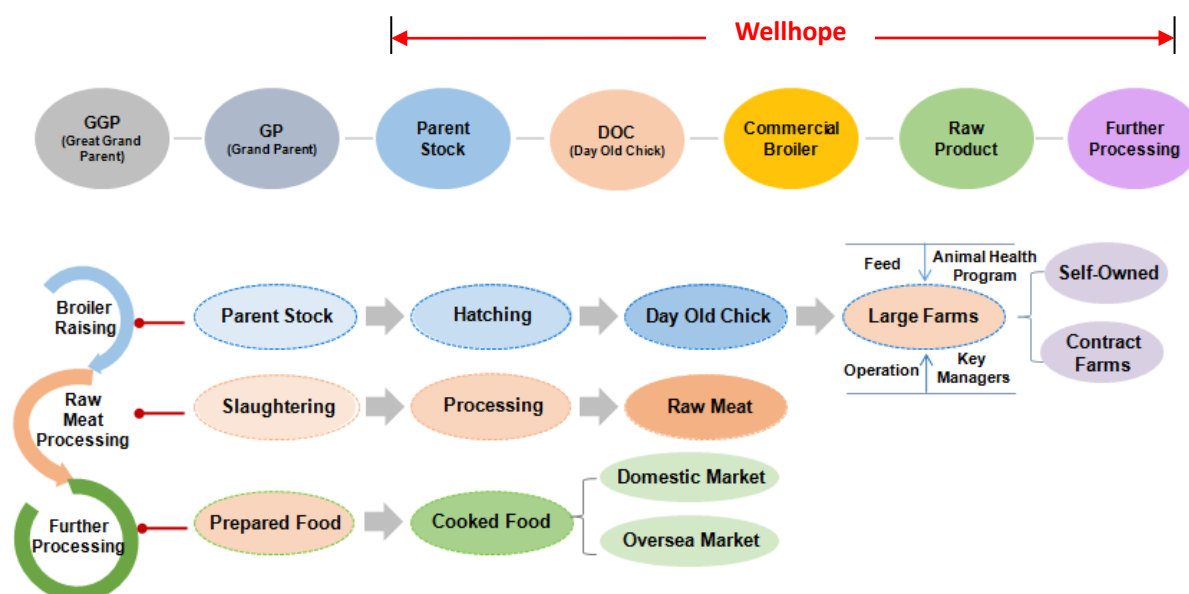
Wellhope produces and sells animal feed for swine, poultry, ruminant, aquatic and fur-farmed animals, which are marketed in 29 provinces and regions across China. It has also built feed mills in Nepal, Indonesia and the Philippines, etc. Driven by the concept of "constantly working on new products, never following the beaten path", Wellhope always designs tailored products for animals in different phases, and it is committed to offering farmers integrated services such as animal raising, disease prevention and operation management, while helping farmers achieve desirable economic returns.

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

vaccines and veterinary drugs produced by global strategic suppliers. Now the trade business is active in the regions of Northeast, North, East, South, and Southwest regions across China, some products have been exported to Nepal, Mongolia and other countries.

2. Broiler integration business

Wellhope has invested more than 50 holding and associated entities in the value chain of broiler integration, which are mainly located in the provinces of Liaoning, Hebei, Henan, Jilin and Shandong, etc. Wellhope's broiler integration business, with three business sectors in terms of broiler raising, meat processing and further processing, contains all parts in the industrial chain, including broiler breeders raising, day-old chick hatching, feed production, commercial broiler rearing, slaughtering and processing of raw meat, further processing of prepared and cooked food. Through standardized management and streamline operation, Wellhope, cooperating with its partners, consolidates the controls of bio-safety, drug residue and in-process hygiene to achieve traceable food safety. Based on the number of broilers slaughtered by holding and associated factories, Wellhope has stepped into the first echelon of white feather broiler industry and become one of the leading suppliers of broiler products nationwide.



◆ **Broiler raising:** This sector covers broiler breeder raising, day-old chick hatching, commercial broiler rearing and feed processing. By formulating scientific and rational feeding programs, light programs and comprehensive disease prevention systems, Wellhope provides high-quality eggs for its hatching farms. Meanwhile, it has established thorough management systems in the hatching process and purchased intelligent facilities that are available for hatching in batches, also equipped with high-efficient and energy-saving hatcher and micro-environment control system for producing healthy day-old chicks. Entering commercial broiler sector, Wellhope mainly raises broiler by self-invested farms and contract(out-sourcing) farms under the pattern of standardized management by unifying nine aspects.

All these farms apply three-tier cages and automate all the processes from feed intake, water supply, temperature to moisture control, etc. The average weight of Wellhope's commercial broiler has reached 3.0 kg with the livability of over 96%, and the European production index exceeded 390, which have received wide recognitions from the cooperative farms.

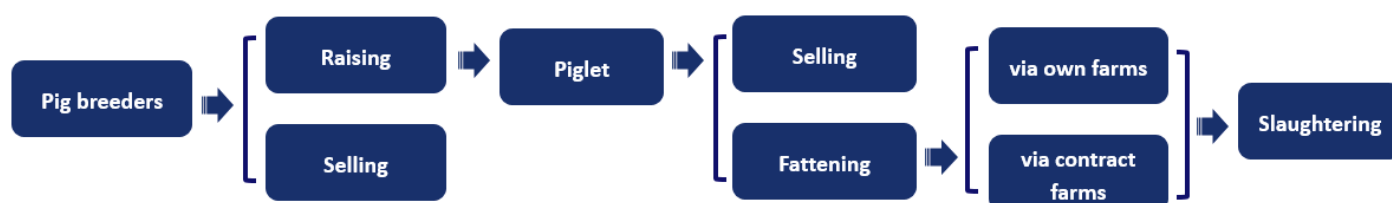
◆**Raw meat processing:** Wellhope has set up 17 holding and associated slaughtering and processing factories, which are equipped with domestically state-of-the-art production lines that are available to slaughter 800 million broilers per year. Driven by strict all-in and all-out inspection and quarantine as well as drug residue detection, every single factory has established a total quality guarantee system and traceability system to monitor all the processes. Meanwhile, Wellhope constantly strengthens 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. Now Wellhope's broiler parts products have entered the supply chain of Shineway Group, Jinluo Group, Yurun Group, China's McDonalds and KFC, Yoshinoya, Wallace, Dili Fresh Food, Yonghui Superstores, RT-MART, other regional large food distributors, fresh markets and food processing plants, etc. In the meantime, broiler products have also been sold to the regions of Hong Kong and Macao, and exported to some countries such as Mongolia and Bahrain, etc.

◆**Further processing:** Relying on the advantage of integration, Wellhope uses high-quality chicken supplied by own slaughterhouses as raw materials and installs efficient and energy-saving equipment to process raw meat into prepared products. At present it supplies over 100 kinds of further-processed chicken products to central kitchens of restaurant chains, corporate and school canteens, supermarkets and convenience stores. In terms of online marketing, Wellhope's flagship store of food products has been launched on Taobao and JDcom, whilst some of its independent-brand products produced by Wellhope's subordinated companies have also been marketed via community e-commerce platforms. In addition, due to ever-growing demand from consumers, Wellhope has been vigorously expanding its export business of cooked products, and such products have successfully penetrated the Japanese and Korean markets with good response.

3. Swine raising business

By carefully considering industry trends and own strengthens, Wellhope has ventured swine raising business in 2016. Through solely-invested and co-invested operations, it has built farms and expanded businesses in some predominant regions suitable for raising swine, such as Liaoning, Jilin, Heilongjiang, Henan, Hebei, and Anhui provinces. Among these projects, those farms located in Hebei and Heilongjiang provinces are jointly built by Wellhope and Hunan Jiahe Agriculture and Animal Husbandry Company, top 15 in national swine raising industry, whilst farms located in Anhui province are jointly invested with Anhui Haoxiang Agriculture and Animal Husbandry Company, a leading enterprise in agricultural integration in Anhui province and a member of the National Swine Joint Breeding

Cooperative Group, other farms are invested by Wellhope solely. At present, Wellhope's swine raising business mainly adopts the operation model that composes of pig breeders raising and sales, commercial piglet selling plus fattening via own farms and contract farms (such as leasing, agent construction, cooperative farming base). At the same time, each region set up boar house to reserve excellent boars to maintain breeding advantage. Through establishing comprehensive and strict bio-safety systems, advanced breeding systems and scientific feeding management systems, Wellhope is devoted to crafting an integrated chain that contains breeding, swine raising, slaughtering and processing.



A. Building farms with high standard

Wellhope insists on constructing farms in compliance with the principle of moderate scale for every single farm, whilst it strictly designs bio-safety systems driven by the philosophy of beginning with the end in mind. All newly-built and under-construction projects adopt advanced production process and farming equipment, while using intelligent feeding system, environmental control equipment, and production management software to improve productivity and create a comfortable environment for swine.

B. Holistic operation

a. In terms of genetic selection and breeding. Wellhope introduces high-quality pig breeders with French, American and Danish genes to match different business areas to provide parent stock with pure blood and clear pedigree. At the same time, by establishing scientific breeding programs, Wellhope continuously optimizes the structures of breeding stock to ensure the source of excellent breeders, so as to enhance its competence in swine raising industry.

b. In terms of feeding management. Wellhope has established a dynamic management system for feeding swine. It covers feed nutrition and raw material database, feed processing and product quality database as well as production performance database, in combination with dynamic formulation technology, large-scale pig farm feeding management technology and bio-safety prevention technology to provide systematic nutrition solutions for farms. Meanwhile, through continuous measures such as data collection and analysis, result tracking, Wellhope is capable to accurately optimize nutrition programs, refine internal management and risk warning to improve feeding performance.

c. In terms of bio-safety prevention. After more than two years of exploration and experimentation,

Wellhope has established the bio-safety management system that consists of small group feeding, four-zone control, three-level disinfection, precise detection and monitoring with alarm system. For instance, various levels of security systems, such as service centers and disinfection areas have been set up outside the farms. Professional staff disinfect people, vehicles and materials thoroughly step by step. Regarding inside farms, all these farms have been divided into zones with different safety levels corresponding to quarantine and isolation remedy, with installation of AI identification and surveillance cameras at key links and spots of bio-safety. The visualization management helps ensure enforcement of bio-safety measures. Moreover, each business unit has set up laboratories specialized in testing African swine fever, which apply techniques like fluorescence quantitative PCR to achieve precise detection, discovery and elimination to safeguard pig farms.

4. The Company's position in the involved industries

Wellhope has obtained the honorary titles of National Leading Enterprise in Agricultural Integration Industry, National-recognized Enterprise Technology Center, National High-Tech Enterprise. Since completing IPO in 2014, Wellhope has been elected as Top 100 Most Valuable Corporation of Chinese Public Companies for four times and ranked on China's Top 500 Private Enterprise for four times. Meanwhile, it holds a leading position in the Northeast regions of China, whilst has also become a highly influential brand in North, East, Central and Northwest regions across China. Regarding feed business, Wellhope is the Vice Chairman of China Feed Industry Association, and has been awarded as National Top 10 Leading Feed Enterprise, with a higher sales volume of commercial feed in China. Regarding broiler integration, Wellhope's broiler integration business has been developing rapidly in recent years. Based on the number of broilers slaughtered and processed by holding and associated companies, Wellhope is now among the top rank of China's white feather broiler industry.

5. Development situation of the industries

Wellhope has analyzed the development circumstances of feed, broiler and swine raising industries during the reporting period, which are detailed in Section IV "Business Operations Analysis" hereof.

II. Core Competence Analysis within the Reporting Period

The core competencies of Wellhope are embodied in a highly educated, loyal and enterprising management team, integrated with rationally planned and development-oriented business strategies, a sophisticated and advanced industrial chain, widespread adoption of a systematic and scientific-based innovative R&D system, constantly enhanced and increasingly matured brand influence, coupled with highly energized and dynamic corporate culture that powers the development of Wellhope.

1. A highly educated, loyal and enterprising management team

Talented people are the primary resources and the competitive core of Wellhope. The highly-educated management team, led by seven cofounders, all with professional backgrounds, abundance of experiences and practices in management and animal husbandry industries, are highly capable of grasping the business environment accurately, formulating the development strategy scientifically, and

have deep insights and high recognitions of Wellhope's core values and business philosophy. The seven cofounders, who are praised as the "Seven Pioneers of the Industry", have always held strong and fought together. They are united and stable, and have been working hard at the frontline of operation and management, making concerted efforts to move forward. Almost all the middle and senior managers are internally selected and promoted by Wellhope, these core members have been rewarded with various incentives, and they have a strong sense of ownership and devote themselves entirely for the sustainable development of the Company. For the past 26 years, the management team has managed to maintain a high degree of stability, almost none of the chief director and higher-level managers leave the Company, less those who were reassigned to other positions due to substandard performance. 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, continue to forge ahead, having become the backbone force of the management team. Wellhope also attaches great importance to the continuous learning and ability improvement of these managers, by setting up various senior training programs such as the EDP (Executive Development Program), leadership training camp, etc. At the same time, it also provides opportunities to broaden managers' horizons, such as mutual investigations and exchanges with both domestic and overseas outstanding enterprises. The main cause of failure of some domestic companies is due to the "unstable and disunited management team". In contrast, the highly educated, loyal and enterprising management team is one of Wellhope's core competitive advantages at present and in the future, and it is also the main reason why the Company is so confident about the future.

Continuous growth of talents and talent introduction can be attributed to Wellhope's human resource policy. In terms of talent introduction, Wellhope always adheres to the principle of high-standard recruitment and upholds the core culture of "knowledge is power, unity is strength". In terms of talents training, Wellhope formulates progressive training system with dual-channel career paths, one being streamlined to become managers, and the other being technical experts, based on its strategic goals and in tandem with staff's career development and progression. In terms of talents incentives, Wellhope continuously improves compensation policy by providing a fair, just and merit-based environment for rewarding employees. It also utilizes a "double appraisal system (job skill appraisal and work performance appraisal)", "performance analysis", "sudoku analysis" and other methods to assess team members. In the meantime, driven by the concept of "sharing bumper harvest", Wellhope shares its development achievements with staff in various ways, such as holding shares in parent company and its subsidiaries, profit sharing and elasticity welfare. In 2018, Wellhope initiated a share incentive program, where 372 identified core talents and key managers were granted restricted shares. Through this program, the interests of Wellhope, its shareholders and key employees have been combined to ensure the sustainable and stable development of the Company and ultimately achieve mutual benefits for all. In the meantime, Wellhope has been echeloning its talents team based on corporation strategies

to build a more competitive and sustainable team to realize long-term goal.

2. Rationally planned and development-oriented business strategies

Based on in-depth understanding of both domestic and global politics, economies and industries' trends, Wellhope has always attached great importance to its sustainable development and risk control, with focus on operational quality and emphasis on profitable investment return from new projects. Driven by the investment concepts of steady growth, strong sense of responsibility, healthy and sustainable development, Wellhope, rationalizes its business layout and consolidates using a step by step approach, instead of pushing through rash and impulsive investment, to maintain the rationality and safety of its industrial chain and to mitigate all calculated risks faced by enterprise operations, taking the "Built to Last" philosophy as a significant objective.

Rationally planned and development-oriented business strategies reflect in the following aspects.

A. Business divisions

Starting off with the premix business, Wellhope has been dedicated to expanding feed business over the years, at present it has become one of the top 10 commercial feed producers nationwide. In 2008, Wellhope entered broiler integration business after careful thinking. After 13 years of efforts, the number of broilers processed by Wellhope's holding and associated entities have been standing at the forefront of the white feather broiler industry, with its management and key technical indicators ranking top position both at home and abroad. In 2018, in order to seize market opportunities and control operating risks, Wellhope decided to undertake swine raising as a strategic business. Since then, it has been mastering the core competitive advantage of this business through talents cultivation, practice accumulation and cooperating with leading companies. Meanwhile, in the year 2018, Wellhope further recognized its development strategy in the next ten years, i.e., while unceasingly making feed business grow stronger and larger, Wellhope would further boost broiler integration and swine raising businesses to create an operation model powered by these two complementary engines. Such business layout with high risks 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

Wellhope has gradually formed a value chain with high competence and capability of withstanding risk in the fields of animal feed, raising, slaughtering and further processing, which enables all business divisions to closely connect and support each other, reduce the cost of intermediate processes, lower trading risks, improve profit margin, and ensure food safety. Such set up has become a future direction for agricultural companies under an increasingly complex and changing economic and industrial environment.

C. Market expansion

Instead of expanding rapidly in the nationwide markets supported by the success of feed business in Northeast regions and broiler integration business, Wellhope, with rich experiences in market

expansion, insists on exploring new markets based on overall analysis and investigations, carefully penetrating the markets step by step in the Northeast, Northwest, Northern China, Henan, Shandong provinces and other areas, while continuing to pursue asset-light operation, taking into account operational efficiency and returns on investment.

D. Product mix

Wellhope offers a full range of feed products. The sales volume and development of swine, poultry, ruminant and aquatic feed products have reached great height of achievements respectively, which in turn could mitigate operational risks caused by sporadic animal diseases or other cases beyond the Company's control.

E. Financial risk control

Wellhope 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 on risk control. It uses vertical management methods in coping with finances, such as centralized financing and credit management, centralized funds and cash management and centralized management of decision-making for providing guarantees. Due to its outstanding operating indicators and risk control, Wellhope was rated as one of the Top 50 Public Companies with Healthy Financial Position by the Data, a new media platform of China's Securities Times, where only three enterprises involved in agriculture and animal husbandry industries were selected.

3. A sophisticated and advantaged industrial chain

The advantages of Wellhope's industrial chain are mainly reflected in geographical locations and business portfolios.

A. Geographical location

The head office of Wellhope is located at Shenyang in Liaoning province, with its primary businesses mainly involved distribution in Northern China, especially in the Northeast regions. Northeast China is a potential growth area for animal husbandry specially designated by the government, and is thus suitable for agricultural companies to expand their businesses with the availability of ample high-quality raw materials, mild climates, small stocking density and a relatively lower human resource cost. For instance, corn produced by the Northeast regions, characterized by high bulk density, low toxicity and low moisture, enables Wellhope to reduce purchasing costs while ensuring feed product quality. Meanwhile, broiler production in Liaoning, Jilin, Henan, Hebei and Shandong provinces, where Wellhope's broiler integration businesses are mainly located in, account for over 75% of national production, and these areas are the most important regions for developing white feather broiler industry in China, with a strong foundation for broiler raising and more mature marketing system. Moreover, Wellhope is actively exploring overseas markets by building feed mills in the Philippines, Indonesia and Nepal, where animal husbandry is developing well with high potential.

B. Business portfolio

Centered on agriculture and animal husbandry industries, Wellhope adopts the expansion strategies of "diversification and integration" to constantly optimize its business portfolio, which has increasingly heightened its capacity on risk resistance and sustained profitability. In terms of diversification, while strengthening and expanding feed business, Wellhope has been vigorously promoting broiler integration and swine raising businesses to strive to build an operation model powered by these two businesses. The staggered fluctuations in broiler and swine raising industries can effectively weaken risks from any cyclical swing. In terms of integration, the integrated model is an inevitable trend for domestic companies that are active in agriculture and animal husbandry industries. After years of development in raw materials trading, feed production, animal raising, slaughtering and further processing businesses, Wellhope has formed a complete industrial chain with high competitive advantage and risk prevention capability, and it is gradually perfecting its support structure to each business sector in the chain, boldly exploring the field of further food processing to fast complete the industrial chain, while constantly standardizing and optimizing the division and cooperation system to further enhance the synergies among all business sectors.

4. A systematic and scientific-based innovative R&D system

By holding fast to the corporate mission, i.e. "Through advanced technology, professional services, and high-quality products, Wellhope is devoted to the development of China's animal husbandry industry, resources conservation, environmental protection, as well as food security for the benefit of the people", Wellhope's R&D system always adheres to market-oriented and customer-oriented principles as well as upholding the objective of producing "safe products, with stable quality, tailored nutrition and being customer-centric", constantly exploring innovative technology and working on new products.

A. Excellent R&D team

Relying on a relatively complete industrial chain, Wellhope has built a R&D team specializing in animal raising, product formulation, manufacturing and related technologies to focus on feed, broiler integration, swine raising, biological feed additives, etc. Wellhope's R&D team is composed of hundreds of master and doctorate degree holders, professors and senior experts. These experts, with profound knowledge, have transformed many cutting-edge technologies into actual applications. In the meantime, those experienced technicians focus on conducting trials and demonstrations projects to validate, choose and apply the most suitable technologies. Relying on technical strengths, Wellhope has received many national and local-level accreditations and honors, including the Nationally-recognized Enterprise Technology Center, National and Local Joint Engineering Research Center for the Development and Application of New Biological Feed, National R&D Branch Center of Feed Processing, Comprehensive Trial Farm for National Swine Raising Industry Technology System, R&D Center of 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, Wellhope partnered with Royal De Heus, a century-old company from the Netherlands. By drawing on its globally advanced technological resources, leading know-how and a century of excellent management practices, Wellhope has made successful breakthroughs and progresses in producing safe and high-quality feed, with precise and efficient nutritional contents, and most importantly using antibiotic-free technologies. Meanwhile, the R&D teams from both sides have maintained frequent exchanges, which enable Wellhope to keep abreast with the world's latest technologies in R&D achievements. By combining own 26-year's technologies and experiences, Wellhope is committed to providing customers with high quality products and technical service. Adding to these, it has also established various technical cooperation and other collaborative projects with institutions of higher learning such as the "Academician Workstation" and "Official Research Base for Postdoctoral Fellows" to accelerate its R&D capabilities.

C. Top-class testing ability and database

Wellhope's central laboratory has been accredited as National Laboratory by CNAS (China National Accreditation Service for Conformity Assessment), its test results are recognized in 60 countries or regions across the world. Very few feed companies have received this accreditation. The lab has been equipped with advanced testing equipment and divided into three functional rooms to cater for physics and chemistry testing, microbiology testing and precision instruments testing. From micro to macro levels, the central laboratory is able to maintain consistency in quality and plays a vital role in implementing the concept of safety first in every step of the production processes. Wellhope is among one of the very first companies capable of testing for prohibited additives, such as melamine. Meanwhile, it has also established an internal raw material database and shares data resources with the Dutch partner, using advanced regression methods to calculate the energy dynamics of raw materials, based on animal's growth progress and feed intake, to formulate precise nutritional contents with the best cost-effective solutions.

D. Fruitful research and development results

Research and development power the sustainable development of an enterprise. Wellhope has made many fruitful achievements on the road of research and development. By the end of the reporting period, Wellhope has received 117 authorized patents, including 49 invention patents, and won 2 National Science and Technology Progress Awards, 1 National Technology Invention Award and nearly 20 provincial and ministerial-level sci-tech awards. Relying on fruitful achievements in the field of antibiotic-free feed, Wellhope has won quite a few coveted awards, such as Top 10 Innovation Enterprises regarding Antibiotic-free Technology and Its Alternatives, Outstanding Enterprise regarding Antibiotic-free Feed in China's Swine Raising Industry Ecosphere, Pioneer Award of Antibiotic-free Creep Feed in the 9th Session of Creep Feed Development Summit Forum. Meanwhile, Wellhope's "WIN Plus" nursery feed has won the prestigious prize of being crowned as "China's Good Feed

2020-Pioneer Antibiotic-free Feed Brand". This is one of the most important products in the application of Antibiotic-free feed, and was highly acknowledged by farmers after it was launched into the market.

(See Section IV - Description of R&D Input for details)

5. Constantly enhanced and increasingly matured brand influence

Wellhope has successfully established its product and corporate brand in domestic agriculture and animal husbandry industries for the past 26 years. With the constant transformation and upgrading of the animal husbandry industry, its branding will be further strengthened.

A. Product brand

Relying on leading-edge technology, high quality products and continuous improvement in customer service over the years, Wellhope's brands have been widely accepted and trusted by customers in the market, especially in the Northern regions of China. The branding of Wellhope can also be witnessed from the positive growth of feed sales volume in 2020 and the rapid development of broiler integration business. Meanwhile, the brand "Wellhope" has been recognized and 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, Governor's Quality Award of Liaoning Province.

B. Corporate brand

Driven by the core values of "Integrity, Responsibility, Double-Win", some of Wellhope's businesses are joint ventures with partners, it has been working closely together with many partners for more than 10 or even 20 years, including a 15-year's good relationship with Royal De Heus. These successful ventures have proven that "Wellhope", as a corporate brand, has been well recognized and trusted by its partners. Meanwhile, the strength of Wellhope's brand has also been proved by long-term strategic partnerships with various multinational and domestic suppliers, and all loans provided by financial institutions over the years have been credit loans due to the good reputation of Wellhope. As a strong employer brand, "Wellhope" has been recognized and favored by employees, and potential job seekers. Wellhope has twice won the "Best Employer" based on rating by a third party Zhaopin.com. In 2020, Wellhope won the honorary title of "Outstanding Enterprise in Corporate Culture Construction" in the China Corporate Culture Construction Summit, and the successful holding of activities such as "Online Recruitment" and "Wellhope Cup" Outstanding Paper Contest, all these vividly demonstrated the strength of Wellhope's employer brand.

6. Highly energized and dynamic corporate culture that powers the development of Wellhope

After 26 years of development, Wellhope has established energized and dynamic corporate culture that has been acknowledged by all staff and powers its development. The core value of "Integrity, Responsibility, Double-Win" and the management philosophy of "Innovation, Efficiency, Self-Discipline", have been deeply entrenched in the thinking and behaviors of employees, and has been applied without fail in day-to-day management, strategic planning and business decision. Common values play a

crucial role in improving organization efficiency, enhancing organizational cohesion and organizational empowerment. A good corporate culture is the fundamental principle of success for corporate operation, which powers the long-term development of Wellhope.

In 2020, Wellhope held live streaming events 3 times with the theme of "Telling Stories Experienced in Wellhope", where over 40 employees and managers have been invited to tell their stories, and managed to attract more than 220,000 viewers, which has successfully publicized Wellhope's unique culture. Meanwhile, the annual corporate culture publicity campaign by Wellhope's managers, where good practices in daily work and leading by example have been freely shared as part of the corporate culture dissemination efforts. Wellhope recently ushered its 25th anniversary in 2020, and utilized this opportunity to carry out quite a number of culture promotional activities, including brand and marketing promotion competition, physical fitness programs involving all Wellhope people, job skill competition, essay writing, photography, calligraphy and painting activities, etc., with the purpose of enriching the staff's leisure life and displaying their strengths. In the face of COVID-19 pandemic, Wellhope 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 difficulties to actively return to work, doing their best to run production to ensure stable supply. Their devotions and passions have touched other staff deeply. Wellhope, together with its managers and employees, have donated more than RMB 12 million worth of materials and money for pandemic control efforts. All these stems from the strength of Wellhope's culture, the sense of mission and responsibility as well as true, genuine love for the Company. The history of Wellhope has fully proven that each time whenever Wellhope faces difficulties and trials, the corporate culture continues to assist it to defeat the hard times and to soar higher.

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Section IV Business Operations Analysis

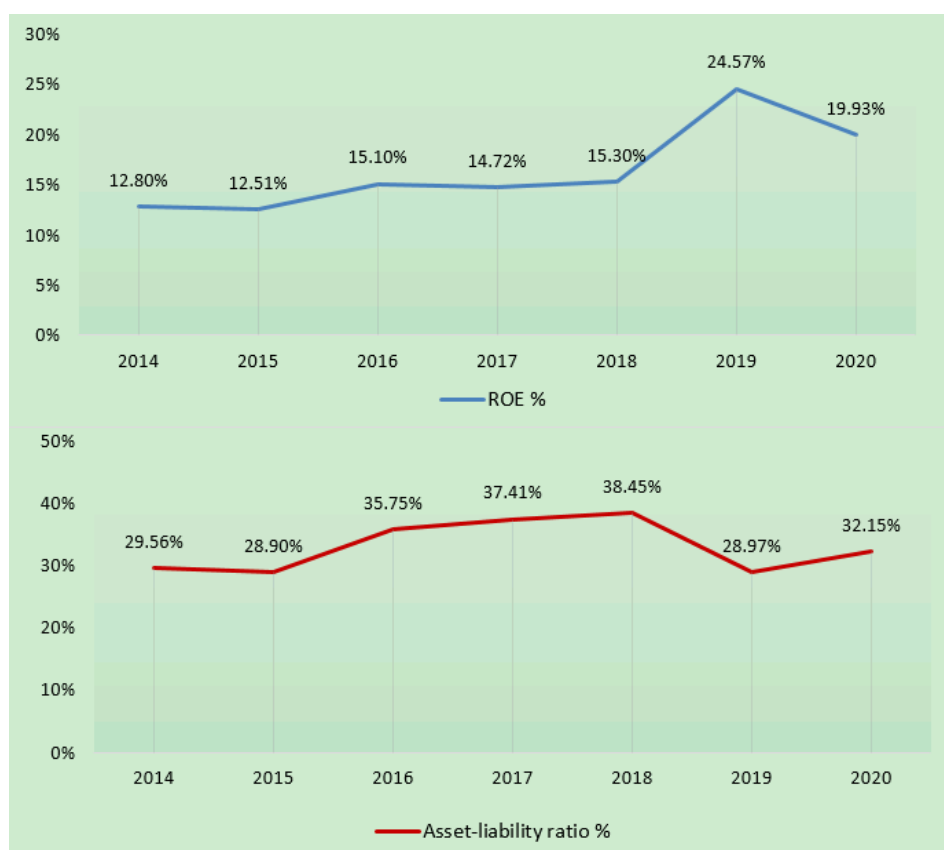
I. Overview

In 2020, the world economy saw a recession, international political and economic situations have remained complicated due to COVID-19 pandemic worldwide. In addition, African swine fever has also posed another stiff challenge. While putting in efforts in fighting the pandemic, Wellhope, driven by its business strategy of focusing on three primary businesses, grasped market changes and opportunities to further expand feed business, whilst vigorously developed broiler integration and swine raising businesses supported by the advantages of brand, technology, research and development, talents team. In 2020, Wellhope's feed sales volume realized a year-on-year growth of 47%, the number of broilers raised by Wellhope's holding and associated companies increased by 33%, whilst the number of slaughtered broilers increased by 22%. Meanwhile, the number of swine sold by holding and associated companies rose by 152% from a year earlier. All these three primary businesses overfulfilled their business objectives set at the beginning of the year.

Since completing IPO in 2014, both operating revenue and net profit of Wellhope have grown for 7 consecutive years, with the compound annual growth rate reaching 16% and 32% respectively. The ROE has realized steady progress (although being declined a little bit influenced by the downward broiler industry, it still steadily increased by nearly 20%), showing stable profitability and good growth of the Company. The asset-liability ratio was 32.15%, remained below 40% in the past seven years, which was remarkably better than the average level of the industry, reflecting strong ability of risk resistance.

Main accounting data and financial indicators since IPO





1. Business highlight

Affected by the downturn of broiler market in 2020, the profit contributed by Wellhope's broiler integration business declined, but the performance of animal feed, swine raising and feed raw materials trade businesses all achieved great breakthroughs, hitting record highs.

Wellhope's operating revenue exceeded RMB 20 billion for the first time, reaching RMB 23.818 billion with a year-on-year increase of 33.87%, the net profit attributable to shareholders of the Company recorded RMB 1.235 billion, increased by 2.99%, the net profit attributable to shareholders deducting extraordinary items realized RMB 1.231 billion, rose by 3.33%, the weighted average return on equity was 19.93%, decreased by 4.64 percentage points. At the end of the reporting period, the total assets reached RMB 11.647 billion with a year-on-year growth of 27.29%. The owner's equity attributable to the parent company reached RMB 6.752 billion, increasing 18.50% compared with the end of the prior year.

2. Review of industry development and the Company's business progress

A. Feed business

a. Industry overview

China's feed industry started thriving since mid-late 1970s, and in just a dozen years, China's feed industry has achieved what developed countries have accomplished in decades. In 2011, China's feed production exceeded the United States for the first time, becoming the world's largest feed producer. Comparing with the rapid development of the early stage, China's feed industry has witnessed a

slowdown in the growth of production output in recent years, but it still has a huge market size. Under the backdrop of supply-side reform that has continuously deepened, the transformation of feed industry has been accelerated and showed remarkable polarization. Large enterprises have been rapidly grabbing market shares supported by their technologies, costing, branding, management, capital, logistics, and other advantages, whilst small and medium-sized companies have been gradually squeezed out the market, the consolidation of feed industry has been unceasingly enhanced.

In 2020, with the official implementation of "ban of antibiotics" and the continuous promotion of "bulk feed", the entry barriers of feed industry have been raised again, customers have significantly increased their requirements on the comprehensive strength of feed suppliers, which quickened the elimination of companies lagging behind.

In terms of supply, the production of national commercial feed in 2020 reached 252.761 million tons with a year-on-year increase of 10.4%. Among them, swine feed increased by 16.4%, reaching 86% of the peak production in 2018. The production of layer feed, broiler feed and ruminant feed rose by 7.5%, 8.4% and 18.9% respectively, all of them set record highs. From the point of view of sales model, the production of bulk feed amounted to 58.976 million tons with a year-on-year growth of 33.6%, accounting for 25.6% of the total output of compound feed, which increased by 4.6 percentage points over the prior year. From the perspective of industry consolidation, there were 749 feed mills with annual capacity over 100,000 tons, newly increased 128 producers compared with the prior year. These feed mills totally produced 133.52 million tons of feed throughout the entire year with a year-on-year increase of 19.8%, contributing towards 52.8% of the total national feed production, which rose by 6.2 percentage points over the previous year, indicating that the industry has been further transformed to intensification.

In terms of demand, the swine production has been recovering in 2020 with the rebounded inventories and higher slaughtered weight, whilst the feed to meat ratio has been increased significantly compared with previous years. Meanwhile, the inventories of layer reached a record high, while the inventories of broilers keeping high level throughout the entire year. In regards to ruminant feed, due to the booming market of cattle and sheep products, farmers were keen to replenish their stocks, which led to a rapid increase of productions. Driven by above factors, it could be seen strong demands for feed in 2020, and customers' requirements for product quality have been significantly enhanced.

Overall, China's feed industry has an enormous market size with a booming trend in both supply and demand. Although the overall growth rate has slowed down, the consolidation of this industry has been increasing. Those large groups have been growing swiftly in sales volume and market share, implying these industry leaders increasingly enjoying remarkable scale advantages.

b. Business progress of feed business

The demands for commercial feed in 2020 presented favorable growth, supported by factors such as continuous recovery of swine production, high inventories of poultry and prosperous supply and

demand of cattle and sheep products. Wellhope, as one of the domestic feed industry leaders, clung to industry opportunities, exerted its competitive advantages in terms of brand, technology, marketing, service, and purchasing to swiftly response to market demands, and enhance market exploitations, pushing up feed sales volume reaching record level with the highest growth rate since completing IPO, which further improved market share.

In 2020, Wellhope's holding and associated companies totally produced 6.98 million tons of feed with a year-on-year growth of 41%. Among feed entities, Wellhope has 11 feed mills with annual capacity over 200,000 tons (6 holdings and 5 associates). Among them, the feed production of Dalian Heyuan, one of Wellhope's subsidiaries, exceeded 520,000 tons. The entities included in the consolidated financial statements, produced 3.85 million tons of feed in 2020 with a year-on-year increase of 47.02%, hitting a new high. The feed business contributed RMB 12.11 billion in operating revenue, increased by 55.54% compared to the year earlier. In terms of sales regions, the feed sales volume of Northeast China increased by 49%, accounting for 60% of total sales volume, whilst the sales volume of Central China regions rose by 44%, accounting for 40% of the total. In terms of feed categories, the sales volume of compound feed increased by 51.18%, concentrate feed and premix rose by 36.19% and 20.45% respectively. In terms of feed varieties, the sales volume of swine feed increased by 71.59%, the creep feed, nursery feed and feed for lactation sows as well as piglet feed accounted for 75% of total swine feed. Whilst poultry feed rose by 35.64%, ruminant feed grew 40.85%. Among them, the sales volume of beef cattle feed continuously maintained a rapid growth (y-o-y 77%). Other feed categories increased by 8.62%. In general, Wellhope's feed business in 2020 achieved explosive increase highlighted by three primary feed categories including swine, poultry and ruminant, while its growth rate being far ahead of the industry average level.

Feed sales volume of companies included in the consolidated scope in 2020

Item	Sales volume 2020 (10k tons)	% of total sales volume	Sales volume 2019 (10k tons)	YOY change	YOY change of national feed production
Swine feed	155.99	40.53%	90.91	71.59%	16.40%
Poultry feed	144.69	37.60%	106.67	35.64%	8.16%
Ruminant feed	63.10	16.40%	44.80	40.85%	18.90%
Other feed	21.05	5.47%	19.38	8.62%	-
Total	384.83	100.00%	261.76	47.02%	10.40%
Category	Sales volume 2020 (10k tons)	% of total sales volume	Sales volume 2019 (10k tons)	YOY change	YOY change of national feed production
Concentrated feed	81.62	21.21%	59.93	36.19%	22.00%
Compound feed	295.67	76.83%	195.57	51.18%	9.80%
Premix	7.54	1.96%	6.26	20.45%	9.60%
Total	384.83	100.00%	261.76	47.02%	10.40%

During the reporting period, the main strategic actions and progresses of Wellhope's feed business are as follows.

(a) Accelerating product development to capture market opportunities

Facing the changes of market pattern, Wellhope, relying on strong product development platform and more than 20 years of technology accumulation, adhered to research on market demand-oriented products, also iterated and upgraded products to seize the market opportunities and support marketing. In response to African swine fever, Wellhope has successfully developed the line of products named "Wellhope Immune Nutrition", which has effectively enhanced the immunity of swine. In response to the demand of raising large swine above 120kg, Wellhope quickly developed large swine feed to help customers capture the opportunity of benefitting from higher swine price. Also, Wellhope continuously developed and launched a series of high-yielding and fast-growing swine feed products. In terms of antibiotic-free feed, Wellhope has been preparing and researching on antibiotic-free technologies for a long time and carried out more than 100 experiments from 2013 and 2019, reserving a variety of comprehensive solutions to completely alternate antibiotics. Wellhope has already changed some feed products to be antibiotic-free before the ban of antibiotics being issued. By the end of June 2020, Wellhope has transformed all products to be antibiotic-free, which have realized constant growth performance, good customer feedback and high market recognition. As a result, Wellhope received the honor of "Top 10 Technology Innovation Enterprise regarding Anti-free Feed", and the "WIN plus (Upgraded Wellhope immune nutrition products)-Nursery Feed Product" was awarded as "China Good Feed 2020-Pioneer Anti-free Feed Brand".

(b) Implementing precision marketing and innovating customer service system

In 2020, Wellhope paid close attention to the market changes and implemented precision marketing strategies in a multipronged manner. Firstly, Wellhope conducted in-depth researches on the market and precisely positioned the demands of products. Secondly, it exactly matched customer service and provided customers with "one-stop" services through profound cooperation with breeding farms, bio-tech companies, equipment companies, financial institutions, insurance companies and other third parties to enhance customer engagement. Thirdly, Wellhope increased the promotion of new products and bestsellers to strengthen its brand image and heighten profitability. Following, Wellhope vigorously explored new regions, new markets, and new customers to capture new profit growth points. Thereafter, Wellhope expanded its sales force and increased the density of market development to prepare for further exploration of market space.

Owing to the impact of COVID-19 and changes in the market environment, Wellhope constantly innovated online service modes, actively provided efficient and accurate services to customers through online media such as video call, live streaming, short videos, WeChat and other platforms. In the meantime, Wellhope quickly carried out online guidance and training programs for customers, such as "remote questioning" and "remote teaching", to solve the problems effectively via remote interactions

to ensure that farmers could operate their farms in an orderly manner. Also, Wellhope has built online service platforms, which guided farmers by launching market analysis, farming skills and preventive measures against epidemics to help farmers continuously expand their breeding knowledge and keep abreast of market conditions. The professional and systematic service system has been praised and highly trusted by a lot of customers.

(c) Heightening internal operation to achieve high quality, high efficiency and synergy effect

After the outbreak of COVID-19 in early 2020, Wellhope responded quickly and overcame difficulties to resume 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. Although facing the pressures such as labor shortage, insufficient raw material, soaring demand and traffic control, Wellhope exerted its advantages such as strong execution, strategic and large-scale purchasing, lean production to ensure production and supply. In addition, Wellhope continued to improve internal operation, optimized its organizational structure to make sure all functional departments were able to operate in a standardized, orderly and efficient manner, which ensured that the Company's management system could meet the needs of the growing business scale.

(d) Seeping up business exploration to continuously expand production capacity

During the reporting period, Wellhope quickened the business exploration in new markets to increase feed production capacity. It set up several feed mills in Liaoning, Hainan, Shanxi, Shandong, Jiangxi, Hunan, Sichuan, Fujian provinces by way of self-building, merger and acquisition, leasing, and OEM, which has laid a solid foundation for future rapid expansion. On the other hand, Wellhope constantly renovated feed production equipment and factories to increase efficiency and enhance the utilization of capacity. With the continuous generalization of bulk feed, Wellhope has increased input in bulk silo facilities, its sales volume of bulk feed achieved 400,000 tons in 2020, with a year-on-year growth of 124%.

B. Broiler integration business

a. Industry overview

In 2020, the COVID-19 pandemic has significantly hit the supply and demand of white feather broilers, which weighted on the supply and significantly curbed the consumption demand of chicken. Compared with 2019, the overall profits of this industrial chain fell sharply, and the backward players have been weeded out quickly, while these large-scale companies continuously expanding their businesses to capture market opportunities.

Regarding supply, in the first half of the year, the COVID-19 disrupted the sales channels, whilst the market was mandated to cut production capability by forced molting, and eliminating old broiler breeders, which caused the inventories of molted broiler breeders declining significantly. In the second half of the year, the number of broilers delivered for slaughter gradually recovered to a high level,

reaching a five-year peak in September and October, which resulted in a rapid increase in supply and excessively low chicken prices. Thereafter, the supply of broiler decreased in November and December. For the whole year, the inventories of in-production grandparent stock and parent stock remained high, pushing the sales volume of commercial day-old chicks growing 8.1% compared to the year earlier, and the number of live broilers increasing 8.4%. The outbreak of COVID-19 in the first half of the year caused a certain obstacle to production, which in turn lowered the annual production, generating a less-than-expected growth in the overall supply of white feather broilers in 2020.

In regard of demand, chicken consumption shrank remarkably in the first half of 2020 caused by the COVID-19 pandemic hitting domestic consumption, especially in the first quarter. Affected by this pandemic, the overall consumption of chicken in Q1 dropped by about 10% from a year earlier, among which, chicken consumed by catering and group meal decreased by more than 30%. In May and June, chicken consumption gradually recovered, but the average price of chicken products throughout the year declined by 19% compared to the year earlier due to extremely high intermediate and terminal inventories, coupled with the rapid growth of chicken supply in the second half of the year, and the remarkable decline of overall consumption power of residents. The overall profit of this industrial chain also fell significantly.

To conclude, the COVID-19 has broken the original estimate of “an increase both in production and sales, a bloom both in supply and demand” within white feather broiler industry, both the supply and demand sides fell short of expectations in 2020. In short term, chicken has still played the role of the substitution for pork. Along with the economic recovery and the stabilization of the pandemic, chicken consumption is expected to grow, but because the supply is still running at a high level, the industry may be difficult to recover in a short time. As a result, unqualified companies will be continuously weeded out of the market, while large-scale enterprises constantly expanding their businesses to capture market opportunities. In long term, chicken will be becoming increasingly popular relying on its characters of high protein, low fat and low cholesterol, whilst white feather broilers also have greater advantages compared to swine in terms of growth rate, feeding costs, safety, and environmental protection. Seeing the experiences of developed countries, China's per capita chicken consumption still has large growth potential, showing a vast market space.

Note: The statistical data in above industry information come from Industry Analysis Report of www.boyar.cn.

b. Business progress of broiler integration business

In 2020, the broiler industry entered a downward cycle, and the COVID-19 pandemic had significantly impacted on national economy, which remarkably dented terminal consumption and pulled down the market environment. Under such unfavorable circumstances, Wellhope's broiler integration business division focused on market exploration and chose opportunities to conduct business expansion. Meanwhile, based on the advantages of cost and efficiency formed over the years, it further heightened

core competencies and constantly enlarged market reach under fierce competitions, making its market standing further enhanced. Although the performance of broiler integration business declined compared with the prior year, it has been still one of the important contributors towards the overall profit of Wellhope. In 2020, these holding and associated companies totally raised 561 million broilers with a year-on-year increase of 33%, slaughtered 639 million broilers with a year-on-year growth of 22%, whilst produced 1.68 million tons of broiler products, which increased by 26%. Meanwhile, Wellhope totally produced 26,100 tons of prepared food and cooked food with a year-on-year growth of 20%, including 3,010 tons of exported cooked food with an increase of 50%.

(a) Conforming to the industry trends and planning business expansion steadily

In 2020, the inventories of grandparent and parent stocks rose to high levels, boosting a sufficient supply of commercial chicks. In view of this, Wellhope proactively slowed down the construction progress of breeding farms, whilst strengthened the performance management of these farms. Although the percentage of self-produced day-old chicks in total commercial broilers raised by Wellhope declined compared with the prior year, the quality of day-old chicks has been significantly improved. Regarding commercial broiler raising business, Wellhope, relying on the geographical advantage of its slaughtering business, fully exerted its asset-light advantage by cooperating with contract farms, and steadily expanded the scale of commercial broiler as planned based on the precise control of capital investment, thus the ratio of broilers raised by Wellhope and contracted farms to broilers slaughtered by Wellhope increased significantly, making a further enhancement of food safety traceability of chicken product. For slaughtering and further processing business, Wellhope moderately expanded slaughtering production capacity, all of the newly invested slaughtering projects have been matched with food factories, and the resources of broiler integration have been deeply inclined to further processing business.

(b) Refining internal operation and reserving talents to continuously improve operational capabilities

In the context of downward broiler industry, Wellhope has continuously enhanced lean management in its broiler integration business, and rationally reduced period expenses, each sector in this industrial chain has maintained efficient and smooth operation. In terms of broiler raising, Wellhope took measures in certain aspects including day old chick, feed production, animal health products and equipment to constantly improve the growth performance of commercial broiler and further enhance automation. Regarding slaughtering, Wellhope vigorously heightened production efficiency to reduce operating costs and strengthen quality control. When new projects put into operation, Wellhope would rapidly expand the production and sales scale to achieve profitability at the fastest speed. In respect of finance, Wellhope stringently managed accounts receivables, reasonably arranged capital expenditures, and continuously accelerated the inventory turnover to ensure enough cash flow. While strengthening internal management, Wellhope gave full play to the influence of corporate culture to actively absorb

talents, also optimized selection and training system, broadened talents reserve, echeloned talents team, and improved incentive policies, to lay a solid foundation for achieving long-term objectives.

(c) Focusing on market trends to valorously explore business and unhesitatingly boosting food strategy

The domestic consumption was significantly suppressed after the outbreak of COVID-19. Wellhope quickly responded to such changes and vigorously expanded new sales channels, also constantly optimized product mix, developed new cost-effective product portfolios, and continuously cultivated outstanding dealers, simultaneously improved their loyalty. Meanwhile, Wellhope continued to boost food business strategy unhesitatingly. With the advantage of raw materials, Wellhope used multi-brand business mode to quickly develop domestic and foreign sales channels, also focused on forging hit products, trained sales forces, expanded sales volume and strived to improve the percentage of both processed food and high-value products, as well as the exported cooked food, thus further improving the ecological niche. Influenced by the pandemic, the consumption of foreign residents also shrunk, as a result the total amount of further-processed chicken products exported to Japan and Europe decreased significantly. Even in such an unfavorable environment, Wellhope attracted great importance to the quality of cooked food, accelerated the exploration of new foreign customers, and rapidly explored small package products according to customers' demand. Meanwhile, Wellhope dynamically adjusted production structure and rapidly entered new channels to seize new market share. In 2020, the export volume of Wellhope's cooked food increased by 50% compared with the prior year, and the food strategy has achieved initial results.

C. Swine raising business

a. Industry overview

In 2020, the production capacity of China's swine industry recovered in struggle under the joint attack from the COVID-19 and African swine fever. The price throughout the year was higher than expected, and the swine raising industry has ushered in an ultra-long period of gaining from higher swine price.

On the supply side, benefiting from taking commercial gilts as pig breeders, the inventories of China's breeding sows recovered faster, with a year-on-year growth of 43% in the end of 2020, basically approaching the numbers in 2017. However, the percentage of commercial gilts in breeding sows was relatively high, accounting for 40%-70% in the entire year, coupled with the long-term impact of African swine fever, resulting in a significant decline in the overall reproductivity of sows. From the perspective of commercial swine, the number of swine delivered for slaughter in 2020 still decreased by 35% compared with 2019. But due to the higher body weight, the decline in pork production was less, with a year-on-year decrease of 22%. To stabilize swine production and ensure pork supply, a series of policies have been introduced one after another, and large-scale companies constantly quickened business expansions to capture market shares relying on the advantages of capital, technology and talents, etc.

On the demand side, dine out such as in eateries and group meals were blocked by the COVID-19, and

the percentage of household consumption increased, making the sales channels of slaughtering factories change, and further processing companies began to expand new sales channels such as the rapidly developed e-commerce live streaming. In addition to the consumption scenario, residents' meat consumption manner also changed. High-priced pork has been already difficult to sell, the pandemic has tremendously impacted on the economy, and apparently weakened residents' consumption power, pushing a further drop in pork consumption. Those food processing companies have been compelled to adjust the percentage of pork in their formulas due to cost pressure. Meanwhile, the demand for pork alternatives increased, proving that the overall consumption habits of residents have changed.

To conclude, China's swine industry has been still presented a tight supply, pushing swine raising industry ushering in a long profit-gaining period. The prevention of African swine fever has been still a major problem faced by the industry as this disease becoming normal that has hampered production recovery. With the increase of stocking density, small and medium-scale farms have been facing pressures regarding bio-safety, whilst those large companies took the chance to vigorously conduct strategic expansion to fast capture markets by taking advantages of their capital, talents, technology and other resources. In addition, at this stage, both swine raising companies and slaughtering factories have been showing their strategic intention to expand integrated businesses, which proved that the industry integration may further accelerate.

Note: The statistical data in above industry information come from Industry Analysis Report of www.boyar.cn.

b. Business progress of swine raising business

In 2020, influenced by the tight supply of swine and African swine fever, the swine price has been still at a historical high level. On the basis of making every effort to ensure safe production, Wellhope rapidly promoted the sales business of piglets and pig breeders, whilst further expanded swine fattening business via own farms and contract farms, overachieving the annual sales objective.

(a) Expanding swine production vigorously to gain from high prices

Swine raising industry has been witnessed an ultra-long period of benefitting from high swine prices. Wellhope seized this opportunity to vigorously boost the increase of swine production of farms in operation, whilst speeded up projects under construction, striving to rapidly expand swine production in North, East and Northeast regions across China. In the meantime, Wellhope actively implemented business expansion by leasing, out-source construction and cooperating with farms to expand available pen areas to rapidly increase the production capacity. Wellhope also followed the market situation to quickly adjust its sales structure, such as seizing the opportunity of higher piglet price to increase the sales of piglet, quickening swine fattening business via contract farms to contribute to the number of finishers to fully enjoy the industry bonus and increase the Company's profit. During the reporting period, Wellhope's holding and associated companies totally sold 682,000 heads of swine, including 216,000 heads of finishers, 369,000 heads of piglets (202,000 sold to subsidiary companies, and

167,000 to the market), and 97,000 heads of pig breeders.

(b) Closing up bio-safety prevention system to make farms safety

Under the threat of African swine fever, bio-safety has become a vital factor for pig farms. During the reporting period, Wellhope took production safety as the first priority and comprehensively reviewed bio-safety prevention systems of feed mills, own pig farms and contract farms. Wellhope has founded multi-level control systems and closed up the bio-safety prevention systems to guard against outside African swine fever cases and preventing infections inside the farms. Wellhope has also built material supplies disinfection and logistics centers, vehicle cleaning and disinfection centers, and personnel quarantine centers in each region to control the risk of African swine fever that might be brought in by vehicles, materials and personnel. Meanwhile, Wellhope has constantly iterated bio-safety regulations and systems inside the farms, isolated and blocked African swine fever through strictly preventive measures under the four-level control systems, namely red, orange, yellow and green. More frequent inspections by professional teams have been implemented to ensure timely supervision and prompt management. At the same time, Wellhope increased the intensity and frequency of the detection of African swine fever and other diseases, also established regional central laboratory and "satellite" testing laboratory to heighten the defensive monitoring and early warning of diseases, and all pig farms comprehensively conducted closed-loop management to ensure production safety.

(c) Expanding the inventories of pig breeders with outstanding performance to power the rapid development of swine raising business

Pig breeders lay a foundation of the rapid expansion of swine production. Within the reporting period, Wellhope swiftly increased the inventories of pig breeders by ways of strengthening internal breeding and outsourced purchasing, as well as combining the operation model of "separating farm building and breeders raising", which provided a solid guarantee for Wellhope to increase swine production to maximumly seize the opportunities of this industry. Besides, Wellhope also continued to optimize and adjust the group structure of pig breeders to maintain the advantage of sows, and ensure the stability and sustainability of production performance. By the end of the reporting period, the percentage of Wellhope's commercial gilts was only 6.5%, and the feeding performance of finishers, such as the growth rate and feed to meat ratio, has reached the advanced level nationwide. At present Wellhope has established a complete swine breeding system including great-grandparent and grandparent stock, etc. As at the end of 2020, the inventories of Wellhope's sows reached 65,000 heads.

(d) Exploring slaughtering business to curb risks caused by industrial chain fluctuations

Apart from Chifeng slaughtering project that has been in operation, Wellhope actively boosted the construction of a new project located in Anhui province, which would be engaged in swine slaughtering, further processing of pork and cold chain logistics. It is expected to be completed and put into operation in 2021. Wellhope is well on its way to exploring business opportunities in related downstream industries, such as slaughtering and food processing, to continuously improve the

blueprint of swine raising business and enhance the ability to withstand market risks.

D. Feed raw materials trade business

In 2020, both the revenue and net profit of feed raw materials trade business increased greatly, contributing to the performance of Wellhope.

Performance driver--Influenced by the COVID-19, bulk commodities' inflation has intensified, which caused the tight supply of feed raw materials, then the prices rose, bringing opportunities to Wellhope's trade business. Meanwhile, the prosperity of the downstream feed industry increased strong demands of feed raw materials. With the high prices of swine and cattle, the customers' demands for high-class animal health products have risen greatly. As Wellhope's animal health products are top brands at home and abroad, fueling the high market demands. In terms of internal reasons, the trade business division gave full play to its advantages, such as professional team and information platform, to study and judge the market conditions and implement precision marketing, which made its business operation safer and more efficient, and further enhanced profitability.

3. Other progresses

A. Strengthening research and development, heightening technology leadership

In 2020, faced with many market changes and competitive pressures, such as African swine fever, ban of antibiotics in feed, price fluctuation of raw materials, Wellhope increased investment in R&D, focusing on immune nutrition, antibiotic-free technology, raw materials' substitution, and iteration of animal raising programs. In the aspect of feed research and development, Wellhope paid close attention to the market trends, continuously developed and upgraded marketable products, such as immune nutrition products, fast-growing large swine feed, new-type broiler feed, and concentrate supplement for dairy cattle, to continuously enhance product competitiveness. Regarding antibiotic-free feed, Wellhope continued to upgrade and optimize feed products without antibiotics as well as providing customized feeding programs to maintain the leading position and competitiveness of antibiotic-free technology. At the same time, it guided farmers to continuously improve bio-safety and on-site management. Regarding raw materials' substitution, Wellhope excavated diversified raw material resources and carried out various substitution technologies to stabilize the impact of price fluctuations of raw materials. In regards of animal raising programs, Wellhope closely followed customer's demands to formulate integrated programs to help them improve production performance, such as the nutrition program for commercial gilt and large-weight finisher, and feeding programs for broiler raised by three-tier cage. Moreover, Wellhope further strengthened the direct sales to large farms, the R&D team provided specialized solutions through product optimization and program customization to jointly expand large-scale farms and integration companies with the sales team. (Details of R&D progress see "Description of R&D Input").

B. Improving the incentive mechanism and enriching talents reserves

Driven by the core values of "Integrity, Responsibility and Double-Win", and the management

philosophy of "Innovation, Efficiency and Self-Discipline", Wellhope has been committed to building a highly-competent, innovative and potential team to lay a solid foundation for long-term and healthy development. In 2020, Wellhope continued to optimize talents selection, training, and incentive system, also revised and promoted "Administrative Measures on Talents Appointment". Especially in feed and swine raising business sectors, Wellhope focused on salary design and innovated incentive policies to select and motivate talents better. During the reporting period, the performance appraisal objectives setting for the first lockup period (2019) stated in Wellhope's 2018 Restricted Stock Incentive Plan have been fulfilled, 367 managers who were awarded the incentive shares could unlock the restricted shares. Wellhope's performance achieved new high in 2020, the objectives for the second lockup period have been accomplished, Wellhope has once again achieved a win-win result with employees. Meanwhile, Wellhope also focused on the construction of talent echelon, paying close attention to the selection, training and retention of key staff, and accurately implemented the key talent training plan. In 2020, Wellhope recruited a large number of new staff specialized in technology, management, marketing, and finance through various channels. All of them are either excellent university graduates (except production line workers), or experienced and potential persons. Excellent and sufficient talents reserve have been the most critical factor for Wellhope to achieve medium and long-term strategic objectives.

C. Accelerating IT construction to improve management efficiency

In 2020, Wellhope continuously heightened IT application and accelerated the digital transformation of the enterprise. Wellhope reorganized information resources for head office, feed, broiler integration, swine raising, raw materials trade business divisions to build a solid foundation for data management. During the reporting period, Wellhope completed lean digital management and system upgrade in the feed division, and finished system optimization in broiler integration, swine raising and trade sectors, which boosted the development of each business. In July 2020, Wellhope received a report from the China Academy of Information and Communication Research about the assessment of the construction capacity of the secondary node, which concluded that Wellhope could build the secondary node of the industrial internet identification, and was selected as a national digital business enterprise in this year.

4. Honors and recognitions received in 2020

- ◆ Fortune China 500 (four years--2015, 2016, 2017, 2020)
- ◆ Top 100 Most Valuable Corporation of Chinese Public Companies (four years--2016, 2017, 2019, 2020)
- ◆ Top 100 Enterprises in China's Light Industry, ranking 23 (2016-2019)
- ◆ Top 100 National Leading Enterprise in Agricultural Integration Industry
- ◆ A Rating from the Shanghai Stock Exchange for Annual Information Disclosure
- ◆ 2019 Governor's Awards of Liaoning Province
- ◆ Outstanding Privately-owned Enterprise in Fight Against COVID-19 Pandemic
- ◆ Top 10 Technology Innovation Enterprise regarding Anti-free Feed
- ◆ 2020 Outstanding Enterprise in Corporate Culture Building

II. Operations Analysis

As at December 31, 2020, Wellhope's total assets recorded RMB 11.65 billion, the owner's equity attributable to the Company reached RMB 6.75 billion, increased by 27.29% and 18.50% respectively compared with the end of prior year. Meanwhile, the operating revenue realized RMB 23.82 billion, and the net profit attributable to the shareholders of the Company reached RMB 1.24 billion, recorded the growth rate of 33.87% and 2.99% respectively.

1. Analysis of primary business

A. Analysis of changes of income and cash flow

Unit: yuan Currency: RMB

Item	2020	2019	Change %
Operating revenue	23,817,600,766.26	17,792,091,973.58	33.87
Operating costs	21,683,591,011.74	15,792,020,015.55	37.31
Sales expenses	465,307,995.89	487,217,524.04	-4.50
Administrative expenses	310,275,697.03	275,560,691.30	12.60
R&D expenses	83,587,106.40	65,209,116.65	28.18
Financial expenses	64,680,213.72	76,392,967.30	-15.33
Net cash flow from operating activities	765,945,453.03	1,111,605,966.58	-31.10
Net cash flow from investing activities	-1,506,349,447.57	-874,207,823.29	Not applicable
Net cash flow from financing activities	419,432,876.57	378,955,170.80	10.68

B. Analysis of revenue and cost

During the reporting period, Wellhope achieved an operating revenue of RMB 23.82 billion with a year-on-year growth of 33.87%, which was mainly contributed by the increased sales revenue of feed business. The operating cost recorded RMB 21.68 billion with a growth rate of 37.31%, mainly due to the growth of feed sales volume and the rising costs of raw materials.

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	12,110,346,481.97	10,864,934,182.33	10.28	55.54	59.52	Decreased 2.24 percentage points
Broiler integration	7,169,209,939.86	6,802,940,554.47	5.11	8.64	17.07	Decreased 6.84 percentage points
Raw materials trade	3,150,947,600.99	2,981,290,348.81	5.38	14.58	12.67	Increased 1.60 percentage points
Swine raising	756,825,624.60	523,742,330.29	30.80	274.16	235.27	Increased 8.03 percentage points

Related businesses	608,332,089.69	496,133,721.46	18.44	36.46	36.23	Increased 0.13 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	12,110,346,481.97	10,864,934,182.33	10.28	55.54	59.52	Decreased 2.24 percentage points
Broiler integration	7,169,209,939.86	6,802,940,554.47	5.11	8.64	17.07	Decreased 6.84 percentage points
Raw materials trade	3,150,947,600.99	2,981,290,348.81	5.38	14.58	12.67	Increased 1.60 percentage points
Swine raising	756,825,624.60	523,742,330.29	30.80	274.16	235.27	Increased 8.03 percentage points
Related businesses	608,332,089.69	496,133,721.46	18.44	36.46	36.23	Increased 0.13 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	2,806,351,236.21	2,549,423,561.09	9.16	21.05	20.59	Increased 0.35 percentage points
North China	3,049,155,844.64	2,748,831,450.23	9.85	39.72	40.38	Decreased 0.42 percentage points
Northeast China	11,305,489,966.51	10,294,015,962.44	8.95	31.18	38.69	Decreased 4.92 percentage points
Central and South China	3,897,682,448.62	3,567,141,817.59	8.48	41.78	40.02	Increased 1.15 percentage points
Southwest China	847,874,337.66	796,841,735.78	6.02	24.96	21.77	Increased 2.46 percentage points
Northwest China	1,573,502,084.13	1,437,031,048.43	8.67	69.86	80.76	Decreased 5.51 percentage points
Overseas market	315,605,819.34	275,755,561.81	12.63	1.65	-6.94	Increased 8.08 percentage points

Notes

--Analyzed by different industries and products

During the reporting period, in response to the COVID-19 pandemic and changes in the feed market, Wellhope strengthened the ongoing research and development of feed products, market development

and customer services to further improve product performance and market competence. The income of feed business increased by 55.54% compared to the year earlier. Meanwhile, Wellhope further accelerated business and production expansion of swine raising business, the deliveries of swine realized a significant year-on-year growth, and the income increased by 274.16%.

--Analyzed by geographical region

During the reporting period, Wellhope's sales revenue in East, North, Northeast, Central and South, Southwest and Northwest regions across China increased by more than 20%, mainly due to the rapid growth of feed business in the above regions. Wellhope's overall feed sales volume realized a year-on-year increase of 47.02%.

b. Analysis of sales volume

Product	Production volume (10k tons)	Sales volume (10k tons)	Inventory (10k tons)	YoY change of production volume %	YoY change of sales volume %	YoY change of inventory %
Feed	385.77	384.83	6.30	46.24	47.02	17.54

c. Analysis of cost

Unit: yuan Currency: RMB

By Industry	Item	2020	% of total costs	2019	% of total costs	YoY change %
Feed	Raw material	10,104,260,157.10	96.27	6,249,372,402.87	95.14	61.68
Feed	Labor cost	108,916,427.66	1.04	74,966,723.16	1.14	45.29
Feed	Depreciation	88,079,837.94	0.84	79,197,047.98	1.21	11.22
Feed	Energy (electricity, coal, steam)	103,360,428.22	0.98	79,658,096.87	1.21	29.76
Feed	Other manufacturing expenses (energy and depreciation excluded)	91,210,812.76	0.87	85,185,696.24	1.30	7.07
Feed	Total production cost	10,495,827,663.68	100.00	6,568,379,967.12	100.00	59.79
Broiler	Raw material	5,926,656,581.31	82.36	5,063,037,156.10	85.28	17.06
Broiler	Labor cost	333,817,293.68	4.64	229,677,924.71	3.87	45.34
Broiler	Depreciation	49,577,201.22	0.69	27,153,097.83	0.46	82.58
Broiler	Energy (electricity, coal, steam)	79,688,980.83	1.11	48,744,698.51	0.82	63.48
Broiler	Other manufacturing expenses (energy and depreciation excluded)	806,179,181.09	11.20	568,606,302.57	9.58	41.78
Broiler	Total production cost	7,195,919,238.13	100.00	5,937,219,179.72	100.00	21.20
By Product	Item	2020	% of total costs	2019	% of total costs	YoY change %
Feed	Raw material	10,104,260,157.10	96.27	6,249,372,402.87	95.14	61.68
Feed	Labor cost	108,916,427.66	1.04	74,966,723.16	1.14	45.29
Feed	Depreciation	88,079,837.94	0.84	79,197,047.98	1.21	11.22
Feed	Energy (electricity, coal, steam)	103,360,428.22	0.98	79,658,096.87	1.21	29.76

Feed	Other manufacturing expenses (energy and depreciation excluded)	91,210,812.76	0.87	85,185,696.24	1.30	7.07
Feed	Total production cost	10,495,827,663.68	100.00	6,568,379,967.12	100.00	59.79
Broiler	Raw material	5,926,656,581.31	82.36	5,063,037,156.10	85.28	17.06
Broiler	Labor cost	333,817,293.68	4.64	229,677,924.71	3.87	45.34
Broiler	Depreciation	49,577,201.22	0.69	27,153,097.83	0.46	82.58
Broiler	Energy (electricity, coal, steam)	79,688,980.83	1.11	48,744,698.51	0.82	63.48
Broiler	Other manufacturing expenses (energy and depreciation excluded)	806,179,181.09	11.20	568,606,302.57	9.58	41.78
Broiler	Total production cost	7,195,919,238.13	100.00	5,937,219,179.72	100.00	21.20

d. Top 5 customers and suppliers

The sales revenue of top 5 customers reached RMB 1.00 billion, contributing towards 4.21% of Wellhope's total operating revenue, the sales revenue of which, arising from selling products to the related parties reached RMB 465.19 million, accounting for 1.95% of the total annual sales.

The purchase orders of top 5 suppliers reached RMB 4.15 billion, accounting for 19.78% of Wellhope's purchase orders during the reporting period, of which, it did not occur the orders of purchasing products from the related parties.

--Other Explanation

Top 5 Customers

Customer	Business	Sales revenue (RMB)	% of total operating revenue
Customer 1	Broiler	252,267,573.09	1.06
Customer 2	Broiler	229,597,833.61	0.96
Customer 3	Broiler	212,919,976.02	0.89
Customer 4	Feed	177,506,015.60	0.75
Customer 5	Feed raw material	130,285,220.51	0.55
Total		1,002,576,618.83	4.21

Top 5 Suppliers

Supplier	Business	Purchase amount (RMB)	% of total purchase amount
Supplier 1	Soybean meal, soybean oil, etc.	2,201,021,737.74	10.48
Supplier 2	Soybean meal, soybean oil, rapeseed meal, etc.	779,245,067.38	3.71
Supplier 3	Corn	458,833,832.62	2.18
Supplier 4	Soybean meal	412,593,246.04	1.96
Supplier 5	Soybean meal	302,661,448.56	1.44
Total		4,154,355,332.34	19.78

C. Expense

Unit: yuan Currency: RMB

Item	2020	2019	Change %
Sales expense	465,307,995.89	487,217,524.04	-4.50
Administrative expense	310,275,697.03	275,560,691.30	12.60
R&D expense	83,587,106.40	65,209,116.65	28.18
Financial expense	64,680,213.72	76,392,967.30	-15.33

D. R&D Input

Unit: yuan Currency: RMB

Expensing R&D input	83,587,106.40
Capitalizing R&D expenditure	0
Total R&D expenditure	83,587,106.40
% of total operating revenue	0.35
R&D headcount	199
% of the Company's headcount	2.76
Percentage of capitalizing R&D expenditure	0

During the reporting period, Wellhope increased input in R&D to continuously accumulate practices and make breakthroughs in immune nutrition technology, antibiotic-free technology, biological fermentation technology, know-how for broiler high killing out percentage, etc. The R&D expenses increased by 28.18% compared with the same period of prior year. The primary R&D achievements and progresses are as follows.

A. Strengthening the development of marketable feed products to continuously enhance product competitiveness

a. Swine feed: Faced with the circumstances of raging African Swine Fever, ban of antibiotics in feed, price fluctuation of raw materials and higher swine price, Wellhope put efforts into product development and upgrading in the immune nutrition, the integrated nutrition of sow and piglets, and the low protein with balanced amino acid technology, etc., including strengthening the development of immune nutrition products, accelerating the development and promotion of fast-growing finisher feed, increasing investment in the products of facilitating feed intake and growth rate of weaning piglet, and boosting the development and promotion of high-quality fast-growing swine product lines to further adapt to market changes.

b. Broiler feed: Wellhope focused on product development to maximize the benefit of the whole broiler integration chain. In order to improve the growth performance of broiler further, Wellhope took certain measures, such as using unconventional feed raw materials, adjusting the database of broiler feed, and continuously optimizing diet design and feeding program. Meanwhile, Wellhope has developed a new shape of broiler feed, which solved the problems that the traditional shape was easy to be powdered during bulk transportation.

c. Ruminant feed: Wellhope has researched on ruminant feed for many years. In 2020, Wellhope was keeping on improving feed product research in the field of dairy cattle, beef cattle and mutton sheep, and optimizing the integrated solution for farmers. For instance, Wellhope helped farms improve their

economic returns through launching series of concentrate supplement for dairy cattle and balancing TMR through RENB technology, which can improve milk yield during peak of lactation by 1.0-1.8kg per day and decrease milk manufacturing cost by RMB 0.1-0.3/kg.

d. Layer feed: In response of the market competition caused by COVID-19 pandemic and African Swine Fever as well as the sharp increase in raw materials price, Wellhope actively developed new products, such as launching a new type of compound feed for layer in egg producing period with higher cost-effectiveness. Meanwhile, Wellhope has improved the premix production line, optimized and upgraded the special poultry feed products such as laying duck and goose breeder, which has further enhanced the product competitiveness and market share.

e. Aquatic feed: Wellhope carried on the upgrading of aquatic feed products for some important species, such as common carp, channel catfish, loach and pacific white shrimp, making the feed conversion efficiency of these products decreased by 0.05-0.10 compared with the prior year. At the same time, Wellhope increased investment in research and development of feed for special aquaculture animals, and promoted the competitiveness of high value products such as crayfish, giant freshwater prawn and yellow catfish.

B. Improving the nutrition system of antibiotic-free feed and carrying out reducing the use of antibiotics on farms

By the end of June 2020, all feed products of Wellhope have been successfully transitioned to be antibiotic-free after continuous researches and explorations based on more than one hundred test verification. The performance of the products has been proved stable, positive and been well received by the market. In order to maintain the leading position and market competitiveness, Wellhope constantly upgraded antibiotic-free feed products, also provided customized feeding programs to farmers. In the meantime, Wellhope further boosted reducing the use of antibiotics on farms and guided farmers to constantly improve bio-safety, farm management and feeding programs.

C. Exploring diversified raw material resources to cope with price fluctuations of feed raw materials

In 2020, the prices of corn, soybean meal and other raw materials have been fluctuating sharply. Combining own accumulations and experiences of partner Royal De Heus in raw material substitution, Wellhope has explored diversified raw material resources and adopted methods such as raw material substitution to optimize feed formula, so as to stabilize the impact of raw materials price fluctuations. For example, evaluating the application of unconventional raw materials, increasing the investment in research on low-protein and eco-friendly diets, using some local raw materials to reduce the dependence on soybean meal and control costs; selecting wheat, brown rice and other raw materials to alternate corn, and taking the lead in developing and promoting corn-free growing-fattening swine feed technology and related products in several regions to reserve the diet technology with a variety of grains in the future.

D. Upgrading farming management programs to facilitate the development of large-scale farms

- a. Technology solutions for swine raising: In 2020, Wellhope has established health monitoring technology for breeding pig and concentrated breeding technology with different genes, also improved the integrated high-standard nutrition system of Danbred sows and piglets to continuously strengthen the reproductive performance of sows, as well as the livability and weaning weight of weaned piglets. Meanwhile, Wellhope has established the nutrition supporting programs and implementation measures for commercial gilts and large-weight finishers under the backdrop of the "post African Swine Fever era", which has successfully settled the problems faced by swine raising industry, such as low feed intake during lactation period of commercial gilts, lower weaning weight of piglets, serious backfat loss after weaning and difficulty in oestrus.
- b. Technology solutions for beef cattle and mutton sheep: Wellhope continued to implement the way of nutritionists cooperating with product managers to enhance farm benefits through providing on-site guidance, such as developing reasonable diet formulas and feeding programs that matched with feed model.
- c. Broiler raising and slaughtering technology: Wellhope further exerted the advantages of three tier cage system for broilers and combined different types and combinations of feeding programs to improve feed conversion rate, reduce mortality and culling rate, promoting the full growth potential of broiler. Meanwhile, Wellhope vigorously improved slaughtering know-how to enhance the killing-out percentage and meat quality, such as reducing broken wing percentage, and increasing skin water keeping ability, helping increase the profitability of the Company's overall value chain.

E. Introducing and reserving excellent talents to enhance the competence of the R & D system

Wellhope has been always insisting on introducing and reserving key technological talents through various ways. In 2020, it introduced nearly 50 professional talents to work on market research, product development, technical support and other positions in the fields of swine, poultry, ruminant, etc. Some of them are doctors and post-doctors from both domestic and overseas agricultural universities, such as China Agricultural University, Nanjing Agricultural University, Wageningen University and the University of Queensland. The R&D team has been growing stronger, boosting Wellhope's R&D strength constantly enhancing.

Honors and Patents

Patents granted in 2020							
Number of authorized patents	48	Patent for invention	4	Number of authorized patents as at the period end	117	Patent for invention	49
		Patent for utility models	44			Patent for utility models	68
Circumstances of Wellhope participating in the formulation of national or community standards and undertaking sci-tech projects in 2020							
National standards		Formula Feeds for Starter and Growing-finishing Swine (issued on September 29, 2020, implemented on April 1, 2021)					
		Formula Feeds for Layer and Broiler (issued on September 29, 2020, implemented on April 1, 2021)					
Community standards		Seven community standards, including Fermented Feed by Microbial with Enzyme for Dairy Cow, organized by Beijing Bio-feed Industry Technology Innovation Strategic Alliance (Implemented)					
Sci-tech projects that Wellhope undertook and presided		Precision Nutrition and Feeding Program for Sow--Shenyang Sci-tech Planning Project in 2020					
		Selecting and Raising Outstanding Livestock and Poultry Strains of Liaoning Province and Researching on Key Technologies of Integration Chain Project					
Honors regarding technology research and development in 2020							
Honors		Outstanding Antibiotic-Free Feed Enterprise of China Swine Industry Chain Ecosystem					
		Top 10 Enterprise with Innovative Technology of Antibiotic-free and Alternatives in China's Animal Husbandry and Feed Industry in 2020					
		Pioneer Award of Antibiotic-free Creep Feed in the 9th Session of National Creep Feed Development Summit Forum in 2020					
		Wellhope's WIN plus (Upgraded Wellhope immune nutrition products)-Nursery Feed Product was awarded as China Good Feed 2020-Pioneer Anti-free Feed Brand					
		Establishment and Application of Piglet Intestinal Steady Nutrition Technical System cooperated with Jilin Agricultural University won the First Prize for Progress in Science and Technology of Jilin Province					

E. Cash flow

Unit: yuan Currency: RMB

Item	2020	2019	Change %
Cash inflow of operating activities	24,607,049,169.74	18,665,159,099.25	31.83
Cash outflow of operating activities	23,841,103,716.71	17,553,553,132.67	35.82
Net cash flow from operating activities	765,945,453.03	1,111,605,966.58	-31.10
Cash inflow of investing activities	504,590,930.16	348,000,132.83	45.00
Cash outflow of investing activities	2,010,940,377.73	1,222,207,956.12	64.53
Net cash flow from investing activities	-1,506,349,447.57	-874,207,823.29	Not applicable
Cash inflow of financing activities	2,555,443,020.39	2,365,290,378.12	8.04
Cash outflow of financing activities	2,136,010,143.82	1,986,335,207.32	7.54
Net cash flow from financing activities	419,432,876.57	378,955,170.80	10.68
Net cash flow	-322,192,838.64	619,185,607.71	-152.03

2. Assets and liabilities

Unit: yuan Currency: RMB

Item	Closing balance of 2020	% of total assets	Closing balance of 2019	% of total assets	YoY change %	Explanation
Notes receivable	14,200,547.87	0.12	3,696,180.25	0.04	284.20	Bank acceptance increased
Prepayments	364,401,520.23	3.13	222,064,368.55	2.43	64.10	Prepayment of purchasing increased
Other receivables	121,043,476.45	1.04	85,600,811.75	0.94	41.40	Guarantee deposits increased
Inventory	2,473,827,570.38	21.24	1,568,373,133.15	17.14	57.73	Raw materials purchasing increased, stockpiles increased due to raw materials price fluctuations
Contract assets	4,301,418.29	0.04			-	Implemented new revenue standard
Other equity instruments investment	20,847,697.96	0.18	5,760,839.23	0.06	261.89	Newly increased other equity instruments investment
Fixed assets	2,860,162,059.91	24.56	2,023,113,939.02	22.11	41.37	Fixed assets of broiler integration and swine raising businesses increased
Construction in progress	322,895,206.90	2.77	240,012,874.86	2.62	34.53	Increased project investments for broiler integration and swine raising businesses
Biological asset	221,654,027.17	1.9	94,826,312.88	1.04	133.75	Pig breeders increased
Other non-current assets	531,140,679.24	4.56	337,463,267.56	3.69	57.39	The number of contract farms increased, prepaying feeding fees increased
Notes payable	4,000,000.00	0.03			-	Bank acceptance payable increased
Accounts payable	1,068,968,589.85	9.18	659,216,483.84	7.20	62.16	Purchasing payments increased
Advance receipt	15,522,362.13	0.13	209,529,248.68	2.29	-92.59	Implemented new revenue standard, recorded advance receipt with the nature of contract liability in the contract liabilities
Contract liabilities	365,124,817.02	3.14			-	Implemented new revenue standard, advance receipt with the nature of contract liability increased

Payroll	92,456,475.56	0.79	62,549,364.12	0.68	47.81	Salaries increased
Non-current liabilities due within one year	121,896,906.66	1.05	70,593,717.62	0.77	72.67	Long-term borrowings due within one year increased
Other current liabilities	3,386,523.00	0.03			-	Implemented new revenue standard, tax to be transferred increased
Long-term borrowings	574,880,271.67	4.94	174,330,000.00	1.91	229.77	Long-term borrowings increased
Long-term payables	15,458,230.92	0.13	11,025,000.09	0.12	40.21	Financing leases increased
Deferred income	42,238,872.75	0.36	31,841,250.00	0.35	32.65	Deferred income generated from receiving government grants that related to assets increased
Deferred income tax liabilities	1,936,853.23	0.02	396,995.58	0.00	387.88	Deferred income tax liability recognized as taxable temporary difference increased

3. Investment analysis

As at December 31, 2020, the balance of Wellhope's long-term equity investment recorded RMB 2.42 billion, increased by 17.14% compared with the end of prior year. For details, please refer to notes to the items of Consolidated Financial Statements--long-term equity investment.

4. Main holding and associated companies

Unit: 10k yuan

Company	Primary business	Registered capital	Total assets	Net assets	Net profit
Xi'an Wellhope Feed Sci-Tech Company	Feed production and selling	500.00	21,705.60	16,858.58	5,245.17
Beijing Sanyuan Wellhope Agri-Tech Company	Feed production and selling	1,000.00	26,925.89	22,753.59	2,850.09
Shenyang Wellhope Agri-Tech Company	Feed production and selling	8,210.00	26,823.22	16,751.45	3,598.78
Tai'an Jiuguhe Agriculture Development Company	Broiler raising and feed processing	1,060.00	47,640.93	22,578.66	-4,206.71
Huludao Jiuguhe Feed Mill	Broiler raising and feed processing	1,085.00	25,650.36	3,138.64	-4,417.99
Anshan Jiuguhe Food Company	Broiler slaughtering, processing and selling	4,320.00	71,420.94	43,428.53	15,344.57
Huludao Jiuguhe Food Company	Broiler slaughtering, processing and selling	7,370.00	30,552.66	22,306.21	7,195.25
Beipiao Hongfa Food Company	Feed processing, broiler breeder raising, day old chick hatching, broiler raising and slaughtering	3,000.00	209,838.54	144,635.40	22,928.36
Dalian Heyuan Agri-Tech Company	Feed processing, broiler breeder raising, day old chick hatching, broiler raising and slaughtering	10,000.00	152,874.84	86,706.58	7,367.84
Dalian Chengsan Animal Husbandry Company	Broiler raising and feed processing	1,008.61	194,200.43	157,571.42	14,274.68
Liaoning Wellhope Agriculture and Animal Husbandry Development	Swine raising	5,000.00	69,019.75	15,913.59	11,839.60
Anhui Wellhope Agri-Tech Company	Feed production and selling, swine raising	16,000.00	52,938.23	24,997.23	9,407.67

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 a foundation for 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 always paid great attention to the development of agriculture. Along with latest changes in international trade, resources and environment, technological circumstance, industrial structure, policies and regulations and other factors, the development of agriculture has also ushered in a new phase. In 2019, the No. 1 Central Document put forward that downward pressure on the economy has been mounting and profound changes have been taking place in the external environment, it was of special importance to do intensive work related to agriculture, rural areas and farmers. In 2020, the No. 1 Central Document made comprehensive plans for agriculture, rural areas and farmers to ensure a successful conclusion on the battle against poverty and building a moderately prosperous society in rural areas. The No. 1 Central Document of 2021 also further emphasizes that rural revitalization is necessary for national rejuvenation. This document is based on the present and takes into account the future, puts forward clear requirements for comprehensively promoting rural revitalization and accelerating agricultural and rural modernization.

Under the backdrop of deepening reform on the supply-side and industrial transformation and upgrading, the animal husbandry industry in which Wellhope is active has also ushered in a new development opportunity despite numerous challenges.

A. Edging out less qualified players, the consolidation of feed industry is increasingly heightened

Along with fierce competitions 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. For large companies, they enjoy their strengths and advantages in technology, cost, brand, management, capital and logistics to continuously improve their total factor productivity, rapidly expand production scale and seize market shares through mergers and acquisitions as well as embarking on new projects. Those small and medium-sized feed producers have been gradually edged out in the increasingly fierce competitions due to their lower technical level, higher comprehensive costs, weaker brand reputation, lack of management skills, and bigger financial pressure. In addition, with the formal implementation of ban of antibiotics, and the continuous promotion of bulk feed, the entry barriers of feed industry have been raised yet again, customers have also increased their requirements on the comprehensive strength of feed suppliers significantly, which will speed up the elimination of backward players. In 2020, there were 749 large-scale feed mills with annual capacity over 100,000 tons, increased 128 plants compared to the prior year. These feed mills

have produced 133.52 million tons of feed with a year-on-year increase of 19.8%, which contributed towards 52.8% of China's total feed production, rising by 6.2 percentage points. The feed industry has been further transformed to become more large-scale and intensive.

B. Vertical integration of resources and continuous extension of industrial chain

Animal husbandry industry consists of several industries such as feed production, animal health product, livestock and poultry raising, slaughtering and processing, etc., where the upstream activities are more related to crop planting, whilst the downstream activities focus more on agricultural and sideline food processing industries, with a mixture of other related industries in between to form an organic whole. As competition has intensified to edge out less qualified players, large-scale companies are continuously expanding their business scale. For reasons of risk control, profit growth, food safety and other needs, apart from engaging in mergers and acquisitions, these giants involved in animal husbandry industry gradually integrate resources during this phase, while continuously expanding their businesses in both upstream and downstream industries in order to break through the industrial chain and establish strong competitive advantages as well as develop better anti-risk capabilities. Under the development trend of integration, the industrial divisions of large enterprises in agricultural and animal husbandry industries have been gradually weakened, while seizing the resources of the whole industrial chain has become the theme of the development of animal husbandry industry.

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 Large-scale Raising of Livestock and Poultry and the Action Plan for Pollution Abatement of Agriculture and Rural Areas, etc. These successively launched policies have showed China's determination to increase supervision on environmental protection in animal husbandry industry, local governments have also issued certain new regulations related to farm removal, ban of raising and restriction of farms, which will further edge out less qualified players and reframe animal husbandry industry.

D. Increasingly stringent supervisions on food safety highlighting the advantages of large-scale companies

In recent years, food safety in China has been improving, but at present the circumstances of the small-scale, and fragmented food industry with low entry barriers have not been changed much, and the farm-to-table industrial chain is too long and too large with many risk points. In October 2019, Premier Li Keqiang issued a Decree of State Council and released the new edition on 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 has since been the most heavily regulated. In the future, more attention will be paid to the normalization of food safety and industrial system. Stringent food safety supervision will further squeeze out less qualified players, at the same time highlighting the strengths and advantages of large integrated companies.

E. Bio-safety becoming a key factor, the prevention of African swine fever becoming normal

Disease has always been one of the major risks faced by animal raising industry. In August 2018, China's first case of African swine fever was identified, soon spread to more than 20 provincial-level administrative regions within the next six months, which has severely hit swine raising industry. Affected by this epidemic, China's swine inventories fell sharply in 2019, the key factor of bio-safety has raised the entry barriers of swine raising industry, the living space of small and medium-sized back-yard farms were continuously compressed, whilst large group companies took the chance to vigorously expand their businesses to capture markets supported by their massive capital, talents, technology and other resources. In 2020, the prevention of African swine fever has become normal, boosting swine raising industry entering a prolonged period of gaining from high swine prices. However, the prevention of African swine fever remained the primary issue faced by the industry. African swine fever has restricted domestic swine stocking density, and the recovery of China's swine production will be hampered for a long time until a safe and reliable vaccine can be developed.

F. High pork prices curbing consumer demand, accelerating the adjustment of meat consumption structure

In 2019, African swine fever has hit China's swine industry particularly hard, with severe production capacity losses and a remarkable increase in swine and pork prices, which fueled the prices of livestock and poultry products to record highs. In 2020, the outbreak of COVID-19 has severely attacked the national economy and significantly weakened the consumption power of residents. It has been already quite difficult to sell high-priced pork, the COVID-19 has once again reduced pork consumption, pork purchases from the group meal dropped remarkably and food producers were forced to shift raw materials to chicken and vegetarian food, which quickened the adjustment of consumption structure of domestic meat products, and the overall consumption habits of residents have begun to change. In addition, characterized by high protein, low fat and cholesterol levels, chicken has been well accepted by residents as a viable alternative to pork, and white feather broilers have a big advantage over swine such as growth rate and raising cost, etc. Seeing the experiences of developed countries, China's per capita chicken consumption still has great growth potential and a broad market.

2. Development strategy of the Company

Wellhope's long-term development objective is to become the world's leading enterprise across agriculture, animal husbandry and food industries. In the next three years, Wellhope will vigorously develop feed business, accelerate the pace of integration, complete the phased layout of food business to form a regional food brand, and finally become an enterprise with leading-edge quality and

efficiency across agriculture, animal husbandry and food industries (2021-2023).

According to the three-year plan, and the analysis and judgment of the economic and industrial development trend in 2021, Wellhope has determined its business strategy for 2021, i.e., by upholding the core values of “integrity, responsibility, double-win”, and the management philosophy of “innovation, high efficiency, and self-discipline”, Wellhope will further heighten systemic management and the core competences, whilst improve the synergy management among all business divisions, strengthen brand building and risk control, innovate incentive mechanism, enhance talents’ echelon, research and development, and information platform, aiming at building competitive and aggressive front platform(including product power, service ability, financial strength, marketing force), cost-efficient middle platform(including production, purchasing, quality assurance, technology), and energized back-end platform(including HR, finance, technology, R&D, purchasing, IT, corporate culture). While further strengthening and expanding feed business, Wellhope will also vigorously develop broiler integration and swine raising businesses, forming an integrated business mode that drives by broiler integration and swine raising businesses. Meanwhile, Wellhope will also speed up food business to lay a solid foundation for becoming a leading-edge enterprise with high quality and efficiency across agriculture, animal husbandry and food industries.

3. Business plan for 2021

Although coping with unprecedented challenges in 2020, such as prices of feed raw materials rising sharply, broiler industry entering a downward cycle, the COVID-19 inhibiting consumption, and African swine fever hindering the recovery of swine production, all Wellhope people put in efforts to move forward. In 2020, Wellhope’s operating revenue achieved a year-on-year growth of 33.87%, the net profit attributable to shareholders increased by 2.99%, realizing the seventh consecutive increase in revenue and profit after 2014-2019.

2021 is the year of a new round of strategic change of Wellhope. The Company will further develop three primary businesses to strive to achieve better operating results. In addition, driven by the target of heightening core competences in the fierce competition, Wellhope will make efforts to build competitive and aggressive front platform(including product power, service ability, financial strength, marketing force), cost-efficient middle platform(including production, purchasing, quality assurance, technology), and energized back-end platform(including HR, finance, technology, R&D, purchasing, IT, corporate culture). It will also further research on the markets to grasp industrial trends to boost production expansion step by step and reserve talents to support future development.

A. Feed business

Wellhope will exert the strength of know-how to center on enhancing product power and constantly improve the power of service, financing, and marketing to build competitive and aggressive front platform. At the same time, Wellhope will further strengthen the coordination among purchasing, technology, marketing, and production, and simultaneously further deepen benchmarking

management based on data analysis and comparison, while centering on cost and efficiency to dig deeper into potential profit margin of each feed category and each feed mill to continuously improve the core capabilities of feed business. In addition, Wellhope will comply with the trend of the feed industry to embrace the era of bulk feed. Supported by the advantages of technology, finance, scale, branding and logistics services, Wellhope will swiftly increase the input of bulk feed such as equipment introduction and upgrading, pelleting technique improvement to seize the opportunities brought by industrial changes and grab market shares at the time of backward companies being eliminated. In 2021, regarding feed business in Northeastern provinces (Liaoning, Jilin, Heilongjiang), Wellhope will continue to heighten the advantages of management system and brand image to steadily improve market shares, and forward explore the potential profit growth margin. Other than the Northeastern provinces, Wellhope will vigorously seek for new markets to expand market reach rapidly. To conclude, Wellhope aims to achieve a growth rate of more than 20% regarding feed business in 2021.

B. Broiler integration business

In 2021, the inventories of grandparent and parent stock are expected to be at high level as well, which will increase the production capacity, thus the broiler industry is expected to remain a downward cycle. Under such unfavorable situations, Wellhope will implement the ideology of “guarding safety, controlling the pace of investment, cutting costs, heightening efficiency and increasing benefits” to further enhance internal operation, and guarantee safety margin. Meanwhile, Wellhope will also expand production capacity step by step to preempt market shares in such downward cycle, so that it can gain excess returns at the time of broiler industry entering an upward cycle. Regarding breeding business, Wellhope will slow down the expansion of production capacity, strengthen the management of self-produced day-old chicks and optimize production performance indicators, whilst it will also enhance the selection of outsourced chicks to ensure quality. Regarding broiler raising sector, Wellhope will give full play to the advantage of asset-light operation by cooperating with large farms, steadily expand the scale of commercial broiler raising according to plans and continue to improve the production performance based on precise control of capital input. Regarding slaughtering sector, Wellhope will moderately enlarge the production scale, constantly improve internal operation, strengthen the sales system and explore marketing channels. Regarding processed food sector, Wellhope will push the progress of new projects, rapidly expand the scale of production and marketing, and improve the capacity to take down large orders. Besides, Wellhope will also strengthen the research and development to launch hit products, increase sales channels, train the marketing team, and continuously strengthen core abilities and branding. The resources of the Company will focus more on food business in the future. In addition, Wellhope will further accelerate the selection, cultivation and reserve of talents, and speed up the construction of talents’ echelon. In 2021, Wellhope plans to raise 610 million broilers and slaughter 720 million (including holding and associated companies).

C. Swine raising business

African swine fever has become normal in China. Due to the continuous impact of the epidemic, swine prices are higher than expected, the period of gaining profit is expected to be prolonged. At the same time, with the recovery of production capacity, the stocking density has been constantly increased, which stresses on the prevention of this epidemic. Owing to above circumstances, the prevention of African swine fever will be still the first priority in 2021. Thereby, Wellhope will continue to put bio-safety in the first place, such as constantly improving the professional skills of staff in pig farms, innovating preventive measures, further heighten the reward and punishment rules to ensure that the team can always maintain a high sense of responsibility and awareness. Under the premise of fully safeguarding the farms, Wellhope will take advantage of the structures of sows to rapidly expand swine production to maximumly grasp market opportunities. On the other hand, it will strive to build the core competences of swine raising business by heightening production performance, strengthening the quality of internal operation, and reducing comprehensive costs. In 2021, Wellhope plans to sell 1.2 million to 1.5 million heads of swine (including holding and associated companies).

This business plan can't be deemed as the Company's performance commitment to investors, please maintain sufficient risk awareness.

4. Possible risks

A. Risks of fluctuations in raw material prices

Most costs of the feed business come from raw materials. Factors in terms of production changes in producing areas, import policies, purchasing, storage, and grants, exchange rate fluctuations, logistics costs, etc., may cause fluctuations in the raw material market, which will affect the Company's feed business costs and gross profit margins. With deepened globalization 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 relations, international political and economic environment, and other factors have also made the purchase price of raw materials more variable.

Solutions

- a. Wellhope has established strategic partnerships with many leading domestic and overseas raw material suppliers. Meanwhile, it adopts three-level purchasing mode that includes centralized purchasing of head office, bidding purchasing of different business regions and local subsidiary purchasing to clarify the role of purchasing.
- b. Wellhope 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 to strategically reduce the purchasing price, such as

uniformly managing different variety of raw materials, 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.

d. Wellhope and Royal De Heus have set up an information sharing channel, which enables the two sides to timely share the market trends of raw materials and additives. 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 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 with an obvious “herd effect”, which further aggravates the cyclical fluctuations in the market price.

Solutions

a. Wellhope always keeps high attention of upstream and downstream product price fluctuations, continues to deepen market research to accurately predict industry trends and adjust business strategies. Meanwhile, Wellhope's three primary businesses share resources and boost business layout as planned to effectively control the risk of price fluctuations from the strategic level.

b. Wellhope's broiler integration business has established an industrial chain from broiler breeder raising, day-old chick hatching, feed production, commercial broiler raising, slaughtering, processing to further processing of prepared food and cooked food. In the meantime, Wellhope's swine raising business has also been entering downstream industries, such as the smooth development of slaughtering business. The continuous improvement of the industry chain makes the price fluctuations of each sector in the chain can be fully hedged, which maximumly mitigate the price fluctuations of the whole industry chain.

c. Wellhope has always been committed to improving the production standard of each sector, constantly innovating the practical operation technology and management mode of various businesses, reducing overall operating costs indirectly by optimizing the production indicators and improving per capita efficiency. Costs advantage can mitigate the negative impacts of downward industry on the Company while improving the overall profitability when facing a booming market.

C. Risks of serious animal epidemic

Feed and animal raising are Wellhope's two core businesses. Epidemic is one of the main risks faced by animal raising companies. Once an animal epidemic happens, it will certainly cause panic in the market, which will reduce the demands, then lessen the production, the income shrinks and the cost rises. The feed industry mainly serves downstream animal raising industry, thus, the downstream market will

directly affect the performance of feed business. As an unpredictable emergency, an explosive epidemic will undoubtedly have a strong impact on the Company's operations.

Solutions

- a. Wellhope attaches great importance to regional distribution and business structure, which is the most direct way to divert the risk of animal epidemic.
- b. Wellhope 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. Wellhope has set an emergency command system for major epidemics to minimize losses when they occur.
- d. Wellhope has been continuously conducting post-epidemic analysis and researches. Meanwhile, it has been constantly strengthening the ability to prevent epidemics from multiple aspects such as animal nutrition and veterinary services.
- e. For African swine fever, Wellhope has formed a relatively complete prevention system from product researches to farm management. Specific preventive measures have been detailed in Section IV hereof-Swine 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 regarding farm demolition, prohibition or restriction of animal raising. It can be seen that the continuously strengthened environmental protection is the trend of the industry, also an inevitable reality, which will further weed out unqualified players and reframe the industry.

Solutions

During the start-up period, Wellhope had input "saving resources, being committed to environmental protection" as part of its Mission. During the past 26 years, Wellhope has always considered saving resources and protecting environment as its important mission, taking strict compliance with laws and regulations, and implementing environmental protection requirements as key performance appraisal indicators for managers.

- a. In the face of increasingly strict environmental protection requirements, all Wellhope's subordinated entities have carried out a comprehensive identification of environmental risk points, and formulated emergency plans for emergent environmental incident based on actual circumstances and the requirements of local governments at all levels. In view of the key pollutant discharge entity, Wellhope has made a complete self-monitoring program to identify problems timely and eliminate hidden dangers, it also constantly increases personnel, capital investment in environmental protection to

ensure that the key pollutant discharge entities always meet the national standards.

b. Wellhope has always performed all environmental standards of the state with the most rigorous attitude, established complete control measures for waste gas, noise, wastewater, solid waste and other pollution generated during the production process. Meanwhile, it uses eco-friendly raw materials and additives in feed formulas, and continuously develops safe diet to reduce the emissions of heavy metals, nitrogen and phosphorus.

E. Risks of exchange-rate fluctuations

Wellhope's international business started early and has been developed rapidly, which can be affected by exchange-rate fluctuations in raw material purchasing, product export, overseas investment, including the following aspects.

Firstly, international development has made the global purchasing of raw materials becoming normally, therefore, the risk of exchange-rate fluctuations is particularly acute for raw materials that are largely supplied from abroad. Secondly, Wellhope's export business of broiler parts products is growing rapidly with customers from many countries and regions across 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. Wellhope closely focuses on the dynamic international foreign exchange market, whilst enhances the awareness of foreign exchange risk, and improves the researching and forecasting capabilities of the foreign exchange market.

b. Wellhope continues to improve the bargaining power in foreign trade transaction by enhancing the competitiveness of products and using RMB for settlement, while reducing the exchange rate risks by adding insured value clause and the exchange-rate risk allocation clause in the contract.

c. By making full use of foreign exchange forwards, swaps and options (portfolios) 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", Wellhope reasonably matches 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 happens, it will directly damage the interests of consumers and cause panic, which may greatly impact the downstream demands, affect the brand and performance of the enterprises.

Solutions

Since its establishment, Wellhope has always attached great importance to the issues of food safety and quality assurance, adhering to implement the quality policy of "six never" with the most rigorous attitude--Never accept unqualified raw material, Never use abnormal equipment, Never allow nonstandard operation, Never produce substandard product, Never ignore unsatisfied customer, Never tolerate imperfect service. Wellhope's head office has set up Food and Quality Safety Management Committee, whilst all business sectors and corresponding subsidiaries have established food and quality safety management group to ensure that the team always maintains a high sense of responsibility and awareness.

a. Wellhope has established a three-level quality management mechanism and testing system that compose of head office, regional center and subsidiary. By adopting international standards such as ISO9001, ISO22000 and ISO-IEC17025, and thoroughly implementing a series of quality standards such as the "Feed Quality and Safety Management Practice" and "Veterinary Drug Production Quality Management Practice" issued by the Ministry of Agriculture and Rural Affairs, Wellhope has controlled the whole production process and established the traceability system. Meanwhile, it vigorously popularizes near-infrared detection technology, improves detection efficiency to timely share data and quickly realize risk early warning. Wellhope also focuses on the detection and monitoring of heavy metals, harmful microorganisms, mycotoxins, which provides an important guarantee for the safety of feed products. In addition, by learning from the technical experiences of antibiotic-free feed in Europe, coupled with the current situation of China's animal raising industry, Wellhope has achieved a leading advantage in the field of antibiotic-free feed, and now all the feed products have successfully transited to be antibiotic-free.

b. In terms of production management, Wellhope strictly monitors and checks the drug selection and drug residue control in broiler integration and swine raising businesses. Whilst it constantly strengthens the quality management in slaughtering and processing, earnestly implements the inspection and quarantine as well as drug residue detection. Regarding business model, Wellhope's broiler integration business has formed an industrial chain including broiler breeder raising, day-old chick hatching, feed production, commercial broiler rearing, slaughtering and processing of raw meat, further processing of prepared and cooked food. The integrated operation ensures sufficient supply of raw materials in each sector of the chain, and strictly controls the whole process of food and quality safety from the source. Through standardized management and streamline operation, Wellhope consolidates the controls of bio-safety, drug residue and in-process hygiene to achieve traceable food safety.

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, Wellhope has established a sustainable, stable and scientific profit distribution system for investors based on considering its actual operation, shareholders' need, social factors such as capital costs, external financing environment, current and future profitability, cash flow, project investment and capital demand, bank credit and debt financing environment, etc.

Wellhope held the 2nd meeting of the 7th Session of Board of Directors to formulate and deliberate the Shareholders' Dividend Plan for the Next Three Years (2020-2022), which will be submitted to its 2020 Annual Shareholders' Meeting. At least every three years, Wellhope re-reviews its Shareholders' Dividend Return Plan for the Next Three Years to evaluate on-going profit distribution policy and make necessary modifications according to the opinions of shareholders (especially non-controlling shareholders), independent directors and supervisors, and determines the Shareholders' Dividend Plan for that period.

During the reporting period, according to the Proposal of 2019 Profit Distribution Plan approved by Wellhope's 2019 Annual Shareholders' Meeting on April 20, 2020: based on the total share capital on the equity registration date, Wellhope paid cash dividends of RMB 2.20 per 10 shares (tax included) to all shareholders, amounted to RMB 202,853,177.12. The dividends had been paid in June 2020.

Wellhope's 2020 profit distribution plan will be: based on the total share capital on the equity registration date, it plans to pay cash dividends of RMB 2.20 per 10 shares (tax included) to all shareholders. This profit distribution plan is pending to be submitted to 2020 Annual Shareholders' Meeting.

During the reporting period, Wellhope's planned cash dividends accounted for less than 30% of the net profit attributable to shareholders of the Company in the current year, reasons are listed as follows.

Feed, broiler integration, and swine raising are Wellhope's three primary businesses. Feed industry has a huge market size with increasing industry consolidation, and the leaders are expanding rapidly. Broiler industry now enters a downward cycle, those leading companies conduct business expansion under such circumstance to steadily expand. Swine raising industry is under the phase of production recovery, large groups are actively expanding production to seize market share. In 2020, these three primary businesses have all exceeded the objectives set at the beginning of the year, the operating revenue and net profit attributable to shareholders of the Company have realized growth for the seventh consecutive year, with the compound growth rate reaching 16% and 32% respectively. Wellhope is now in the stage of rapid development and expansion.

Wellhope has been always focusing on returns to investors. The formulation of profit distribution plan is a reasonable arrangement based on the goal of sustainable development and taking into full

consideration of many factors such as the development stage of the industry, the growth cycle of the Company, future strategic planning and capital plan, so as to ensure the continuity and stability of profit distribution for investors in the future. The retained profits will be mainly used for the expansion of the primary businesses, while taking into account the capital needs to deal with external risks, so as to provide a solid guarantee for long-term planning.

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 %
2020	2.20	202,853,177.12	1,235,162,151.48	16.42
2019	2.20	202,853,177.12	1,199,347,355.96	16.91
2018	1.80	166,014,791.28	551,928,618.35	30.08

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 Wellhope, if 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 Wellhope, if 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
	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 abstract, and shall bear individual and joint legal liabilities for its authenticity, accuracy and completeness.	Long-term valid	Yes	Yes
	Other	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	Wellhope	Shareholder's Dividend Plan for the Next Three Years (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: 10k yuan Currency: RMB

Accounting Firm (Local)	SuyaJincheng CPA LLP
Payment	110
Length of Service	10 years

	Name	Payment
Accounting Firm of Internal Control	SuyaJincheng CPA LLP	35
Sponsor	Xu Hailin, He Yu	

V. Major litigation and Arbitration Matters

Non

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

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

VII. Employee Equity Incentive Plan, Stock Ownership Plan or Other Incentive Measures and Impacts

Overview	Query URLs
<p>On March 27, 2020, Wellhope's 14th meeting of the 6th Session of Board of Directors and the 12th meeting of the 6th Session of Supervisory Board approved the proposals of Unlocking Restricted Shares after Achieving the Performance Objective Stated in 2018 Restricted Stock Incentive Plan, Adjusting the Repurchase Price of Restricted Shares, Repurchasing and Writing off Part of Locked Restricted Shares</p> <ol style="list-style-type: none"> 367 managers could totally unlock 4.233 million restricted shares. As Wellhope had paid cash dividends on June 13, 2019, the repurchase price of per restricted share had been adjusted as RMB 4.67 per share. In view of 5 managers (Yu Hongbing, Jiang Hua, Ma Dongmei, Zhang Peng, Wang Haibin) leaving the Company, they were no longer eligible for the incentive rules. 31 managers did not meet the conditions of unlocking restricted shares due to their work performance appraisal, 244,500 shares held by these 36 individuals would be repurchased and written off by the Company. 	<p>Details can be obtained at www.sse.com.cn, announcements disclosed on March 31, 2020, No. 2020-011, 2020-017, 2020-018, 2020-019, 2020-023</p>

On April 3, 2020, Wellhope disclosed the announcement of Listing and Circulation of Restricted Shares in the First Lockup Period, 4.233 million restricted shares could be exchanged on April 9, 2020.	Details can be obtained at www.sse.com.cn , announcement disclosed on April 3, 2020, No. 2020-026
On May 15, 2020, Wellhope disclosed the announcement of the Implementation of Repurchasing and Writing off Part of Restricted Shares. 244,500 shares held by 36 individuals had been repurchased and written off by the Company. On May 19, 2020, these shares were written off.	Details can be obtained at www.sse.com.cn , announcement disclosed on May 15, 2020, No. 2020-040

VIII. Related Party Transaction

Matters do not disclose in the Company's extraordinary announcement

Unit: 10k yuan Currency: RMB

Related Party	Relationship	Transaction type	Transaction content	Pricing principle	Transaction amount	Settlement mode
Anshan Fengsheng Food Company	Associated company	Selling product	Live broiler	Comparable uncontrolled price	21,292.00	Transfer of account
Anshan Jiuguhe Food Company	Associated company	Selling product	Live broiler	Comparable uncontrolled price	9,081.05	Transfer of account
Beipiao Hongfa Food Company	Associated company	Selling product	Feed raw material	Comparable uncontrolled price	468.53	Transfer of account
Dalian Chengsan Animal Husbandry Company	Associated company	Selling product	Feed raw material	Comparable uncontrolled price	639.11	Transfer of account
Dandong Wellhope Chengsan Agri-Tech Company	Associated company	Selling product	Feed raw material	Comparable uncontrolled price	666.75	Transfer of account
Guangzhou Yikun Trading Company	Associated company	Selling product	Feed raw material	Comparable uncontrolled price	284.64	Transfer of account
Huludao Jiuguhe Food Company	Associated company	Selling product	Feed	Comparable uncontrolled price	1,032.72	Transfer of account
Linghai Jiuguhe Feed Mill	Associated company	Selling product	Feed raw material	Comparable uncontrolled price	5,026.09	Transfer of account
Nepal Wellhope Agri-tech Pvt. Ltd.	Associated company	Selling product	Feed	Comparable uncontrolled price	256.35	Transfer of account
Qingdao Shenfeng Agri-Tech Company	Associated company	Selling product	Feed raw material	Comparable uncontrolled price	5,621.83	Transfer of account
Shihaipu (Beijing) Technology and Trade Co., Ltd.	Associated company	Selling product	Other	Comparable uncontrolled price	128.63	Transfer of account
Tai'an Jiuguhe Agriculture Development Company	Associated company	Selling product	Feed raw material	Comparable uncontrolled price	7,828.30	Transfer of account
Dalian Sida Food Company	Associated company	Selling product	Live broiler	Comparable uncontrolled price	25,226.76	Transfer of account
Shandong Fengkang Food Company	Associated company	Selling product	Live broiler	Comparable uncontrolled price	595.42	Transfer of account
Anshan Jiuguhe Food Company	Associated company	Purchasing product	Broiler product	Comparable uncontrolled price	2,184.86	Transfer of account
Dalian Chengsan Animal Husbandry	Associated	Purchasing	Live broiler	Comparable uncontrolled	18,601.81	Transfer of account

Company	company	product		price		
Gongzhuling Corn Purchasing and Storing Company	Associated company	Purchasing product	Feed raw material	Comparable uncontrolled price	247.28	Transfer of account
Huludao Jiuguhe Food Company	Associated company	Purchasing product s	Broiler product	Comparable uncontrolled price	25.58	Transfer of account
Jinzhou Jiufeng Food Company	Associated company	Purchasing product	Broiler product	Comparable uncontrolled price	1,397.27	Transfer of account
Linghai Jiuguhe Feed Mill	Associated company	Purchasing product	Other	Comparable uncontrolled price	2,725.27	Transfer of account
Qingdao Shenfeng Agri-Tech Company	Associated company	Purchasing product	Feed	Comparable uncontrolled price	2,863.80	Transfer of account
Shenyang Zhongwenjia Bio-Tech Company	Associated company	Purchasing product	Animal medicine, vaccines	Comparable uncontrolled price	0.30	Transfer of account
Shihaipu (Beijing) Technology and Trade Co., Ltd.	Associated company	Purchasing product	Other	Comparable uncontrolled price	228.25	Transfer of account
Tai'an Jiuguhe Agriculture Development Company	Associated company	Purchasing product	Feed	Comparable uncontrolled price	20,835.70	Transfer of account
Total				/	127,258.30	/
Large amount sales return				Non		
Explanation of related party transaction				Wellhope and its associated companies know each other better and have maintained long-term cooperation relationships, which can strengthen the trust of products produced by partners, reduce transaction cost, improve working efficiency and avoid trading disputes. Meanwhile, purchasing raw materials from related parties can ensure quality of products. 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 Wellhope'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. The Circumstance of Entrusting others to Manage Cash Assets**1. Cash management**

Unit: 10k yuan Currency: RMB

Type	Source of fund	Amount	Undue balance
Wealth investment product of bank	Idle raised funds	36,000	10,000

2. Details

Unit: 10k yuan Currency: RMB

Bank	Type	Amount	Start date	Maturity date	Source of fund	Interest	Annualized return	Actual return	Whether recover
China Minsheng Banking Corp	Structured deposit	4,000	October 9, 2019	January 9, 2020	Idle raised funds	Capital guaranteed floating income	1.5%-3.7%	37.30	Yes
Industrial and Commercial Bank of China	Structured deposit	10,000	January 2, 2020	April 3, 2020	Idle raised funds	Capital guaranteed floating income	1.3%-4.2%	102.65	Yes
Shanghai Pudong Development Bank	Structured deposit	6,000	January 3, 2020	April 3, 2020	Idle raised funds	Capital guaranteed floating income	1.4%-3.5%	52.50	Yes
Shengjing Bank	Structured deposit	5,000	May 11, 2020	August 11, 2020	Idle raised funds	Capital guaranteed floating income	1.65%-3.7%	47.28	Yes
Shanghai Pudong Development Bank	Structured deposit	5,000	May 11, 2020	August 9, 2020	Idle raised funds	Capital guaranteed floating income	1.4%-3.45%	43.13	Yes
Shengjing Bank	Certificate of deposit	5,000	August 11, 2020	February 8, 2021	Idle raised funds	Fixed income	3.8%	95.53	Recovered on February 8, 2021
Industrial and Commercial Bank of China	Structured deposit	5,000	September 29, 2020,	April 1, 2021	Idle raised funds	Capital guaranteed floating income	1.5%-3.2%		Has yet to recover

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. The year 2020 was a decisive year to win the battle against poverty and finish building a moderately prosperous society in all respects. In respect to poverty alleviation, President Xi Jinping noted, "Resolutely overcoming the impact of COVID-19 and uncompromisingly winning the comprehensive victory in the battle against poverty". Wellhope 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

In terms of poverty alleviation through industry development, Wellhope signed the agreement of "Targeted Poverty Alleviation by Industry Development" with Woniushan Village of Dongliu Town of Zhangwu County in Fuxin City of Liaoning Province. Wellhope invested the funds of RMB 117,600 as the collective assets into the cattle raising cooperation of this village, those registered poverty-stricken households would receive dividends based on their shareholdings. Meanwhile, Jiaozuo Wellhope Feed Mill, one of the subsidiaries of Wellhope, positively participated in the new poverty alleviation model, which was named "capital to households and equity to households" in Chongyi Town of Qingyang City, and paid RMB 50,000 as poverty alleviation funds in 2020. In terms of social poverty alleviation, in order to help Beipiao city to fight against poverty, Liaoning Wellhope Food Company, one of the subsidiaries of Wellhope, donated RMB 100,000 to the government of Beipiao City for poverty alleviation.

With regard to poverty alleviation contributed by Wellhope's associated entities, Lankao Duck Company, responds to the call of LanKao County Party Committee and county government by launching a duck integration project for targeted poverty alleviation in Lankao County, which has implemented the operating mode of rearing ducks by the company and contract farms. In line with the principle of mutual benefit, Lankao Duck Company signs contracts with farmers and adopts unified supply of ducklings, feed, medicine, technical service and repurchasing, farmers are not required to prepare working capital. It also provides uniform subsidies for farmers, such as veterinary drugs, coal subsidy in winter and cooling subsidy in summer. In 2020, Lankao Duck Company repurchased 18.98 million ducks with veterinary subsidy of RMB 3.80 million and other subsidies of RMB 0.90 million.

C. Figures of targeted poverty alleviation

Unit: 10k yuan Currency: RMB

Index	Details
1. Overall	
Funds invested for poverty alleviation	26.76
2. In details	
A. Poverty alleviation through industry development	
a. The number of projects invested for poverty alleviation through industry development	2
b. Funds invested	16.76
B. Society poverty alleviation	
Funds invested for targeted poverty alleviation	10.00

D. Follow-up targeted poverty alleviation

Wellhope will vigorously respond to the call for targeted poverty alleviation. Based on further developing current poverty alleviation projects, Wellhope will exert its strengths to innovate poverty alleviation methods, optimize poverty alleviation channels, and increase poverty alleviation efforts to contribute to the goal of building a moderately prosperous society in all respects.

2. Social responsibilities

As an important intermediate part in the agricultural industry chain, the upstream industries of animal husbandry connect crop and feed industry, whilst the downstream industries serve slaughtering and food processing industries. The animal husbandry industry is related to the national economy and people's livelihood, such as food supply and farmers' income. At the start-up period, Wellhope announced its Declaration and Mission inside and outside the industry, indicating and admonishing all employees that while developing business, Wellhope should also bear social responsibilities at the same time. Over the years, Wellhope has been strictly fulfilling its commitment and practicing corporate responsibilities. In 2018 it further refined its core values characterized by "Integrity, Responsibility, Double-win", once again stressed the importance of social responsibilities.

A. Responsibilities to society and industry

a. Practice of Wellhope Mission. "Through advanced technology, professional service, and high-quality products, Wellhope is devoted to the development of China's animal husbandry industry, resources conservation, environment protection, as well as food security for the benefit of people", this has been taken as the mission and ultimate goal of Wellhope 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 increasingly shortage of natural resources and under the backdrops of the implementation of ban of antibiotics and food safety, Wellhope has been exploring new products and optimizing products based on the original intention of saving food and resources. Meanwhile, it reduces the use of corn, soybean meal and other grains in feed by transitioning from simple to complex diversified diet technology, and fully exploits the application of various raw materials. In terms of animal raising technology, Wellhope helps farmers apply energy-saving technologies to improve

resource utilization. In terms of broiler slaughtering, Wellhope equips high-efficient equipment and constantly refines technologies, also conducts lean management to heighten slaughtering operation, which has achieved efficient killing-out percentage and energy saving.

Environment protection. By reason of animal husbandry having certain pollutions to the environment, Wellhope has been always utilizing various ways such as technological innovation and equipment input to protect environment to achieve the sustainable development. In terms of technological innovation, Wellhope continuously researches on safe and eco-friendly feed. Through the application of enzyme preparation and the design of feed formula with low phosphorus and low protein, the nitrogen and phosphorus from animal feed have been greatly reduced. In terms of animal raising and slaughtering, Wellhope automates production lines and continuously strengthens the recycles wastes and combines planting with animal raising to realize environmental protection.

Food safety. Wellhope has never forgotten social responsibility since its establishment. In 2018, it set long-term development objective as "being committed to becoming the world's leading enterprise across agriculture, animal husbandry and food industries, and becoming a manufacturer of safe and high-quality meat product", unswervingly pursuing the quality and safety of feed processing and food production. Wellhope's central laboratory has been equipped with advanced testing equipment and always conducted strict quality control of raw materials and products to ensure safety of feed. For the broiler business, Wellhope takes stringent control of supply, production, sale process, and through the "nine unified" operation mode to combine biosafety, drug residue control and in-process hygiene to achieve traceable food safety. Meanwhile, Wellhope has always attached importance to the research and development of antibiotic-free technology, all of the feed products have been successfully transitioned to be antibiotic-free, the effect of the alternative programs has been stable with favorable feedback, which has been further enhanced the product power. With years of focuses of providing high-quality, stable and safe products, Wellhope ranked the 7th in "2020 China Food Green Credit Index Top 50 Report" with a "Green Credit Index" score of 86.3. In the future, Wellhope will continue to pay attention to food safety and provide safe and high-quality products with global perspectives.

Contributing to public charity giving. Wellhope has always persisted in the principle of contributing to its motherland by operating excellent businesses and giving back to the society. Over the years, Wellhope has donated to disaster areas, disabled aid projects and related educational institutions directly or through the Red Cross. Since the outbreak of COVID-19, Wellhope'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, which included the donation of 18 ambulances to several regions. Wellhope also actively devotes to educational public welfare undertakings. In recent years, Wellhope has been working with a supplier to participate in donation activities on World Egg Day by providing high-quality eggs to poor pupils to care for their healthy growth. Moreover, Wellhope provides awards and bursary supports to many college students nationwide, it also holds the "Wellhope

Cup” regularly, this is a postgraduate scientific and technological paper competition, which aims to encourage the innovation of postgraduates in related fields and offers them opportunities to attend in internships and field trips. Moreover, the holding and associated companies of Wellhope vigorously participate in charity activities organized by local-level governments. The managers of Wellhope also devote themselves to the public charity in different forms.

b. Offering job opportunities

Talented person is the foundation of the development of an enterprise. According to the needs, Wellhope holds job fair and campus recruitment every year, creating job opportunities for the society while developing ourselves. In 2020, under the grim employment situation caused by the downward pressure on the economy, Wellhope quickly carried out online recruitment via live broadcast to offer opportunities for job seekers, it has recruited a large number of middle and junior staff from the society through variety channels, and also introduced more than 500 undergraduates, masters and doctors from several universities and provided systematic trainings to help them grow rapidly.

B. Responsibilities to shareholders

Information disclosure complying with laws and regulations. Wellhope always adheres to the code of conduct of honesty and trustworthiness, and improves corporate governance to ensure the internal operation complying with laws and regulations. In 2020, in strict accordance with the regulations of China Securities Regulatory Commission, Shanghai Stock Exchange, the Company Constitution and other internal regulations, Wellhope continued to consciously standardize the information disclosure to guarantee that all disclosed information was true, accurate, complete and timely. During the reporting period, Wellhope honestly and normatively disclosed 65 extraordinary announcements and 4 periodic reports via designated media. Moreover, its annual information disclosure was appraised as A-level by Shanghai Stock Exchange. Entering 2021, Wellhope will constantly practice the principle of honest operation and protect the legitimate rights and interests of the non-controlling shareholders.

Return to shareholders. In line with the principle of "sharing the results", besides carefully implementing the development strategy and continuously improving internal operation, Wellhope spares no efforts to return to investors and share the operating results. Since completing IPO in 2014, its average dividend payout ratio was 20% with accumulated cash dividends of RMB 646 million. All the funds raised from IPO have been returned to investors by cash dividends.

C. Responsibilities to staff

Adhering to “sharing bumper harvest”. Driven by the philosophy of “sharing bumper harvest”, Wellhope shares its achievements with employees by way of optimizing the remuneration system and diversifying incentive methods. In 2018, 372 identified key managers were awarded with restricted shares. During the reporting period, these managers have unlocked the restricted shares of the first lockup period. This plan has achieved positive effects indeed based on the profit of the Company and other evaluations in 2020, achieved a win-win situation.

Powering career development of staff. In strict accordance with national laws and regulations, Wellhope provides social assurance and additional welfare to employees and also benefits their families. Wellhope also expands the scope of welfare through internal resource sharing, and pilot flexible benefits to improve employees' happiness. In the meantime, Wellhope continues to upgrade its three-level training system, by using 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, Wellhope has created a "H-shaped" dual-channel career path for employees to make every single one can choose suitable career development according to their strengths, aiming to help them fully display potential abilities to achieve career goals.

Caring about employees' life. The "Wings of Love" charitable foundation, established by Wellhope in 2007, continues to care for employees. It gives certain rewards to employees' children who are admitted to the universities, encouraging employees to cultivate talents for the society. In the meantime, it also provides financial assistance to the families of employees in difficulty, helping them tide over hard time. Since the foundation being established, it has donated RMB 4.16 million to employees. Moreover, every year Wellhope organizes different forms of activities to continuously enrich the life of employees.

D. Responsibilities to customers

Continuously providing superior quality products. Wellhope conducts businesses honestly and controls product quality strictly. Through integrated operation, high-quality raw material purchasing, scientific formula design, professional quality management and intelligent production, etc., Wellhope provides superior quality products to the society, and constantly develops new products to meet the needs of customers for product safety.

Constantly improving technical services. Driven by the concept of progressing together with customers, Wellhope is dedicated to providing comprehensive technical services. In terms of animal raising, Wellhope offers farmers systematic services such as raising methods, feeding programs, disease diagnosis and latest market information, also provides them trainings and farm management solutions to improve their technology level and operation skills. In respect to African swine fever, Wellhope has vigorously built technical team to render services in terms of preventive measures and solutions to resume production, etc. Meanwhile, Wellhope actively conducts on-line services and management guidance, including holding live streaming and experts on line to help customers prevent African swine fever and reduce losses, making progress together with customers.

3. Environment information

A. Information of pollution discharge

Puyang Wellhope Food Company (hereinafter referred to as "Puyang Wellhope"), a subsidiary of Wellhope, has been listed as the company with pollution discharging of Puyang City. Dalian Zhongjia Wellhope Food Company (hereinafter referred to as "Zhongjia Food") and Dalian Huakang Xinxin Food Company (hereinafter referred to as "Dalian Huakang"), subsidiaries of Wellhope, have been listed as the company with pollution discharging of Dalian City. Kaifeng Wellhope Meat Food Company (hereinafter referred to as "Kaifeng Wellhope"), a subsidiary of Wellhope, has been listed as the company with pollution discharging of Kaifeng City. Shenyang Huakang Broiler Company (hereinafter referred to as "Shenyang Huakang"), a subsidiary of Wellhope, has been listed as the company with pollution discharging of Shenyang City. Pingyuan Wellhope Food Processing Company (hereinafter referred to as "Pingyuan Wellhope"), a subsidiary of Wellhope, has been listed as the company with pollution discharging of Handan City. Changchun Wellhope Food Company (hereinafter referred to as "Changchun Wellhope"), a subsidiary of Wellhope, has been listed as the company with pollution discharging of Changchun City. Chifeng Wellhope Fuxinyuan Food Company (hereinafter referred to as "Chifeng Wellhope"), a subsidiary of Wellhope, has been listed as the company with pollution discharging of Chifeng City. Shandong Heyuan Food Company (hereinafter referred to as "Shandong Heyuan"), a subsidiary of Wellhope, has been listed as the company with pollution discharging of Weihai City. Details are presented as follows.

Company	Primary pollutants	Way of discharge	Number of discharge outlet	Distribution of outlets	Emission concentration	Pollutant discharge standards	Total amount of discharge	Total approved emissions	Whether discharge excessive pollutants
Puyang Wellhope	Waste water (COD, ammonia nitrogen, total phosphorus, PH, suspended solids, biochemical oxygen demand, animal and plant oil, total coliform, total nitrogen). Waste gas (SO ₂ , nitric oxide, particulate matter)	Waste gas—direct discharge after treatment, waste water--indirect discharge	1 outlet for waste gas, 1 for waste water	1 waste water emission outlet located in the southeast corner of the sewage monitoring station, 1 waste gas exhaust outlet distributed in the boiler room in the northeast	COD--45mg/L, ammonia nitrogen --4.19mg/L, total phosphorus --1.74mg/L, total nitrogen --7.97mg/L, SO ₂ --0mg/m ³ , nitric oxide --19mg/m ³ , particulate matter --2.8mg/m ³	Discharge Standard of Water Pollutants for Meat Processing Industry (GB 13457-1992). Boiler Air Pollutant Emission Standard (GB 13271-2014)	COD--5.358t/a, ammonia nitrogen --0.218t/a	COD--15.58t/a, ammonia nitrogen --2.95t/a	No

				corner of the factory					
Zhongjia Food	Waste water (COD, ammonia nitrogen, total phosphorus, PH, suspended solids, biochemical oxygen demand, total nitrogen). Waste gas (SO ₂ , nitric oxide, particulate matter)	Waste gas—direct discharge after treatment, waste water—access to sewage works	1 outlet for waste gas, 1 for waste water	Waste water enters the sewage plant through the pump; the exhaust gas outlet is distributed in the boiler house on the north side of the company	COD--41.35mg/L, ammonia nitrogen--1.98mg/L, total nitrogen--21.46mg/L, total phosphorus-- 2.64mg/L, PH--7.27, particulate matter--22.9mg/m ³ , sulfur dioxide--209mg/m ³ , nitric oxide--132mg/m ³	Comprehensive Wastewater Discharge Standard of Liaoning Province (GB 21/1627-2008). Boiler Air Pollutant Emission Standard (GB 13271-2014)	Simplified management of no emissions	Non	No
Dalian Huakang	Waste water (COD, ammonia nitrogen, total phosphorus, PH, suspended solids, total nitrogen). Waste gas (SO ₂ , nitric oxide, particulate matter)	Waste water--put into the pipe network after treatment, waste gas—direct discharge	1 outlet for waste gas, 1 for waste water	Wastewater discharge outlet is distributed in the southeast corner of the company's sewage treatment workshop; exhaust gas outlet is located on the roof of the company's boiler house	COD--112mg/L, ammonia nitrogen--2.26mg/L, smoke--30.5mg/m ³ , sulfur dioxide—113mg/m ³ , nitric oxide—147mg/m ³	Comprehensive Wastewater Discharge Standard of Liaoning Province (GB 21/1627-2008). Boiler Air Pollutant Emission Standard (GB 13271-2014)	Waste water enter the pipe network, no discharge. Smoke--531KG, sulfur dioxide--1976KG, nitric oxide--2570KG	Non	No
Kaifeng Wellhope	Waste water (COD, ammonia nitrogen, total phosphorus, PH, suspended solids, biochemical oxygen demand, animal and plant oil, total coliform, total nitrogen)	Waste water—indirect discharge	1 outlet for waste water	Wastewater discharge outlet is distributed in the northeast corner of the company's sewage monitoring infrastructure station	COD--43mg/L, ammonia nitrogen--6.5mg/L	Level 2 standard of Discharge Standard of Water Pollutants for Meat Processing Industry (GB 13457-1992)	COD--3.43t/a, ammonia nitrogen--0.77t/a	COD--3.6t/a, ammonia nitrogen--0.79t/a	No

Shenyang Huakang	Waste water (coliform group, 5 days biochemical oxygen demand, suspended matter, animal and plant oil, ammonia nitrogen, PH, chemical oxygen demand, total phosphorus). Waste gas (particulate matter, sulfur dioxide, nitrogen oxides, smoke blackness, mercury and its compounds)	Waste gas—direct discharge after treatment, waste water—put into the municipal pipe network after treatment	1 outlet for waste gas, 1 for waste water	Wastewater discharge outlet is distributed in the southeast corner of the company's sewage monitoring base station. The exhaust gas outlet is located at the boiler house in the northeast corner of the company	COD--40mg/m ³ , suspended matter--8mg/m ³ , ammonia nitrogen--25.915mg/m ³ , 5 days biochemical oxygen demand--4.3mg/m ³ , total phosphorus--4.05mg/m ³ , animal and plant oil--5.33mg/m ³ , coliform group<20MPN/L, particulate matter--26.9mg/m ³ , sulfur dioxide--9mg/m ³ , nitrogen oxides--133mg/m ³ , mercury and its compounds<0.003ug/m ³ , ringelman emittance<level 1	Discharge Standard of Water Pollutants for Meat Processing Industry (GB 13457-1992). Comprehensive Wastewater Discharge Standard (GB 211627-2008). Boiler Air Pollutant Emission Standard (GB 13271-2014) Integrated Emission Standard of Air Pollutants (GB 16297-1996). Emission Standards for Odor Pollutants (GB 14554-92)	COD--6.5556t/a, ammonia nitrogen--0.984t/a	COD--84t/a, ammonia nitrogen--13.44t/a	No
Pingyuan Wellhope	Waste water (COD, ammonia nitrogen, total phosphorus, PH, suspended matter, biochemical oxygen demand, animal and plant oil, total coliform group, total nitrogen). Waste gas (SO ₂ , nitric oxide, particulate matter)	Waste gas—direct discharge via natural gas boiler, waste water—indirect discharge	2 outlets for waste gas, 1 for waste water	Wastewater discharge outlet is distributed in the north of the company sewage monitoring base station house, the exhaust gas outlets are distributed in the boiler house on the east side of the company	COD--100mg/L, ammonia nitrogen--20mg/L, PH--6-9, suspended matter--200mg/L, biochemical oxygen demand--60, animal and plant oil--20mg/L, SO ₂ --0mg/Lm ³ , nitric oxide--21mg/Lm ³ , particulate matter--2.8mg/Lm ³	Discharge Standard of Water Pollutants for Meat Processing Industry (GB 13457-1992) and inlet water quality requirements of Linzhang County. Boiler Air Pollutant Emission Standard (GB 13271-2014)	COD--13t/a, ammonia nitrogen--2.6t/a, SO ₂ --0t/a, nitric oxide--0.8t/a	COD--39.45t/a, ammonia nitrogen--2.724t/a, SO ₂ --2.31t/a, nitric oxide--2.36t/a	No
Changchun Wellhope	Waste water (COD, ammonia nitrogen, total phosphorus, PH, suspended matter, biochemical oxygen demand, total nitrogen).	Waste water--discharge after entering the sewage treatment station	1 outlet for waste water	Wastewater discharge outlet is distributed in the company's sewage	COD--14mg/L, suspended matter--8mg/L, coliform group—non, PH--7.96mg/L, ammonia nitrogen--0.587mg/L, 5 days biochemical oxygen	Level 2 standard of Discharge Standard of Water Pollutants for Meat Processing Industry (GB 13457-1992)	COD--3.487t/a, ammonia nitrogen--0.104t/a	COD--12.619t/a, ammonia nitrogen--2.524t/a	No

				monitoring station	demand--2.7mg/L, animal and plant oil--0.17mg/L				
Chifeng Wellhope	Waste water (COD, ammonia nitrogen, total phosphorus, PH, suspended solids, biochemical oxygen demand, animal and plant oil, total coliform group, total nitrogen). Waste gas (SO ₂ , nitric oxide, particulate matter)	Waste gas—direct discharge after treatment, waste water--indirect discharge	1 outlet for waste gas, 1 for waste water	Wastewater outlet is distributed in the east side of the company's sewage monitoring base station. The exhaust gas outlet is located on the north side of the boiler house	COD--100mg/L, ammonia nitrogen--20mg/L, PH--6-8.5	Discharge Standard of Water Pollutants for Meat Processing Industry (GB 13457-1992). Integrated Emission Standard of Air Pollutants (GB 16297-1996). Emission Standards for Odor Pollutants (GB 14554-93). Boiler Air Pollutant Emission Standard (GB 13271-2014)	COD--0.92t/a, ammonia nitrogen--0.034t/a	COD--40.6t/a, ammonia nitrogen--6.28t/a	No
Shandong Heyuan	Waste water (chemical oxygen demand, suspended matter, coliform group, anionic surfactant, ammonia nitrogen, PH, total nitrogen, total phosphorus, PH, 5 days biochemical oxygen demand). Waste gas (particulate matter, sulfur dioxide, nitrogen oxides)	Waste water—discharge after entering the sewage treatment plant	1 outlet for waste gas, 1 for waste water	Wastewater outlet is distributed in the southeast side of the sewage pool of the company's sewage treatment station, the exhaust gas outlet is distributed in the boiler house on the northwest side of the company	Chemical oxygen demand--32mg/L, ammonia nitrogen--1mg/L, total nitrogen--12mg/L, total phosphorus--0.2mg/L, PH--6-8.5	Comprehensive Discharge Standard for Water Pollutants in Peninsula Watershed of Shandong Province (DB37/676-2007). Emission Standard for Air Pollutants from Boilers (DB 37/2374-2018)	COD--0.048t/a, ammonia nitrogen--0.002t/a, total nitrogen--0.018t/a, total phosphorus--0.0003t/a	Non	No

B. Circumstance of building and operating pollution control facilities**Puyang Wellhope**

a. Sewage treatment: Puyang Wellhope has a 2,000-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 alkali washing tower and activated carbon adsorption and then discharged through the 21-meter-high chimney in accordance with related standard. The waste gas of the slaughtering shed and broiler suspension platform can be collected and treated by alkali washing tower and activated carbon adsorption and purification. After that, the waste gas can be discharged through the 15-meter-high chimney. The traditional coal-fired boilers are replaced by gas-fired boilers, and the company carried out low nitrogen upgrading, all kinds of pollutants meet the emission standards.

Kaifeng Wellhope

Sewage treatment: Kaifeng Wellhope has a 1,500-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.

Zhongjia Food

a. Sewage treatment: Zhongjia Food has a 1,200-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-meter-high chimney to effectively met related standards.

Shenyang Huakang

Sewage treatment: Shenyang Huakang has a 2,220-tons-per-day sewage treatment station, which adopts the treatment process of "pretreatment-oil separation-A2O-secondary sedimentation tank-flocculation dephosphorization sedimentation tank (advanced treatment process)" to treat wastewater. Its environmental protection facilities are running normally, and the pollutant emission indexes have reached all required standards.

Dalian Huakang

a. Sewage treatment: Dalian Huakang has a 300-tons-per-day sewage treatment station that adopts the treatment process of "mechanical barrier-oil separator-regulation pool-air flotation-hydrolysis pool-A2O-sedimentation pool-advanced treatment pool-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, then discharging gas by a 16-meter-high chimney. Gas emission meet all required

standards.

Pingyuan Wellhope

- a. Sewage treatment: Pingyuan Wellhope has a 1,000-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-meter-high chimney. The traditional coal-fired boilers are replaced by gas-fired boilers with low carbon, all kinds of pollutants meet the emission standards. Discharging gas by a 12-meter-high chimney.

Changchun Wellhope

Sewage treatment: Changchun Wellhope has a 1,000-tons-per-day sewage treatment station, which adopts the treatment process of "air flotation-A2O" to dispose wastewater. Its environmental protection facilities are running normally, and the pollutant emission indexes have reached all required standards.

Chifeng Wellhope:

Wastewater treatment: Chifeng Wellhope has a 2,400-tons-per-day sewage treatment station, which adopts the treatment process of A²O. The equipment and facilities are running normally, which can automatically monitor the COD, ammonia nitrogen, PH and flow of wastewater discharge, and it is networked with the Municipal Natural Environmental Protection Bureau. The company has also constructed a biogas project with a daily output of 8,000 m³, which can ferment waste water and manure, etc., marsh gas can be used for boiler production, biogas residue and slurry used as fertilizer to grain.

Waste gas treatment: Chifeng Wellhope has taken certain measures to lessen the waste gas, such as, stopping feeding swine and broilers when enter the factory and slaughtering the animals on the same day, washing the houses in time, building closed waiting houses and installing fan exhaust to enhance ventilation, etc.

Shandong Heyuan

- a. Sewage treatment: Shandong Heyuan has a 2,000-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-meter-high chimney. The traditional coal-fired boilers are replaced by gas-fired boilers, all kinds of pollutants meet the emission standards. Discharging gas by a 10-meter-high chimney.

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 factory 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-rescue ability 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 or decrease in 2020		After changing	
	Shares	Percentage %	Issuing new shares	Subtotal	Shares	Percentage %
1. Restricted shares	91,127,927	9.88	-73,375,136	-73,375,136	17,752,791	1.93
A. Shares held by the state						
B. Shares held by state-owned corporation						
C. Shares held by other domestic investors	88,831,340	9.63	-73,375,136	-73,375,136	15,456,204	1.68
including: Shares held by domestic non-state-owned corporation	54,133,857	5.87	-54,133,857	-54,133,857		
Shares held by domestic natural person	34,697,483	3.76	-19,241,279	-19,241,279	15,456,204	1.68
D. Shares held by foreign investor	2,296,587	0.25			2,296,587	0.25
including: shares held by foreign corporation	2,296,587	0.25			2,296,587	0.25
Shares held by foreign natural person						
2. Non-restricted shares	831,176,469	90.12	73,130,636	73,130,636	904,307,105	98.07
A. RMB common shares	831,176,469	90.12	73,130,636	73,130,636	904,307,105	98.07
3. Total common shares	922,304,396	100.00	-244,500	-244,500	922,059,896	100.00

Explanation of changes in shares

Wellhope held the 14th meeting of the 6th Session of Board of Directors on March 27, 2020, and held 2019 Annual Shareholders' Meeting on April 20, 2020, to deliberate and approve the proposal of Repurchasing and Writing off Part of Locked Restricted Shares. 244,500 shares held by 36 individuals had been repurchased and written off by the Company on May 19, 2020. The total number of shares of Wellhope decreased from 922,304,396 to 922,059,896.

2. Changes in restricted shares

Name of shareholder	Opening restricted shares	Number of unlocking shares in the reporting period	Decrease of restricted shares in the reporting period	Restricted shares in the period end	Reason for lockin	Date of unlocking shares
Sinosafe Property and Asset Management-Industrial and Commercial Bank of China-Stably Increasing Profit No. 12 Collective Asset Management Product	29,527,559	29,527,559		0	non-public issuing stock	April, 24, 2020
Shenzhen Galaxy Investment Co., Ltd.	4,921,259	4,921,259		0	non-public issuing stock	April, 24, 2020
Zhongyi Asset Management-China Minsheng Banking Corp-Zhongyi Asset-Non-public Offering Selection No. 103 Asset Management Product	19,685,039	19,685,039		0	non-public issuing stock	April, 24, 2020
Wu Ying	14,763,779	14,763,779		0	non-public issuing stock	April, 24, 2020
Employees who were granted restricted shares(totalling)	14,575,000	4,233,000	244,500	10,097,500	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	73,130,636	244,500	17,752,791	/	/

II. Shareholder and Actual Controller

1. Total shareholders

Total number of shareholders as at December 31, 2020	39,757
Total number of shareholders at the end of February 2021	41,574

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 in 2020	Total shares held at the period-end	%	Restricted shares held	Pledged or Frozen		Nature of shareholder
					Status	Shares	
Jin Weidong		149,549,498	16.22	3,062,117	Pledged	55,375,000	Domestic natural person
DE HEUS MAURITIUS		82,303,939	8.93	2,296,587	Non		Foreign legal person
Ding Yunfeng		81,929,558	8.89	1,531,058	Pledged	47,620,000	Domestic natural person
Shao Caimei		49,773,878	5.40		Non		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 Fengjiu	-1,181,600	47,964,602	5.20		Pledged	5,190,000	Domestic natural person
Wang Zhongtao		46,625,229	5.06	765,529	Non		Domestic natural person
Sinosafe Property and Asset Management-Industrial and Commercial Bank of China-Stably Increasing Profit No. 12 Collective Asset Management Product	-11,877,413	17,650,146	1.91		Unknown		Other
Zhongyi Asset Management- China Minsheng Banking Corp-Zhongyi Asset-Non-public Offering Selection No. 103 Asset Management Product	-5,268,500	14,416,539	1.56		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
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 Fengjiu	47,964,602	RMB common stock	47,964,602
Wang Zhongtao	45,859,700	RMB common stock	45,859,700
Sinosafe Property and Asset Management-Industrial and Commercial Bank of China-Stably Increasing Profit No. 12 Collective Asset Management Product	17,650,146	RMB common stock	17,650,146
Zhongyi Asset Management-China Minsheng Banking Corp-Zhongyi Asset-Non-public Offering Selection No. 103 Asset Management Product	14,416,539	RMB common stock	14,416,539
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	Jin Weidong	3,062,117	April 25, 2022		Lockup period-36 months
2	DE HEUS MAURITIUS	2,296,587	April 25, 2022		Lockup period-36 months
3	Ding Yunfeng	1,531,058	April 25, 2022		Lockup period-36 months
4	Wang Zhongtao	765,529	April 25, 2022		Lockup 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.			

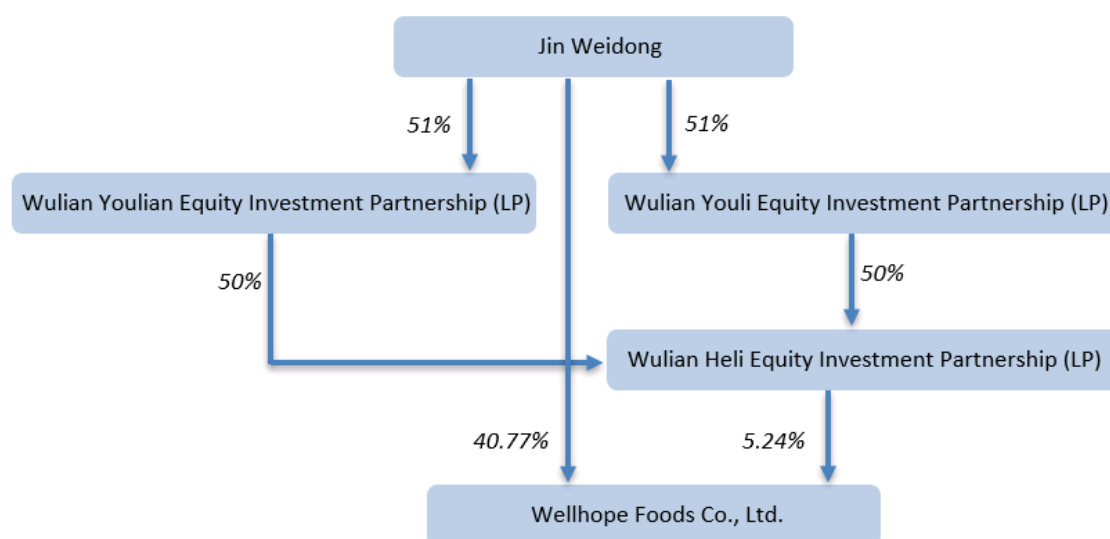
III. Controlling Shareholder and Actual Controller

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 Wellhope Foods Co., Ltd.

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



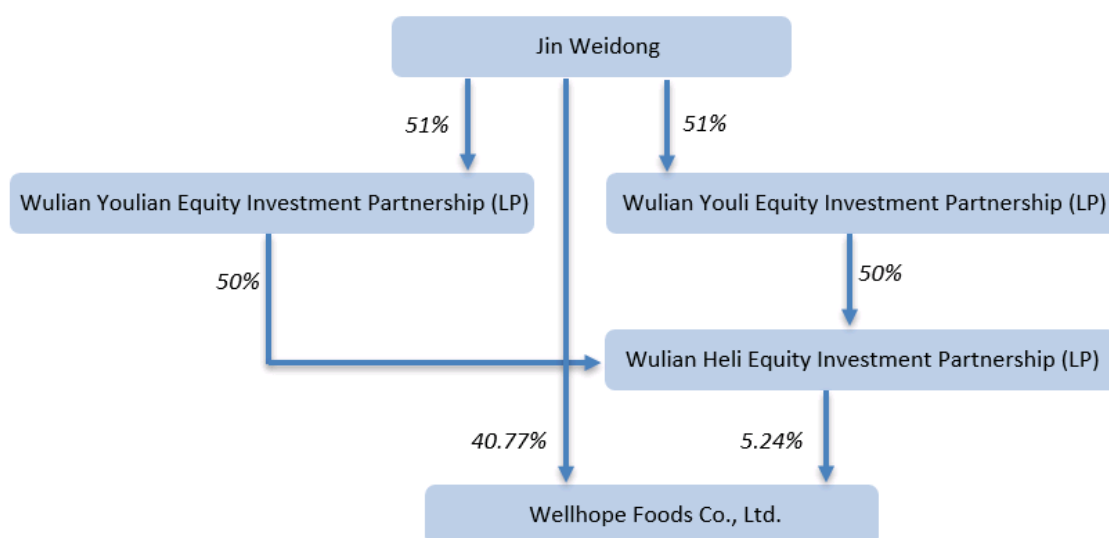
Note: As at the end of the reporting period, Jin Weidong directly held 149,549,498 shares of the Company, accounting for 16.22% of the total share capital. He controlled 5.24% of the voting rights of the Company through holding Wulian Heli Investment, and controlled 24.55% of the voting rights of the Company through signing the Agreement of Acting in Concert with Ding Yunfeng (shareholding 8.89%), Wang Fengjiu (shareholding 5.20%), Shao Caimei (shareholding 5.40%) and Wang Zhongtao (shareholding 5.06%). Jin Weidong is the actual controller of the Company, who totally controls 46.01% 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 Wellhope Foods 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: Note: As at the end of the reporting period, Jin Weidong directly held 149,549,498 shares of the Company, accounting for 16.22% of the total share capital. He controlled 5.24% of the voting rights of the Company through holding Wulian Heli Investment, and controlled 24.55% of the voting rights of the Company through signing the Agreement of Acting in Concert with Ding Yunfeng (shareholding 8.89%), Wang Fengjiu (shareholding 5.20%), Shao Caimei (shareholding 5.40%) and Wang Zhongtao (shareholding 5.06%). Jin Weidong is the actual controller of the Company, who totally controls 46.01% 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 2020	Reason of changes	Pre-tax remuneration paid by the Company (RMB 10k)	Whether obtain remuneration from related parties of the Company
Jin Weidong	Chairman	male	58	Feb. 3, 2015	Feb. 1, 2021	149,549,498	149,549,498			75.05	No
Ding Yunfeng	Director and President	male	58	Feb. 3, 2015	Feb. 1, 2021	81,929,558	81,929,558			70.00	No
Wang Fengjiu	Vice President	male	52	Feb. 3, 2015	Feb. 1, 2021	49,146,202	47,964,602	-1,181,600	Selling in the secondary market	70.00	No
Shao Caimei	Director and Chief Technical Officer	female	55	Feb. 3, 2015	Feb. 1, 2021	49,773,878	49,773,878			70.31	No
Wang Zhongtao	Chairman of the Supervisory Board	male	57	Feb. 3, 2015	Feb. 1, 2021	46,625,229	46,625,229			70.00	No
Wang Zhenyong	Vice President	male	55	Feb. 3, 2015	Feb. 1, 2021	9,800,000	9,800,000			70.00	No
Zhang Wenliang	Director and Chief Financial Officer	male	61	Feb. 3, 2015	Feb. 1, 2021	8,565,100	8,565,100			39.60	No
Zhao Xin	Director, Board Secretary, Chief HR Officer	female	49	Feb. 3, 2015	Feb. 1, 2021	4,470,160	4,420,160	-50,000	Selling in the secondary market	70.00	No
Qiu Jiahui	Vice President	male	49	Feb. 3, 2015	Feb. 1, 2021					70.00	No
Hu Jianmin	Independent Director	male	62	Feb. 3, 2015	Feb. 1, 2021					6.00	No

Liu Huan	Independent Director	male	66	Feb. 3, 2015	Feb. 1, 2021					6.00	No
Wang Zhe	Independent Director	female	41	Feb. 2, 2018	Feb. 1, 2021					6.00	No
Jacobus Johannes de Heus	Director	male	52	Feb. 3, 2015	Feb. 1, 2021					-	No
Marcus Leonardus van der Kwaak	Supervisor	male	52	Feb. 3, 2015	Feb. 1, 2021					-	No
Yuan Minger	Supervisor	female	51	Feb. 3, 2015	Feb. 1, 2021						No
Li Jun	Supervisor	male	49	Apr. 27, 2016	Feb. 1, 2021						No
Ren Bingxin	Supervisor	male	58	Mar. 27, 2019	Feb. 1, 2021	5,429,500	5,429,500				No
Total						405,289,125	404,057,525	-1,231,600	/	622.96	/

Name	Work experience
Jin Weidong	Male, born in 1963, Chinese nationality, bachelor of veterinarian from Shenyang Agricultural University, master of physiology and biochemistry from Jilin University, doctoral advisor of Shenyang Agricultural University, winner of the first batch of National Natural Science Foundation of China, core founder of Wellhope, serving as the Chairman of Wellhope since 1995. After graduation, he worked in the university for two years. In 1991, he joined Continental Grain Company (the US), successively served as the sales manager of China's Northeast Region, national sales manager and assistant vice president of Asia Region. Currently he holds the posts of Vice President of China Feed Industry Association, Vice President of China Animal Husbandry Industry Association, President of Liaoning Feed Industry Association, also the MBA interviewer of Peking University and Tsinghua University, guest professor of Remin University of China, Ocean University of China and Northeast Agricultural University, etc. He has been awarded the honorary titles of "China's Outstanding Private Science and Technology Entrepreneur", "National Outstanding Builder of the Socialist Cause", "China's Top Ten Economic Figures in the 30 Years of Reform and Opening up of Feed Industry", "May 1st Labor Medal of Shenyang City", "Model Worker of Liaoning Province" and etc. In 2015, he was awarded as One of the Top Ten Models of Entrepreneurship for Agriculture, Rural Areas and Farmers. Meanwhile, he was awarded as Outstanding Entrepreneur of Liaoning Province in 2017, and awarded as Career-creating Talent regarding Science and Technology Innovation by China's Ministry of Science and Technology in 2018. In 2019, he was selected as the fourth batch of leading talents regarding technology entrepreneurship in the National Ten Thousand Talents Program, and in 2020 awarded as the National Model Worker.
Ding Yunfeng	Male, born in 1963, Chinese nationality, bachelor's degree, one of the founders of Wellhope. Once served as the deputy general manager of Liaohe Feed Group, the northeast regional manager and consulting manager of Continental Grain Company. After founding Wellhope, serving as general manager of Gongzhuling Wellhope, Liaoning Wellhope, Shanghai Wellhope and many other subsidiaries, now holds the posts of board director and President.
Wang Fengjiu	Male, born in 1969, Chinese nationality, master's degree, one of the founders of Wellhope, served successively as northeast regional sales manager of Continental Grain Company, business manager and vice general manager of Liaoning Wellhope, general manager of Gongzhuling Wellhope, Shenyang Wellhope, Daqing Wellhope and Liaoning Wellhope Food, now holds the post of Vice President, taking charge of Wellhope's food business division.

Shao Caimei	Female, born in 1966, Chinese nationality, Ph.D., one of the founders of Wellhope, the board director and CTO of Wellhope, 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, Chinese nationality, master's degree, one of the founders of Wellhope, served successively as purchasing manager, financial manager of Liaoning Wellhope, general manager of Harbin Wellhope and Dalian Wellhope, chief financial officer and vice president of Wellhope. Now holds the post of Chairman of Supervisory Board, taking charge of Wellhope's feed raw materials trade business division.
Wang Zhenyong	Male, born in 1966, Chinese nationality, Ph.D., joined Wellhope in 1996, served successively as technical manager, general manager and northeast region technical director, now holds the post of Vice President, taking charge of international business.
Zhang Wenliang	Male, born in 1960, Chinese nationality, master's degree, senior auditor, certified public accountant, lawyer, joined Wellhope in 1996, now holds the posts of board director and CFO.
Zhao Xin	Female, born in 1972, Chinese nationality, bachelor's degree, joined Wellhope in 1995, successively served as the secretary to the general manager, Director of marketing department, Director of HR Department, Human Resources Manager and Chief HR Director. Now holds the posts of board director, Board Secretary and CHO of Wellhope.
Qiu Jiahui	Male, born in 1972, Chinese nationality, bachelor's degree, joined Wellhope in 2000, served successively as General Manager of Haicheng Wellhope Feed Mill, Haicheng Xinzhongxin Feed Mill, Vice President of Former Huakang Feed Group, Marketing Director of Wellhope, President of Broiler Integration Business Division, Vice President of Wellhope. Due to his outstanding performance and diligence, he has been elected as the board director and President of Wellhope on February 1, 2021. Qiu Jiahui is the pioneer of Wellhope's broiler integration business. With more than 10 years of leadership, the broiler integration business has achieved rapid development, the comprehensive strength of this business has ranked among the best in the industry.
Wang Zhe	Female, born in 1980, Chinese nationality, 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, Chinese nationality, 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 Netherlands' nationality, master's degree, been working in Royal De Heus since 1992, now serves as the CEO of Royal De Heus, board director of Wellhope.
Marcus Leonardus van der Kwaak	Male, born in 1969, the Netherlands' nationality, master's degree, CFO of Royal De Heus, supervisor of Wellhope.
Yuan Minger	Female, born in 1970, Chinese nationality, bachelor's degree, senior auditor, joined Wellhope in 2004, served successively as vice finance manager of Liaoning Wellhope and finance manager of Wellhope Aquatic Feed Company, now holds the posts of supervisory board director and audit manager of Wellhope.
Li Jun	Male, born in 1972, Chinese nationality, master's degree, joined Wellhope in 2004, served successively as the general manager of Wellhope Trading Branch, Shenyang Expert and Shenyang Pufeng Trade, now holds the posts of supervisory board director, chief director of raw material trade business and general manager of Liaoning Expert Trading Co., Ltd.
Ren Bingxin	Male, born in 1963, Ph.D., once worked in Animal Husbandry and Veterinary Science Institute of Liaoning province, joined Wellhope in 1998, served successively as production manager of Gongzhuling Wellhope, technical manager of Liaoning Wellhope, vice general manager of Qingdao Shenfeng, etc., 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 Central University of Finance and Economics	Deputy dean and professor	2010	
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	
Jin Weidong	Beijing Huikezhongda Information Consulting Co., Ltd.	Board director	2020	
Jin Weidong	Shenyang Shengjing Asset Management Group Co., Ltd.	Board director	2019	

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 6.23 million to board directors, supervisory board directors and senior managers.

III. Employees of the Parent Company and Major Subsidiaries

1. Headcount

Full time employee of parent company	224
Full time employee of major subsidiaries	6,981
Total full-time employees	7,205
The number of retired employees whose expenses are borne by the parent company and major subsidiaries	12
Functions	
Line	Employees
Production	2,829
Sales	2,445
Technology	811
Finance	403
Administration	717
Total	7,205
Educational backgrounds	
Educational background	Employees
Master's degree and above	408
Bachelor's degree	2,412
Junior college	2,186
Below junior college	2,199
Total	7,205

2. Remuneration policy

Wellhope always follows the human resource strategy of providing a fair, just and merit-based environment for rewarding employees, constantly optimizes and innovates incentive methods from the aspects of reward management, performance appraisal, appointment management, and talents' echelon construction, etc.

In 2020, Wellhope has accelerated the promotion of broad-banding in some business sectors and regions. Wellhope also continuously optimized the salary management and control mode, as well as amended the rank of post value to maximize the motivation of employees and ensure internal fairness. Meanwhile, Wellhope bravely tried to innovate the incentive mode in swine raising business to attract and motivate talents with the booming development of swine business. Wellhope also revised the "Administrative Measures on Appointment" in 2020 to further boost the construction of talents' echelon, and screen out more outstanding young managers through scientific selection system, as well as provide a rapid development channel for them.

Moreover, Wellhope has been paying close attention to the long-term incentives for outstanding employees. In 2018, 372 key managers were granted restricted shares, they signed performance agreements with the Company, and they could unlock the restricted shares according to the results of working performance. By doing this, it can fully mobilize the enthusiasm and sense of ownership of key talents and promote the rapid development of all business sectors. In 2020, these managers have successfully unlocked part of their restricted shares.

In addition, Wellhope, in strict accordance with national laws and regulations, also offers staff social insurances and housing fund. Besides, Wellhope provides commercial insurance to benefit employees and their families, also enriches their benefits through internal resource sharing, 25th anniversary's benefits package, "Wings of Love" foundation and other ways to improve satisfaction.

3. Training plan

Under the guidance of overall strategy and human resource strategy, Wellhope continues to build and update the training system to help employees make signs of progress. In 2020, stressed by the COVID-19 and African swine fever, Wellhope focused on creating online training methods and improving course design, as well as centered on the improvement of basic skills and professional knowledge of employees.

A. Continuously improving the training system and optimizing the selection & training mechanism

The three-level training system supported by Wellhope's head office, business regions and subsidiary have been becoming increasingly clear, and each performs own roles and cooperates with others in multiple aspects, such as new employee training, middle and senior manager training. In regards to new employees, Wellhope innovated the training methods via online platform and other tools to watch the growth of new bloods and help them adapt to their job effectively. Regarding middle managers, Wellhope carried out three-dimensional training to continuously improve the ability of the Company's backbones. For instance, holding the "Sunflower" training program and other programs to constantly improve the professional competence of the managers. In addition, Wellhope actively organized video conferences and live streaming for all employees, including both external cooperation and internal courses, to lay a solid foundation for long-term development.

B. Further developing the training courses to boost up professional knowledge

Wellhope has been actively promoting the development of new training courses based on work scenarios and task modules, etc. During the reporting period, Wellhope developed a total of more than 140 new courses for each business line, with an internal course system update rate of over 20%, and the overall learning participation rate of was over 95%, showing a significant increase in employees' learning enthusiasm. To cope with the adverse impact brought by the COVID-19, Wellhope rapidly updated relevant courses, widely introduced external training resources, and vigorously organized trainings via various methods such as live broadcast and online academy.

4. Labor outsourcing

The total number of working hours	3,878,967
Total amount of remuneration paid for outsourcing	RMB 80,568,060

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, Wellhope has constantly improved corporate governance and internal control, such as shareholder's meeting, board meeting, supervisory board meeting, etc. In 2020, Wellhope held 1 time of shareholders' meeting, 6 times of board meetings and 5 times of supervisory board meetings. The actual circumstance of corporate governance has been basically in line with the requirements of the normative documents issued by China Securities Regulatory Commission. Wellhope's corporate governance regarding shareholder's meeting, board meeting, supervisory board meeting, information disclosure and stakeholder complied with the requirements of relevant documents.

A. Shareholder and shareholders' meeting. Wellhope convened and held shareholders' meeting in strict accordance with relevant laws, and adopted physical voting and online voting to ensure that all shareholders, especially non-controlling shareholders, could fully exercise their right to vote. The controlling shareholder (actual controller) of the Company conscientiously performed the obligation of good faith and did not damage the rights and interests of the Company and non-controlling shareholders.

B. Board directors and board meeting. The convening procedure of the board of directors complied with the requirements of laws and regulations. All directors actively attended the board meetings and shareholders' meetings held by the Company, got familiar with relevant laws and regulations, understood the rights, obligations and responsibilities of directors, and safeguarded the legitimate rights and interests of all shareholders.

C. Supervisors and supervisory board meeting. Wellhope's supervisors, in accordance with the Company Constitution and relevant laws and regulations, have conscientiously performed their duties, supervised the Company's financial position, related transactions, periodic reports, as well as the compliance of the directors and senior managers regarding their performance of duties, and safeguarded the legitimate rights and interests of the Company and its shareholders.

D. Information disclosure. Wellhope strictly implemented its Information Disclosure Management Regulation, which has clarified the person taking charge of information disclosure to ensure that the disclosed information could be true, accurate, complete, timely and fair. It designated the board secretary to take charge of information disclosure and investor relations management, strictly implemented the Company's regulations regarding information disclosure, such as Management Regulation on Insider Information Registration, so as to disclose information truly, accurately, completely and timely to guarantee that all shareholders could have equal right to know the information of the Company. Meanwhile, Wellhope constantly improved corporate governance structure and standardized internal operations in strict accordance with the requirements of the

Corporation Law, the Securities Law, relevant laws and regulations issued by China Securities Regulatory Commission.

E. Stakeholder. Wellhope fully respected and safeguarded the legitimate rights and interests of stakeholders, strived to achieve the coordination and balance among shareholders, employees, and other parties, and jointly promoted the sustainable, healthy and stable development of the Company.

II. Shareholders' Meeting Convened during the Reporting Period

Meeting	Date	Query URLs of Resolution	Disclosing Date of Resolution
2019 Annual Shareholders' Meeting	April 20, 2020	www.sse.com.cn	April 21, 2020

Explanation:

During the reporting period, Wellhope held Annual Shareholders' Meeting to deliberate 2019 Annual Report, dividend plan, the proposals of revising the Company Constitution, etc. The meeting resolution had been detailed in the Company's extraordinary announcement No. 2020-031 published on the website of Shanghai Stock Exchange.

The convening, holding, voting and other relevant procedures of the shareholders' meeting complied with laws and regulations, and relevant provisions of the Company's Constitution and Rules of Procedure of the Shareholders' Meeting, which could guarantee that all shareholders, especially non-controlling shareholders, enjoyed equal status and fully exercised their rights.

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 2020	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	6	6	3	0	0	no	0
Ding Yunfeng	no	6	6	3	0	0	no	0
Jacobus Johannes de Heus	no	6	6	6	0	0	no	0
Shao Caimei	no	6	6	3	0	0	no	0
Zhang Wenliang	no	6	6	6	0	0	no	1
Zhao Xin	no	6	6	2	0	0	no	1
Hu Jianmin	yes	6	6	5	0	0	no	1
Liu Huan	yes	6	6	6	0	0	no	0
Wang Zhe	yes	6	6	6	0	0	no	1

Number of board meetings held in 2020	6
Including on-site meeting	0
Number of meeting held via telecommunication	2
Number of meeting held via on-site meeting and telecommunication	4

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

Wellhope will disclose the evaluation report of internal control when discloses 2020 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

SuyaJincheng CPA LLP issued the Audit Report of Internal Control, put forward that Wellhope has maintained effective internal control over financial reports in all major aspects on December 31, 2020 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. [2021]248

To all the shareholders of Wellhope Foods Co., Ltd.,

1. Opinion

We have audited the financial statements of Wellhope Foods Co., Ltd. (hereinafter referred to as "the Company"), which comprise the statement of financial position as at December 31, 2020, 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, 2020, 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 item	How our audit addressed the key audit item
The operating revenue of the Company reached RMB 23.82 billion with a year-on-on growth rate of 33.87%, increased RMB 6.03 billion compared with prior year. Of which, sales revenue of feed business increased RMB 4.32 billion compared with prior year, rose	Our audit procedures mainly include: a. We got to know and evaluated the design of internal control in Wellhope's sales process and tested the effectiveness of the implementation of critical control. b. Through sampling inspection of the sales contracts and interviewing with the management team, we identified the rights and obligations of the contract, evaluated the

<p>by 55.54%. As the operating revenue is one of the key performance indicators of Wellhope, we took the recognition of operating revenue as the key audit item.</p>	<p>time point of performing the obligations, and evaluated whether the judgment of the transfer of control rights related to revenue recognition conformed to the provisions of the Company's accounting policies and accounting standards for enterprises.</p> <p>c. We implemented analytical review procedures to identify whether there were significant or abnormal fluctuations and recognized the reasons that caused such fluctuations. We also determined the rationality of changes in operating revenue and gross profit.</p> <p>d. We conducted the following procedures for sales revenue based on sampling method to confirm the occurrence and cut-off of sales revenue.</p> <p>(a) Checking the supporting documents related to revenue recognition, including sales contracts, sales orders, sales invoices, customer receipt, etc.</p> <p>(b) Issuing external confirmations to recognize the balance of accounts receivable and the amount of sales revenue.</p> <p>(c) Carrying out cut-off test on the revenue recognized before and after the balance sheet date to evaluate whether the revenue was recognized during the appropriate period.</p>
<p>B. Income from long-term equity investment recognized by the equity method.</p>	
<p>Please refer to Important Accounting Policies and Accounting Estimates</p>	
Key audit item	How our audit addressed the key audit item
<p>The income from long-term equity investment calculated by the equity method in the reporting period reached RMB 361.32 million, which had a significant impact on current gains and losses, thus we took it as the key audit item.</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 or financial statements to review the adjustment of unrealized profit of related transactions, whether the calculation of investment income was accurate and whether the share of net asset changes was correct.</p> <p>d. We inquired the management team about the reasons of significant or abnormal fluctuations in investment returns, analyzed and determined whether they were reasonable.</p> <p>e. We analyzed the operating income, cost, inventory and other things of the investees with large investment income in the current period, whilst obtained and checked the detailed list and related materials provided by the investees.</p>

4. Other Information

The management of the Company is responsible for the other information. The other information comprises information covered by the Company's 2020 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 team 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.

SuyaJincheng CPA LLP

CPA: Zhou Jiawen (Project Partner)

CPA: Wang Lei

China

Nanjing

March 29, 2021

II. Financial Statements

Consolidated Balance Sheet

December 31, 2020

Wellhope

Unit: yuan Currency: RMB

Item	Dec. 31, 2020	Dec. 31, 2019
Current Assets		
Monetary capital	1,197,722,799.16	1,554,781,324.13
Tradable financial assets	50,000,000.00	40,000,000.00
Derivative financial assets	4,725,552.30	3,912,584.30
Notes receivable	14,200,547.87	3,696,180.25
Accounts receivable	450,170,744.45	362,060,802.38
Prepayments	364,401,520.23	222,064,368.55
Other receivables	121,043,476.45	85,600,811.75
including: Interest receivable		
Dividends receivable	49,123,722.11	25,353,722.11
Inventory	2,473,827,570.38	1,568,373,133.15
Contract assets	4,301,418.29	
Other current assets	109,698,865.94	121,711,175.93
Total current assets	4,790,092,495.07	3,962,200,380.44
Non-current assets		
Long-term equity investment	2,424,902,965.26	2,070,047,882.51
Other equity instruments investment	20,847,697.96	5,760,839.23
Fixed assets	2,860,162,059.91	2,023,113,939.02
Construction in progress	322,895,206.90	240,012,874.86
Biological assets	221,654,027.17	94,826,312.88
Intangible assets	291,785,453.15	245,564,167.39
Goodwill	290,425.67	290,425.67
Long-term prepaid expenses	143,945,562.29	134,504,217.80
Deferred income tax assets	38,791,631.37	35,987,736.49
Other non-current assets	531,140,679.24	337,463,267.56
Total non-current assets	6,856,415,708.92	5,187,571,663.41
Total Assets	11,646,508,203.99	9,149,772,043.85

Consolidated Balance Sheet(continue)

Unit: yuan Currency: RMB

Item	Dec. 31, 2020	Dec. 31, 2019
Current Liabilities		
Short-term borrowings	1,110,672,869.40	1,050,878,205.81
Notes payable	4,000,000.00	
Accounts payable	1,068,968,589.85	659,216,483.84
Advance receipt	15,522,362.13	209,529,248.68
Contract liabilities	365,124,817.02	
Payroll	92,456,475.56	62,549,364.12
Taxes and surcharges	47,590,795.53	37,680,953.84
Other payables	280,673,085.07	342,239,361.28
including: Interest payable		1,528,201.39
Dividends payable	1,500,000.00	1,434,027.14
Non-current liabilities due within one year	121,896,906.66	70,593,717.62
Other current liabilities	3,386,523.00	
Total current liabilities	3,110,292,424.22	2,432,687,335.19
Non-current Liabilities		
Long-term borrowings	574,880,271.67	174,330,000.00
Long-term payables	15,458,230.92	11,025,000.09
Deferred income	42,238,872.75	31,841,250.00
Deferred income tax liabilities	1,936,853.23	396,995.58
Total Non-current liabilities	634,514,228.57	217,593,245.67
Total Liabilities	3,744,806,652.79	2,650,280,580.86
Owners' equity (or shareholders' equity)		
Paid-up capital (or share capital)	922,059,896.00	922,304,396.00
Capital reserves	888,159,916.65	882,723,066.29
deduct: Treasury stock	45,695,815.00	70,688,750.00
Other comprehensive income	-2,157,502.61	6,122,835.30
Surplus reserves	417,370,506.33	352,059,456.90
Undistributed profits	4,572,660,487.98	3,605,618,553.05
Total owners' equity attributable to the parent company	6,752,397,489.35	5,698,139,557.54
Non-controlling interests	1,149,304,061.85	801,351,905.45
Total owners' equity (or shareholders' equity)	7,901,701,551.20	6,499,491,462.99
Total liabilities and owners' equity (or shareholders' equity)	11,646,508,203.99	9,149,772,043.85

Consolidated Balance Sheet of Parent Company

December 31, 2020

Unit: yuan Currency :RMB

Item	Dec. 31, 2020	Dec. 31, 2019
Current assets		
Monetary capital	882,265,252.26	1,039,575,222.99
Tradable financial assets	50,000,000.00	40,000,000.00
Derivative financial assets	4,725,552.30	2,285,934.30
Accounts receivable	20,085,558.13	13,631,690.45
Prepayments	9,917,656.22	7,560,408.95
Other receivables	1,371,365,317.28	1,020,785,676.46
including: Interest receivable		
Dividends receivable	57,747,209.35	33,977,209.35
Inventory	51,828,244.25	49,839,754.57
Total current assets	2,390,187,580.44	2,173,678,687.72
Non-current assets		
Long-term equity investment	4,984,232,967.75	4,117,315,830.10
Other equity instruments investment	20,151,707.44	5,539,369.92
Fixed assets	137,920,401.73	132,106,337.38
Construction in progress	9,937,098.75	5,163,075.76
Intangible assets	14,556,983.41	15,425,425.33
Long-term prepaid expenses	1,997,913.51	797,929.30
Deferred income tax assets	7,805,635.89	10,699,738.59
Other non-current assets	1,800,000.00	
Total non-current assets	5,178,402,708.48	4,287,047,706.38
Total assets	7,568,590,288.92	6,460,726,394.10
Current liabilities:		
Short-term borrowings	680,000,000.00	770,000,000.00
Accounts payable	38,179,034.66	34,960,859.00
Advance receipt		5,019,752.33
Contract liabilities	5,446,528.15	
Payroll	7,302,711.24	4,611,910.56
Taxes and surcharges	4,129,417.63	4,624,045.02
Other payables	1,472,651,727.41	1,109,464,926.75
including: Interest payable		1,261,159.72
Dividends payable		
Non-current liabilities due within one year	78,000,000.00	52,000,000.00
Total current liabilities	2,285,709,419.09	1,980,681,493.66
Non-current liabilities		
Long-term borrowings	494,500,000.00	174,000,000.00
Deferred income	25,056,500.00	21,520,000.00
Deferred income tax liabilities		8,972.25
Total non-current liabilities	519,556,500.00	195,528,972.25
Total liabilities	2,805,265,919.09	2,176,210,465.91
Owners' equity (or shareholders' equity)		
Paid-up capital (or share capital)	922,059,896.00	922,304,396.00
Capital reserves	885,579,203.34	875,861,339.55
deduct: Treasury stock	45,695,815.00	70,688,750.00
Other Comprehensive income	-337,193.02	5,621,991.32
Surplus reserves	417,370,506.33	352,059,456.90

Undistributed profits	2,584,347,772.18	2,199,357,494.42
Total owners' equity	4,763,324,369.83	4,284,515,928.19
Total liabilities and owners' equity (or shareholders' equity)	7,568,590,288.92	6,460,726,394.10

Consolidated Income Statement
January-December, 2020

Wellhope

Unit: yuan Currency: RMB

Item	2020	2019
1. Total operating revenue	23,817,600,766.26	17,792,091,973.58
including: Operating revenue	23,817,600,766.26	17,792,091,973.58
2. Total operating costs	22,638,742,889.31	16,722,910,797.89
including: Operating costs	21,683,591,011.74	15,792,020,015.55
Taxes and surtaxes	31,300,864.53	26,510,483.05
Selling expenses	465,307,995.89	487,217,524.04
Administrative expenses	310,275,697.03	275,560,691.30
R&D expenses	83,587,106.40	65,209,116.65
Financial expenses	64,680,213.72	76,392,967.30
including: Interest expenses	75,771,816.48	77,508,278.78
Interest income	14,953,268.10	9,696,477.31
add: Other income	23,500,036.20	11,495,398.41
Income from investment	362,563,704.83	637,479,444.82
including: Income from investments in associated companies and joint ventures	361,315,137.75	629,093,604.62
Gain or loss from changes in fair value	-1,397,309.00	577,449.00
Credit impairment loss	-6,184,987.84	-26,344,201.05
Assets impairment loss	-35,172,892.83	-98,459,269.89
Gain or loss from assets disposal	3,169,342.06	572,151.35
3. Operating profit	1,525,335,770.37	1,594,502,148.33
add: Non-operating income	12,873,829.17	13,406,536.26
deduct: Non-operating expenditure	28,976,468.62	25,737,839.85
4. Pretax profit	1,509,233,130.92	1,582,170,844.74
deduct: Income tax expense	151,654,167.45	84,706,528.93
5. Net profit		
Net Profit from continuing operations	1,357,578,963.47	1,497,464,315.81
Net profit attributable to the shareholders of parent company	1,235,162,151.48	1,199,347,355.96
Non-controlling interests income	122,416,811.99	298,116,959.85
6. Other comprehensive income, net of tax	-10,236,917.41	8,699,609.38
Attributable to owners of parent company	-8,280,337.91	7,921,322.05
a. Other comprehensive income that cannot be reclassified into gains or losses	1,240,959.08	-278,647.43
(a) Changes in the fair value of other equity instruments	1,240,959.08	-278,647.43
b. Other comprehensive income that will be reclassified into the gains or losses	-9,521,296.99	8,199,969.48

(a) Other comprehensive income that can be transferred in gains or losses under the equity method	-7,100,475.65	7,238,557.02
(b) Exchange differences on translation of foreign currency financial statements	-2,420,821.34	961,412.46
Attributable to non-controlling interests	-1,956,579.50	778,287.33
7. Total comprehensive income	1,347,342,046.06	1,506,163,925.19
Attributable to the owners of parent company	1,226,881,813.57	1,207,268,678.01
Attributable to non-controlling interests	120,460,232.49	298,895,247.18
8. EPS		
(1) Basic earnings per share (yuan per share)	1.34	1.34
(2) Diluted earnings per share (yuan per share)	1.34	1.34

Consolidated Income Statement of Parent Company

January-December, 2020

Unit: yuan Currency: RMB

Item	2020	2019
1. Total operating revenue	969,102,637.82	653,173,744.91
deduct: Operating cost	668,625,276.01	440,528,615.18
Taxes and surtaxes	1,466,963.13	1,565,707.59
Selling expenses	12,812,998.32	15,499,507.05
Administrative expenses	31,515,779.33	35,606,213.46
R&D expenses	30,983,694.34	19,801,103.17
Financial expenses	18,445,842.72	25,764,751.95
including: Interest expenses	54,535,663.77	56,712,261.00
Interest income	36,300,491.74	31,126,902.17
add: Other income	6,458,638.63	2,446,851.22
Income from Investment	451,034,585.06	699,355,097.82
including: Income from investments in associated companies and joint ventures	364,045,983.90	625,627,992.53
Gain or loss from changes in fair value	-1,397,425.00	689,565.00
Credit impairment loss	19,002,016.21	-15,937,167.84
Assets impairment loss		
Gain or loss from assets disposal	44,255.41	-22,077.70
2. Operating profit	680,394,154.28	800,940,115.01
add: Non-operating income	3,171,550.00	8,319,590.00
deduct: Non-operating expenditure	1,419,521.13	3,435,681.90
3. Pretax profit	682,146,183.15	805,824,023.11
deduct: Income tax expense	29,035,688.84	16,371,114.85
4. Net profit	653,110,494.31	789,452,908.26
Net profit from continuing operations	653,110,494.31	789,452,908.26
5. Other comprehensive income, net of tax	-5,959,184.34	7,238,557.02
a. Other comprehensive income that cannot be reclassified into gains or losses	1,112,337.52	
(a) Changes in the fair value of other equity instruments	1,112,337.52	
b. Other comprehensive income that will be reclassified into gains or losses	-7,071,521.86	7,238,557.02
(a) Other comprehensive income that can be transferred in gains or losses under the equity method	-7,071,521.86	7,238,557.02
6. Total comprehensive income	647,151,309.97	796,691,465.28

Consolidated Statement of Cash Flow

January-December, 2020

Wellhope

Unit: yuan Currency: RMB

Item	2020	2019
1. Cash flow from operating activities		
Cash received by selling products, providing labor services	24,482,275,075.02	18,515,520,875.71
Tax refunds	25,001,167.43	31,713,272.85
Cash received from other activities related to operating	99,772,927.29	117,924,950.69
Sub-total of cash inflow of operating activities	24,607,049,169.74	18,665,159,099.25
Cash paid for goods purchase and labor services	22,505,368,996.49	16,331,792,562.75
Cash paid to and for employee	746,684,020.36	664,160,201.72
Tax payments	206,928,395.54	126,114,944.41
Cash paid to other activities related to operating	382,122,304.32	431,485,423.79
Sub-total of cash outflow of operating activities	23,841,103,716.71	17,553,553,132.67
Net cash flow from operating activities	765,945,453.03	1,111,605,966.58
2. Cash flow from investing activities		
Cash received from disinvestment	325,807,581.05	267,623,915.25
Cash received from return on investment	75,296,262.02	39,407,633.67
Net cash received from disposal of fixed assets, intangible assets and other long-lived assets	57,631,307.35	5,272,664.08
Net cash received from disposal of subsidiaries and other business units		344,858.74
Cash received from other activities related to investment	45,855,779.74	35,351,061.09
Sub-total of cash inflow of investing activities	504,590,930.16	348,000,132.83
Cash paid for acquiring and building fixed assets, intangible assets and other long-lived assets	1,400,466,040.74	752,328,478.91
Cash paid for investments	490,847,437.70	431,091,352.29
Net cash paid for acquiring subsidiaries and other business units	115,039,491.85	753,128.13
Cash paid to other activities related to investment	4,587,407.44	38,034,996.79
Sub-total of cash outflow of investing activities	2,010,940,377.73	1,222,207,956.12
Net cash flow from investing activities	-1,506,349,447.57	-874,207,823.29
3. Cash flow from financing activities		
Cash received by absorbing investments	208,487,520.00	833,019,100.67
including: Capital contributed by non-controlling interests to subsidiaries	208,487,520.00	77,295,000.00
Cash received from borrowings	2,340,899,248.82	1,512,771,597.45
Cash received from other activities related to financing	6,056,251.57	19,499,680.00
Sub-total of cash inflow of financing activities	2,555,443,020.39	2,365,290,378.12
Repayments of borrowings	1,826,910,664.27	1,723,732,178.39
Cash paid for dividends, profits, or paid for interests	307,059,194.55	256,169,043.57
including: Dividends or profits paid by subsidiaries to non-controlling interests	28,463,213.00	3,804,074.08

Cash paid to other activities related to financing activities	2,040,285.00	6,433,985.36
Sub-total of cash outflow of financing activities	2,136,010,143.82	1,986,335,207.32
Net cash flow from financing activities	419,432,876.57	378,955,170.80
4. Effect of foreign exchange rate fluctuations on cash and cash equivalents	-1,221,720.67	2,832,293.62
5. Net increase in cash and cash equivalents	-322,192,838.64	619,185,607.71
add: Opening balance of cash and cash equivalents	1,508,390,481.68	889,204,873.97
6. Closing balance of cash and cash equivalents	1,186,197,643.04	1,508,390,481.68

Consolidated Statement of Cash Flow of Parent Company
January-December, 2020

Unit: yuan Currency: RMB

Item	2020	2019
1. Cash flow from operating activities		
Cash received by selling products, providing labor services	965,432,917.07	657,717,981.13
Cash received from other activities related to operating	44,593,997.18	48,571,846.31
Sub-total of cash inflow of operating activities	1,010,026,914.25	706,289,827.44
Cash paid for goods purchase and labor services	663,825,841.93	413,396,277.57
Cash paid to and for employee	33,388,862.93	28,770,817.79
Tax payments	28,959,107.21	19,458,354.60
Cash paid to other activities related to operating	45,247,262.37	35,097,588.50
Sub-total of cash outflow of operating activities	771,421,074.44	496,723,038.46
Net cash flow from operating activities	238,605,839.81	209,566,788.98
2. Cash flow from investing activities		
Cash received from disinvestment	326,865,784.65	242,076,974.20
Cash received from return on investment	163,698,097.56	83,541,669.81
Net cash received from disposal of fixed assets, intangible assets and other long-lived assets	58,834.95	54,912.63
Cash received from other activities related to investment	10,373,911.25	
Sub-total of cash inflow of investing activities	500,996,628.41	325,673,556.64
Cash paid for acquiring and building fixed assets, intangible assets and other long-lived assets	24,815,741.58	12,973,326.66
Cash paid for investments	949,351,043.00	486,919,077.89
Net cash paid for acquiring subsidiaries and other business units	8,543,248.66	
Cash paid to other activities related to investing	111,555,196.70	174,207,415.01
Sub-total of cash outflow of investing activities	1,094,265,229.94	674,099,819.56
Net cash flow from investing activities	-593,268,601.53	-348,426,262.92
3. Cash flow from financing activities		
Cash received by absorbing investments		769,777,738.50
Cash received from borrowings	1,430,000,000.00	940,000,000.00
Cash received from other activities related to financing	204,715,710.21	87,172,401.90
Sub-total of cash inflow of financing activities	1,634,715,710.21	1,796,950,140.40
Repayments of borrowings	1,173,500,000.00	1,157,000,000.00
Cash paid for dividends, profits, or paid for interests	257,346,854.76	218,297,464.88
Cash paid to other activities related to financing	1,141,815.00	
Sub-total of cash outflow of financing activities	1,431,988,669.76	1,375,297,464.88
Net cash flow from financing activities	202,727,040.45	421,652,675.52
4. Effect of foreign exchange rate fluctuations on cash and cash equivalents	-338.21	86.36
5. Net increase in cash and cash equivalents	-151,936,059.48	282,793,287.94
add: Opening balance of cash and cash equivalents	1,023,685,161.19	740,891,873.25
6. Closing balance of cash and cash equivalents	871,749,101.71	1,023,685,161.19

Change Statement of Owner's Equity

January-December, 2020

Unit: yuan Currency: RMB

Item	2020								
	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	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
add: Changes in accounting policies									
Other									
2. Opening 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
3. Changes of current period	-244,500.00	5,436,850.36	-24,992,935.00	-8,280,337.91	65,311,049.43	967,041,934.93	1,054,257,931.81	347,952,156.40	1,402,210,088.21
A. Total comprehensive income				-8,346,872.91		1,235,162,151.48	1,226,815,278.57	120,460,232.49	1,347,275,511.06
B. Capital contributed and reduced by owners	-244,500.00	5,436,850.36	-24,992,935.00				30,185,285.36	257,455,136.91	287,640,422.27
a. Common stock invested by owners								247,921,446.89	247,921,446.89
b. Amount of share-based payment included in the owner's equity	-244,500.00	5,330,798.53	-24,992,935.00				30,079,233.53	4,429,445.04	34,508,678.57
c. Other		106,051.83					106,051.83	5,104,244.98	5,210,296.81

C. Profit distribution					65,311,049.43	-268,120,216.55	-202,809,167.12	-29,963,213.00	-232,772,380.12
a. Appropriation of surplus reserves					65,311,049.43	-65,311,049.43			
b. Extraction of general risk provisions									
c. Dividend to owners (or shareholders)						-202,809,167.12	-202,809,167.12	-29,963,213.00	-232,772,380.12
D. Internal carry-over of owners' equity				66,535.00			66,535.00		66,535.00
a. Carry-over of other comprehensive income to retained earnings				66,535.00			66,535.00		66,535.00
4. Closing balance of current period	922,059,896.00	888,159,916.65	45,695,815.00	-2,157,502.61	417,370,506.33	4,572,660,487.98	6,752,397,489.35	1,149,304,061.85	7,901,701,551.20

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.					79,268,090.83	-79,268,090.83			

Appropriation of surplus reserves									
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

Change Statement of Owner's Equity of Parent Company
January-December, 2020

Unit: yuan Currency: RMB

Item	2020						
	Share capital	Capital reserve	Deduct: Treasury stock	Other comprehensive income	Surplus reserve	Undistributed profits	Total owners' equity
1. Closing balance of prior 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
add: Changes in accounting policies							
Other							
2. Opening 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
3. Changes of current period	-244,500.00	9,717,863.79	-24,992,935.00	-5,959,184.34	65,311,049.43	384,990,277.76	478,808,441.64
A. Total comprehensive income				-5,959,184.34		653,110,494.31	647,151,309.97
B. Capital contributed and reduced by owners	-244,500.00	9,717,863.79	-24,992,935.00				34,466,298.79
a. Common stock invested by owners							
b. Amount of share-based payment that included in the owner's equity	-244,500.00	9,717,863.79	-24,992,935.00				34,466,298.79
C. Profit distribution					65,311,049.43	-268,120,216.55	-202,809,167.12
a. Appropriation of surplus reserves					65,311,049.43	-65,311,049.43	
b. Dividend to owners (or shareholders)						-202,809,167.12	-202,809,167.12
c. Other							
4. Closing balance of current period	922,059,896.00	885,579,203.34	45,695,815.00	-337,193.02	417,370,506.33	2,584,347,772.18	4,763,324,369.83

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)						-166,014,791.28	-166,014,791.28
c. Other							
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

III. Basic Information of the Company

1. Overview of the Company

Approved by the People's Government of Liaoning Province, Wellhope Foods Co., Ltd. (former name Liaoning Wellhope Agri-Tech Joint Stock, 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 the Administrative Bureau of Industry and Commerce of Liaoning Province on March 27, 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 922.06 million, registered address (head office)--No. 169, Huishan Street, Shenbei New District, Shenyang, Liaoning Province. Jin Weidong is the legal representative.

The primary business of Wellhope covers feed, feed raw material trade, broiler integration, swine raising. The business scope of its 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 that need to be approved by the laws, shall receive the approval of relevant authorities).

These financial statements have been approved to be disclosed by the 2nd board meeting of the 7th Session of Board of Directors on March 29, 2021.

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
Yangling Wellhope Agriculture and Animal Husbandry Company	Combination under different control
Yixian Dingli Hesheng Livestock and Poultry Feeding Company	Combination under different control
Yixian Weijing Livestock and Poultry Feeding Company	Combination under different control
Hebei Hetai Livestock and Poultry Farming Company	Combination under different control
Yixian Hekang Agri-Tech Company	Combination under different control
Dunhua Wellhope Agri-Tech Company	Combination under different control
Dunhua Fengda Agriculture and Animal Husbandry Development Company	Combination under different control
Anhui Wellhope Haoxiang Swine Breeding Company	Invested
Anhui Wellhope Food Company	Invested
Anyang Wellhope Agriculture and Animal Husbandry Company	Invested
Hebei Taihang Wellhope Food Company	Invested

Hebei Taihang Wellhope Agri-Tech Company	Invested
Shenyang Xiangmai Electronic Commerce Company	Invested
Chifeng Wellhope Fuxinyuan Food Company	Invested
Hongkong Expert Trading Company	Invested
Hainan Expert Trading Company	Invested
Liaoning Qingyuan Wellhope Agriculture and Animal Husbandry Company	Invested
Nanyang Wellhope Cattle Industry Sci-Tech Company	Invested
Fuzhou Wellhope Xingyuan Animal Husbandry Development Company	Invested
Tianjin Fullyond Supply Chain Company	Invested
Daqing Wellhope Food Company	Invested
Zhumadian Wellhope Agricultural Development Company	Invested
Datong Hejia Agriculture and Animal Husbandry Company	Invested
Shijiazhuang Hejia Agriculture and Animal Husbandry Company	Invested
Fuxin Wellhope Agriculture and Animal Husbandry Company	Invested
Dalian Hongtu Agri-tech Company	Invested
Shandong Heyuan Agri-tech Company	Invested
Wafangdian Huinong Poultry Industry Company	Invested
Luoyang Wellhope Agriculture and Animal Husbandry Company	Invested
Tongxu Wellhope Agriculture and Animal Husbandry Company	Invested
Gongzhuling Wellhope Swine Farming Company	Invested
Lishu Wellhope Ecological Farming Company	Invested
Kaifeng Jiufeng Agriculture and Animal Husbandry Company	Invested

B. The subsidiaries excluded from the consolidation scope in the reporting period

Company	Reason of excluding from the consolidation scope
Shenyang Tianjingde Trading Company	Cancelled
Changtu Wellhope Feed Mill	Cancelled
Xi'an Linfeng Shengyi Trading Company	Transferred

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, various specific accounting standards, and other relevant provisions, 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 that does not mentioned is subject to relevant accounting policies in the 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 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 arrangement methods for business combination under the same control or the different control**(1). Accounting arrangement 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 arrangement 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 recognized according to the following conditions respectively:

(A) For the business combination realized by one-time transaction, the combined costs shall be recognized 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 recognition 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 recognized by the Acquiree), the future economic benefits are expected to flow into the Company and the fair values reliably measured, they shall be separately recognized 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized 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. Recognition standard of cash and cash equivalents

Cash shall include cash on hand of the Company, as well as bank deposit and other monetary funds that 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 recognized as cash equivalent.

8. Foreign currency transactions and foreign currency statement translation

(1) Accounting methods of foreign currency transactions

① Initial recognition 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 arrangement 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 arrangement 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 recognized 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 recognized, 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 arrangement 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 recognized 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 record 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

①Classification 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) Recognition basis and measurement method of financial instruments

① Recognition 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 recognition 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	For receivables that shall be paid by the subsidiary included in the scope of consolidation, 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.

10. Notes receivable

The recognition method and accounting arrangement method for the expected credit loss of the receivables have been shown in "Financial Instruments".

Receivables include notes receivable, accounts receivable, other receivables, and long-term receivables.

11. Accounts receivable

The recognition method and accounting arrangement method for the expected credit loss of the receivables have been shown in "Financial Instruments".

Receivables include notes receivable, accounts receivable, other receivables, and long-term receivables.

12. Other receivables

The recognition method and accounting arrangement method for the expected credit loss of the receivables have been shown in "Financial Instruments".

Receivables include notes receivable, accounts receivable, other receivables, and long-term receivables.

13. Inventory

(1) Classification of inventory

The Company's inventory is divided into materials in transit, raw materials, revolving materials (including packaging and low-value consumables), in process products, finished products (inventory), delivered products, expendable biological assets, project construction costs and so on. Expendable biological assets include broiler, piglet, finishing swine, etc.

(2) Valuation method for delivery of inventory

The delivered materials, delivered finished products, and delivered expendable biological assets shall be calculated by weighted average method.

(3) Recognition basis of net realizable value of inventory and the accrual method for inventory falling

price reserves

① Recognition 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 recognized 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 recognized.

(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 expendable biological Assets: on the balance sheet date, the expendable 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. Contract assets

The contract assets refer to the company's rights to charge consideration for product that has transferred to the customer, and such rights shall depend on factors other than the passage of time. The Company's contract assets mainly include completed and unsettled assets, and quality retention money. The contract assets and contract liabilities under the same contract shall be shown on a net amount, and the contract assets and contract liabilities under different contracts shall not be offset.

15. 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 Recognition 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 arrangement 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 recognized 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 recognized 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.

16. 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 arrangement 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 recognized 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 recognition 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, recognition 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 recognized 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 recognized 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 recognized 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 recognized, write down the

book value that has been recognized 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 recognized to have joint control and significant influence on the invested entity

① The basis recognized 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 recognized to have significant influence on the invested entity

The significant influence refers to having the rights to participate in the decision-making of the financial and business policies of the invested entity, but not being able to control or jointly control the formulation of these policies together with other parties. When the Company is able to exert significant influence on the invested entity, the invested entity shall be its associated company.

17. Fixed assets

(1). Recognition 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 recognized 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 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). Recognition basis, pricing and depreciation method of fixed assets under finance lease

① Recognition 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 unrecognized financing cost. Unrecognized 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.

18. 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.

19. Borrowing costs

(1) Range of the borrowing costs

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) Recognition principle of borrowing costs

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 recognized as costs on the basis of the actual amount accrued, and shall be included into 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) Recognition of the time period for capitalization of the borrowing cost

① Recognition 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-recognized 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 Recognition 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 recognized 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 Recognition 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 recognized 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 recognition of the amount of the capitalization of borrowing costs

① The recognition 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized 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 recognition 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 recognized 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 recognized as expenses at the time of occurrence and shall be included into the gains and losses of the current period.

③ The recognition 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.

20. 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 have achieved the predetermined purposes of 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
Pig breeder	36 months	20.00%	Straight-line service life
Broiler breeder	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.

21. 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 recognized 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 recognized 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 recognized 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 recognized 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 service life of land license	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 recognized 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.

④Arrangement of land use right

(A) The land use right acquired by the Company is usually recognized 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 recognized as fixed assets.

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

①The 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.

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

The expenditure of the internal R&D projects at the development stage shall be recognized 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.

22. 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 recognized 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 recognized.

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

23. 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.

24. Contract liabilities

Recognition method of contract liabilities

Contract liabilities refer to the obligation of the Company to transfer commodities to customers as the Company has received the consideration or needs to receive the consideration from customers. Before the Company transferring the commodities to the customer, if the customer has paid the contract consideration or the Company has obtained an unconditional right to collect the accounts, the Company shall record the accounts received or needed to receive as the contractual liabilities based on the time when the customer actually pays the accounts or when the accounts become due. The contract assets and contract liabilities under the same contract shall be recorded on a net basis, and the contract assets and contract liabilities under different contracts shall not be offset.

25. Employee remuneration

(1). The accounting arrangement 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 arrangement 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 recognized 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 arrangement 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 arrangement 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 recognized 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 arrangements, the total net amount of above items is recorded into current gains and losses or relevant asset costs.

26. Estimated liabilities

(1) Recognition 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 recognized 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 recognized 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 recognized according to the most likely outcome.

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

27. Share-based payment

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

(1) Accounting arrangement 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 arrangement on the grant date.

(2) Accounting arrangement 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 recognized.

As for share-based payments with market conditions, as long as employees meet all other non-market conditions, the acquired service shall be recognized. 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 recognized. 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 recognized up to the current period is calculated, with the cumulative recognized amount in the previous period subtracted, as the cost and expense amount that shall be recognized in the current period.

(3) Accounting Arrangement on the Vesting Date

① As for equity-settled share-based payment, after vesting date, the recognized 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 arrangement 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.

28. 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 recognition 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 acquirer 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 recognized 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 recognized 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 recognition 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 recognized, 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 Recognition 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 recognized 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 recognized 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 recognized.

(3) Recognition 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 recognized.

29. Contract costs

Contract costs can be divided into contract performance costs and contract acquisition costs.

Costs incurred by the Company in the performance of a contract shall be recognized as an asset when the following conditions are met.

(1) Such costs are directly related to a current or anticipated contract

(2) Such costs increase the Company's resources that will be used in the future to meet performance obligations.

(3) Such costs are expected to be recovered

Assets related to contract costs are amortized on the same basis as the revenue recognition of commodities or services related to such assets. However, if the amortization period of the contract acquisition costs is less than one year, the Company shall record such amortization into current gains or losses when it is incurred.

If the book value of the assets related to the contract costs is higher than the difference between the following two items, the Company will make provision for impairment of the excess part and recognize it as impairment loss of the assets.

(1) The remaining consideration that is expected to be obtained as a result of transferring the commodities or services related to such assets.

(2) The estimated costs that will be incurred due to transfer such commodities or services.

30. Government grant

(1) Category of government 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) Recognition principle and recognition time-point of government grant

Recognition 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 recognized 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 arrangement 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 recognized as deferred income. If it is recognized 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 recognized as deferred income and included in the current gains and losses during recognition 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 recognized 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 recognized, 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 recognition, 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.

31. Deferred income tax assets or deferred income tax liabilities

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

(1) Recognition 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 recognition conditions. Tax assets.

② Recognition 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 recognized 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 Recognition 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 recognized are re-measured, excluding the deferred income tax assets and deferred income tax liabilities arising from any transactions or events directly recognized 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.

32. Lease

(1) Accounting arrangement 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 recognized 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 arrangement 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 unrecognized 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 unrecognized financing costs shall be amortized during each lease term, and the current financing costs shall be recognized 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 recognized 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.

33. Changes of important accounting policies and estimates

A. Significant changes in accounting policies

Content and reason for the changes of accounting policies	Approval procedure	Explanation (items in the financial statements that are materially affected)
On July 5, 2017, the Ministry of Finance issued the revised Accounting Standards for Business Enterprises No. 14-Revenue. The revised standard stipulates that when the enterprise implements the new standards at the first time, it shall adjust the retained earnings and other related items in the financial statements at the beginning of that year according to the cumulative influence number, without adjusting the information for comparable periods. Wellhope has implemented the new standards since January 1, 2020, and adjusted related items in accordance with relevant provisions.	Wellhope held the 16th meeting of the 6th Session of Board of Directors on July 17, 2020 to deliberate and approve the proposal of Changing Accounting Policies	Non

B. Adjustment of financial statements when firstly implementing the new revenue standard and new leasing standard

Consolidated balance sheet

Unit: yuan Currency: RMB

Item	Dec. 31, 2019	January 1, 2020	Adjustment
Current Assets			
Monetary capital	1,554,781,324.13	1,554,781,324.13	
Trading financial assets	40,000,000.00	40,000,000.00	
Derivative financial assets	3,912,584.30	3,912,584.30	
Notes receivable	3,696,180.25	3,696,180.25	
Accounts receivable	362,060,802.38	362,060,802.38	
Prepayments	222,064,368.55	222,064,368.55	
Other receivables	85,600,811.75	85,600,811.75	
including: Interest receivable			
Dividends receivable	25,353,722.11	25,353,722.11	
Inventory	1,568,373,133.15	1,568,373,133.15	
Other current assets	121,711,175.93	121,711,175.93	
Total current assets	3,962,200,380.44	3,962,200,380.44	
Non-current assets			
Long-term equity investment	2,070,047,882.51	2,070,047,882.51	
Other equity instruments investment	5,760,839.23	5,760,839.23	
Fixed assets	2,023,113,939.02	2,023,113,939.02	
Construction in progress	240,012,874.86	240,012,874.86	
Biological assets	94,826,312.88	94,826,312.88	
Intangible assets	245,564,167.39	245,564,167.39	
Goodwill	290,425.67	290,425.67	
Long-term prepaid expenses	134,504,217.80	134,504,217.80	
Deferred income tax assets	35,987,736.49	35,987,736.49	
Other non-current assets	337,463,267.56	337,463,267.56	
Total non-current assets	5,187,571,663.41	5,187,571,663.41	
Total Assets	9,149,772,043.85	9,149,772,043.85	
Current liabilities			
Short-term borrowings	1,050,878,205.81	1,050,878,205.81	
Accounts payable	659,216,483.84	659,216,483.84	

Advance receipt	209,529,248.68	4,879,960.48	-204,649,288.20
Contract liabilities		203,523,445.03	203,523,445.03
Payroll	62,549,364.12	62,549,364.12	
Taxes and surcharges	37,680,953.84	37,680,953.84	
Other payables	342,239,361.28	342,239,361.28	
including: Interest payable	1,528,201.39	1,528,201.39	
Dividends payable	1,434,027.14	1,434,027.14	
Non-current liabilities due within one year	70,593,717.62	70,593,717.62	
Other current liabilities		1,125,843.17	1,125,843.17
Total current liabilities	2,432,687,335.19	2,432,687,335.19	
Non-current Liabilities			
Long-term borrowings	174,330,000.00	174,330,000.00	
Long-term payables	11,025,000.09	11,025,000.09	
Deferred income	31,841,250.00	31,841,250.00	
Deferred income tax liabilities	396,995.58	396,995.58	
Total Non-current liabilities	217,593,245.67	217,593,245.67	
Total Liabilities	2,650,280,580.86	2,650,280,580.86	
Owners' equity (or shareholders' equity)			
Paid-up capital (or share capital)	922,304,396.00	922,304,396.00	
Capital reserves	882,723,066.29	882,723,066.29	
deduct: Treasury stock	70,688,750.00	70,688,750.00	
Other comprehensive income	6,122,835.30	6,122,835.30	
Surplus reserves	352,059,456.90	352,059,456.90	
Undistributed profits	3,605,618,553.05	3,605,618,553.05	
Total owners' equity attributable to the of parent company	5,698,139,557.54	5,698,139,557.54	
Non-controlling interests	801,351,905.45	801,351,905.45	
Total owners' equity (or shareholders' equity)	6,499,491,462.99	6,499,491,462.99	
Total liabilities and owners' equity (or shareholders' equity)	9,149,772,043.85	9,149,772,043.85	

Consolidated balance sheet of parent company

Unit: yuan Currency: RMB

Item	Dec. 31, 2019	January 1, 2020	Adjustment
Current Assets			
Monetary capital	1,039,575,222.99	1,039,575,222.99	
Trading financial assets	40,000,000.00	40,000,000.00	
Derivative financial assets	2,285,934.30	2,285,934.30	
Accounts receivable	13,631,690.45	13,631,690.45	
Prepayments	7,560,408.95	7,560,408.95	
Other receivables	1,020,785,676.46	1,020,785,676.46	
including: Interest receivable			
Dividends receivable	33,977,209.35	33,977,209.35	
Inventory	49,839,754.57	49,839,754.57	
Total current assets	2,173,678,687.72	2,173,678,687.72	
Non-current assets			
Long-term equity investment	4,117,315,830.10	4,117,315,830.10	
Other equity instruments investment	5,539,369.92	5,539,369.92	
Fixed assets	132,106,337.38	132,106,337.38	
Construction in progress	5,163,075.76	5,163,075.76	
Intangible assets	15,425,425.33	15,425,425.33	
Long-term prepaid expenses	797,929.30	797,929.30	
Deferred income tax assets	10,699,738.59	10,699,738.59	
Total non-current assets	4,287,047,706.38	4,287,047,706.38	
Total assets	6,460,726,394.10	6,460,726,394.10	
Current liabilities			
Short-term borrowings	770,000,000.00	770,000,000.00	
Accounts payable	34,960,859.00	34,960,859.00	
Advance receipt	5,019,752.33		-5,019,752.33
Contract liabilities		5,019,752.33	5,019,752.33
Payroll	4,611,910.56	4,611,910.56	
Taxes and surcharges	4,624,045.02	4,624,045.02	
Other payables	1,109,464,926.75	1,109,464,926.75	
including: Interest payable	1,261,159.72	1,261,159.72	
Non-current liabilities due within one year	52,000,000.00	52,000,000.00	

Total current liabilities	1,980,681,493.66	1,980,681,493.66	
Non-current Liabilities			
Long-term borrowings	174,000,000.00	174,000,000.00	
Deferred income	21,520,000.00	21,520,000.00	
Deferred income tax liabilities	8,972.25	8,972.25	
Total non-current liabilities	195,528,972.25	195,528,972.25	
Total liabilities	2,176,210,465.91	2,176,210,465.91	
Owners' equity (or shareholders' equity)			
Paid-up capital (or share capital)	922,304,396.00	922,304,396.00	
Capital reserves	875,861,339.55	875,861,339.55	
deduct: Treasury stock	70,688,750.00	70,688,750.00	
Other comprehensive income	5,621,991.32	5,621,991.32	
Surplus reserves	352,059,456.90	352,059,456.90	
Undistributed profits	2,199,357,494.42	2,199,357,494.42	
Total owners' equity (or shareholders' equity)	4,284,515,928.19	4,284,515,928.19	
Total liabilities and owners' equity (or shareholders' equity)	6,460,726,394.10	6,460,726,394.10	

Explanation of adjustment

In accordance with new revenue standards, Wellhope adjusted relevant items in the financial statements at the beginning of 2020, the amounts that meet the requirements of accounting of contract liabilities have been adjusted from "advance receipt" to "contract liabilities", and unamortized output VAT has been adjusted to other current liabilities.

VI. Tax

1. Categories of taxes and tax rate

Categories	Taxation basis	Tax rate
Value-added tax	Output VAT--deductible input VAT	1%、9%、13%
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%

Taxpayer	Income tax rate
Wellhope Foods Co., Ltd., Beijing Sanyuan Wellhope Agri-Tech Company, Beijing Helai Sci-Tech Company, Xi'an Wellhope Feed Sci-Tech Company, Gansu Wellhope Agri-Tech Company, Guangzhou Xiangshun Livestock Equipment Company, Chongqing Dahong Agriculture and Animal Husbandry Equipment Company, Shenyang Fame Bio-Tech Company, Yangling Wellhope Agriculture and Animal Husbandry Company, Yunnan Wellhope Feed Mill	15%
Dalian Huakang Xinxin Food Company, Kaifeng Wellhope Meat Products Company, Puyang Wellhope Food Company, Dalian Heyuan Agri-Tech Company, Wafangdian Yifeng Agri-Tech Company, Shandong Heyuan Food Company, Shandong Heyuan Agri-Tech Company, Pingyuan Wellhope Food Processing Company, Fuyu Wellhope Taolaizhao Poultry Raising Company, Puyang Wellhope Agri-Tech Company, Changchun Wellhope Food Company, Dehui Wellhope Agri-Tech Company, Tongliao Wellhope Tianyi Prataculture Company, Kaifeng Wellhope Agriculture and Animal Husbandry Company, Shenyang Huakang Broiler Company, Shenyang Huakang Agriculture and Animal Husbandry Company, Tangshan Hejia Agriculture and Animal Husbandry Company, Shenyang Wellhope Poultry Industry Company, Fushun Wellhope Agriculture and Animal Husbandry Company, Anhui Wellhope Haoxiang Agricultural Development Company, Suizhong Renhe Fishery Company, Lixin Xiangfeng Agriculture and Animal Husbandry Company, Lixin Hongfeng Agriculture and Animal Husbandry Company, Shulan Fengtai Agriculture and Animal Husbandry Company, Shulan Fengtai Farming Company, Hebei Deheng Farming Company, Dalian Hongtu Agri-tech Company, Liaoning Wellhope Agriculture and Animal Husbandry Development, Luoyang Wellhope Agriculture and Animal Husbandry Company, Tongxu Wellhope Agriculture and Animal Husbandry Company, Gongzhuling Wellhope Swine Farming Company, Lishu Wellhope Ecological Farming Company, Anyang Wellhope Agriculture and Animal Husbandry Company, Hebei Taihang Wellhope Food Company, Hebei Taihang Wellhope Agri-Tech Company, Yixian Dingli Hesheng Livestock and Poultry Feeding Company, Yixian Weijing Livestock and Poultry Feeding Company, Yixian Hekang Agri-Tech Company, Hebei Hetai Livestock and Poultry Farming Company, Anhui Wellhope Haoxiang Swine Breeding Company, Nanyang Wellhope Cattle Sci-Tech Company, Daqing Wellhope Food Company, Zhumadian Wellhope Agricultural Development Company, Datong Hejia Agriculture and Animal Husbandry Company, Shijiazhuang Hejia Agriculture and Animal Husbandry Company, Fuxin Wellhope Agriculture and Animal Husbandry Company, Dalian Zhongjia Food Company, Wafangdian Huinong Poultry Industry Company, Shenyang Wellhope Extruded Feed Mill, Jilin Hefeng Swine Breeding Company, Dunhua Fengda Agriculture and Animal Husbandry Development Company	Enterprises that engaged in primary processing of agricultural products, livestock and poultry raising businesses exempt from levying corporate income tax
Russia Wellhope Agri-Tech Company	20%
Other companies	25%

2. Tax preference

A. Value-added tax

In accordance with the Notice on the Exemption of Value-added Tax on Feed Products 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 occurred taxable sales of VAT, where the tax rates of 16% and 10% were originally applicable,

the tax rates shall be adjusted to 13% and 9% respectively.

According to the announcement issued by the General Tax Bureau of the Ministry of Finance regarding VAT policy for supporting work resumption of privately or individually-owned companies, during the outbreak of the COVID-19 pandemic, VAT shall be levied at a rate of 1% for small-scale taxpayers.

B. Income tax

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	401,767.96	693,912.75
Cash at bank	1,185,795,875.08	1,507,696,568.93
Other monetary capital	11,525,156.12	46,390,842.45
Total	1,197,722,799.16	1,554,781,324.13
including: total amount of funds deposited abroad	1,192,917.73	719,833.99

Other explanation:

Balance of letter of credit included in other monetary capital was RMB 1,144.57, futures margin was RMB 11,524,011.55 in the end of the period.

2. Trading financial assets

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Financial assets measured at fair value and the changes recorded in current profits and losses	50,000,000.00	40,000,000.00
including		
Wealth management products	50,000,000.00	40,000,000.00
Total	50,000,000.00	40,000,000.00

Other explanation:

The Company bought structural deposit from Industrial and Commercial Bank of China on September 29, 2020 with the principal of RMB 50 million and will be due on April 7, 2021 with an expected annualized return of 1.50%-3.20%.

3. Derivative financial assets

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Futures	4,725,552.30	3,912,584.30
Total	4,725,552.30	3,912,584.30

4. Notes receivable**A. Classification**

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Bank's acceptance bill	12,601,548.00	3,696,180.25
Commercial acceptance bill	1,598,999.87	
Total	14,200,547.87	3,696,180.25

B. Bad debt provision

Unit: yuan Currency: RMB

Item	Opening balance	Changes in 2020			Closing balance
		Accruing	Collected or recovered	Charged-off or written-off	
Commercial acceptance bill		32,632.65			32,632.65
Total		32,632.65			32,632.65

5. Accounts receivable**A. Categorized by aging**

Unit: yuan Currency: RMB

Aging	Closing book balance
Within 1 year	417,907,003.42
1-2 years	38,203,816.82
2-3 years	27,862,300.81
Over 3 years	93,507,385.47
Total	577,480,506.52

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	39,061,704.31	6.76	39,061,704.31	100.00		38,365,146.19	8.12	35,941,019.04	93.68	2,424,127.15
Accruing bad debt provision by grouping	538,418,802.21	93.24	88,248,057.76	16.39	450,170,744.45	434,053,298.76	91.88	74,416,623.53	17.14	359,636,675.23
including										
Aging group	538,418,802.21	93.24	88,248,057.76	16.39	450,170,744.45	434,053,298.76	91.88	74,416,623.53	17.14	359,636,675.23
Total	577,480,506.52	/	127,309,762.07	/	450,170,744.45	472,418,444.95	/	110,357,642.57	/	362,060,802.38

➤ 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	uncollectible
Customer 2	4,734,285.00	4,734,285.00	100.00	uncollectible
Customer 3	2,942,919.70	2,942,919.70	100.00	uncollectible
Customer 4	927,022.22	927,022.22	100.00	uncollectible
Customer 5	807,150.00	807,150.00	100.00	uncollectible
Other bad debt provision accrued individually	5,651,971.56	5,651,971.56	100.00	uncollectible
Total	39,061,704.31	39,061,704.31	100.00	/

➤ Accruing bad debt provision according to aging

Unit: yuan Currency: RMB

Aging	Closing balance		
	Account receivable	Bad debt provision	Accruing percentage %
Within 1 year	417,904,828.42	13,652,486.00	3.27
1-2 years	37,632,060.73	5,644,809.11	15.00
2-3 years	27,862,300.81	13,931,150.40	50.00
Over 3 years	55,019,612.25	55,019,612.25	100.00
Total	538,418,802.21	88,248,057.76	/

C. Bad debt provision

Unit: yuan Currency: RMB

Category	Opening balance	Changes in 2020			Closing balance
		Accruing	Charged off or written off	Other changes	
Accounts receivable	110,357,642.57	20,584,815.87	3,693,968.37	61,272.00	127,309,762.07
Total	110,357,642.57	20,584,815.87	3,693,968.37	61,272.00	127,309,762.07

D. Accounts receivable that were actually written off in current period

Unit: yuan Currency: RMB

Item	Write-off amount
Actual write-off of accounts receivable	3,693,968.37

Circumstances of other important accounts receivable that were written off

Unit: yuan Currency: RMB

Name	Nature	Written off amount	Reason	Whether generated by related party transactions
Customer 1	Payment for products	790,882.40	uncollectible after filing of a lawsuit	No
Customer 2	Payment for products	453,168.40	exempted by mutual consultation	No
Customer 3	Payment for products	360,000.00	uncollectible after filing of a lawsuit	No
Customer 4	Payment for products	285,720.30	uncollectible after filing of a lawsuit	No
Customer 5	Payment for products	234,878.95	this enterprise no longer exists	No
Total	/	2,124,650.05	/	/

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	28,795,589.27	4.99	1,279,558.93
2	24,051,313.84	4.16	481,026.28
3	23,998,355.83	4.16	23,998,355.83
4	14,904,096.71	2.58	298,081.93
5	12,590,379.98	2.18	251,807.60
Total	104,339,735.63	18.07	26,308,830.57

6. Prepayments**A. Presenting by aging**

Unit: yuan Currency: RMB

Aging	Closing balance		Opening balance	
	Amount	Percentage %	Amount	Percentage %
Within 1 year	355,432,049.57	97.54	217,146,116.15	97.79
Over 1 year	8,969,470.66	2.46	4,918,252.40	2.21
Total	364,401,520.23	100.00	222,064,368.55	100.00

B. Top 5 prepayments

Unit: yuan Currency: RMB

Company	Closing balance	Percentage of the closing balance of total prepayments %
1	56,847,157.50	15.60
2	22,425,145.75	6.15
3	19,365,551.87	5.31
4	11,891,198.32	3.26
5	11,129,128.31	3.05
Total	121,658,181.75	33.37

7. Other receivables

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Interest receivable		
Dividends receivable	49,123,722.11	25,353,722.11
Other receivables	71,919,754.34	60,247,089.64
Total	121,043,476.45	85,600,811.75

A. Dividends receivable

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Dividends from long-term investment under the equity method	49,123,722.11	25,353,722.11
Total	49,123,722.11	25,353,722.11

B. Other receivables**a. Presenting by aging**

Unit: yuan Currency: RMB

Aging	Closing book balance
Within 1 year	44,269,894.64
1-2 years	5,143,511.56
2-3 years	1,767,472.00
Over 3 years	37,214,088.10
Total	88,394,966.30

b. Presenting by nature

Unit: yuan Currency: RMB

Nature	Closing book balance	Opening book balance
General operating receivables	24,394,151.68	18,445,739.40
Guarantee deposit	24,067,394.92	14,096,016.42
Disposal of investment receivables	2,764,218.95	28,471,800.00
Other	37,169,200.75	30,141,206.46
Total	88,394,966.30	91,154,762.28

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 occurred)	Expected credit loss for the entire duration (credit impairment occurred)	
Balance on January 1, 2020	26,950,938.36		3,956,734.28	30,907,672.64
-recorded in the second stage				
- recorded in the third stage	-2,462,387.69		2,462,387.69	
-recovered in the second stage				
- recovered in the first stage				
Accrued in the reporting period	-15,709,121.54		1,276,660.86	-14,432,460.68
Balance on December 31, 2020	8,779,429.13		7,695,782.83	16,475,211.96

d. Bad debt provision

Unit: yuan Currency: RMB

Category	Opening balance	Changes in 2020		Closing balance
		Accruing	Collected or recovered	
Other receivables	30,907,672.64	-14,432,460.68		16,475,211.96
total	30,907,672.64	-14,432,460.68		16,475,211.96

e. 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	Temporary borrowing	27,300,253.00	over 3 years	30.88	5,441,847.95
2	Government grant	5,000,000.00	less than 1 year	5.66	
3	Guarantee deposit	4,920,000.00	1-2 year	5.57	231,000.00
4	Security deposit	4,400,000.00	less than 1 year	4.98	88,000.00
5	Temporary borrowing	4,350,000.00	less than 1 year	4.92	87,000.00
Total	/	45,970,253.00	/	52.01	5,847,847.95

f. Receivables involving government grant

Unit: yuan Currency: RMB

Name	Government subsidy project	Closing balance	Aging at period-end	Estimated receiving time, amount and basis
Shenyang Big Data Administration Bureau	The secondary nodes of industrial internet identification and resolution	5,000,000.00	less than 1 year	Receiving on January 29, 2021

8. Inventory**A. Category of inventory**

Unit: yuan Currency: RMB

Item	Closing balance			Opening balance		
	Book balance	Falling price reserve or provision for impairment of contract performance costs	Book value	Book balance	Falling price reserve or provision for impairment of contract performance costs	Book value
Raw material	1,067,170,395.01	2,756,874.79	1,064,413,520.22	651,999,952.04	2,852,699.42	649,147,252.62
Low value consumables	20,586,560.21		20,586,560.21	13,182,022.60		13,182,022.60
Product in process	36,745,830.86	653,313.59	36,092,517.27	55,837,226.60	653,313.59	55,183,913.01

Finished product	627,279,262.38	5,323,922.07	621,955,340.31	585,118,896.60	9,725,789.76	575,393,106.84
Consumptive biological assets	713,091,097.93	12,069,247.10	701,021,850.83	274,774,516.57	19,595,499.74	255,179,016.83
Wrappage	18,861,661.78		18,861,661.78	15,557,821.25		15,557,821.25
Engineering construction	6,428,157.96		6,428,157.96	4,730,000.00		4,730,000.00
Products in transit	4,467,961.80		4,467,961.80			
Total	2,494,630,927.93	20,803,357.55	2,473,827,570.38	1,601,200,435.66	32,827,302.51	1,568,373,133.15

B. Falling price reserves and provision for impairment of contract performance costs

Unit: yuan Currency: RMB

Item	Opening balance	Increased amount	Decreased amount	Closing balance
		Accrued	Recovered or charged off	
Raw material	2,852,699.42		95,824.63	2,756,874.79
Product in process	653,313.59			653,313.59
Finished product	9,725,789.76	24,379,358.14	28,781,225.83	5,323,922.07
Consumptive biological assets	19,595,499.74	10,705,750.65	18,232,003.29	12,069,247.10
Total	32,827,302.51	35,085,108.79	47,109,053.75	20,803,357.55

9. Contract assets

A. Circumstance of contract assets

Unit: yuan Currency: RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Guarantee deposit	4,389,202.33	87,784.04	4,301,418.29			
Total	4,389,202.33	87,784.04	4,301,418.29			

B. Accruing provision for impairment of contract assets in 2020

Unit: yuan Currency: RMB

Item	Accrued in current period	Recovered in current period	Charged off or written off	Reason
Guarantee deposit	87,784.04			
Total	87,784.04			

10. Other current assets

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Available for deducting VAT and prepaid tax	109,698,865.94	121,711,175.93
total	109,698,865.94	121,711,175.93

11. Long-term equity investment

Unit: yuan Currency: RMB

Unit: yuan Currency: RMB

Investee	Opening balance	Changes in the current period					Closing balance	Closing balance of impairment provision
		Additional investment	Gains or losses on investments recognized under the equity method	Adjustment of other comprehensive income	Declared payment of dividends or profits	Other		
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 Agri-Tech Company	13,573,648.97		2,135,792.71		3,000,000.00		12,709,441.68	
Anshan Jiuguhe Food Company	152,438,428.77		65,128,535.91		37,397,700.00		180,169,264.68	
Tai'an Jiuguhe Agriculture Development Company	111,292,888.94		-17,857,734.59				93,435,154.35	
Linghai Jiuguhe Feed Mill	62,403,210.81		-6,876,608.46				55,526,602.35	
Huludao Jiuguhe Food Company	70,721,671.34		27,341,931.42		13,300,000.00		84,763,602.76	
Dandong Wellhope Chengsan Food Company	52,614,814.23		17,615,422.86		2,000,000.00		68,230,237.09	
Dandong Wellhope Chengsan Agri-Tech Company	112,253,275.58		3,669,492.40		2,000,000.00		113,922,767.98	
Haicheng New Hongzunda Agri-Tech Company	12,850,037.83		2,203,643.38		1,470,000.00		13,583,681.21	
Beipiao Hongfa Food Company	442,144,638.08		80,249,254.71		16,170,000.00		506,223,892.79	

Beijing Dahong Hengfeng Agri-Tech Company	20,087,982.12		5,243,999.15				25,331,981.27	
Tai'an Jiufeng Agri-Tech Company	5,951,804.50	309,724.00	-3,185,467.28				3,076,061.22	
Shihaipu (Beijing) Technology and Trade Co., Ltd.	1,270,877.77		300,450.44				1,571,328.21	
Shenyang Wenjie Bio-Tech Company	12,442,904.99		565,381.10				13,008,286.09	
Huludao Jiuguhe Feed Mill	42,015,223.35		-16,788,373.83		13,300,000.00		11,926,849.52	
Jinzhou Jiufeng Food Company	48,476,492.49		29,991,524.63				78,468,017.12	
Zhangjiakou Jiahe Agriculture and Animal Husbandry Company	68,145,308.99		44,466,778.68				112,612,087.67	
Tai'an Fengjiu Agri-Tech Company	37,837,537.89		9,763,110.34		7,600,000.00		40,000,648.23	
Anshan Fengsheng Food Company	30,430,304.76	4,177,778.00	18,716,829.02				53,324,911.78	
Dalian Chengsan Animal Husbandry Company	353,954,231.89		21,924,264.83				375,878,496.72	
Tailai Jiahe Agriculture and Animal Husbandry Company	27,134,553.62		60,174,013.06				87,308,566.68	
Gongzhuling Corn Purchasing and Storing Company	61,494,603.43		122,491.94				61,617,095.37	
Lankao Skyland Duck Company	49,841,895.84		-6,166,074.01				43,675,821.83	
Hainan Nongken Wenfeng Wenchang Chicken Industry(Group)Company	1,071,542.40	4,900,000.00	-353,962.52				5,617,579.88	
Dunhua Wellhope Agri-Tech Company	4,178,671.25		322,972.85			-4,501,644.10		
Dunhua Fengda Agriculture and Animal	2,986,597.14		4,716,399.70			-7,702,996.84		

Husbandry Company								
PT SEKAR GOLDEN HARVESTA INDONESIA	38,998,739.72		678,021.37	-2,475,988.86			37,200,772.23	
GOLDEN HARVESTA INC.	104,931,225.82		1,119,949.36	-1,328,489.14			104,722,686.04	
PT. Mulia Harvest Agritech	47,617,462.51		2,413,279.66	-3,267,043.86			46,763,698.31	
Shulan Fengtai Organic Fertilizer Company	1,500,000.00		772,206.00				2,272,206.00	
Shenyang Zhongwenjia Bio-Tech Company	4,060,534.77		1,162,002.17				5,222,536.94	
Liaoning Mubang Animal Husbandry Equipment Manufacturing Company	1,791,476.38	1,520,000.00	7,785,460.14				11,096,936.52	
Anshan Yufeng Feed Mill	-193,154.81	5,700,000.00	-2,160,121.26				3,346,723.93	
Weifang Wellhope Xinhesheng Feed Mill	5,337,855.68		169,208.08				5,507,063.76	
Dunhua Fengda Broiler Breeding Company		6,000,000.00	-215,914.95				5,784,085.05	
Tai'an Huijun Biomass Energy Company		3,257,800.00	-460,920.67				2,796,879.33	
Dazhou Wellhope Bio-Tech Company		5,000,000.00	-28,918.10				4,971,081.90	
Anshan Jiujianhe Paper Packaging Company		2,516,209.00	488,253.97				3,004,462.97	
Anshan Antai Plastic Products Company		1,824,000.00	340,615.90				2,164,615.90	
Bei'an Nongken Shengda Pasture Specialized cooperative		7,830,000.00	590,847.40				8,420,847.40	
Dalian Wellhope Fishery Company	5,724,448.41		3,225,410.74				8,949,859.15	
Liaoning Petmate Bio-Tech Company	5,576,080.92		-841,671.82				4,734,409.10	
Guangzhou Yikun Trading Company	108,257.73		1,245,288.49				1,353,546.22	
Jilin Hengfeng Animal Health Products Company	1,832,880.70		881,022.35				2,713,903.05	

Shenyang Wanlitan Agriculture and Animal Husbandry Company	2,247,702.24	2,000,000.00	1,737,906.72				5,985,608.96	
Daqing Supply and Marketing Agri-Tech Company	3,527,190.48		1,018,859.02				4,546,049.50	
Heilongjiang Zhongyi Ranch Information Technology Service Company	442,305.46		8,024.79				450,330.25	
Indonesia Max Animal Husbandry Technology Company	1,460,475.96			-51,703.20			1,408,772.76	
Dalian Sida Food Company	35,802,062.02		5,462,556.70				41,264,618.72	
Shandong Fengkang Food Company		64,000,000.00	-7,493,887.15				56,506,112.85	
Henan Jinhezhong Cattle Industry Company		70,000.00	-6,409.60				63,590.40	
Subtotal	2,058,378,690.97	109,105,511.00	361,315,137.75	-7,123,225.06	96,237,700.00	-12,204,640.94	2,413,233,773.72	
Total	2,070,047,882.51	109,105,511.00	361,315,137.75	-7,123,225.06	96,237,700.00	-12,204,640.94	2,424,902,965.26	17,900,000.00

The investment of Unphung Joint Venture Company, Nepal Wellhope Agri-tech Pvt. Ltd. and NEXUS WELL-HOPE AGRITECH INTERNATIONAL LIMITED adopts cost method due to the local market and regulatory environment as well as the effects that can be exerted on these three companies.

12. 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 Company	1,454,281.94	1,454,281.94
Xi'an Micro Monkey E-commerce Company		175,087.98
Xinji Jiayu Agriculture and Animal Husbandry Company	900,000.00	900,000.00
Shenze Jiahe Agriculture and Animal Husbandry Company	3,020,978.16	1,500,000.00
Dalian Xuelong Heniu Import and Export Company	14,766,447.34	1,500,000.00
Henan Shanghui Feed Development Company	140,621.00	127,230.32
Shenyang Bononveit Animal Health Products Company	155,369.52	61,696.77
Beijing Haobang Swine Artificial Insemination Service Company		32,542.22
Gansu Judinghe Agriculture and Animal Husbandry	400,000.00	
Total	20,847,697.96	5,760,839.23

B. Non-transactional equity instrument investment

Unit: yuan Currency: RMB

Item	Dividend income recognized in the current period	Cumulative gains	Cumulative losses	Amount of other comprehensive income transferred into retained earnings
China-Russia Friendship Association of Liaoning Province				
Hengshui Hejia Agriculture and Animal Husbandry Company			145,718.06	
Xi'an Micro Monkey E-commerce Company			340,000.00	
Xinji Jiayu Agriculture and Animal Husbandry Company				
Shenze Jiahe Agriculture and Animal Husbandry Company		1,520,978.16		
Dalian Xuelong Heniu Import and Export Company			233,552.66	
Henan Shanghui Feed Development Company			359,379.00	
Shenyang Bononveit Animal Health Products Company		75,369.52		
Beijing Haobang Swine Artificial Insemination Service Company			66,535.00	66,535.00
Total		1,596,347.68	1,145,184.72	66,535.00

13. Fixed assets

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Fixed assets	2,860,162,059.91	2,023,113,939.02
Disposal of fixed assets		
Total	2,860,162,059.91	2,023,113,939.02

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	1,717,146,763.14	1,231,747,402.79	107,927,235.19	73,745,481.56	3,130,566,882.68
B. Increased amount	554,194,283.26	471,192,352.98	32,908,452.02	27,292,622.46	1,085,587,710.72
a. Purchased	234,075,404.05	235,685,225.99	28,437,592.23	21,431,564.09	519,629,786.36
b. Construction in progress transferred in	238,935,701.37	182,075,762.58	3,715,229.27	4,676,476.34	429,403,169.56
c. Increased by business combination	81,183,177.84	53,431,364.41	755,630.52	1,184,582.03	136,554,754.80
C. Decreased amount	6,972,813.38	13,325,312.92	5,444,693.34	927,446.46	26,670,266.10
a. Disposed or scrapped	6,972,813.38	13,325,312.92	5,444,693.34	927,446.46	26,670,266.10
b. Decreased by business combination					
D. Closing balance	2,264,368,233.02	1,689,614,442.85	135,390,993.87	100,110,657.56	4,189,484,327.30
2. Accumulated depreciation					
A. Opening balance	370,740,456.95	501,199,843.43	80,296,331.86	51,738,432.70	1,003,975,064.94
B. Increased amount	61,978,531.66	148,565,911.20	20,875,151.91	12,384,224.87	243,803,819.64
a. Accruing	49,383,347.96	136,000,553.88	20,709,035.09	11,778,301.54	217,871,238.47
b. Increased by business combination	12,595,183.70	12,565,357.32	166,116.82	605,923.33	25,932,581.17
C. Decreased amount	4,086,044.94	9,672,415.08	4,761,441.20	850,512.48	19,370,413.70
a. Disposed or scrapped	4,086,044.94	9,672,415.08	4,761,441.20	850,512.48	19,370,413.70
b. Decreased by business combination					

D. Closing balance	428,632,943.67	640,093,339.55	96,410,042.57	63,272,145.09	1,228,408,470.88
3. Impairment provision					
A. Opening balance	59,961,322.75	42,904,539.70	204,388.73	407,627.54	103,477,878.72
B. Increased amount					
a. Accruing					
C. Decreased amount	1,525,673.82	1,025,837.04	12,558.00	13.35	2,564,082.21
a. Disposed or scrapped	1,525,673.82	1,025,837.04	12,558.00	13.35	2,564,082.21
D. Closing balance	58,435,648.93	41,878,702.66	191,830.73	407,614.19	100,913,796.51
4. Book value					
A. Closing book value	1,777,299,640.42	1,007,642,400.64	38,789,120.57	36,430,898.28	2,860,162,059.91
B. Opening book value	1,286,444,983.44	687,643,019.66	27,426,514.60	21,599,421.32	2,023,113,939.02

14. Construction in progress

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Construction in progress	322,895,206.90	240,012,874.86
Engineering material		
Total	322,895,206.90	240,012,874.86

A. Circumstance of construction in progress

Unit: yuan Currency: RMB

Item	Closing balance		Opening balance	
	Book balance	Book value	Book balance	Book value
Hebei Taihang Wellhope-broiler slaughtering and processing	87,767,632.25	87,767,632.25		
Hainan Wellhope-feed production line with 200,000 tons per year	51,058,543.76	51,058,543.76	13,326,858.52	13,326,858.52
Lingyuan Wellhope-pig farm construction	49,003,226.94	49,003,226.94	2,119,531.03	2,119,531.03
Yangling Wellhope-plant construction and renovation	13,336,130.05	13,336,130.05		
Dalian Zhongjia-the second phase of chicken processing and slaughtering project	12,688,431.38	12,688,431.38	2,226,208.39	2,226,208.39
Shenyang Wellhope Poultry-the first phase of layer factory	12,147,049.98	12,147,049.98		
Daqing Wellhope Food-production workshop construction	11,723,775.64	11,723,775.64		

Liaoning Wellhope-construction of raw material warehouse	9,457,098.75	9,457,098.75		
Lixin Xiangfeng-pig farm construction	9,425,339.00	9,425,339.00		
Qingyuan Wellhope-feed production line with 400,000 tons per year	9,143,447.15	9,143,447.15		
Changchun Wellhope Food-factory area reconstruction	4,726,334.17	4,726,334.17		
Fushun Agriculture and Animal Husbandry-pig farm construction	890,360.00	890,360.00	81,582,306.27	81,582,306.27
Dalian Heyuan-Dayao hatching farm			25,304,688.50	25,304,688.50
Jilin Hefeng-pig farm construction			4,607,316.99	4,607,316.99
Shulan Fengtai Agriculture and Animal Husbandry-broiler house construction			55,672,411.04	55,672,411.04
Puyang Wellhope- broiler house construction			6,345,004.05	6,345,004.05
Shenyang Huakang Broiler Company-workshop renovation			8,929,925.91	8,929,925.91
Lankao Wellhope-premix project			8,510,622.36	8,510,622.36
Other constructions	51,527,837.83	51,527,837.83	31,388,001.80	31,388,001.80
Total	322,895,206.90	322,895,206.90	240,012,874.86	240,012,874.86

B. Changes of important constructions in progress

Unit: yuan Currency: RMB

Project	Budget	Opening balance	Increased amount	Amount transferred in fixed assets	Closing balance	Percentage of accumulated input accounting for the budget %	Construction progress	Source of funds
Hebei Taihang Wellhope-broiler slaughtering and processing	400,000,000.00		87,767,632.25		87,767,632.25	21.00	16%	Self-raised
Hainan Wellhope-feed production line with 200,000 tons per year	85,000,000.00	13,326,858.52	53,690,582.03	15,958,896.79	51,058,543.76	78.84	79%	Self-raised
Lingyuan Wellhope-pig farm construction	70,000,000.00	2,119,531.03	46,883,695.91		49,003,226.94	70.00	70%	Self-raised
Yangling Wellhope-plant construction and renovation	23,000,000.00		13,336,130.05		13,336,130.05	57.98	58%	Self-raised
Dalian Zhongjia-the second phase of chicken processing and slaughtering project	250,000,000.00	2,226,208.39	15,564,929.32	5,102,706.33	12,688,431.38	7.12	8%	Self-raised
Shenyang Wellhope Poultry- the first phase of layer factory	15,000,000.00		12,147,049.98		12,147,049.98	80.98	81%	Self-raised
Daqing Wellhope Food-production workshop construction	12,000,000.00		11,723,775.64		11,723,775.64	97.70	100%	Self-raised
Liaoning Wellhope-construction of raw material warehouse	30,000,000.00		9,457,098.75		9,457,098.75	31.52	32%	Self-raised
Lixin Xiangfeng-pig farm construction	30,000,000.00		9,425,339.00		9,425,339.00	31.42	32%	Self-raised
Qingyuan Wellhope-feed production line with 400,000 tons per year	70,000,000.00		9,143,447.15		9,143,447.15	13.06	10%	Self-raised

Changchun Wellhope Food-factory area reconstruction	97,300,000.00		4,726,334.17		4,726,334.17	4.86	10%	Self-raised
Fushun Agriculture and Animal Husbandry-pig farm construction	300,300,000.00	81,582,306.27	58,099,549.97	138,791,496.24	890,360.00	98.12	98%	Self-raised
Dalian Heyuan-Dayao hatching farm	50,000,000.00	25,304,688.50	23,466,469.50	48,771,158.00		97.54	100%	Self-raised
Jilin Hefeng-pig farm construction	54,000,000.00	4,607,316.99	6,799,693.49	11,407,010.48		96.00	100%	Self-raised
Shulan Fengtai Agriculture and Animal Husbandry-broiler house construction	67,256,185.00	55,672,411.04	13,975,985.86	69,648,396.90		100.00	100%	Self-raised
Puyang Wellhope- broiler house construction	21,000,000.00	6,345,004.05	2,209,097.00	8,554,101.05		100.00	100%	Self-raised
Shenyang Huakang Broiler Company-workshop renovation	12,741,491.00	8,929,925.91	3,088,993.08	12,018,918.99		94.33	100%	Self-raised
Lankao Wellhope-premix project	29,870,000.00	8,510,622.36	19,290,705.20	27,801,327.56		93.06	100%	Self-raised
Total	1,617,467,676.00	208,624,873.06	400,796,508.35	338,054,012.34	271,367,369.07	/	/	

15. Productive biological asset**Productive biological assets using cost measurement model**

Unit: yuan Currency: RMB

Item	Animal husbandry		Total
	Broiler breeder	Pig breeder	
1. Original value			
A. Opening balance	52,264,742.77	67,953,454.22	120,218,196.99
B. Increased amount	61,150,663.85	195,455,652.41	256,606,316.26
a. Externally purchased	22,601,238.14	95,939,394.62	118,540,632.76
b. Breeding by own farm	38,549,425.71	99,516,257.79	138,065,683.50
C. Decreased amount	55,042,535.39	58,327,405.14	113,369,940.53
a. Disposed	55,042,535.39	58,327,405.14	113,369,940.53
D. closing balance	58,372,871.23	205,081,701.49	263,454,572.72
2. Accumulated depreciation			
A. Opening balance	22,090,264.89	3,301,619.22	25,391,884.11
B. Increased amount	42,020,630.00	23,918,175.89	65,938,805.89
a. Accruing	42,020,630.00	23,918,175.89	65,938,805.89
C. Decreased amount	41,981,506.81	7,904,160.60	49,885,667.41
a. Disposed	41,981,506.81	7,904,160.60	49,885,667.41
D. Closing balance	22,129,388.08	19,315,634.51	41,445,022.59
3. Impairment provision			
4. Book value			
A. Closing book value	36,243,483.15	185,410,544.02	221,654,027.17
B. Opening book value	30,174,477.88	64,651,835.00	94,826,312.88

16. Intangible assets

Unit: yuan Currency: RMB

Item	Land use rights	Computer software and other	Total
1. Original value			
A. Opening balance	283,885,270.01	12,795,928.14	296,681,198.15
B. Increased amount	54,877,628.75	337,213.42	55,214,842.17
a. Purchased	44,262,441.04	337,213.42	44,599,654.46
b. Increased by business combination	10,615,187.71		10,615,187.71
C. Decreased amount	25,700.00	83,660.29	109,360.29
a. Disposed	25,700.00	83,660.29	109,360.29
b. Decreased by business combination			
D. closing balance	338,737,198.76	13,049,481.27	351,786,680.03
2. Accumulated amortization			
A. Opening balance	45,817,866.76	5,299,164.00	51,117,030.76
B. Increased amount	7,501,178.60	1,462,162.25	8,963,340.85
a. Accruing	6,423,665.41	1,462,162.25	7,885,827.66
b. Increased by business combination	1,077,513.19		1,077,513.19
C. Decreased amount		79,144.73	79,144.73
a. Disposed		79,144.73	79,144.73
b. Decreased by business combination			
D. Closing balance	53,319,045.36	6,682,181.52	60,001,226.88

3. Impairment provision			
4. Book value			
A. Closing book value	285,418,153.40	6,367,299.75	291,785,453.15
B. Opening book value	238,067,403.25	7,496,764.14	245,564,167.39

17. 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 Company	290,425.67			290,425.67
Total	290,425.67			290,425.67

18. Long-term prepaid expenses

Unit: yuan Currency: RMB

Item	Opening balance	Increased amount	Amortized amount	Closing balance
Broiler cages	82,161,315.11		55,649,585.76	26,511,729.35
Land lease fee	30,526,112.57	62,453,539.61	7,141,321.20	85,838,330.98
Fixed assets improvement	16,377,506.34	11,657,431.82	6,099,381.47	21,935,556.69
Other	5,439,283.78	7,783,564.99	3,562,903.50	9,659,945.27
Total	134,504,217.80	81,894,536.42	72,453,191.93	143,945,562.29

19. Deferred income tax assets or deferred income tax liabilities

A. Deferred income tax assets that have not been 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	153,343,633.52	31,735,760.20	156,147,402.07	30,646,841.04
Unrealized profit of internal transaction	33,006,690.27	6,521,452.04	23,895,127.90	4,804,391.92
Equity incentive expenses	1,331,842.67	199,776.40	3,243,114.20	508,474.55
Deferred income	500,000.00	125,000.00		
Changes in fair value	1,397,540.92	209,642.73	112,115.92	28,028.98
Total	189,579,707.38	38,791,631.37	183,397,760.09	35,987,736.49

B. Deferred income tax liabilities that have not been 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 assets greater than the tax base	9,692,077.59	1,936,853.23	1,611,908.32	396,995.58
Total	9,692,077.59	1,936,853.23	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	56,201,873.58	51,189,855.72
Deductible losses	224,930,527.78	207,837,022.11
Total	281,132,401.36	259,026,877.83

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
2021	31,438,117.74	37,833,545.02
2022	30,172,825.95	38,752,564.40
2023	31,966,243.00	40,585,903.64
2024	64,133,240.00	77,825,369.67
2025	49,578,245.70	
2026	611,959.34	
2027	4,420,084.90	2,082,969.89
2028	8,255,571.42	6,715,140.33
2029	4,278,584.70	4,041,529.16
2030	75,655.03	
Total	224,930,527.78	207,837,022.11

20. Other non-current assets

Unit: yuan Currency: RMB

Item	Closing balance		Opening balance	
	Book balance	Book value	Book balance	Book value
Prepayments of long-lived assets	51,380,357.44	51,380,357.44	44,490,695.92	44,490,695.92
Prepayments of fees to contract farms	474,836,821.82	474,836,821.82	277,650,038.27	277,650,038.27
Prepayments of house rent	4,923,499.98	4,923,499.98	15,322,533.37	15,322,533.37
Total	531,140,679.24	531,140,679.24	337,463,267.56	337,463,267.56

21. Short-term borrowing

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Guaranteed loan	220,517,679.61	109,638,205.81
Credit loan	889,153,690.88	941,240,000.00
Accrued interest	1,001,498.91	
Total	1,110,672,869.40	1,050,878,205.81

Explanation: The guaranteed loan is the bank loan guaranteed by the Company for its subsidiary companies, including Lingyuan Wellhope, Chongqing Dahong Machinery, Liaoning Expert Trading Company, Lixin Xiangfeng Agriculture and Animal Husbandry, Puyang Wellhope Food and Kaifeng Wellhope Meat Food.

22. Notes payable

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Bank acceptance	4,000,000.00	
Total	4,000,000.00	

23. Accounts payable

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Accounts payable related to purchasing and expenses	934,645,438.88	613,009,029.34
Accounts payable related to long-lived assets	134,323,150.97	46,207,454.50
Total	1,068,968,589.85	659,216,483.84

24. Advance receipt

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Proceeds from sale	15,522,362.13	4,879,960.48
Total	15,522,362.13	4,879,960.48

25. Contract Liabilities

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Proceeds from sale	365,124,817.02	203,523,445.03
Total	365,124,817.02	203,523,445.03

26. Payroll**A. Payroll payable**

Unit: yuan Currency: RMB

Item	Opening balance	Increased amount	Decreased amount	Closing balance
1. Short-term benefits	61,001,277.97	769,318,440.11	738,934,262.02	91,385,456.06
2. Post-employment benefits-defined contribution plan	1,548,086.15	9,886,142.79	10,363,209.44	1,071,019.50
3. Dismission welfare		366,124.79	366,124.79	
4. Other benefits due within one year				
Total	62,549,364.12	779,570,707.69	749,663,596.25	92,456,475.56

B. Short-term benefits

Unit: yuan Currency: RMB

Item	Opening balance	Increased amount	Decreased amount	Closing balance
1. Wages, bonuses, allowances and subsidies	59,658,147.63	675,333,006.96	645,101,381.20	89,889,773.39
2. Staff benefits expenses		56,009,173.15	56,009,173.15	
3. Social insurance charges	454,499.01	23,692,331.55	23,558,640.76	588,189.80
including: Medical insurance premiums	375,466.19	21,924,774.30	21,786,402.25	513,838.24

Occupational injury insurance premium	52,072.13	647,288.74	658,251.96	41,108.91
Birth insurance premium	26,960.69	1,120,268.51	1,113,986.55	33,242.65
4. Housing provident fund	139,516.00	9,849,159.89	9,782,246.21	206,429.68
5. Employee labor union dues, employee education expense	749,115.33	4,434,768.56	4,482,820.70	701,063.19
6. Short-term paid absences				
7. Short-term profit-sharing plan				
Total	61,001,277.97	769,318,440.11	738,934,262.02	91,385,456.06

C. Defined contribution plan

Unit: yuan Currency: RMB

Item	Opening balance	Increased amount	Decreased amount	Closing balance
Basic endowment insurance	1,499,516.44	9,559,614.82	10,021,631.51	1,037,499.75
Unemployment insurance expense	48,569.71	326,527.97	341,577.93	33,519.75
Enterprise annuity				
Total	1,548,086.15	9,886,142.79	10,363,209.44	1,071,019.50

27. Tax payable

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Value-added tax	1,562,198.72	1,351,995.42
Corporate income tax	40,452,996.63	32,731,646.44
Individual income tax	2,172,312.75	729,362.56
City maintenance and construction tax	117,653.05	109,286.49
Extra charges of education funds	87,641.61	74,513.94
House property tax	802,901.94	697,937.54
City and town land use tax	1,289,546.55	1,343,282.00
Stamp tax	811,721.16	462,741.13
Other	293,823.12	180,188.32
Total	47,590,795.53	37,680,953.84

28. Other payables

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Interest payable		1,528,201.39
Dividends payable	1,500,000.00	1,434,027.14
Other payables	279,173,085.07	339,277,132.75
Total	280,673,085.07	342,239,361.28

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
Interest payable of short-term borrowings		1,290,618.06
Total		1,528,201.39

B. Dividends payable

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Common stock dividends	1,500,000.00	1,434,027.14
Total	1,500,000.00	1,434,027.14

C. Other payables**Other payables presented by nature**

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Operational payables related to expenses and transactions	227,177,270.07	204,082,682.75
Investment related payables	6,300,000.00	64,505,700.00
Repurchasing obligations of non-restricted stock	45,695,815.00	70,688,750.00
Total	279,173,085.07	339,277,132.75

29. Non-current liability due within 1 year

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Long-term borrowings due within 1 year	102,845,470.70	52,000,000.00
Long-term payables due within 1 year	19,051,435.96	18,593,717.62
Total	121,896,906.66	70,593,717.62

30. Other non-current liability

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Short-term bonds payable		
Refunds payable		
Unamortized output VAT	3,386,523.00	1,125,843.17
Total	3,386,523.00	1,125,843.17

31. Long-term borrowings

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Credit loan	573,789,000.00	174,330,000.00
Interest payable	1,091,271.67	
Total	574,880,271.67	174,330,000.00

32. Long-term payables

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
long-term payable	15,458,230.92	11,025,000.09
Total	15,458,230.92	11,025,000.09

Long-term payable presented by nature

Unit: yuan Currency: RMB

Item	Opening balance	Closing balance
Accrued financial lease outlay	15,458,230.92	11,025,000.09

33. Deferred income

Unit: yuan Currency: RMB

Item	Opening balance	Increased amount	Decreased amount	Closing balance	Reason
Government grant	31,841,250.00	17,461,277.47	7,063,654.72	42,238,872.75	
total	31,841,250.00	17,461,277.47	7,063,654.72	42,238,872.75	/

Projects receiving government grants

Unit: yuan Currency: RMB

Liability item	Opening balance	Amount of newly increased grant	Amount recorded in other income	Other changes	Closing balance	Related to assets or related to income
Lingyuan Wellhope 100,000 tons ruminant feed project	3,500,000.00		500,000.00		3,000,000.00	related to asset
Lingyuan Wellhope corn purchasing and storage barn	2,400,000.00		300,000.00		2,100,000.00	related to asset
Shenyang city central industrial transformation and upgrading funds	8,651,250.00	1,620,000.00	1,282,500.00		8,988,750.00	related to asset
Lingyuan Wellhope 50,000 tons organic fertilizer project	2,700,000.00		300,000.00		2,400,000.00	related to asset
2019 provincial sic-tech major special project funds	2,180,000.00	3,220,000.00	2,700,000.00		2,700,000.00	related to asset
Project funds related to benefit farming policy	4,310,000.00		4,310,000.00		3,879,000.00	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		7,290,000.00	related to asset
2020 Liaoning province industrial internet innovation and development special project funds		5,000,000.00			5,000,000.00	related to asset
Provincial Research Funds for Corn Major Special Project Collaborators		1,000,000.00			1,000,000.00	related to income

White feather broiler green platform construction project		945,000.00			945,000.00	related to asset
Epidemic low-interest loans government subsidies		1,076,277.47		740,154.72	336,122.75	related to income
Jilin province science and technology special funds in 2020		500,000.00			500,000.00	related to income
Funding for the Hebao pig project		4,100,000.00			4,100,000.00	related to asset
Total	31,841,250.00	17,461,277.47	6,323,500.00	740,154.72	42,238,872.75	/

34. Share capital

Unit: yuan Currency: RMB

	Opening balance	Changes (increase or decrease)			Closing balance
		Issuing new shares	Other	Subtotal	
Total shares	922,304,396.00		-244,500.00	-244,500.00	922,059,896.00

244,500 shares of the first lockup period of 2018 Restricted Stock Incentive Plan were repurchased and written off by the Company.

35. Capital reserve

Unit: yuan Currency: RMB

Item	Opening balance	Increased amount	Decreased amount	Closing balance
Capital premium (share capital premium)	853,610,605.56			853,610,605.56
Other capital reserves	29,112,460.73	5,436,850.36		34,549,311.09
Total	882,723,066.29	5,436,850.36		888,159,916.65

Note: The change in other capital reserve was caused by restricted shares. The amount of share-based payment of restricted shares settled by equity that was attributable to the parent company, and those repurchased and cancelled restrict shares that did not meet the unlocking conditions increased RMB 5,330,798.53. The changes of the Company's share of equity in subsidiaries increased RMB 106,051.83.

36. Treasury stock

Unit: yuan Currency: RMB

Item	Opening balance	Increased amount	Decreased amount	Closing balance
Repurchase of restricted stock	70,688,750.00		24,992,935.00	45,695,815.00
Total	70,688,750.00		24,992,935.00	45,695,815.00

Explanation: The Company granted restricted shares to 372 managers in December 2018 and recognized the treasury shares of restricted stock with repurchase obligation.

In the first lockup period, these restricted shares that met unlocking conditions reduced treasury shares by RMB 19,768,110.00, those restricted shares that did not meet unlocking conditions reduced treasury shares by RMB 1,185,825.00, and the revocable cash dividends paid during the waiting period for the unlockable restricted shares reached RMB 4,039,000.00.

37. Other comprehensive income

Unit: yuan Currency: RMB

Item	Opening balance	Amount in current period				Closing balance
		Pre-tax	Deduct: Transfer to retained earnings in the current period from prior periods charged to other comprehensive income	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	-760,192.18	1,220,323.73	-66,535.00	1,240,959.08	45,899.65	480,766.90
Changes in the fair value of other equity instruments	-760,192.18	1,220,323.73	-66,535.00	1,240,959.08	45,899.65	480,766.90
2. Other comprehensive income that will be reclassified into gains or losses	6,883,027.48	-11,523,776.14		-9,521,296.99	-2,002,479.15	-2,638,269.51
including: other comprehensive income that can be transferred in gains or losses under the equity method	5,932,621.40	-7,123,225.06		-7,100,475.65	-22,749.41	-1,167,854.25
Translation balance of foreign currency financial statements	950,406.08	-4,400,551.08		-2,420,821.34	-1,979,729.74	-1,470,415.26
Total other comprehensive income	6,122,835.30	-10,303,452.41	-66,535.00	-8,280,337.91	-1,956,579.50	-2,157,502.61

38. Surplus reserve

Unit: yuan Currency: RMB

Item	Opening balance	Increased amount	Closing balance
Statutory surplus reserve	352,059,456.90	65,311,049.43	417,370,506.33
Total	352,059,456.90	65,311,049.43	417,370,506.33

39. Undistributed profit

Unit: yuan Currency: RMB

Item	2020	2019
Undistributed profit at the end of prior period before adjustment	3,605,618,553.05	2,651,462,525.08
Adjusting total undistributed profit at the beginning of current period		91,554.12
Undistributed profit at the beginning of current period after adjustment	3,605,618,553.05	2,651,554,079.20

add: Net profit attributable to the owners of the parent company in current period	1,235,162,151.48	1,199,347,355.96
deduct: Extraction of statutory surplus reserve	65,311,049.43	79,268,090.83
Extraction of discretionary surplus reserve		
Extraction of general risk provisions		
Common stock dividends payable	202,809,167.12	166,014,791.28
Dividends of common stock transferred to share capital		
Undistributed profit at the end of current period	4,572,660,487.98	3,605,618,553.05

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 0 yuan.

40. Operating revenue and cost

Unit: yuan Currency: RMB

Item	2020		2019	
	Revenue	Cost	Revenue	Cost
Primary businesses	23,795,661,737.11	21,669,041,137.36	17,783,082,417.36	15,788,139,269.90
Other businesses	21,939,029.15	14,549,874.38	9,009,556.22	3,880,745.65
Total	23,817,600,766.26	21,683,591,011.74	17,792,091,973.58	15,792,020,015.55

41. Taxes and surtaxes

Unit: yuan Currency: RMB

Item	2020	2019
City maintenance and construction tax	1,224,844.77	1,137,929.68
Extra charges of education funds	897,418.84	807,658.13
House property tax	8,012,204.63	6,831,387.45
Land use tax	11,188,806.30	10,819,153.17
Stamp tax	8,325,020.40	5,826,905.19
Other	1,652,569.59	1,087,449.43
Total	31,300,864.53	26,510,483.05

42. Sales expenses

Unit: yuan Currency: RMB

Item	2020	2019
Payroll	230,455,048.50	205,619,077.91
Travelling expense	118,203,610.39	114,195,701.76
Transportation and handling expense and vehicle expense	14,268,844.17	79,208,314.37
Service fee	18,440,888.50	15,968,067.70
Business entertainment expense	21,382,773.93	20,982,184.66
Business advertising expense	17,886,211.01	13,494,317.66
Lease expense	5,224,564.43	6,181,904.43
Meeting expenditure	4,749,542.89	4,368,050.10
Sales service charge	10,265,689.03	4,927,406.41
Office and communication fee	5,887,049.55	5,134,153.70
Subtotal of other items	18,543,773.49	17,138,345.34
Total	465,307,995.89	487,217,524.04

Explanation: The Company implemented the New Revenue Standard on January 1, 2020, recorded the transportation cost of products incurred for the performance of contracts as contract performance costs in the operating costs.

43. Administration expense

Unit: yuan Currency: RMB

Item	2020	2019
Payroll	141,131,861.94	112,439,535.70
Depreciation	35,401,179.38	40,847,499.96
Office and communication fee	18,549,111.05	16,797,136.59
Travelling expense	8,412,870.03	9,014,660.58
Repair charge	14,761,977.62	11,342,686.18
Lease expense	6,254,489.04	5,146,925.10
Amortization of intangible assets	8,617,015.70	7,683,509.63
Business entertainment expense	8,907,262.28	7,482,966.92
Water and electricity	5,143,990.72	4,299,424.06
Service fee	16,921,076.32	9,642,037.71
Heating fee	4,750,298.48	6,817,865.20
Subtotal of other items	41,424,564.47	44,046,443.67
Total	310,275,697.03	275,560,691.30

44. R&D expenditure

Unit: yuan Currency: RMB

Item	2020	2019
Payroll	24,857,318.54	25,431,025.81
Design and experiment fee	36,616,357.05	17,512,053.59
Material and appliance charge	14,439,616.57	10,743,283.02
Travel expense	2,130,998.14	3,941,624.57
Depreciation and amortization expense	3,253,286.96	3,058,470.18
Subtotal of other items	2,289,529.14	4,522,659.48
Total	83,587,106.40	65,209,116.65

45. Financial expense

Unit: yuan Currency: RMB

Item	2020	2019
Interest expenditure	75,771,816.48	77,508,278.78
deduct: Interest income	-14,953,268.10	-9,696,477.31
add: Exchange loss (deduct income)	413,230.21	5,689,613.00
add: Service charge	3,448,435.13	2,891,552.83
Total	64,680,213.72	76,392,967.30

46. Other income

Unit: yuan Currency: RMB

Item	2020	2019
Government grant recorded in	23,500,036.20	11,495,398.41
Total	23,500,036.20	11,495,398.41

Explanation: Details are listed in "Government Grants"

47. Income from investment

Unit: yuan Currency: RMB

Item	2020	2019
Income from long-term equity investment measured by the equity method	361,315,137.75	629,093,604.62
Income from disposal of long-term equity investment		3,624,691.43
Investment income from financial assets held for trading	2,828,562.02	3,545,198.63
Dividend income from other equity instrument investments during		100,000.00

the holding period		
Investment income from disposal of trading financial assets	-1,579,994.94	195,571.87
Income from disposal of other equity instrument investments		100,000.00
After losing control, gain or loss generated by the re-measurement of the residual equity according to fair value		820,378.27
Total	362,563,704.83	637,479,444.82

48. Income from changes in fair value

Unit: yuan Currency: RMB

Source of income from changes in fair value	2020	2019
Trading financial assets	-1,397,309.00	577,449.00
including: Income from fair value changes generated by derivative financial instruments	-1,397,309.00	577,449.00
Total	-1,397,309.00	577,449.00

49. Credit impairment loss

Unit: yuan Currency: RMB

Item	2020	2019
Bad debt loss of notes receivable	-32,632.65	
Bad debt loss of accounts receivable	-20,584,815.87	-9,898,584.12
Bad debt loss of other receivables	14,432,460.68	-16,445,616.93
Total	-6,184,987.84	-26,344,201.05

50. Asset impairment loss

Unit: yuan Currency: RMB

Item	2020	2019
Loss of inventory falling price and loss of impairment of contract performance cost	-35,085,108.79	-40,242,301.07
Impairment loss on fixed assets		-58,216,968.82
Impairment loss on contract assets	-87,784.04	
Total	-35,172,892.83	-98,459,269.89

51. Income from assets disposal

Unit: yuan Currency: RMB

Item	2020	2019
Gain or loss from disposal of fixed assets	624,443.26	1,177,420.87
Gain or loss from disposal of productive biological asset	2,544,898.80	-605,269.52
Total	3,169,342.06	572,151.35

52. Non-operating Income

Unit: yuan Currency: RMB

Item	2020	2019	Amount included in current extraordinary items
Total gains or losses from disposal of non-current assets	317,175.57	54,984.56	317,175.57
Government grants	8,861,828.97	10,868,297.38	8,861,828.97
Other	3,694,824.63	2,483,254.32	3,694,824.63
Total	12,873,829.17	13,406,536.26	12,873,829.17

Government grants recorded in current gains and losses

		Unit: yuan	Currency: RMB
Item	2020	2019	Related to assets or related to income
Tax subsidy from Food and Drug Office	3,000,000.00		related to income
Moderate scale operation project	1,925,960.00		related to income
Award for resumption of production during the COVID-19	720,000.00		related to income
Award for production increment from Finance Bureau of Daxing District, Beijing	500,000.00		related to income
Subtotal for other projects under RMB 500,000	2,715,868.97	2,433,497.38	related to income
Special funds for foreign trade industry development		3,884,800.00	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
Total	8,861,828.97	10,868,297.38	/

53. Non-operating expenditure

		Unit: yuan	Currency: RMB
Item	2020	2019	Amount included in current extraordinary items
Total losses from disposal of non-current assets	14,460,992.11	7,397,933.97	14,460,992.11
External donations	3,281,079.38	3,782,783.00	3,281,079.38
Extraordinary loss	9,972,261.57	13,449,568.40	9,972,261.57
Amercement outlay	1,203,665.89	924,253.69	1,203,665.89
Other	58,469.67	183,300.79	58,469.67
Total	28,976,468.62	25,737,839.85	28,976,468.62

54. Income tax expense

		Unit: yuan	Currency: RMB
Item	2020	2019	
Current income tax expense	152,918,204.68	90,037,145.50	
Deferred income tax expense	-1,264,037.23	-5,330,616.57	
Total	151,654,167.45	84,706,528.93	

Adjustment procedure for accounting profit and income tax expense

		Unit: yuan	Currency: RMB
Item	2020		
Total profit	1,509,233,130.92		
Income tax expenses calculated at statutory or applicable tax rates	226,384,969.64		
Effects of subsidiaries that are subject to different tax rates	27,672,741.86		
Effects of adjusting the income tax on previous periods	-2,874,146.23		
Effects of non-taxable income	-97,051,440.04		

Effects of non-deductible costs, expenses and losses	4,558,827.90
Effects of using deductible losses of deferred income tax assets that have not been recognized in previous period	-8,278,079.94
Effects of deductible temporary differences or deductible losses on deferred income tax assets that have not been recognized in current period	12,169,821.68
Calculation and deduction of R&D expenditure	-5,930,394.68
Other	-4,998,132.74
Income tax expense	151,654,167.45

55. Other comprehensive income

See note.

56. Items in cash flow statement**A. Cash received from other activities related to operating**

Unit: yuan Currency: RMB

Item	2020	2019
Government grants	38,499,642.64	33,951,978.38
Interest income	14,953,268.10	9,696,477.31
Subtotal of transactions and other	46,320,016.55	74,276,495.00
Total	99,772,927.29	117,924,950.69

B. Cash paid for other activities related to operating

Unit: yuan Currency: RMB

Item	2020	2019
Travelling expense	128,747,478.56	127,151,986.91
Transportation and handling expense	14,268,844.17	79,208,314.37
R&D expenditure	51,055,973.62	32,777,996.09
Business entertainment expense	21,382,773.93	28,465,151.58
Office and communication fee	24,436,160.60	21,931,290.29
Service fee	35,361,964.82	22,863,995.41
Other operating expenses paid	60,209,885.08	76,106,845.41
Transactions and other paid	46,659,223.54	42,979,843.73
Total	382,122,304.32	431,485,423.79

C. Cash received from other activities related to investment

Unit: yuan Currency: RMB

Item	2020	2019
L/C Guarantee deposits decreased	1,778,735.87	28,220,000.81
Futures margin decreased	33,086,950.46	
Net cash received from acquiring subsidiaries	10,990,093.41	7,131,060.28
Total	45,855,779.74	35,351,061.09

D. Cash paid for other activities related to investment

Unit: yuan Currency: RMB

Item	2020	2019
Futures margin increased		34,912,964.17
Net cash paid for disposal of subsidiaries	237,407.44	3,122,032.62
Cash paid for providing funds	4,350,000.00	
Total	4,587,407.44	38,034,996.79

E. Cash received from other activities related to financing

Unit: yuan Currency: RMB

Item	2020	2019
Subsidiaries receive capital increase from non-controlling shareholders in advance		19,499,680.00
Cash received from disposal of subsidiaries' shareholdings	6,056,251.57	
Total	6,056,251.57	19,499,680.00

F. Cash paid for other activities related to financing

Unit: yuan Currency: RMB

Item	2020	2019
Parent company repurchased shares that did not meet the unlocking conditions	1,185,825.00	
Finance lease fee	854,460.00	
Cash paid for buying non-controlling interests of subsidiaries		6,433,985.36
Total	2,040,285.00	6,433,985.36

57. Supplementary information of cash flow statement**A. Supplementary information**

Unit: yuan Currency: RMB

Further information	2020	2019
1. Adjusting net profit to cash flow from operating activities		
Net profit	1,357,578,963.47	1,497,464,315.81
add: Assets impairment provision	35,172,892.83	98,459,269.89
Credit impairment losses	6,184,987.84	26,344,201.05
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	283,705,778.71	208,991,452.47
Amortization of intangible assets	7,883,410.95	6,977,214.30
Amortization of long-term unamortized expense	71,796,049.07	61,409,487.93
Losses on disposal of fixed assets, intangible assets and other long-lived assets	-3,169,342.06	-572,151.35
Losses on retirement of fixed assets	14,143,816.54	20,792,517.81
Losses due to changes in fair value	1,397,309.00	-577,449.00
Financial expense	76,993,537.15	82,145,120.02
Investment losses	-362,563,704.83	-637,479,444.82
Decrease of deferred income tax assets	-2,803,894.88	-5,727,612.15
Increase of deferred income tax liabilities	1,539,857.65	396,995.58
Decrease of inventory	-923,577,752.02	-200,278,163.60
Decrease of operating receivables	-460,716,561.45	-223,764,950.58
Increase of operating payables	688,456,892.10	195,376,635.14
Other	-26,076,787.04	-18,351,471.92
Net cash flow from operating activities	765,945,453.03	1,111,605,966.58
2. Net changes in cash and cash equivalents		
Closing balance of cash	1,186,197,643.04	1,508,390,481.68
deduct: Opening balance of cash	1,508,390,481.68	889,204,873.97
add: Closing balance of cash equivalent		
deduct: Opening balance of cash equivalent		
Net increase in cash and cash equivalents	-322,192,838.64	619,185,607.71

B. Net cash paid for acquiring subsidiaries

Unit: yuan Currency: RMB

	Amount
Cash or cash equivalents paid for business combinations occurred in current period	115,107,050.87
including: Yangling Wellhope Agri-Tech Company	42,000,000.00
Yixian Dingli Hesheng Livestock and Poultry Feeding Company	20,526,500.00
Yixian Weijing Livestock and Poultry Feeding Company	8,250,200.00
Yixian Hekang Agri-Tech Company	26,020,000.00
Hebei Hetai Livestock and Poultry Farming Company	15,159,200.00
Dunhua Wellhope Agri-Tech Company	3,151,150.87
deduct: Cash and cash equivalents held by the subsidiary on the acquiring date	67,559.02
including: Yangling Wellhope Agri-Tech Company	
Yixian Dingli Hesheng Livestock and Poultry Feeding Company	
Yixian Weijing Livestock and Poultry Feeding Company	2,967.79
Yixian Hekang Agri-Tech Company	2,008.44
Hebei Hetai Livestock and Poultry Farming Company	792.32
Dunhua Wellhope Agri-Tech Company	61,790.47
add: Cash or cash equivalents paid for business combinations occurred in previous periods	
Net cash paid for acquiring subsidiaries	115,039,491.85

C. Cash and cash equivalents

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
1. Cash	1,186,197,643.04	1,508,390,481.68
including: Cash on hand	401,767.96	693,912.75
Bank deposits available for payment at any time	1,185,795,875.08	1,507,696,568.93
2. Cash equivalent		
3. Closing balance of cash and cash equivalents	1,186,197,643.04	1,508,390,481.68

58. Assets in which ownership or use rights were restricted

Unit: yuan Currency: RMB

Item	Closing book value	Reason for restriction
Monetary capital	11,524,011.55	Futures margin
Monetary capital	1,144.57	L/C guarantee deposit
Total	11,525,156.12	/

59. 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			5,515,874.94
including: US dollar	418,763.54	6.5249	2,732,390.22
Euro	82.90	8.0250	665.27
HK dollar	1,889,051.99	0.8416	1,589,901.72
Ruble	13,602,254.62	0.0877	1,192,917.73
Accounts receivable			8,676,049.58
including: US dollar	994,755.99	6.5249	6,490,683.34
HK dollar	2,596,557.01	0.8416	2,185,366.24
Short-term borrowing			89,517,679.61

including: US dollar	13,719,394.87	6.5249	89,517,679.61
Accounts payable			2,571,424.38
including: US dollar	1,609.22	6.5249	10,500.00
Ruble	29,200,962.14	0.0877	2,560,924.38
Prepayment			165,954.31
including: US dollar	25,434.00	6.5249	165,954.31
Other payables			2,508,003.06
including: Ruble	28,597,526.34	0.0877	2,508,003.06

B. Explanation of overseas business entity

Name	Business place abroad	Recording currency	Currency selection basis
Russia Wellhope Agri-Tech Company	Russia	Ruble	Local currency

60. Government grants

Unit: yuan Currency: RMB

Category	Amount	Present item	Amount recorded in current gains or losses
Tax Subsidy from Food and Drug Office	3,000,000.00	non-operating income	3,000,000.00
Job Stabilization Allowance	2,335,393.68	other income	2,335,393.68
Subsidies for livestock and poultry projects	2,200,000.00	other income	2,200,000.00
Subsidy from Agriculture Bureau	2,000,000.00	other income	2,000,000.00
Moderate scale operation project	1,925,960.00	non-operating income	1,925,960.00
Special funds for agricultural development	1,430,000.00	other income	1,430,000.00
Award for resumption of production during COVID-19	720,000.00	non-operating income	720,000.00
High-tech enterprise subsidy for the year 2017 from Guangzhou Science and Technology Innovation Commission	600,000.00	other income	600,000.00
Work allowance	524,400.00	other income	524,400.00
The second batch of project allocations for the 2020 Science and Technology Plan	500,000.00	other income	500,000.00
Incentive funds from Shenyang Municipal Bureau of Industry and Information Technology on the allocation of national and provincial green manufacturing system demonstration enterprises	500,000.00	other income	500,000.00
Award for production increment from Finance Bureau of Daxing District, Beijing	500,000.00	non-operating income	500,000.00
Subtotal for other grants under RMB 500,000	7,086,742.52	other income	7,086,742.52
Subtotal for other grants under RMB 500,000	2,715,868.97	non-operating income	2,715,868.97
Deferred income transferred in current period	6,323,500.00	other income	6,323,500.00
Deferred income transferred in current period	740,154.72	financial expense	740,154.72
Total	33,102,019.89	/	33,102,019.89

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	Time of acquiring equity	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
Yangling Wellhope Agri-Tech Company	May 12, 2020	42,000,000.00	100.00	Cash	May 12, 2020	Control right shifting	6,789,720.16	-2,675,110.82
Yixian Dingli Hesheng Livestock and Poultry Feeding Company	Aug. 24, 2020	20,526,500.00	100.00	Cash	Aug. 24, 2020	Control right shifting	3,548,120.65	-1,478,497.51
Yixian Weijing Livestock and Poultry Feeding Company	Aug. 24, 2020	8,250,200.00	100.00	Cash	Aug. 24, 2020	Control right shifting	5,223,513.22	-401,914.26
Dunhua Wellhope Agri-Tech Company	Jul. 3, 2020	3,151,150.87	21.00	Cash	Jul. 3, 2020	Control right shifting	105,495,162.01	1,116,755.75
Dunhua Fengda Agriculture and Animal Husbandry Development Company	Jul. 2, 2020	5,392,097.79	21.00	Cash	Jul. 2, 2020	Control right shifting	183,846,473.86	1,624,092.27
Yixian Hekang Agri-Tech Company	Sep. 22, 2020	26,020,000.00	100.00	Cash	Sep. 22, 2020	Control right shifting	5,613,540.58	-339,115.81
Hebei Hetai Livestock and Poultry Farming Company	Dec. 29, 2020	15,159,200.00	100.00	Cash	Dec. 29, 2020	Control right shifting		-3,200.56

B. Combined cost and goodwill

Unit: yuan Currency: RMB

Combined cost	Yangling Wellhope Agri-Tech Company	Yixian Dingli Hesheng Livestock and Poultry Feeding Company	Yixian Weijing Livestock and Poultry Feeding Company	Dunhua Wellhope Agri-Tech Company	Dunhua Fengda Agriculture and Animal Husbandry Development Company	Yixian Hekang Agri-Tech Company	Hebei Hetai Livestock and Poultry Farming Company
Cash	42,000,000.00	20,526,500.00	8,250,200.00	3,151,150.87	5,392,097.79	26,020,000.00	15,159,200.00
Fair value of the equity, which held prior to the acquiring date, on the acquisition date				4,501,644.10	7,702,996.84		
Total combined costs	42,000,000.00	20,526,500.00	8,250,200.00	7,652,794.97	13,095,094.63	26,020,000.00	15,159,200.00
deduct: Fair value share of identifiable net assets obtained	42,000,000.00	20,526,500.00	8,250,200.00	7,652,794.97	13,095,094.63	26,020,000.00	15,159,200.00
Goodwill or combined cost is less than the amount of the fair value share of the identifiable net assets obtained							

C. Identifiable assets and liabilities of the investee on the acquisition date

Unit: 10k yuan Currency: RMB

	Yangling Wellhope Agri-Tech Company		Yixian Dingli Hesheng Livestock and Poultry Feeding Company		Yixian Weijing Livestock and Poultry Feeding Company		Dunhua Wellhope Agri-Tech Company		Dunhua Fengda Agriculture and Animal Husbandry Development Company		Yixian Hekang Agri-Tech Company		Hebei Hetai Livestock and Poultry Farming Company	
	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	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	Fair value on acquisition date	Book value on acquisition date
Assets	4,200.00	3,705.59	2,052.65	2,049.58	826.35	824.91	2,068.03	2,068.03	3,728.01	3,728.01	2,607.00	2,604.23	2,042.92	2,039.90
Monetary capital					0.30	0.30	6.18	6.18	1,638.22	1,638.22	0.20	0.20	0.08	0.08
Account receivable								1,104.33	82.29	82.29				
Prepayment					0.23	0.23			868.95	868.95				
Other receivables			11.62	11.62			4.81	4.81	52.64	52.64				
Inventory			5.08	5.08			838.98	838.98	498.34	498.34	2.92	2.92		
Other current assets									105.50	105.50				

Fixed assets	3,246.23	3,246.23	2,035.95	2,032.88	825.82	824.38	37.72	37.72	280.08	280.08	2,603.88	2,601.11	2,042.84	2,039.82
Construction in progress									19.96	19.96				
Intangible assets	953.77	459.36												
Long-term prepaid expense							76.01	76.01	182.03	182.03				
Liabilities					1.33	1.33	567.48	567.48	1,160.34	1,160.34	5.00	5.00	527.00	527.00
Accounts payable					1.33	1.33	541.14	541.14	489.18	489.18				
Advance receipt									553.65	553.65				
Payroll							3.83	3.83	5.63	5.63				
Taxes and surcharges							11.68	11.68	0.76	0.76				
Other payables							10.83	10.83	111.12	111.12	5.00	5.00	527.00	527.00
Net assets	4,200.00	3,705.59	2,052.65	2,049.58	825.02	823.58	1,500.55	1,500.55	2,567.67	2,567.67	2,602.00	2,599.23	1,515.92	1,515.92
deduct: Non-controlling interests							735.27	735.27	1,258.16	1,258.16				
Net assets acquired	4,200.00	3,705.59	2,052.65	2,049.58	825.02	823.58	765.28	765.28	1,309.51	1,309.51	2,602.00	2,599.23	1,515.92	1,515.92

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
Dunhua Wellhope Agri-Tech Company	4,501,644.10	4,501,644.10		Reference transaction price
Dunhua Fengda Agriculture and Animal Husbandry Development Company	7,702,996.84	7,702,996.84		Reference transaction price

2. Disposal of subsidiary

Unit: yuan Currency: RMB

Subsidiary	Disposal price	Percentage of disposed shareholding %	Disposal way	Date of losing control	Basis for determining loss of control
Xi'an Linfeng Shengyi Trading Company	2,000,000.00	100.00	Transferred	November 24, 2020	Losing control

3. Change of consolidation scope caused by other reasons

During the year, the Company newly initiated 26 subsidiaries, cancelled 2 subsidiaries. Details are listed in the notes.

IX. Equity in other Entities

1. Equity in subsidiaries

A. Composition of the Company

Subsidiary	Business site	Registered site	Business type	Shareholding %		Way of acquisition
				Direct	Indirect	
Haicheng Xinzhongxin Wellhope Feed Mill	Haicheng city	Haicheng city	production	51.00		investment
Dalian Huakang Xinxin Food Company	Dalian city	Dalian city	production	65.00		investment
Changchun Hengfeng Agriculture and Animal Husbandry Company	Changchun city	Changchun city	trading		51.00	investment
Jinan Xinweita Trading Company	Jinan city	Jinan city	trading		76.00	investment
Henan Wellhope Agri-Tech Company	Kaifeng city	Kaifeng city	production	100.00		investment
Zhengzhou Wellhope Agri-Tech Company	Zhengzhou city	Zhengzhou city	production	70.00		investment
Zhumadian Wellhope Agri-Tech Company	Zhumadian city	Zhumadian city	production	90.00		investment
Jiaozuo Wellhope Feed Mill	Jiaozuo city	Jiaozuo city	production	98.30		investment
Nanyang Wellhope Feed Mill	Nanyang city	Nanyang city	production	70.00		investment
Zhangwu Wellhope Agriculture Development Company	Zhangwu county	Zhangwu county	production	60.00		investment
Xifeng Qianyue Planting Company	Xifeng county	Xifeng county	production		100.00	investment
Sanjiang Wellhope Agri-Tech Company	Jixian county	Jixian county	production	100.00		investment
Jixian Expert Trading Company	Jixian county	Jixian county	trading		65.00	investment

Gongzhuling Wellhope Agri-Tech Company	Gongzhuling city	Gongzhuling city	production	100.00		investment
Shenyang Expert Trading Company	Shenyang city	Shenyang city	trading	100.00		investment
Liaoning Skyland Livestock Equipment Company	Shenyang city	Shenyang city	production	100.00		investment
Shenyang Wellhope Ruminant Feed Mill	Shenyang city	Shenyang city	production	100.00		investment
Shenyang Wellhope Extruded Feed Mill	Shenyang city	Shenyang city	production	100.00		investment
Shenyang Wellhope Aquatic Feed Mill	Shenyang city	Shenyang city	production	100.00		investment
Shenyang Jiahe Tianfeng Commerce and Trade Company	Shenyang city	Shenyang city	trading	100.00		investment
Liaoning Wellhope Food Company	Beipiao city	Beipiao city	production	60.00		investment
Haicheng Wellhope Agri-Tech Feed Mill	Haicheng city	Haicheng city	production	100.00		investment
Tai'an Wellhope Feed Mill	Tai'an county	Tai'an county	production	100.00		investment
Lingyuan Wellhope Agri-Tech Company	Lingyuan city	Lingyuan city	production	90.50		investment
Beijing Helai Sci-Tech Company	Beijing city	Beijing city	production	100.00		investment
Beijing Wellhope Agri-Tech Company	Beijing city	Beijing city	trading	100.00		investment
Beijing Sanyuan Wellhope Agri-Tech Company	Beijing city	Beijing city	production	70.00		investment
Jilin Wellhope Agri-Tech Company	Jilin city	Jilin city	production	100.00		investment
Jilin Hefeng	Gongzhuling	Gongzhuling	production	100.00		investment

Swine Breeding Company	city	city				
Harbin Weierhao Trading Company	Harbin city	Harbin city	trading	51.00		investment
Daqing Wellhope Bayi Nongda Animal Sci-Tech Company	Daqing city	Daqing city	production	70.00		investment
Mudanjiang Wellhope Agri-Tech Company	Mudanjiang city	Mudanjiang city	production	100.00		investment
Jinzhou Wellhope Agri-Tech Company	Jinzhou city	Jinzhou city	production	100.00		investment
Gongzhuling Wellhope Ruminant Feed Mill	Gongzhuling city	Gongzhuling city	production	100.00		investment
Heilongjiang Wellhope Agri-Tech Company	Harbin city	Harbin city	production	100.00		investment
Tangshan Wellhope Feed Mill	Tangshan city	Tangshan city	production	85.00		investment
Cangzhou Helai Sci-Tech Company	Cangzhou city	Cangzhou city	production	70.00		investment
Xi'an Wellhope Feed Sci-Tech Company	Xi'an city	Xi'an city	production	80.00		investment
Gansu Wellhope Agri-Tech Company	Wuwei city	Wuwei city	production	100.00		investment
Jining Wellhope Agri-Tech Company	Jining city	Jining city	production	70.00		investment
Shanghai Wellhope Feed Mill	Shanghai city	Shanghai city	production	65.00		investment
Shanghai Hehong Trading Company	Shanghai city	Shanghai city	trading	32.00	42.00	investment
Zhejiang Pinghu Wellhope Agri-Tech Company	Pinghu city	Pinghu city	production	85.00		investment
Huai'an Wellhope Feed Mill	Huai'an city	Huai'an city	production	100.00		investment

Qingdao Wellhope Agri-Tech Company	Pingdu city	Pingdu city	production	95.00		investment
Guangzhou Xiangshun Livestock Equipment Company	Guangzhou city	Guangzhou city	production	56.00		investment
Hainan Wellhope Agri-Tech Company	Chengmai county	Chengmai county	production	60.00		investment
Fuyu Wellhope Agri-Tech Company	Fuyu city	Fuyu city	production	97.00		investment
Fuyu Wellhope Taolaizhao Poultry Raising Company	Fuyu city	Fuyu city	production	97.00		investment
Changchun Wellhope Feed Mill	Nong'an county	Nong'an county	production	98.00		investment
Lankao Wellhope Agri-Tech Company	Lankao county	Lankao county	production	100.00		investment
Tongliao Wellhope Tianyi Prataculture Company	Tongliao city	Tongliao city	production	51.00		investment
Liaoning Wellhope Purchasing and Trading Company	Shenyang city	Shenyang city	trading	100.00		investment
Shenyang Wellhope Agri-Tech Company	Shenyang city	Shenyang city	production	100.00		investment
Liaoning Expert Trading Company	Shenyang city	Shenyang city	trading	100.00		combined under the same control
Shenyang Fame Bio-Tech Company	Shenyang city	Shenyang city	production	100.00		combined under the same control
Shenyang Pufeng Commerce and Trade Company	Shenyang city	Shenyang city	trading	100.00		combined under the same control
Shenyang Huawei Pharmaceutical Company	Shenyang city	Shenyang city	production		51.00	combined under the same control
Liaoning	Shenyang	Shenyang	production	100.00		combined under

Wellhope Agriculture and Animal Husbandry Development	city	city				different control
Puyang Wellhope Food Company	Puyang city	Puyang city	production	49.81		combined under different control
Jingzhou Wellhope Agricultural Sci-Tech Company	Jingzhou city	Jingzhou city	trading	86.00		investment
Dalian Heyuan Agri-Tech Company	Dalian city	Dalian city	production	51.00		investment
Shenyang Nongda Wellhope Feed Mill	Shenyang city	Shenyang city	production	100.00		investment
Dalian Wellhope Feed Mill	Dalian city	Dalian city	production	100.00		investment
Xingcheng Wellhope Feed Mill	Xingcheng city	Xingcheng city	production	100.00		investment
Yunnan Wellhope Feed Mill	Kunming city	Kunming city	production	97.00		investment
Liaoning Godaji E-commerce Company	Shenyang city	Shenyang city	trading	100.00		investment
Anhui Wellhope Agri-Tech Company	Haozhou city	Haozhou city	production	70.00		investment
Shanxi Wellhope Agri-Tech Company	Yuanping city	Yuanping city	production	100.00		investment
Pingyuan Wellhope Food Processing Company	Handan city	Handan city	production	100.00		investment
Shenyang Huaweida Animal Health Products Company	Shenyang city	Shenyang city	trading		100.00	investment
Dalian Zhongjia Food Company	Dalian city	Dalian city	production		100.00	combined under different control
Wellhope Food(Shenyang) Company	Shenyang city	Shenyang city	production	100.00		investment
Changchun Wellhope Food Company	Changchun city	Changchun city	production	85.00		investment

Pingyuan Wellhope Agri-Tech Company	Handan city	Handan city	production		100.00	investment
Puyang Wellhope Agri-Tech Company	Puyang city	Puyang city	production		100.00	investment
Chongqing Dahong Agriculture and Animal Husbandry Equipment Company	Chongqing city	Chongqing city	production		50.00	combined under different control
Beijing Brilliant Dragon Commerce and Trade Company	Beijing city	Beijing city	trading		51.00	investment
Tangshan Hejia Agriculture and Animal Husbandry Company	Tangshan city	Tangshan city	production	65.00		investment
Tangshan Wellhope Sci-Tech Company	Tangshan city	Tangshan city	production	70.00		combined under different control
Shenyang Huakang Xinxin Food Company	Shenyang city	Shenyang city	production	85.00		investment
Kaifeng Wellhope Meat Products Company	Kaifeng city	Kaifeng city	production		100.00	investment
Shenyang Huakang Broiler Company	Shenyang city	Shenyang city	production	85.00		investment
Kaifeng Wellhope Agriculture and Animal Husbandry Company	Kaifeng city	Kaifeng city	production		100.00	investment
Fushun Wellhope Agriculture and Animal Husbandry Company	Fushun city	Fushun city	production		100.00	investment
Shenyang Wellhope Poultry Industry Company	Shenyang city	Shenyang city	production		100.00	investment
Shenyang Huakang	Shenyang city	Shenyang city	production		100.00	investment

Agriculture and Animal Husbandry Company						
Dehui Wellhope Agri-Tech Company	Dehui city	Dehui city	production		100.00	investment
Chongqing Wellhope Agri-Tech Company	Chongqing city	Chongqing city	production	65.00		investment
Dahong Agriculture and Animal Husbandry Technology Research Institute Chongqing Branch	Chongqing city	Chongqing city	production		100.00	investment
Russia Wellhope Agri-Tech Company	Overseas	Overseas	production	55.00		investment
Suizhong Renhe Fishery Company	Suizhong county	Suizhong county	production		95.00	combined under different control
Harbin Baoweikang Bio-Tech Company	Harbin city	Harbin city	production		100.00	combined under different control
Shulan Fengtai Agriculture and Animal Husbandry Company	Shulan city	Shulan city	production	70.00		investment
Shulan Fengtai Farming Company	Shulan city	Shulan city	production	51.00		investment
Linxi Helai Agri-Tech Company	Linxi city	Linxi city	production	100.00		investment
Nanchang Wellhope Agri-Tech Company	Nanchang city	Nanchang city	production	65.00		investment
Hengyang Wellhope Agri-Sci-Tech Company	Hengyang city	Hengyang city	production	78.50		investment
Anhui Wellhope Haoxiang Agricultural Development Company	Lixin county	Lixin county	production		100.00	investment
Lixin Xiangfeng	Lixin county	Lixin county	production		100.00	investment

Agriculture and Animal Husbandry Company						
Lixin Hongfeng Agriculture and Animal Husbandry Company	Lixin county	Lixin county	production		100.00	investment
Guangzhou Dashang Trading Company	Guangzhou city	Guangzhou city	trading		51.00	investment
Shandong Heyuan Food Company	Weihai city	Weihai city	production		65.00	investment
Wafangdian Yifeng Agri-Tech Company	Wafangdian city	Wafangdian city	production		51.00	investment
Hebei Deheng Farming Company	Handan city	Handan city	production		100.00	combined under different control
Dahongda Construction Engineering Chongqing Company	Chongqing city	Chongqing city	production		100.00	investment
Zhangwu Jiufeng Trading Company	Zhangwu city	Zhangwu city	production		100.00	combined under different control
Yangling Wellhope Agriculture and Animal Husbandry Company	Xianyang city	Xianyang city	production		100.00	combined under different control
Yixian Dingli Hesheng Livestock and Poultry Feeding Company	Yixian county	Yixian county	production		100.00	combined under different control
Yixian Weijing Livestock and Poultry Feeding Company	Yixian county	Yixian county	production		100.00	combined under different control
Hebei Hetai Livestock and Poultry Farming Company	Yuanshi county	Yuanshi county	production		100.00	combined under different control
Yixian Hekang Agri-Tech Company	Yixian county	Yixian county	production		100.00	combined under different control
Dunhua Wellhope Agri-Tech Company	Dunhua city	Dunhua city	production	51.00		combined under different control

Dunhua Fengda Agriculture and Animal Husbandry Development Company	Dunhua city	Dunhua city	production	51.00		combined under different control
Anhui Wellhope Haoxiang Swine Breeding Company	Lixin county	Lixin county	production		100.00	investment
Anhui Wellhope Food Company	Lixin county	Lixin county	production		100.00	investment
Anyang Wellhope Agriculture and Animal Husbandry Company	Anyang city	Anyang city	production	100.00		investment
Hebei Taihang Wellhope Food Company	Baoding city	Baoding city	production	62.00		investment
Hebei Taihang Wellhope Agri-Tech Company	Baoding city	Baoding city	production	62.00		investment
Shenyang Xiangmai Electronic Commerce Company	Shenyang city	Shenyang city	trading	65.00		investment
Chifeng Wellhope Fuxinyuan Food Company	Chifeng city	Chifeng city	production	70.00		investment
Hongkong Expert Trading Company	Hongkong	Hongkong	trading		100.00	investment
Hainan Expert Trading Company	Chengmai county	Chengmai county	trading	100.00		investment
Liaoning Qingyuan Wellhope Agriculture and Animal Husbandry Company	Fushun city	Fushun city	production	95.00		investment
Nanyang Wellhope Cattle Industry Sci-Tech Company	Nanyang city	Nanyang city	production	100.00		investment
Fuzhou Wellhope Xingyuan Animal	Fuzhou city	Fuzhou city	production	60.00		investment

Husbandry Development Company						
Tianjin Fullyond Supply Chain Company	Tianjin city	Tianjin city	other	100.00		investment
Daqing Wellhope Food Company	Daqing city	Daqing city	production	51.00		investment
Zhumadian Wellhope Agricultural Development Company	Zhumadian city	Zhumadian city	production	100.00		investment
Datong Hejia Agriculture and Animal Husbandry Company	Datong city	Datong city	production	65.00		investment
Shijiazhuang Hejia Agriculture and Animal Husbandry Company	Shijiazhuang city	Shijiazhuang city	production	65.00		investment
Fuxin Wellhope Agriculture and Animal Husbandry Company	Fuxin city	Fuxin city	production		94.00	investment
Dalian Hongtu Agri-tech Company	Dalian city	Dalian city	production		51.00	investment
Shandong Heyuan Agri-tech Company	Weihai city	Weihai city	production		51.00	investment
Wafangdian Huinong Poultry Industry Company	Wafangdian city	Wafangdian city	production		52.94	investment
Luoyang Wellhope Agriculture and Animal Husbandry Company	Luoyang city	Luoyang city	production	100.00		investment
Tongxu Wellhope Agriculture and Animal Husbandry Company	Tongxu county	Tongxu county	production		100.00	investment
Gongzhuling Wellhope Swine Farming	Gongzhuling city	Gongzhuling city	production		65.00	investment

Company						
Lishu Wellhope Ecological Farming Company	Siping city	Siping city	production		65.00	investment
Kaifeng Jiufeng Agriculture and Animal Husbandry Company	Kaifeng city	Kaifeng city	production		100.00	investment

B. Important non-wholly owned subsidiary

Unit: yuan Currency: RMB

Subsidiary	Shareholding of non-controlling interests %	Gain or loss attributable to non-controlling interests	Declared dividends to non-controlling interests	Closing balance of non-controlling interests
Dalian Heyuan Agri-Tech Company	49.00	30,310,693.02	14,700,000.00	443,860,747.65
Xi'an Wellhope Feed Sci-Tech Company	20.00	10,490,331.28	3,000,000.00	33,717,168.90
Beijing Sanyuan Wellhope Agri-Tech Company	30.00	8,550,259.84		68,260,772.50
Tangshan Wellhope Feed Mill	15.00	327,517.44		10,810,026.90

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 Company	546,490,938.69	982,257,433.76	1,528,748,372.45	640,206,189.94	21,476,424.14	661,682,614.08	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
Xi'an Wellhope Feed Sci-Tech Company	120,322,073.99	96,733,892.61	217,055,966.60	47,740,872.83	729,249.25	48,470,122.08	120,990,215.88	40,503,567.21	161,493,783.09	25,655,577.75		25,655,577.75
Beijing Sanyuan Wellhope Agri-Tech Company	246,088,391.98	23,170,506.34	269,258,898.32	41,722,989.99		41,722,989.99	203,102,041.98	25,669,497.12	228,771,539.10	30,470,419.37		30,470,419.37
Tangshan Wellhope Feed Mill	49,796,904.64	70,971,898.77	120,768,803.41	48,701,957.40		48,701,957.40	50,349,221.33	73,444,222.46	123,793,443.79	53,986,003.46		53,986,003.46

Subsidiary	2020				2019			
	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 Company	3,009,916,643.94	73,678,408.86	73,678,408.86	250,624,697.64	2,558,885,564.63	422,116,992.52	422,116,992.52	546,194,647.16
Xi'an Wellhope Feed Sci-Tech Company	813,590,370.97	52,451,656.41	52,451,656.41	39,790,872.05	507,204,197.17	36,885,419.43	36,885,419.43	49,487,674.37
Beijing Sanyuan Wellhope Agri-Tech Company	622,849,853.79	28,500,866.12	28,500,866.12	24,049,956.56	372,855,922.14	11,032,817.68	11,032,817.68	27,252,191.23
Tangshan Wellhope Feed Mill	239,765,031.08	2,183,449.58	2,183,449.58	7,615,415.84	161,847,154.96	-1,522,374.99	-1,522,374.99	15,383,862.25

2. Transactions that change the share of owner's equity of the Company in subsidiaries but the Company still controls the subsidiary

A. Circumstance of the change of owner's equity

During the current period, the Company transferred 5.00% of shareholdings of Xi'an Wellhope Feed Sci-Tech Company and 15.00% of Shenyang Xiangmai E-commerce Company.

B. The impact of the transaction on non-controlling interests and the equity attributable to the owners of parent company

Unit: yuan Currency: RMB

	Xi'an Wellhope Feed Sci-Tech Company	Shenyang Xiangmai E-commerce Company
Cost of acquisition/disposal considerations		
--Cash	5,897,962.10	158,289.47
Total cost of acquisition or disposal considerations	5,897,962.10	158,289.47
deduct: Share of net assets in the subsidiary calculated according to the percentage of acquired or disposed shareholdings	5,791,910.27	158,289.47
Balance	106,051.83	
including: Adjusting capital reserve	106,051.83	

3. Equity in joint ventures or associated companies

A. Important joint ventures or associated companies

Unit: yuan Currency: RMB

Company	Business site	Registered site	Business type	Shareholding %		Accounting arrangement method
				Direct	Indirect	
Beipiao Hongfa Food Company	Beipiao city	Beipiao city	production	35.00		equity method
Anshan Jiuguhe Food Company	Tai'an county	Tai'an county	production	41.55		equity method
Tai'an Jiuguhe Agriculture Development Company	Tai'an county	Tai'an county	production	41.55		equity method
Dalian Chengsan Animal Husbandry Company	Dalian city	Dalian city	production	20.00		equity method

B. Financial figures of important joint ventures or associated companies

Unit: yuan Currency: RMB

	2020				2019			
	Beipiao Hongfa Food Company	Anshan Jiuguhe Food Company	Tai'an Jiuguhe Agriculture Development Company	Dalian Chengsan Animal Husbandry Company	Beipiao Hongfa Food Company	Anshan Jiuguhe Food Company	Tai'an Jiuguhe Agriculture Development Company	Dalian Chengsan Animal Husbandry Company
Current assets	1,168,043,370.14	609,389,600.57	431,665,980.03	1,428,082,960.71	808,320,727.52	433,236,440.94	225,516,906.39	1,467,906,023.75
Non-current assets	930,342,071.44	104,819,843.90	44,743,283.32	513,921,361.13	720,803,998.40	102,408,547.67	191,500,344.01	448,345,020.68
Total assets	2,098,385,441.58	714,209,444.47	476,409,263.35	1,942,004,321.84	1,529,124,725.92	535,644,988.61	417,017,250.40	1,916,251,044.43
Current liabilities	554,891,462.18	279,627,361.90	250,447,113.47	360,773,992.52	242,424,331.42	162,491,901.70	148,906,962.33	498,609,123.11
Non-current liabilities	97,140,000.00	296,802.00	175,500.00	5,516,103.07	23,430,000.00	2,313,480.78	256,500.00	5,851,807.11
Total liabilities	652,031,462.18	279,924,163.90	250,622,613.47	366,290,095.59	265,854,331.42	164,805,382.48	149,163,462.33	504,460,930.22
Non-controlling interests				278,638,348.12				224,864,512.85
Equity attributable to shareholders of parent company	1,446,353,979.40	434,285,280.57	225,786,649.88	1,297,075,878.13	1,263,270,394.50	370,839,606.13	267,853,788.07	1,186,925,601.36
Share of net assets calculated by shareholdings	506,223,892.79	180,445,534.08	93,814,353.03	259,415,175.62	442,144,638.08	154,083,856.35	111,293,248.94	237,385,120.27
Adjustment		-276,269.40	-379,198.68	116,463,321.10		-1,645,427.58	-360.00	116,569,111.62
--Goodwill				116,569,111.62				116,569,111.62
--Unrealized profit of internal transaction		-276,269.40	-379,198.68	-105,790.52		-1,645,427.58		
--Other							-360.00	
Book value of equity investment in associated company	506,223,892.79	180,169,264.68	93,435,154.35	375,878,496.72	442,144,638.08	152,438,428.77	111,292,888.94	353,954,231.89

Operating revenue	2,292,683,638.44	1,911,611,455.64	1,927,678,342.45	3,326,764,958.59	3,147,988,768.25	2,268,540,275.94	1,962,268,400.56	3,203,777,482.74
Net profit	229,283,584.90	153,445,674.44	-42,067,138.19	142,746,792.02	574,147,650.00	140,590,100.91	124,064,948.67	604,777,510.19
Total comprehensive income	229,283,584.90	153,445,674.44	-42,067,138.19	142,746,792.02	574,147,650.00	140,590,100.91	124,064,948.67	604,777,510.19
Dividends received from associated company	16,170,000.00	37,397,700.00			10,780,000.00	4,986,360.00	4,986,360.00	10,780,000.00

C. Financial information of unimportant joint ventures and associated companies

Unit: yuan Currency: RMB

	2020	2019
Joint venture		
Book value of investment	11,669,191.54	11,669,191.54
The following items were calculated according to the shareholdings		
--Net profit	7,622,329.52	7,181,908.21
--Other comprehensive income	-3,301,098.09	53,833.62
--Total comprehensive income	4,321,231.43	7,235,741.84
Associated company		
Book value of investment	1,257,526,965.18	998,548,503.29
The following items were calculated according to the shareholdings		
--Net profit	211,870,816.89	216,479,052.22
--Other comprehensive income	-7,123,225.06	7,238,557.02
--Total comprehensive income	204,747,591.83	223,717,609.24

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 that these risk can be contained within limits.

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 faced by operation, set up appropriate risk bearing bottom line and carry out 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 recognized 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			50,000,000.00	50,000,000.00
Financial assets measured at fair value and changes recorded into current gains or losses			50,000,000.00	50,000,000.00
2. Derivative financial assets	4,725,552.30			4,725,552.30
3. Other equity instrument investment			20,847,697.96	20,847,697.96
Total assets continuously measured at fair value	4,725,552.30		70,847,697.96	75,573,250.26

2. The basis for determining the market price of continuous and non-continuous first-level fair value measurement items

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 Company	associated company
Anshan Jiuguhe Food Company	associated company
Beipiao Hongfa Food Company	associated company
Dalian Chengsan Animal Husbandry Company	associated company
Dalian Wellhope Fish Meal Company	associated company
Daqing Supply and Marketing Agri-Tech Company	associated company
Dandong Wellhope Chengsan Agri-Tech Company	associated company
Gongzhuling Corn Purchasing and Storing Company	associated company
Guangzhou Yikun Trading Company	associated company
Haicheng New Hongzunda Agri-Tech Company	associated company
Huluodao Jiuguhe Food Company	associated company
Huluodao Jiuguhe Feed Mill	associated company
Jinzhou Jiufeng Food Company	associated company
Lankao Skyland Feed Mill	associated company
Lankao Skyland Duck Company	associated company
Linghai Jiuguhe Feed Mill	associated company
Qingdao Shenfeng Agri-Tech Company	associated company
Shenyang Wenjie Bio-Tech Company	associated company
Shihaipu (Beijing) Technology and Trade Company	associated company
Tai'an Fengjiu Agri-Tech Company	associated company
Tai'an Jiufeng Agri-Tech Company	associated company
Tai'an Jiuguhe Agriculture Development Company	associated company
Tailai Jiahe Agriculture and Animal Husbandry	associated company
Zhangjiakou Jiahe Agriculture and Animal Husbandry Company	associated company
Beijing Dahong Hengfeng Agri-Tech Company	associated company
Shenyang Zhongwenjie Bio-Tech Company	associated company
Liaoning Mubang Animal Husbandry Equipment Manufacturing Company	associated company
Dunhua Fengda Agriculture and Animal Husbandry Company	subsidiary
Dunhua Wellhope Agri-Tech Company	subsidiary
Heilongjiang Zhongyi Ranch Information Technology Service Company	associated company
Dalian Sida Food Company	associated company
Shulan Fengtai Organic Fertilizer Company	associated company
Bei'an Nongken Shengda Pasture Specialized Cooperative	associated company
Shangdong Fengkang Food Company	associated company
Anshan Jiuguhe Paper Packaging Company	associated company
Anshan Antai Plastic Products Company	associated company

Other explanation-- In July 2020, the Company made additional investment and acquired 31.00% of shareholding of Dunhua Wellhope Agri-Tech and Dunhua Fengda Agriculture and Animal Husbandry separately, the shareholding percentage changed from 20.00% to 51.00%, and the associated company became a subsidiary.

2. Snapshot of other related parties

Related party	Relationship
Associated natural persons	Controlling shareholder, natural person shareholders who hold more than 5% shares of the Company, board directors, supervisory board directors, senior managers and their relatives
Wulian Heli Equity Investment Partnership (Limited Partnership)	Shareholder who holds more than 5% shares of the Company

3. Snapshot of related party transaction

A. Purchasing and selling products, providing and accepting labor service

Unit: yuan Currency: RMB

Related party	Transaction	2020	2019
Dalian Wellhope Fish Meal Company	Feed raw material	114,840,387.56	74,187,322.55
Anshan Jiuguhe Food Company	Broiler product	21,848,636.14	19,156,542.50
Dalian Chengsan Animal Husbandry Company	Live broiler	186,018,137.63	186,973,531.46
Huludao Jiuguhe Food	Broiler product	255,807.60	3,516,670.71
Shihaipu (Beijing) Technology and Trade Company	Other	2,282,511.69	1,959,646.55
Guangzhou Yikun Trading Company	Feed raw material		12,029,615.50
Tai'an Fengjiu Agri-Tech Company	Day old chick	23,206,491.02	21,997,336.14
Zhangjiakou Jiahe Agriculture and Animal Husbandry Company	Piglet	64,133,190.90	9,975,239.60
Tai'an Jiuguhe Agriculture Development Company	Feed, live broiler	208,356,995.30	98,668,970.35
Haicheng New Hongzunda Agri-Tech Company	Feed		658,306.00
Shenyang Wenjie Bio-Tech Company	Other	6,435,070.50	13,150,075.20
Jinzhou Jiufeng Food Company	Broiler product	13,972,659.17	6,513,833.00
Daqing Supply and Marketing Agri-Tech Company	Feed raw material	41,483,415.84	36,588,085.03
Linghai Jiuguhe Feed Mill	Feed, live broiler	27,252,715.36	
Gongzhuling Corn Purchasing and Storing Company	Feed raw materials	2,472,800.71	360,872.66
Qingdao Shenfeng Agri-Tech Company	Feed	28,638,011.49	11,539,082.78
Dandong Wellhope Chengsan Agri-Tech Company	Live broiler		1,230,045.91
Lankao Skyland Duck Company	Feed	6,060,071.37	301,315.88
Liaoning Mubang Animal Husbandry Equipment Manufacturing Company	Farming equipment		14,861,627.35
Shenyang Zhongwenjie Bio-Tech Company	Animal medicine	3,000.00	18,000.00
Anshan Yufeng Feed Mill	Feed raw material	71,923.00	
Anshan Jiuguhe Paper Packaging Company	Other (packaging materials)	4,854,918.60	
Anshan Antai Plastic Products Company	Other (packaging materials)	1,249,245.12	

Dunhua Fengda Broiler Breeding Company	Day old chick	750,730.00	
Jilin Hengfeng Animal Health Products Company	Animal medicine, vaccine	1,451,194.85	
Shenyang Wanlitan Agriculture and Animal Husbandry Company	Animal medicine, vaccine	2,644,678.27	
Total		758,282,592.12	513,686,119.17

Selling products or providing labor service

Unit: yuan Currency: RMB

Relate party	Transaction	2020	2019
Nepal Wellhope Agri-tech Pvt. Ltd.	Feed	2,563,464.22	
Linghai Jiuguhe Feed Mill	Feed raw material	50,260,931.83	52,588,895.71
Tai'an Jiuguhe Agriculture Development Company	Feed raw material	78,282,971.50	98,035,082.01
Anshan Jiuguhe Food Company	Live broiler	90,810,505.77	189,619,141.00
Qingdao Shenfeng Agri-Tech Company	Feed raw material	56,218,315.02	29,083,613.37
Beipiao Hongfa Food Company	Feed raw material	4,685,260.00	5,593,402.11
Huludao Jiuguhe Food Company	Feed	10,327,169.62	481,301.83
Haicheng New Hongzunda Agri-Tech Company	Feed raw material	97,778,241.34	38,303,436.30
Dandong Wellhope Chengsan Agri-Tech Company	Feed raw material	6,667,470.38	7,160,969.75
Tai'an Jiufeng Agri-Tech Company	Feed raw material	1,460,623.81	1,248,972.58
Huludao Jiuguhe Feed Mill	Feed raw material	25,323,351.66	30,081,192.14
Shihaipu (Beijing) Technology and Trade Company	Other	1,286,272.58	705,596.51
Zhangjiakou Jiahe Agriculture and Animal Husbandry Company	Feed	22,521,186.33	23,746,562.54
Dalian Wellhope Fish Meal Company	Feed raw material	301,061.95	165,589.72
Guangzhou Yikun Trading Company	Feed raw material	2,846,401.98	198,682,941.12
Jinzhou Jiufeng Food Company	Live broiler		3,002,040.00
Anshan Fengsheng Food Company	Live broiler	212,919,976.02	204,582,154.82
Dalian Chengsan Animal Husbandry Company	Feed raw material	6,391,128.72	3,777,282.46
Tailai Jiahe Agriculture and Animal Husbandry Company	Feed	29,224,805.65	14,596,398.75
Daqing Supply and Marketing Agri-Tech Company	Feed raw material	51,521,554.90	34,314,134.88
Lankao Skyland Duck Company	Feed raw material	5,707,315.21	
Dunhua Wellhope Agri-Tech Company	Feed raw material		4,759,518.19
Dunhua Fengda Agriculture and Animal Husbandry Development Company	Live broiler		857,264.00
Heilongjiang Zhongyi Ranch Information Technology Service Company	Feed		113,959.73
Anshan Yufeng Feed Mill	Broiler product	781,937.43	
Dunhua Fengda Broiler Breeding Company	Feed	4,093,061.21	
Shangdong Fengkang Food Company	Live broiler	5,954,219.87	
Dalian Sida Food Company	Live broiler	252,267,573.09	
Total		1,020,194,800.09	941,499,449.52

B. Related party guarantee

The Company acted as the guarantor

Unit: yuan Currency: RMB

Guaranteed party	Amount of guarantee	Guarantee date	Guarantee maturity date	Whether the guarantee has finished performance
Chongqing Dahong Agriculture and Animal Husbandry Equipment Company	15,000,000.00	October 7, 2020	October 6, 2023	No
Lixin Xiangfeng Agriculture and Animal Husbandry Company	25,000,000.00	May 21, 2020	May 20, 2021	No
Lingyuan Wellhope Agri-Tech Company	20,000,000.00	May 25, 2020	May 25, 2021	No
Puyang Wellhope Food Company	49,000,000.00	March 21, 2020	March 21, 2021	No
Kaifeng Wellhope Meat Products Company	30,000,000.00	March 24, 2020	March 24, 2021	No
Liaoning Expert Trading Company	250,000,000.00	April 24, 2020	February 23, 2021	No
Liaoning Expert Trading Company	200,000,000.00	April 24, 2020	February 21, 2021	No
Liaoning Expert Trading Company	248,710,000.00	May 21, 2020	May 20, 2021	No

C. Borrowings to related party

Unit: yuan Currency: RMB

Related party	Borrowings	Starting date	Due date	Note
Lankao Skyland Duck Company	27,300,253.00			This was the borrowings of Lankao Skyland Duck Company from Wellhope, Lankao Duck became an associated company after the loss of control.
Bei'an Nongken Shengda Pasture Specialized Cooperative	4,350,000.00			Bei'an Nongken Shengda Pasture Specialized Cooperative is an associated company of Wellhope. Each member of the cooperative provides funds to the cooperative according to the proportion of shares held in accordance with the agreement.

D. Remuneration for key management

Unit: 10k yuan Currency: RMB

Item	2020	2019
Remuneration for key management	622.96	563.64

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	Linghai Jiuguhe Feed Mill	4,530,820.00	90,616.40		
Accounts receivable	Tai'an Jiuguhe Agriculture Development Company	4,797,382.00	424,247.64		
Accounts receivable	Anshan Jiuguhe Food Company	24,051,313.84	481,026.28	21,356,822.76	1,067,841.14
Accounts receivable	Zhangjiakou Jiahe Agriculture and Animal Husbandry Company	3,905,319.96	390,532.00	3,618,629.61	180,931.48
Accounts receivable	Beipiao Hongfa Food Company	416,558.00	8,331.16		
Accounts receivable	Huludao Jiuguhe Feed Mill	2,942,700.00	58,854.00		
Accounts receivable	Anshan Fengsheng Food Company	10,460,846.84	209,216.94	6,249,082.04	312,454.10
Accounts receivable	Dalian Chengsan Animal Husbandry Company	1,163,071.00	26,551.42	523,200.00	26,160.00
Accounts receivable	Tailai Jiahe Agriculture and Animal Husbandry Company	2,334,516.84	46,690.34	2,695,169.64	134,758.48
Accounts receivable	Lankao Skyland Duck Company	78,000.00	1,560.00		
Accounts receivable	Nepal Wellhope Agri-tech Pvt. Ltd.	92,310.95	1,846.22		
Accounts receivable	Daqing Supply and Marketing Agri-Tech Company	1,296,750.34	25,935.01	525,195.44	26,259.77
Accounts receivable	Guangzhou Yikun Trading Company			24,042,357.79	1,202,117.89
Accounts receivable	Haicheng New Hongzunda Agri-Tech Company			234,200.00	11,710.00
Accounts receivable	Tai'an Jiufeng Agri-Tech Company			218,159.00	10,907.95
Accounts receivable	Heilongjiang Zhongyi Ranch Information Technology Service Company			43,174.50	2,158.73
Accounts receivable	Dalian Sida Food Company	2,316,560.24	46,331.20		
Other receivables	Lankao Skyland Duck Company	27,300,253.00	5,441,847.95	27,067,493.00	10,826,997.20
Other receivables	Bei'an Nongken Shengda Pasture Specialized Cooperative	4,350,000.00	87,000.00		
Other receivables	Weifang Wellhope Xinhesheng Feed Mill			3,035,880.00	151,794.00
Prepayment	Linghai Jiuguhe Feed Mill	138,554.00		0.00	
Prepayment	Liaoning Mubang Animal Husbandry Equipment Manufacturing Company	514,333.00		7,624,669.60	
Prepayment	Dunhua Fengda Agriculture and Animal Husbandry Company			5,000,000.00	
Prepayment	Guangzhou Yikun Trading			4,997,400.00	

	Company				
Prepayment	Dalian Wellhope Fish Meal Company			914,705.00	

B. Payables

Unit: yuan Currency: RMB

Item	Related party	Closing book balance	Opening book balance
Accounts payable	Tai'an Jiuguhe Agriculture Development Company	23,002,101.15	7,077,312.65
Accounts payable	Qingdao Shenfeng Agri-Tech Company	5,776,665.31	
Accounts payable	Zhangjiakou Jiahe Agriculture and Animal Husbandry Company	15,100,000.00	
Accounts payable	Shenyang Wenjie Bio-Tech Company	854,324.00	2,593,516.64
Accounts payable	Dalian Chengsan Animal Husbandry Company	3,447,455.47	4,749,094.21
Accounts payable	Anshan Jiuguhe Paper Packaging Company	230,852.87	
Accounts payable	Anshan Antai Plastic Products Company	823,525.36	
Accounts payable	Dalian Wellhope Fish Meal Company	9,137,325.56	2,716,351.95
Accounts payable	Jilin Hengfeng Animal Health Products Company	323,205.00	
Accounts payable	Shenyang Wanlitan Agriculture and Animal Husbandry Company	1,055,021.00	
Accounts payable	Daqing Supply and Marketing Agri-Tech Company	594,676.70	457,060.50
Accounts payable	Anshan Jiuguhe Food Company		1,049,646.00
Accounts payable	Tai'an Fengjiu Agri-Tech Company		138,708.74
Accounts payable	Jinzhou Jiufeng Food Company		1,617,740.00
Accounts payable	Liaoning Mubang Animal Husbandry Equipment Manufacturing Company		11,284,184.00
Accounts payable	Shenyang Zhongwenjie Bio-Tech Company		18,000.00
Advance receipt	Dunhua Fengda Broiler Breeding Company	348,450.06	
Contract liability	Linghai Jiuguhe Feed Mill	1,317,500.00	7,860.00
Contract liability	Tai'an Jiuguhe Agriculture Development Company	4,421,611.30	281,300.00
Contract liability	Qingdao Shenfeng Agri-Tech Company	77,911.69	
Contract liability	Haicheng New Hongzunda Agri-Tech Company	708,806.00	
Contract liability	Huludao Jiuguhe Feed	771,500.00	564,892.50
Contract liability	Nepal Wellhope Agri-tech Pvt. Ltd.	38,700.00	38,700.00
Contract liability	Dunhua Wellhope Agri-Tech Company		323,000.00
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 Company		5,932,500.00

XIII. Share-based Payment**1. Circumstance of share-based payment**

Unit: share Currency: RMB

Total amount of exercised equity instruments	4,233,000
Total amount of expired equity instruments	244,500

Note:

In accordance with the approved resolutions--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 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 unlocked 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, paying dividends, etc., should be simultaneously locked according to the incentive plan. After the expiration of restricted period, the Company shall cope with related matters, such as removing trading restrictions, whilst the restricted shares held by the managers who could not meet the conditions of unlocking shares, 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 unlocking restricted shares	Time of unlocking shares	Percentage of unlocking shares
The first lockup 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%
The second lockup 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%
The third lockup 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%

On March 27, 2020, the board meeting of the Company approved the proposal of Unlocking restricted common shares after achieving the performance objective stated in 2018 Restricted Stock Incentive Plan, 367 managers could totally unlock 4.233 million restricted shares in the first lockup period. On April 9, 2020, these 4.233 million shares could be traded in the capital market.

2. Equity-settled share-based payment

Unit: yuan Currency: RMB

Recognition method of fair value of equity instrument at	Closing price at the grant date
--	---------------------------------

the grant date	
Basis for determining the number of exercised equity instrument	It is expected that in case the conditions of unlocking restricted shares can be met, each individual can exercise the equity.
Accumulated amount of equity-settled share-based payment that recorded into capital reserve	35,440,193.42
Total expenses recognized by equity-settled share-based payment	10,659,188.79

XIV. Commitment and Contingency

1. Important commitment

As at December 31, 2020, 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 (RMB 10k)
The first year after the balance sheet date	2,720.44
The second year after the balance sheet date	2,507.25
The third year after the balance sheet date	2,150.98
After the third year after the balance sheet date	11,657.06

2. Contingency

The Company has no material contingencies that need to be disclosed.

XV. Post Balance Sheet Events

1. Circumstance of paying profit

Unit: yuan Currency: RMB

Profit or dividend planned to be paid	202,853,177.12
Declared profit or dividend after receiving internal approval	202,853,177.12

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	17,159,415.70
1-2 years	2,788,762.98
2-3 years	2,256,147.70
Over 3 years	25,206,660.47
Total	47,410,986.85

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 on an individual basis	686,300.00	1.45	686,300.00	100.00						
Accruing bad debt provision by grouping including:	46,724,686.85	98.55	26,639,128.72	57.01	20,085,558.13	43,173,647.52	100.00	29,541,957.07	68.43	13,631,690.45
Aging portfolio	46,724,686.85	98.55	26,639,128.72	57.01	20,085,558.13	43,173,647.52	100.00	29,541,957.07	68.43	13,631,690.45
Total	47,410,986.85	/	27,325,428.72	/	20,085,558.13	43,173,647.52	/	29,541,957.07	/	13,631,690.45

Accruing bad debt provision on an individual basis

Unit: yuan Currency: RMB

Aging	Closing balance			
	Book balance	Bad debt provision	Accruing percentage %	Reason for accruing
Customer 1	312,000.00	312,000.00	100.00	uncollectible
Customer 2	200,000.00	200,000.00	100.00	uncollectible
Customer 3	174,300.00	174,300.00	100.00	uncollectible
Total	686,300.00	686,300.00	100.00	/

Accruing bad debt provision by grouping

Unit: yuan Currency: RMB

Aging	Closing balance		
	Accounts receivable	Bad debt provision	Accruing percentage %
Within 1 year	17,159,415.70	572,379.95	3.34
1 -2 year	2,788,762.98	418,314.45	15.00
2-3 years	2,256,147.70	1,128,073.85	50.00
Over 3 years	24,520,360.47	24,520,360.47	100.00
Total	46,724,686.85	26,639,128.72	/

C. Bad debt provision

Unit: yuan Currency: RMB

Category	Opening balance	Changes in current period	Closing balance
		Accruing	
Aging	29,541,957.07	-2,216,528.35	27,325,428.72
Total	29,541,957.07	-2,216,528.35	27,325,428.72

D. Top 5 accounts receivable

Unit: yuan Currency: RMB

Debtor	Closing balance	Percentage of total accounts receivable %	Bad debt provision
1	7,350,239.71	15.50	7,350,239.71
2	7,053,335.00	14.88	7,053,335.00
3	6,530,783.00	13.77	4,681,532.20
4	2,997,425.00	6.32	866,447.10
5	2,349,365.50	4.96	2,171,487.00
Total	26,281,148.21	55.43	22,123,041.01

2. Other receivables

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Interests receivable		
Dividends receivable	57,747,209.35	33,977,209.35
Other receivables	1,313,618,107.93	986,808,467.11
Total	1,371,365,317.28	1,020,785,676.46

A. Dividends receivable

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Dividends from long-term investment under cost method	8,623,487.24	8,623,487.24
Dividends from long-term investment under equity method	49,123,722.11	25,353,722.11
Total	57,747,209.35	33,977,209.35

B. Other receivables**a. Categorized by aging**

Unit: yuan Currency: RMB

Aging	Closing book balance
Within 1 year	565,870,306.87
1-2 years	724,476,680.79
2-3 years	95,372.00
Over 3 years	29,312,256.07
Total	1,319,754,615.73

b. Categorized by nature

Unit: yuan Currency: RMB

Nature	Closing book balance	Opening book balance
Operating receivables	539,013.85	665,830.66
Cash pledge and guarantee deposit	457,900.00	259,200.00
Related party- fund transfer	1,279,343,229.93	950,230,259.11
Disposal of investment receivables	2,764,218.95	28,471,800.00
Other	36,650,253.00	30,103,373.00
Total	1,319,754,615.73	1,009,730,462.77

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 occurred)	Expected credit loss for the entire duration (credit impairment occurred)	
Balance on January 1, 2020	22,921,995.66			22,921,995.66
-recorded in the second stage				
- recorded in the third stage	-259,254.66		259,254.66	
-recovered in the second stage				
- recovered in the first stage				
Accrued in the reporting period	-16,783,717.32		-1,770.54	-16,785,487.86
Balance on December 31, 2020	5,879,023.68		257,484.12	6,136,507.80

d. Bad debt provision

Unit: yuan Currency: RMB

Category	Opening balance	Changes in current period			Closing balance
		Accruing	Collected or recovered	Charged off or written off	
Aging	22,921,995.66	-16,785,487.86			6,136,507.80
Total	22,921,995.66	-16,785,487.86			6,136,507.80

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	289,577,149.62	within 1 year	21.94	
2	account current	113,042,339.25	within 1 year	8.57	
3	account current	82,223,563.56	within 1 year	6.23	
4	account current	81,468,740.37	within 1 year	6.17	
5	account current	71,637,365.51	within 1 year	5.43	
Total	/	637,949,158.31	/	48.34	

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	2,689,274,041.59		2,689,274,041.59	2,113,924,536.04		2,113,924,536.04
Investment in associates and joint ventures	2,312,858,926.16	17,900,000.00	2,294,958,926.16	2,021,291,294.06	17,900,000.00	2,003,391,294.06
Total	5,002,132,967.75	17,900,000.00	4,984,232,967.75	4,135,215,830.10	17,900,000.00	4,117,315,830.10

A. Investment in subsidiaries

Unit: yuan Currency: RMB

Company	Jan. 1, 2020	Increase in 2020	Decrease in 2020	Dec. 31, 2020
Haicheng Wellhope Feed Mill	12,620,515.83	46,127.19		12,666,643.02
Tai'an Wellhope Feed Mill	33,059,905.41	19,219.66		33,079,125.07
Shenyang Wellhope Ruminant Feed Mill	6,050,115.42	242,167.72		6,292,283.14
Liaoning Wellhope Agriculture and Animal Husbandry Company	47,541,089.95	335,959.67		47,877,049.62
Shenyang Nongda Wellhope Feed Mill	44,593,664.17	126,387.15		44,720,051.32
Xingcheng Wellhope Feed Mill	82,799,527.09	134,537.62		82,934,064.71
Dalian Wellhope Feed Mill	42,390,969.16	130,693.69		42,521,662.85
Jinzhou Wellhope Agri-Tech Company	17,265,295.42	119,161.90		17,384,457.32

Changtu Wellhope Feed Mill	3,000,000.00		3,000,000.00	-
Shenyang Wellhope Extruded Feed Mill	33,042,789.58	19,219.66		33,062,009.24
Shenyang Wellhope Aquatic Feed Mill	15,290,969.17	130,693.69		15,421,662.86
Shenyang Wellhope Agri-Tech Company	83,036,592.50	353,641.75		83,390,234.25
Shenyang Wellhope Poultry Industry Company	68,463.33	30,751.46		99,214.79
Gongzhuling Wellhope Agri-Tech Company	35,513,807.92	250,469.28		35,764,277.20
Jilin Wellhope Agri-Tech Company	16,248,947.92	88,561.85		16,337,509.77
Gongzhuling Wellhope Ruminant Feed Mill	5,085,579.17	38,439.32		5,124,018.49
Sanjiang Wellhope Agri-Tech Company	21,214,420.81	8,301.89		21,222,722.70
Mudanjiang Wellhope Agri-Tech Company	23,286,612.96	15,375.73		23,301,988.69
Heilongjiang Wellhope Agri-Tech Company	120,876,334.58	392,081.07		121,268,415.65
Beijing Helai Sci-Tech Company	25,473,427.09	226,791.99		25,700,219.08
Beijing Wellhope Agri-Tech Company	5,094,470.00			5,094,470.00
Huai'an Wellhope Feed Mill	30,265,295.42	57,648.26		30,322,943.68
Gansu Wellhope Agri-Tech Company	40,117,754.58	38,439.32		40,156,193.90
Henan Wellhope Agri-Tech Company	52,849,621.66	158,215.24		53,007,836.90
Lankao Wellhope Agri-Tech Company	43,085,579.17	38,439.32		43,124,018.49
Henan Wellhope Agri-Tech Company Kaifeng Branch	193,757.50	108,858.15		302,615.65
Shenyang Huaweida Animal Health Product Company	77,021.25	-46,269.78		30,751.47
Jilin Hefeng Swine Breeding Company	15,000,000.00			15,000,000.00
Shenyang Expert Trading Company	30,000,000.00	21,679.78		30,021,679.78
Shenyang Jiahe Tianfeng Commerce and Trade Company	10,146,170.00	65,346.85		10,211,516.85
Liaoning Expert Trading Company	73,899,932.50	173,012.81		74,072,945.31
Shenyang Pufeng Commerce and Trade	15,499,788.72			15,499,788.72

Company				
Liaoning Wellhope Purchasing & Trading Company	30,282,411.25	128,057.71		30,410,468.96
Liaoning Skyland Livestock Equipment Company	28,669,810.83	54,117.87		28,723,928.70
Shenyang Fame Bio-Tech Company	20,500,521.85	169,133.01		20,669,654.86
Pingyuan Wellhope Food Processing Company	147,540,969.17	130,693.69		147,671,662.86
Pingyuan Wellhope Agri-Tech Company	273,853.33	123,005.83		396,859.16
Kaifeng Wellhope Meat Product Company	100,000,000.00			100,000,000.00
Wellhope Food (Shenyang) Company	5,160,191.67			5,160,191.67
Liaoning Godaji E-commerce Company	10,497,690.83	238,323.79		10,736,014.62
Linxi Helai Agri-Tech Company	9,023,617.50	11,042,283.25		20,065,900.75
Xi'an Linfeng Shengyi Commerce and Trade Company	2,000,000.00		2,000,000.00	-
Lingyuan Wellhope Agri-Tech Company	16,915,295.41	119,161.90		17,034,457.31
Haicheng Xinzhongxin Feed Mill	6,004,151.48	49,971.12		6,054,122.60
Fuyu Wellhope Agri-Tech Company	46,602,789.58	19,219.66		46,622,009.24
Changchun Wellhope Feed Mill	84,604,867.91	142,225.49		84,747,093.40
Daqing Wellhope Bayi Nongda Animal Sci-Tech Company	13,896,289.17	9,880,722.57		23,777,011.74
Beijing Sanyuan Wellhope Agri-Tech Company	8,808,814.58	733,922.48		9,542,737.06
Tangshan Wellhope Feed Mill	43,441,837.54	69,830.40		43,511,667.94
Cangzhou Helai Sci-Tech Company	3,533,898.75	11,531.80		3,545,430.55
Shanxi Wellhope Agri-Tech Company	40,042,789.58	19,219.66		40,062,009.24
Tangshan Hejia Agriculture and Animal Husbandry Company	19,636,926.67	61,502.91		19,698,429.58
Tangshan Wellhope Sci-Tech Company	21,034,231.67	15,375.73		21,049,607.40
Shanghai Wellhope Feed Mill	2,302,930.84	176,146.43		2,479,077.27

Pinghu Wellhope Agri-Tech Company	1,029,716.25	80,722.57		1,110,438.82
Anhui Wellhope Agri-Tech Company	70,165,675.08	42,046,127.19		112,211,802.27
Xi'an Wellhope Feed Sci-Tech Company	4,962,363.33	295,982.77	250,000.00	5,008,346.10
Zhengzhou Wellhope Agri-Tech Company	4,044,926.67	69,804.80		4,114,731.47
Zhumadian Wellhope Agri-Tech Company	9,061,961.67	11,531.80		9,073,493.47
Nanyang Wellhope Feed Mill	11,125,637.39	42,283.25		11,167,920.64
Jiaozuo Wellhope Feed Mill	49,209,905.42	30,751.46		49,240,656.88
Jingzhou Wellhope Agri-Sci-Tech Company	21,443,959.42	127,152.59		21,571,112.01
Qingdao Wellhope Agri-Tech Company	28,893,664.16	176,820.88		29,070,485.04
Jining Wellhope Agri-Tech Company	19,751,300.83	23,063.59		19,774,364.42
Yunnan Wellhope Feed Mill	24,284,231.67	38,439.32		24,322,670.99
Fuyu Wellhope Taolaizhao Poultry Raising Company	5,660,231.67	11,069.18		5,671,300.85
Harbin Weierhao Trading Company	3,970,817.50	62,730.96		4,033,548.46
Changchun Hengfeng Agriculture and Animal Husbandry Company	239,621.66	107,630.10		347,251.76
Beijing Brilliant Dragon Commerce and Trade Company	222,505.83	71,949.70		294,455.53
Shanghai Hehong Trading Company	1,191,063.75	55,337.55		1,246,401.30
Jinan Xinweita Trading Company	171,158.33	55,345.92		226,504.25
Zhangwu Wellhope Agriculture Development Company	1,800,000.00			1,800,000.00
Tongliao Wellhope Tianyi Prataculture Company	10,200,000.00			10,200,000.00
Chongqing Dahong Agriculture and Animal Husbandry Equipment Company	119,810.83	53,815.05		173,625.88
Guangzhou Xiangshun Livestock Equipment Company	3,001,347.50	23,063.59		3,024,411.09
Dalian Huakang Xinxin Food Company	11,709,361.25	588,121.61		12,297,482.86

Dalian Heyuan Agri-Tech Company	51,710,307.08	319,046.36		52,029,353.44
Dalian Zhongjia Food Company	196,832.08	11,531.80		208,363.88
Shenyang Huakang Broiler Company	2,152,531.67	230,635.93		2,383,167.60
Shenyang Huakang Xinxin Food Company	1,973,853.33	123,005.83		2,096,859.16
Shenyang Huakang Agriculture and Animal Husbandry Company	770,212.50	345,953.89		1,116,166.39
Changchun Wellhope Food Company	8,671,158.33	76,878.64		8,748,036.97
Dehui Wellhope Agri-Tech Company	51,347.50	23,063.59		74,411.09
Puyang Wellhope Food Company	20,213,947.92	96,098.30		20,310,046.22
Puyang Wellhope Agri-Tech Company	51,347.50	23,063.59		74,411.09
Kaifeng Wellhope Agriculture and Animal Husbandry Company	51,347.50	23,063.59		74,411.09
Liaoning Wellhope Food Company	30,045,198.33	92,254.37		30,137,452.70
Chongqing Wellhope Agri-Tech Company	1,500,000.00	730,000.00		2,230,000.00
Nanchang Wellhope Agri-Tech Company	3,250,000.00			3,250,000.00
Hengyang Wellhope Agri-Sci-Tech Company	4,600,000.00			4,600,000.00
Shulan Fengtai Agriculture and Animal Husbandry Company	6,000,000.00	50,000,000.00		56,000,000.00
Shulan Fengtai Farming Company	5,100,000.00			5,100,000.00
Hainan Agri-Tech Company	38,164,884.20	9,000,000.00		47,164,884.20
Russia Wellhope Agri-Tech Company	11,700,000.00			11,700,000.00
Luoyang Wellhope Agriculture and Animal Husbandry Company		50,000,000.00		50,000,000.00
Anyang Wellhope Agriculture and Animal Husbandry Company		48,000,000.00		48,000,000.00
Hainan Expert Trading Company		1,000,000.00		1,000,000.00
Tianjin Fullyond Supply Chain Company		4,500,000.00		4,500,000.00
Zhumadian Wellhope Agriculture and Animal Husbandry		10,000,000.00		10,000,000.00

Development Company				
Chifeng Wellhope Fuxinyuan Food Company		125,000,000.00		125,000,000.00
Shenyang Xiangmai E-commerce Company		800,000.00	150,000.00	650,000.00
Hebei Taihang Wellhope Food Company		74,400,000.00		74,400,000.00
Dunhua Wellhope Agri-Tech Company		7,652,794.97		7,652,794.97
Dunhua Fengda Agriculture and Animal Husbandry Development Company		13,095,094.63		13,095,094.63
Heibei Taihang Agri-Tech Company		74,400,000.00		74,400,000.00
Nanyang Wellhope Cattle Sci-Tech Company		10,000,000.00		10,000,000.00
Liaoning Qingyuan Wellhope Agriculture and Animal Husbandry Company		19,000,000.00		19,000,000.00
Fuzhou Wellhope Xingyuan Agri-Tech Development Company		3,600,000.00		3,600,000.00
Daqing Wellhope Food Company		7,650,000.00		7,650,000.00
Shandong Heyuan Food Company		76,878.64		76,878.64
Total	2,113,924,536.04	580,749,505.55	5,400,000.00	2,689,274,041.59

B. Investment in associated companies and joint ventures

Unit: yuan Currency: RMB

Company	Opening balance	Changes in 2020					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	Other		
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								
Dunhua Wellhope Agri-Tech Company	4,178,671.25		322,972.85			-4,501,644.10		
Dunhua Fengda Agriculture and Animal Husbandry Development Company	2,986,597.14		4,716,399.70			-7,702,996.84		
Qingdao Shenfeng Agri-Tech Company	13,573,648.97		2,280,790.09		3,000,000.00		12,854,439.06	
Zhangjiakou Jiahe Animal Husbandry Company	68,145,308.99		50,730,981.24				118,876,290.23	

Tailai Jiahe Animal Husbandry Company	27,134,553.62		60,174,013.06				87,308,566.68	
Gongzhuling Corn Purchasing and Storing Company	49,602,919.46		122,491.94				49,725,411.40	
Beijing Dahong Hengfeng Sci-Tech Company	20,087,982.12		5,243,999.15				25,331,981.27	
Shihaipu (Beijing) Technology and Trade Company	1,270,877.77		300,450.44				1,571,328.21	
GOLDEN HARVESTA INC.	104,931,225.82		1,119,949.36	-1,328,489.14			104,722,686.04	
PT SEKAR GOLDEN HARVESTA INDONESIA	38,998,739.72		678,021.37	-2,475,988.86			37,200,772.23	
Hainan Nongken Wenfeng Wenchang Chicken (Group) Company	1,071,542.40	4,900,000.00	-353,962.52				5,617,579.88	
Tai'an Jiuguhe Agriculture Development Company	111,292,888.94		-17,478,535.91				93,814,353.03	
Linghai Jiuguhe Feed Mill	62,403,210.81		-6,586,977.85				55,816,232.96	
Dandong Wellhope Chengsan Food Company	52,614,814.23		17,615,422.86		2,000,000.00		68,230,237.09	
Anshan Jiuguhe Food Company	152,438,428.77		65,404,805.31		37,397,700.00		180,445,534.08	
Beipiao Hongfa Food Company	442,144,638.08		80,249,254.71		16,170,000.00		506,223,892.79	
Haicheng New Hongzunda	12,850,037.83		2,203,643.38		1,470,000.00		13,583,681.21	

Agri-Tech Company								
Huludao Jiuguhe Food Company	70,721,671.34		27,341,931.42		13,300,000.00		84,763,602.76	
Dandong Wellhope Chengsan Agri-Tech Company	112,253,275.58		3,669,492.40		2,000,000.00		113,922,767.98	
Tai'an Jiufeng Agri-Tech Company	5,951,804.50	309,724.00	-3,185,467.28				3,076,061.22	
Shenyang Wenjie Bio-Tech Company	12,442,904.99		565,381.10				13,008,286.09	
Shenyang Zhongwenjie Bio-Tech Company	4,060,534.77		1,162,002.17				5,222,536.94	
Huludao Jiuguhe Feed Mill	42,015,223.35		-16,788,373.83		13,300,000.00		11,926,849.52	
Jinzhou Jiufeng Food Company	48,476,492.49		29,991,524.63				78,468,017.12	
Dalian Chengsan Animal Husbandry Company	353,954,231.89		22,030,055.35				375,984,287.24	
Tai'an Fengjiu Agri-Tech Company	37,837,537.89		9,763,110.34		7,600,000.00		40,000,648.23	
Anshan Fengsheng Food Company	30,430,304.76	4,177,778.00	19,224,686.26				53,832,769.02	
Lankao Skyland Duck Industry Company	52,618,773.55		-6,166,074.01				46,452,699.54	
PT. Mulia Harvest Agritech	47,617,462.51		2,413,279.66	-3,267,043.86			46,763,698.31	
Shulan Fengtai Organic Fertilizer Company	1,500,000.00		772,206.00				2,272,206.00	

Weifang Wellhope Xinhesheng Feed Mill	4,517,477.41		169,208.08				4,686,685.49	
Liaoning Mubang Animal Husbandry Equipment Manufacturing Company	1,791,476.38	1,520,000.00	7,785,460.14				11,096,936.52	
Anshan Yufeng Feed Mill	-193,154.81	5,700,000.00	-2,160,121.26				3,346,723.93	
Dunhua Fengda Broiler Breeding Company		6,000,000.00	-215,914.95				5,784,085.05	
Dazhou Wellhope Bio-Tech Company		5,000,000.00	-28,918.10				4,971,081.90	
Tai'an Huijun Biomass Energy Company		3,257,800.00	-460,920.67				2,796,879.33	
Anshan Jiuguhe Paper Packaging Company		2,516,209.00	488,253.97				3,004,462.97	
Anshan Antai Plastic Products Company		1,824,000.00	340,615.90				2,164,615.90	
Bei'an Nongken Shengda Pasture Specialized Cooperative		7,830,000.00	590,847.40				8,420,847.40	
Subtotal	1,991,722,102.52	43,035,511.00	364,045,983.90	-7,071,521.86	96,237,700.00	-12,204,640.94	2,283,289,734.62	
Total	2,003,391,294.06	43,035,511.00	364,045,983.90	-7,071,521.86	96,237,700.00	-12,204,640.94	2,294,958,926.16	17,900,000.00

4. Operating revenue and cost

Unit: yuan Currency: RMB

Item	2020		2019	
	Revenue	Cost	Revenue	Cost
Revenue from primary businesses	965,806,575.48	668,088,252.26	649,240,507.19	439,956,536.80
Revenue from other businesses	3,296,062.34	537,023.75	3,933,237.72	572,078.38
Total	969,102,637.82	668,625,276.01	653,173,744.91	440,528,615.18

5. Income from investment

Unit: yuan Currency: RMB

Item	2020	2019
Income from long-term equity investments under cost method	82,745,583.97	71,426,000.00
Income from long-term equity investments under equity method	364,045,983.90	625,627,992.53
Income from disposal of long-term equity investments	3,451,323.42	-4,079,999.00
Income from disposal of trading financial assets	-2,036,868.25	2,735,905.66
Income from disposal of other equity instrument investments		100,000.00
Income from trading financial assets during the holding period	2,828,562.02	3,545,198.63
Total	451,034,585.06	699,355,097.82

XVII. Supplementary Information**1. Extraordinary items in 2020**

Unit: yuan Currency: RMB

Item	Amount	Note
Gains or losses from disposal of non-current assets	3,169,342.06	
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)	33,102,019.89	
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)	-148,741.92	
Non-operating income and expense other than those described above	-24,964,468.42	
Income tax effects	-3,223,835.48	
Non-controlling interests effects	-3,449,600.51	
Total	4,484,715.62	

2. Return on equity and earnings per share

Profit in 2020	Weighted average ROE %	Earnings per share	
		Basic EPS	Diluted EPS
Net profit attributable to shareholders who hold common stock	19.93	1.34	1.34
Net profit attributable to common shareholders deducting extraordinary items	19.86	1.33	1.33

Section XII Reference

Reference file directory	Financial statements with the signature and seal of the legal representative, the person taking charge of accounting and the person taking 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 on the websites designated by the CSRC.

Chairman of the Board of Directors: Jin Weidong

The submission date approved by the Board of Directors: March 31, 2021