

Stock Code: 603609

Stock Abbreviation (English): Wellhope

**Liaoning Wellhope Agri-Tech Joint Stock Co., Ltd.**  
**2018 Annual Report**



April 2019

### **Important Statements**

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

II. All the Board Directors attended the board meeting.

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

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

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

The 2018 profit distribution plan will be: based on the total share capital on the equity registration date when the 2018 annual profit distribution will be implemented, the Company will distribute cash dividends of RMB 1.8 yuan per 10 shares (tax included) to all shareholders, totalling RMB 166,014,791.28 yuan. This profit distribution plan has been deliberated and approved by the Board of Directors, pending submission to the Shareholders' Meeting.

VI. Risk Statement of Forward-looking Statements

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

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

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

IX. Material Risk Warning

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

X. This annual report has been issued in both Chinese and English versions. In case there is any discrepancy or inconsistency between the two versions, the Chinese version shall prevail. The disclosed Chinese version of 2018 Annual Report can be obtained at: [www.sse.com.cn](http://www.sse.com.cn).

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## Section I Glossary

### I. Glossary

<b>CSRC</b>	refers to	China Securities Regulatory Commission
<b>SSE</b>	refers to	Shanghai Stock Exchange
<b>Wellhope, Liaoning Wellhope, the Company</b>	refers to	Liaoning Wellhope Agri-Tech Joint Stock Co., Ltd.
<b>Reporting Period</b>	refers to	January 1st, 2018-December 31st, 2018
<b>De Heus</b>	refers to	De Heus Mauritius Ltd., established in Port Louis, Mauritius, one of the shareholders of Wellhope
<b>Royal De Heus</b>	refers to	Koninklijke De Heus B.V., the parent company of De Heus Mauritius Ltd., the biggest feed company in the Netherlands
<b>Heli Investment</b>	refers to	Shenyang Wellhope Heli Investment Ltd., one of the shareholders of Wellhope
<b>Company Constitution</b>	refers to	The Constitution of Liaoning Wellhope Agri-Tech Joint Stock Co., Ltd.
<b>Shareholders' Meeting</b>	refers to	The Shareholders' Meeting of Liaoning Wellhope Agri-Tech Joint Stock Co., Ltd.
<b>Board of Directors</b>	refers to	The Board of Directors of Liaoning Wellhope Agri-Tech Joint Stock Co., Ltd.
<b>Supervisory Board</b>	refers to	The Supervisory Board of Liaoning Wellhope Agri-Tech Joint Stock Co., Ltd.
<b>Corporate Law</b>	refers to	The Corporate Law of the People's Republic of China
<b>Securities Law</b>	refers to	The Securities Law of the People's Republic of China
<b>Premix</b>	refers to	Also known as additive premix, it is a well-proportioned mixture prepared by two or more than two kinds of feed additives and carrier or diluents according to appropriate proportion. It is a general name for compound premix, microelement premix and vitamin premix.
<b>Concentrate Feed</b>	refers to	It is a well-proportioned mixture consisted of protein feed, mineral feed and feed additives according to appropriate proportion, it can be made into compound feed by mixing with energy feed in a specified proportion.
<b>Compound Feed</b>	refers to	Based on the nutritional needs of animals, more feed raw materials and feed additives are industrially processed according to feed formula, it can be directly used for feeding animals.

## Section II Company Profile and Key Financial Information

### I. Company Information

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

### II. Contact Person

	Secretary of the Board	Representative of Securities Affairs
Name	Zhao Xin	Yang Guolai
Address	No. 169, Huishan Street, Shenbei New District, Shenyang, Liaoning, P. R. of China	No. 169, Huishan Street, Shenbei New District, Shenyang, Liaoning, P. R. of China
Tel	024-88082015	024-88080789
Fax	024-88082333	024-88082333
Email	hfmy@wellhope.co	hfmy@wellhope.co

### III. Basic Information of the Company

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

### IV. Place where the Annual Report is prepared

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

### V. Stock Information

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

**VI. Other Information**

Accounting Firm ( Local)	Name	Jiangsu SuyuJincheng CPA LLP
	Office Address	21st-23rd F, Central International Plaza, No.105-6 North Zhongshan Road, Nanjing, Jiangsu Province, China
	Name of Signatory CPA	Zhou Jiawen, Wang Jin

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

Unit: yuan Currency: RMB

Item	2018	2017	Year-on-Year Change %	2016
Operating revenue	15,750,798,120.67	13,695,843,458.67	15.00	11,870,578,122.31
Net profit attributable to the shareholders of the Company	551,928,618.35	471,024,473.92	17.18	426,978,443.55
Net profit attributable to the shareholders of the Company deducting non-recurring gains and losses	542,459,604.74	389,607,877.28	39.23	399,573,783.81
Net cash flow from operating activities	501,404,915.59	611,390,370.75	-17.99	204,935,490.07
	<b>As at the end of 2018</b>	<b>As at the end of 2017</b>	<b>Year-on-Year Change %</b>	<b>As at the end of 2016</b>
Net assets attributable to the shareholders of the Company	3,851,915,758.64	3,390,304,242.88	13.62	3,006,170,941.93
Total assets	6,930,694,562.43	5,985,861,995.54	15.78	5,169,472,910.89

**2. Key Financial Performance Indicators**

Item	2018	2017	Year-on-Year Change %	2016
Basic earnings per share (yuan per share)	0.66	0.57	15.79	0.51
Diluted earnings per share (yuan per share)	0.66	0.57	15.79	0.51
Basic earnings per share deducting non-recurring gains and losses (yuan per share)	0.65	0.47	38.30	0.48
Weighted average return on equity (%)	15.30	14.72	Increased 0.58 percentage points	15.10
Weighted average return on equity deducting non-recurring gains and losses (%)	15.04	12.17	Increased 2.87 percentage points	14.13

**VIII. Key Financial Figures by Quarters in 2018**

Unit: yuan Currency: RMB

Item	Q1	Q2	Q3	Q4
Operating revenue	3,129,332,297.72	3,720,883,404.77	4,628,867,760.81	4,271,714,657.37
Net profit attributable to the shareholders of the Company	91,763,985.23	72,595,125.48	240,912,462.24	146,657,045.40

Net profit attributable to the shareholders of the Company deducting non-recurring gains and losses	88,331,450.07	69,215,522.62	240,718,433.43	144,194,198.62
Net cash flow from operating activities	-144,835,288.11	435,094,312.29	-11,963,321.16	223,109,212.57

#### IX. Non-Recurring Gains and Losses

Unit: yuan Currency: RMB

Item	2018	2017	2016
Gains or losses on disposal of non-current assets	-3,713,387.32	60,743,353.24	16,686,943.30
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)	19,471,241.10	34,132,205.99	25,071,552.60
Gains or losses on debt restructuring	-1,147,367.47		
Gain or loss on fair value changes in trading financial assets and liabilities, and investment income from disposal of trading financial assets and liabilities as well as available-for-sale financial assets (excl. the effective portion of hedges that arise in the Company's ordinary course of business)	2,821,414.45	-181,164.67	-5,945,010.13
Non-operating income and expense other than those described above	-3,208,527.84	-1,240,061.60	-1,351,740.60
Non-controlling interests effects	-590,792.81	-4,164,352.40	-2,681,266.97
Income tax effects	-4,163,566.50	-7,873,383.92	-4,375,818.46
Total	9,469,013.61	81,416,596.64	27,404,659.74

#### X. Item Measured at Fair Value

Unit: yuan Currency: RMB

Item	Opening Balance	Closing Balance	Change	Effects on Current Profit
Derivative financial assets	971,380.80	2,042,527.60	1,071,146.80	-369,580.00
Total	971,380.80	2,042,527.60	1,071,146.80	-369,580.00

## Section III Business Overview

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

#### 1. Principal business and operation model

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

##### A. Feed and feed raw materials trade

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

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

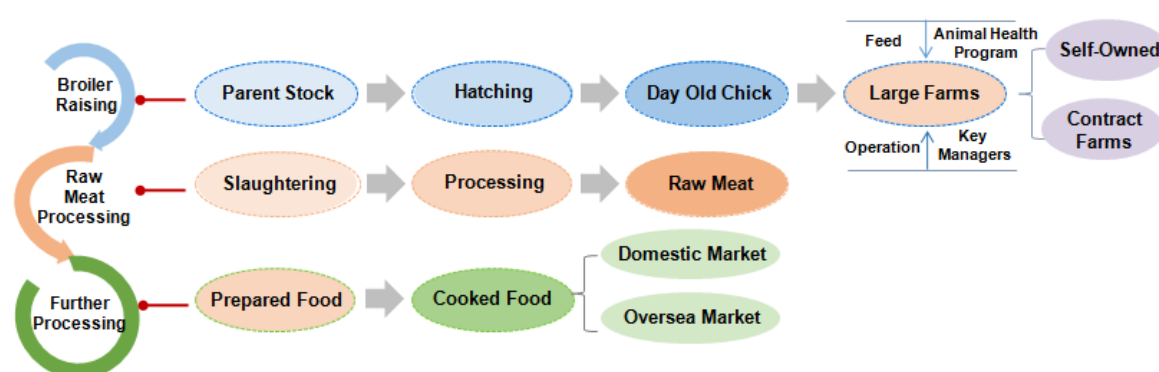
Based on tremendous strength in technology, research and development (hereinafter referred to as "R&D"), seasoned talents and brand influence, the Company has created an



operation model of integrating science and technology, manufacture and trade for feed and feed raw materials trade businesses, serving customers and local markets through resources sharing, synergetic development and combined action. At present, the Company's feed products cover the markets in 29 provinces and regions across China, it has also built feed plants in Nepal, Indonesia and the Philippines, etc. Meanwhile, its trade business distributes in Northeast China, Northern China, Eastern China, Southwest China, Guangdong Province and other regions, feed products and raw materials have also been exported to Nepal, Mongolia and other countries.

## B. Integrated broiler business

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



◆ **Broiler raising unit:** This unit covers breeder raising, day old chick hatching and commercial broiler rearing. The Company formulates scientific and reasonable feeding programs, light programs and disease prevention system to provide qualified eggs for the hatching farms; meanwhile, it has established thorough management system in the

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

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

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

expansion of consumer demand, the Company expands its exporting business of cooked food to the markets of Japan and Korea.

### **C. Pig raising business**

The Company has entered pig raising business by self-built farms and co-invested farms that are primarily located in the provinces of Liaoning, Henan, Hebei, Heilongjiang and Anhui. In 2019, the first stage of 500,000 heads' pig project located in Fushun city of Liaoning Province was completed and came into operation in April, and the project in Gongzhuling city of Jilin Province will be finished at the end of 2019 and come into service.

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

In compliance with the principle of moderate scale for every single farm along with the site planning of multi-point layout, the Company strictly controls bio-safety and adheres to the concept of environmental-friendly animal husbandry to protect environment by disposing manure in the natural method. Fushun pig project, operated in 2019, was jointly designed by famous pig raising experts and Architectural Design and Research Institute of Tsinghua University CO. LTD., setting its sights on becoming a first-rate modern pig breeding farm. Relying on high-level technique and first-class facilities, specially designed bio-safety program as well as introducing high-quality Landrace and Yorkshire to ensure the gene of grandparent stock, it is committed to supplying pure parent stock with clear family tree and providing better commercial piglet and finisher. Meanwhile, the Company helps farmers in surrounding areas to increase their incomes by offering them contracts to fatten pig, contributing to the economy development of local rural areas, whilst basing on scientific environmental protection technology, the farms combine crop planting with animal husbandry to achieve eco-friendly and recyclable agriculture.

## **D. Related business**

Related business is a beneficial supplement for the whole chain of animal husbandry, mainly produces and sells animal medicine and smart livestock and poultry rearing facilities. Related products have been sold to Canada, Nepal, Indonesia, Thailand, the Philippines, Ethiopia, Mongolia, etc., and maintained stable markets in Nepal, Indonesia, Ethiopia, Mongolia, etc.

## **2. Development stage and cyclical characteristics of relevant industries**

### **A. Feed industry**

China's feed industry dates back to the 1970s and has undergone over 40 years of development, at present it has formed a relatively complete industrial system supported by feed manufacturing industry, raw material industry, feed additives industry, feed machinery industry, feed scientific research and education, quality and safety testing and supervision system. Feed industry in China has developed in a fast momentum along with the expansion of poultry and aquaculture industry, looking back in 1992, China became the world's second largest feed producer, and rose to the top in 2011, thereafter its feed production broke through 200 million tonnes in 2015, and entering 2018, China's feed production took up about 17% of the world's (data source: *Alltech 2019 Global Feed Report*), ranking the first in global feed production for eight consecutive years.

The rapid development of feed industry has led to constant expanding of feed capacity and increasing market competition, making small and medium-size feed producers that are lack of advanced technology and professional management have been gradually weeded out of the market. Whilst on the contrast, benefiting from industry consolidation and the advantage of scale, large companies have continually expanded their capacity by mergers and building new plants, which have further improved the consolidation of feed industry, and gradually steered this industry to large-scale and intensive operation. Since 2008, China's feed industry has witnessed a downward trend in the number of feed producers, and according to the "13<sup>th</sup> Five-Year Plan", the number of feed producers in 2020 will be reduced to over 3000, while the companies with 1 million tonnes' capacity will be risen to 60, which will contribute towards 60% of the nation's feed capacity, indicating that the consolidation of feed industry will be further improved.

From a long-term perspective, feed industry, as the upstream of animal raising, does not show obvious cyclical characteristics. However, the fluctuations in the inventories of animal raising industry will affect the demand of feed products to some extent, thus, different categories of animal feed have different cyclical characteristics respectively.

## **B. White feather broiler industry**

### **a. Cyclical characteristics of the industry**

White feather broiler raising is a typical industry with cyclical fluctuations. Supply and demand relationship and the market price follow certain characteristics in the cyclical change.

In a short-term view, changes in white feather broiler price within a year mainly show seasonal fluctuations. Chinese New Year, National Day and Mid-Autumn Festival, are peak seasons of chicken consumption, the market price mainly starts to rise in fluctuation during those periods, reaches to the peak in the festival days, then slumps and falls to the bottom about two months later. Moreover, the price of commercial day old chick fluctuates with the price of broiler, which further imposes influence on the price of parent stock.

In a mid-and-long term view, the constraints in terms of broiler's production cycle, unreasonable decision caused by the "Herd Effect", capital strength and construction period can lead to the adjustment of broiler supply lagging behind--when broiler price fluctuates, the supply side often adjusts restocking for next production cycle according to current market price and profit margin, which results in a conversion of supply and demand in next cycle, and the market price flows to the reverse direction, moves in cycles, forming a "Cobweb model".

### **b. Development stage of the industry**

China started to introduce white feather broiler in 1986, since then this industry has experienced over 30 years' development, and now China has become one of the world's key producers of white feather broiler. During the past three decades, this industry has undergone three phases, including blooming supply and demand, industry's woes and strong recovery.

Broiler products were mostly exported abroad at the very beginning, but along with the

spring up of fast-food driven by the leading stores like KFC and McDonalds, China's fast-food industry has replaced export to be the biggest demand side. During three decades prior to 2012, the supply and demand sides in China's broiler industry expanded simultaneously, presenting prosperities in both supply and demand. However, after 2013, this industry fell into a sluggish period in the following five years due to the oversupply caused by introducing a large number of grandparent stock and the panic of consumption affected by bird-flu. Coming to 2015 till 2018, the introduction of grandparent stock kept at a low level, the statistics of China Animal Husbandry Association indicated that, China introduced 1.5416 million sets grandparent stock in 2013, but in 2018 only 750,000 sets, less than 50% of that in 2013. As the source of supply of white feather broilers, the level and duration of deficiency of grandparent stock decides where the broiler cycle can turn up to. Entering 2018, the influence of shortage of grandparent stock had transferred to the terminal market, the shrinking supply led to a quick growth of broiler price. At the same time, this industry was witnessing a strong recovery supported by the alternative consumption that triggered by African swine fever and some positive factors such as the revival of fast-food industry, etc.

**China's white feather broiler industry has entered the "fast lane" with a brighter future.**

Firstly, regarding raising efficiency, the gene of white feather broiler decides that it grows fast with a short production cycle. Besides genetic advantage, standardized and modernized raising system also greatly improves the efficiency. Secondly, regarding production cost, feed conversion ratio of white feather broiler is much lower than that of pig or cattle, and chicken is the cheapest source of protein. Low cost decides low price, thus further ensures strong consumer demand. At last, regarding nutritional value, white feather broiler wins the favor of consumers around the world due to its nutritional advantage of high protein, low fat and cholesterol. The study results of OECD (Organization for Economic Cooperation and Development) and FAO (Food and Agriculture Organization) note that, chicken is now playing an important role as the first supplier of meat protein, accounting for 28.15% of the world's meat consumption. In 2017, average American person consumed 41.7kg of chicken per year, 18kg in EU, but in China, only consumed 10.3kg per year, showing a gap comparing with the world's average level (11.7kg), so a great potential can be seen in China's white feather broiler industry.

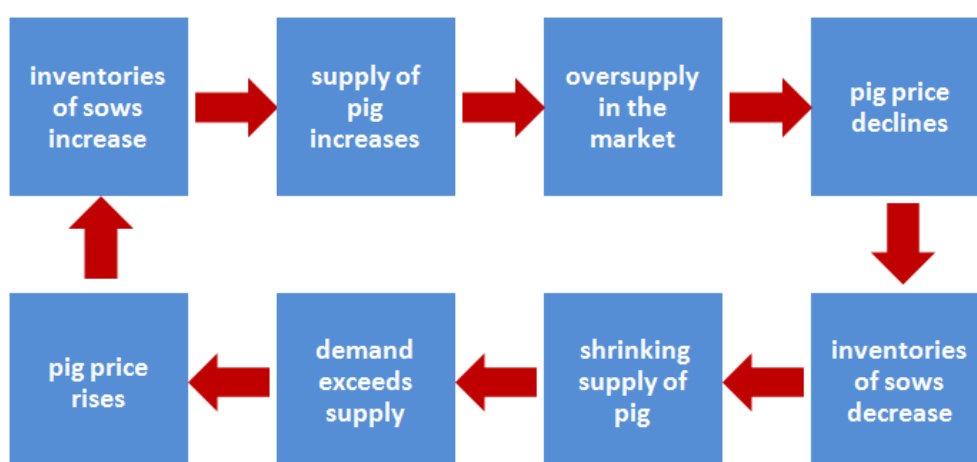
To conclude, in the view of the cyclical character of broiler industry, the shrinkage of supply and the expansion of demand can lead to prosperity in this industry. Now a strong historic cycle has been coming, this industry will show a largely upper rise in the future along with continuous displaying of the advantages of white feather broiler and the releasing of development potential.

### C. Pig industry

#### a. Cyclical characteristics of the industry

Similar to white feather broiler industry, the fluctuations of pig raising industry also fit for the "cobweb model", which present a strong characteristic of cyclical fluctuations of supply and price.

One pig production cycle includes gilt rearing, gestation, farrowing, growing and fattening, which will take about 18 months. During this period, the supply of pig cannot be adjusted promptly according to market circumstances, the increase or decrease of supply is often lagging behind. When some market factors change, the balance of supply and demand in pig market will be broken and the market price will change. Pig farms/farmers always adjust restocking according to current price and profit margin. However, because of the long production cycle, effects of supply adjustment can be presented in the next production cycle. Moreover, restrictions of unreasonable judgment, construction period and capital strength can further intensify the lag-behind in pig supply adjustment, which make the reversal of supply-demand and market price take place in the next production cycle. Constantly reversed changes in supply-demand relationship and market price form cyclical fluctuations, and the "cobweb model" can explain the mechanism of the fluctuations in a more realistic way.



**b. Development stage of the industry**

Influenced by consumers' diet habits, historic culture and feeding conditions of pig, meat consumption in China has been dominated by pork for a long time. Up to now, China is still the world's largest pork producer.

Before implementing the policy of reform and opening-up, food rationing was conducted, there was a large shortage in the supply of pig in China, and such circumstance was finally alleviated after carrying out this policy along with the upward economy. In 1985, China opened the field of pig purchasing and selling, and driven by the "Shopping Basket Program", pig raising industry developed quickly within the following two decades. According to the data from National Bureau of Statistics, China's pork production from 1985 to 2006 soared to 46.5034 million tonnes from 16.5480 million tonnes, which basically satisfied the demand of pork, and after 2007, the supply of pig continued to increase, and pork was no longer in short supply. Affected by many factors, the supply and demand relationship of pig and market price started to present cyclical fluctuations in accordance with the "cobweb model".

However, the defects of traditionally extensive pig raising started to be shown despite the quick development, including low production efficiency, high feeding cost, unstable earnings and pressures on food safety and environment, all of these had become rigid restrictions for the continued development of the industry. Meanwhile, the incident of floating pigs in Huangpu River in March 2013 pushed this industry into controversy, making the structural adjustment, industrial transformation and upgrading become extremely urgent. Under the backdrop of decreasing agricultural land, increasing labor cost and stricter policy restrictions, the intensive production and standardized raising had become the mainstream.

In 2018, the adjustment of pig raising industry had achieved initial success, it had entered a right track of "saving resource" and "standardizing environmental protection". However, the sudden outbreak of African swine fever (referred to as ASF below) added new changes. ASF broke out in August 2018 and spread over 20 regions in half a year, which undoubtedly further put downward pressure on the decline stage of pig cycle and disrupted the stable pig industry.

On one hand, ASF speeded up the decline in pig supply, making the pig cycle bottom out in



advance, meanwhile, culling a large number of pigs overturned the balance of supply and demand again, resulting in an upcoming shortage in pork, there would be a strong rebound in pork price. It can be predicted that before the intervention of government, the pork price will soar in a future time and the pig price will hit a new historical height.

On the other hand, the government has issued relevant policies in response to ASF, such as imposed restrictions on long-distance distribution and transportation of pig and related products. Thereby, the original consolidated market has been fragmented into regional markets, whilst slaughtering and processing as well as transportation system will also face bold changes.

Overall, ASF has brought great impacts on pig raising industry, but what can't be denied is that it will also bring historic opportunities, i.e., the rising pork price can benefit those companies that have already entered pig raising business, especially those extra large players that have newly completed projects and targeted preventing and controlling measures against ASF will be the biggest winners. At the same time, circulating with cold-chain will also face new opportunities, and it is ripe for pig raising players stepping into slaughtering and processing businesses. A new era that integrates pig raising with slaughtering and processing will be coming.

## **II. Core Competitiveness Analysis within the Reporting Period**

Core competitiveness of the Company lies in a highly educated, experienced, loyal and stable management team, rationally planned and steady-development based corporate strategy, increasingly matured and competitive integrated operation model, systematic, scientific and continuously innovative technology system, development-oriented and strongly rooted corporate culture.

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

The highly educated senior managers of the Company have professional background of over 20-year's experiences in feed and animal husbandry industries as well as business management. They are pioneers and developers of the Company, who are committed to insisting entrepreneurship, acquiring new knowledge and keeping pace with the era over the years. The seven founders of the Company always hold together and fight together, they are praised as "seven noble partners" in the industry, the high solidarity of the

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

## **2. Rationally planned and steady-development based corporate strategy**

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

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

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

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

The sales volume and growth rate of all feed categories in terms of pig, poultry, ruminant and aquatic products are relatively balanced and each has its advantages. While constantly promoting integrated broiler business, the Company has entered pig raising business, and plans to take 5 to 8 years to craft an operation model driven by two complementary engines in terms of integrated broiler and integrated pig businesses. Such business layout, with high risk resistance, will not lead the Company to a rather high fluctuation due to a big blow or a downturn suffered by one of the business.

In 2018, the Company conducted "SWOT" analysis regarding itself on a scientific and prudent basis, finally confirmed its development goals for recent three years and next ten years, and formed a development strategy from 2019 to 2021, i.e.: "To steadily improve existing core businesses, to vigorously develop emerging strategic businesses and actively cultivate potential businesses. In the following three years, to further echelon the talents team, to unremittingly innovate technology and marketing pattern, information resources, investment and financing platform, to deeply expand international business centered on Southeast Asia, forming an operation model with "leading-edge quality and efficiency"

that can create synergies and reduce costs among all business divisions and provide customers and related parties (shareholders, employees, suppliers, society) products and services with brand influence, to become an enterprise with leading-edge quality and efficiency across agriculture, animal husbandry and food industries as well as a supplier of relevant services". The Company will proactively carry out all the work under overall strategies with unity and cohesion, so as to achieve the goals.

### **3. Increasingly matured and competitive integrated operation model**

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

**Relatively complete integrated chain:** The Company is responsible for breeding, feed R&D as well as production, providing instructions of environment and small climate in the house, and monitoring all the processes relating to broiler raising. Meanwhile, the Company repurchases commercial broilers for its slaughterhouses and processes raw meat, prepared and cooked food, making all the processes of the integrated chain controllable.

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

in the slaughtering process.

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

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

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

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

The Company's R&D system applies vertical management in regard of nutritionist, product manager, formulator, field technician, quality controller, laboratory technician and other

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

Furthermore, the Company's well-equipped testing center is one of the national key laboratories certified by CNAS (China National Accreditation Service for Conformity Assessment). By virtue of up-to-date equipment and facilities, the testing center has been capable of detecting melamine and other banned additives very early, and at present its test results can be recognized by 41 countries and 55 authorities. The Company is dedicated to guaranteeing the quality of products from micro to macro, putting the concept of safe production into every step, and it has established self-owned raw material database and also shares data resources of the Dutch partner, striving to get lower cost price of raw materials and achieving best price quality ratio relying on raw material data which calculates energy dynamics by regression equation, and on precise formulation of nutrition in accordance with production performance and feed intake.

In 2018, in response to African swine fever, the Company rapidly developed new feed products with high immune nutrition and worked out effective solutions for disease prevention. In view of fast growing beef cattle and mutton sheep markets, the Company formulated rapid fattening program for beef cattle and total mixed ration program for

mutton sheep; it also improved and adjusted the crushing strength for broiler feed, the control of PDI and the coating technology for liquid raw materials. In the aspect of layer feed, it independently researched and developed biological fermentation technology further improved the efficiency of feed utilization. Whilst the launching of functional feed for strengthening the liver and intestinal tract of aquatic animals has significantly enhanced the immunity function of animals and lowered the incidence of diseases, which was favored by customers. Moreover, in 2018, the Company, as a representative of China's feed enterprises, participated in formulating two community standards (i.e. Standard of Compound Feed for Layer and Broiler, Standard of Compound Feed for Piglet and Finisher) organized by China Feed Industry Association, the product named "Mrs. Pig" was awarded as one of China's top ten classic sow feed brands. In regard of antibiotic alternatives, the Company has designed more than 40 combinations of formula, which laid a technical foundation for producing lower-antibiotic diet for piglets. Up to now, the Company has set up more than 70 scientific research projects, developed more than 10 kinds of new products and new technologies average per year, now it totally possesses 40 patents for invention, 2 prizes of national science and technology progress and nearly 20 awards at ministerial and provincial level. Just in 2018, the Company was authorized and submitted 17 patents for invention.

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

##### **5. Development-oriented and strongly rooted corporate culture**

After years of development, the Company has created corporate values featured by leading its business development and being understood and recognized by all employees. In 2018, while conducting SWOT analysis during Performance Excellence Management project, the Company's corporate culture was put forward as the firstly important advantage by all staff. The core culture, represented by Wellhope Vision, which is mainly described as "Always put customers' needs first and constantly work on new products, never follow the beaten path, always conduct business honestly, always aim to provide value to our society and to

maintain sustained growth through technology, innovation, and creative work”, and by Wellhope Mission, which is primarily described as "Save resources, protect the environment, provide food security and benefit the society", plays the role of driven principles for management and the source power for ensuring the Company's sustainable development. Whilst the subculture, originated from the core culture, is the specific concept and strategy which guides management and business operation, including Technology Strategy, i.e. --No Technology, No Success, only producing reasonable and high-quality product, Marketing Strategy, i.e. --The best way to expand our business is supporting our customers growing business, providing customers not only products, but also solutions to problems, Quality Principle, i.e.--Never use unqualified raw material, Never use non-standard equipment, Never allow substandard operation, Never produce unqualified products, Never ignore unsatisfied customers, Never tolerate imperfect service, HR Policy, i.e.--Providing a fair, just, and merit-based environment for rewarding employees, continuously searching for talents and creating development space for employees, always being dedicated to employee’s professional growth and helping them build a blessed life, Code of Conduct for Managers, i.e.--Exercising strict self-discipline, acting with integrity & honest; separating personal and corporate business, sharing achievement, showing kindness to everyone. These cultures have been constantly improved, publicized and practiced over the years, also promoted by the managers via leading by example themselves, together they make the corporate culture root in employees' blood, which constantly guide the thoughts and show the desired behaviors for all staff. In the first half of 2018, along with deeper reforms and for adapting to the changes of internal and external business environments, the Company has further summarized and refined its corporate culture, confirmed the core values as “Integrity, Responsibility and Win-win” and the management culture as “Innovation, High-efficiency and Self-discipline”. Entering 2019, the Company will continually take different ways for enhancing its culture incorporating into daily practice, promote its corporate culture to play a greater role in pushing forward the Company's development.



## Section IV Business Operations Analysis

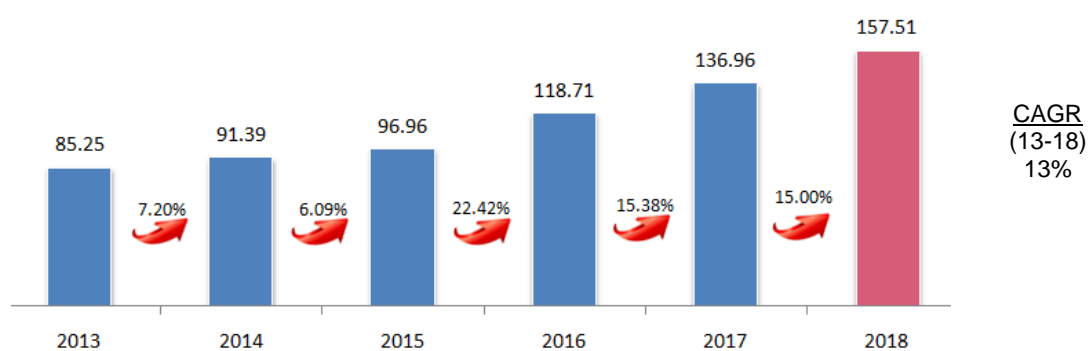
### I. Overview

In 2018, the government gave impetus on the ongoing deleveraging, the China-US trade friction caused fluctuations in the price of feed raw materials, and the widely spreading African swine fever led to depressed pig price, the Company faced up to the dynamic market and maintained sustained and steady development, the key financial figures realized stable growth.

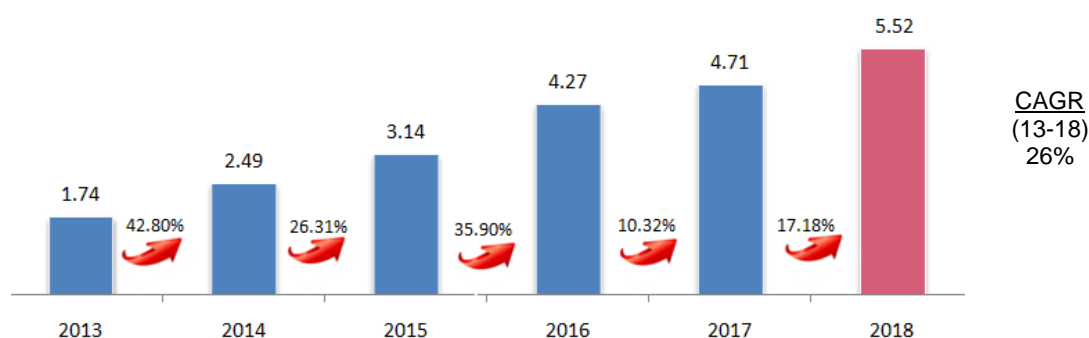
#### 1. Business highlight

During the reporting period, total operating revenue of the Company realized RMB 15.75 billion yuan, the net profit attributable to the shareholders of the Company reached RMB 552 million yuan, and the net profit attributable to the shareholders deducting non-recurring gains and losses reached RMB 542 million yuan, achieving a year-on-year growth rate of 15.00%, 17.18% and 39.23% respectively. From 2013 to 2018, the operating revenue and net profit have continuously grown with the CAGR of 13% and 26%, the profitability enhanced further.

#### Operating Revenue (100 million yuan)



#### Net Profit (100 million yuan)



## **2. Driving factors of performance growth**

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

During 2018, white feather broiler market was prosperous, the Company pressed on at this good opportunity, its integrated broiler business division accelerated layout and further improved internal operations and profitability, realized a vigorous growth.

The Company's feed business division, another contributor, constantly pushed forward transformation and upgrading, adjusted the structures of customer, product portfolio and personnel for facing market waves, the sales revenue and sales volume realized the year-on-year growth rate of 9.24% and 6.83% respectively, ruminant feed of which contributed towards 17.13%(prior year 14.35%) of total sales volume with a growth rate of 27.54%, aquatic feed and poultry feed recorded volume growth of 12.44% and 15.00% respectively.

In the whole year, the Company continued to deepen internal reforms and implemented certain measures to further activate the potential of staff team, including separating the sales departments and administrative departments, innovating marketing model, benchmarking, etc., meanwhile, the enhanced fine management promoted the Company's period cost ratio decreased from prior 5.55% to current 4.98%.

## **3. Business review**

Feed and integrated broiler businesses, as the Company's core divisions, created a big part of the final profit in 2018. Feed business contributed to 46.36% of total sales revenue with an income of RMB 7.299 billion yuan, integrated broiler business contributed towards 29.64% with an income of RMB 4.666 billion yuan, raw materials trade and other businesses contributed to 24.00% and the income amounted to RMB 3.778 billion yuan. During the reporting period, the income from investment reached RMB 286 million yuan and realized a growth rate of 67.15%, which mainly derived from associated companies of integrated broiler business.

### **➤ Feed business**

In the reporting period, the Company's holding and associated companies totally

manufactured 4.24 million tonnes feed with a year-on-year growth rate of 10.82%, the companies included in the consolidated financial statements sold 2.35 million tonnes feed, increased by 6.83%. Detailed information for feed presented in categories list as follows:

Item	2018 Sales volume (10,000tonnes)	2017 Sales volume (10,000tonnes)	Year-on-Year Change	Contribution to total sales volume
Pig feed	84.41	92.57	-8.81%	35.89%
Poultry feed	93.38	81.20	15.00%	39.70%
Ruminant feed	40.29	31.59	27.54%	17.13%
Aquatic feed	14.64	13.02	12.44%	6.22%
Other feed	2.49	1.80	38.33%	1.06%
Total	235.21	220.18	6.83%	100.00%

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

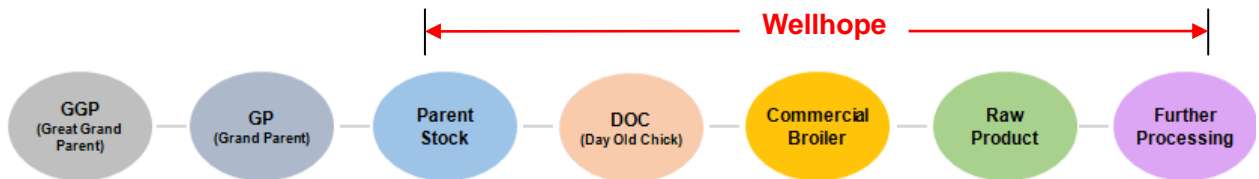
The sales volume of pig feed declined at the first time since the Company going public, which was constrained by the declining demand of pig feed affected by African swine fever. After the outbreak of African swine fever, the Company immediately organized a work group fighting with the disease, researched on specific solutions to control disease and to mitigate bio-security risks, providing assistance for farmers. The R&D center timely developed new products with high immune nutrition to improve pig immunity and high yield.

Meanwhile, the sales volume of ruminant and aquatic feed recorded new growth in 2018. Regarding dairy cattle feed, its sales volume increased by 27.08% on a year-on-year base. In the market situation where many dairy farming companies lost money and the inventories of dairy cattle reduced in 2018, based on the technology of "305-day 10 tons' Milk Program", the Company implemented highly efficient feeding program and designed relevant products for dairy cattle, which were highly recognized by the customers. Regarding beef cattle feed, the sales volume increased by 33.76%, supported by the feeding programs in terms of fattening technology and TMR diet (Total Mixed Rations) and specially designed products, and got positive response from the market. Regarding aquatic feed, its sales volume recorded a growth rate of 12.44%, driven by constant researches and innovations in raising mode and feeding programs, such as the newly designed "1-2-3" management model for freshwater crayfish.

### ➤ **Integrated broiler business**

Relying on years of business practices, the Company's integrated broiler business has realized a leap-forward development from obscurity to over 30 holding and associated companies, becoming one of the main white feather broiler suppliers in China.

#### **The value chain of Wellhope broiler integration**



The Company raises broiler mainly by cooperating with out-sourcing farms via contract. Relying on scientific nutrition program, proven feeding technology and systematic training service, the average body weight of delivery broilers can reach over 5.6 jin, and the average livability can realize over 95%. In the reporting period, its holding and associated companies totally raised 310 million broilers with a year-on-year growth rate of 12.73%.

While improving internal operation, the Company also further automated its slaughterhouses to make further improvement on production efficiency and product quality. In the reporting period, its holding and associated companies totally slaughtered 455 million broilers with a year-on-year growth rate of 16.07%, increased by 200% compared with 2014, and totally produced 1.13 million tonnes of meat products with a growth rate of 18.70%.

In 2018, the number of broilers raised by the Company's self-owned farms and contract farms contributed to 68% of its total slaughtering numbers, its internal supply of broiler has been gradually approaching the demand of slaughtering, which has further enhanced the synergies among the whole chain.

### ➤ **Feed raw materials trade business:**

In 2018, the Company's raw materials trade business realized a steady-state growth in its sales revenue at 3.275 billion yuan, increased by 11.60%, which was linked to the Company actively expanded new markets in the South and refined product portfolio and customer structure, also strengthened internal operation and IT application. However, the China-US

trade friction brought an adverse impact on soybean meal, resulting in a decline in the comprehensive gross margin of the raw materials trade business.

➤ **Pig raising business**

At present, the Company has stepped into pig raising business by self-building farms or partnering with practiced partners, its pig projects are mainly located in Liaoning, Jilin, Heilongjiang, Henan, Hebei and Anhui provinces, of which, the first-stage of the newly built pig project in Fushun city with a planning of providing 500,000 heads of pig has been operated in April 2019, and the project in Gongzhuling city will be launched by the end of 2019.

**4. Other work**

**A. Launching management improvement project based on excellent performance mode**

The Company launched a management improvement project based on excellent performance mode in June 2018.

Performance excellence mode is an effective method and tool for an organization's comprehensive performance management, which is widely recognized internationally. Its core is to strengthen the organization's awareness of customer satisfaction and innovative activities, and pursue excellent business performance. The purpose for the Company introducing this project is to continuously create value for customers, employees and other relevant parties, improve its overall performance and promote a sustainable development. By conducting this project, the Company has redefined its mission, vision, core values and long-term goals, also formulated the strategic plans in the next three years, whilst further optimized organizational structure, functional responsibilities, revised KPI index system, all of these laid a good foundation for realizing the goals in 2019 and in the future.

**B. Completing non-public offering new stock**

The application materials of the Company's non-public offering new stock were accepted by the CSRC on May 3rd, 2018, and finally received the approval on October 29th, 2018 (No. 1742 CSRC Approval [2018]). Afterwards, the Company completed related work in April 2019, totally raised funds of 778 million yuan, which would be mainly invested in pig

raising and broiler business. Moreover, the Company will make further efforts to build a capital operation platform, accumulate experiences and expand financing channels. In the future, it will be not ruled out that utilizing the ways of convertible bond, corporate bond, acquisition and reorganization to support its long-term development.

### **C. Initiating restricted stock incentive program**

The Company put forward the restricted stock incentive program in November 2018 which granted 372 key managers with 14.575 million restricted shares, by doing this, the interests of shareholders, the Company and the core team could be effectively connected, which would promote the sustainable development of the Company. Following people-oriented principle, it will promote more diversified incentive programs in the future, attract and retain talents to realize its goals rapidly.

### **D. Fully accelerating IT application**

In 2018, the Company was comprehensively accelerating its IT application in group management and control, business collaboration, marketing management, R&D innovation, etc., building a mixed cloud-based system architecture on the basis of HUAWEI cloud serving. The Company has completed IT application schemes for related sectors of integrated broiler business, including breeder raising, day old chick hatching, feed production and commercial broiler raising, also for the supply chain to finance of raw materials trade business, forging a group controlled ERP system which integrates business and finance.

## **II. Operations Analysis**

As at December 31st, 2018, the Company's total assets recorded RMB 6.93 billion yuan, the net assets attributable to the shareholders of the Company reached RMB 3.85 billion yuan, increased by 15.78% and 13.62% respectively compared with the end of prior year, meanwhile, its total operating revenue realized RMB 15.75 billion yuan, and the net profit attributable to the shareholders of the Company reached RMB 552 million yuan, recorded the growth rate of 15.00% and 17.18% respectively.

## 1. Analysis of primary business

### A. Analysis of changes of income and cash flow

Unit: yuan Currency: RMB

Item	2018	2017	Change %
Operating revenue	15,750,798,120.67	13,695,843,458.67	15.00
Operating costs	14,421,297,677.40	12,521,474,992.06	15.17
Sales expenses	420,646,753.59	411,506,654.06	2.22
Administrative expenses	227,941,858.19	225,935,973.80	0.89
R&D expenses	61,100,349.28	61,953,095.44	-1.38
Financial expenses	74,900,937.42	60,854,400.51	23.08
Net cash flow from operating activities	501,404,915.59	611,390,370.75	-17.99
Net cash flow from investing activities	-509,731,536.62	-626,407,536.20	not applicable
Net cash flow from financing activities	166,992,723.63	49,874,197.61	234.83

### B. Analysis of revenue and cost

During the reporting period, the Company achieved an operating revenue of RMB 15.75 billion yuan with a growth rate of 15.00%, which was mainly driven by the increased sales revenue contributed by feed, broiler integration and raw materials trade businesses; the operating cost recorded RMB 14.42 billion yuan with a growth rate of 15.17%, mainly due to the increase in sales volume and sales revenue

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

Unit: yuan Currency: RMB

Analyzed by Industries						
Industry	Operating revenue	Operating cost	Gross profit margin %	YoY change of revenue %	YoY change of cost %	YoY change of gross profit margin %
Feed	7,298,588,998.60	6,421,709,202.87	12.01	9.24	10.20	decreased 0.77 percentage points
Slaughtering and Processing	3,959,758,111.87	3,763,477,475.32	4.96	35.45	33.52	increased 1.38 percentage points
Raw Materials Trade	3,274,653,471.59	3,156,964,005.28	3.59	11.60	11.96	decreased 0.31 percentage points
Broiler and Swine Raising	824,110,257.04	734,652,491.45	10.86	-2.15	-7.34	increased 4.99 percentage points
Related Businesses	385,681,935.32	338,541,596.12	12.22	34.92	40.28	decreased 3.35 percentage points

Analyzed by Product Categories						
Product	Operating revenue	Operating cost	Gross profit margin %	YoY change of revenue %	YoY change of cost %	YoY change of gross profit margin %
Feed	7,298,588,998.60	6,421,709,202.87	12.01	9.24	10.20	decreased 0.77 percentage points
Slaughtering and Processing	3,959,758,111.87	3,763,477,475.32	4.96	35.45	33.52	increased 1.38 percentage points
Raw Materials Trade	3,274,653,471.59	3,156,964,005.28	3.59	11.60	11.96	decreased 0.31 percentage points
Broiler Raising	824,110,257.04	734,652,491.45	10.86	-2.15	-7.34	increased 4.99 percentage points
Related Businesses	385,681,935.32	338,541,596.12	12.22	34.92	40.28	decreased 3.35 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	1,760,092,653.81	1,629,974,853.65	7.39	8.58	10.15	decreased 1.32 percentage points
North China	2,690,525,934.06	2,500,449,362.49	7.06	33.21	37.14	decreased 2.66 percentage points
Northeast China	7,982,004,866.87	7,228,357,359.98	9.44	11.83	10.68	increased 0.94 percentage points
Central and South China	1,878,558,077.93	1,716,503,951.19	8.63	11.14	7.93	increased 2.72 percentage points
Southwest China	626,988,915.54	612,092,141.17	2.38	35.40	39.37	decreased 2.78 percentage points
Northwest China	571,510,540.26	495,449,511.69	13.31	6.78	8.78	decreased 1.59 percentage points
Oversea	233,111,785.95	232,517,590.87	0.25	16.54	28.81	decreased 9.50 percentage points



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

During 2018, the prosperous white feather broiler market promoted the increased price of the Company's broiler product, and its broiler business layout and structure has been improved to be more rational, as well as the slaughtering business was enhanced further, realizing a revenue growth of 35.45%. In the meantime, the Company pushed forward the transformation and upgrading of its feed business, further optimized product mix, driving the feed volume and revenue to increase by 6.83% and 9.24% respectively.

**--Analyzed by geographical region:**

During the reporting period, the Company's operating revenue in North China increased by 33.21%, which was mainly supported by: the Company adjusted the sales market of chicken products, and pushed forward the layout in these areas, meanwhile, the operating revenue in southwest China increased by 35.40%, which was mainly owing to: the Company started to sell soybean meal in southwest China; whilst the rate of gross margin in foreign countries decreased by 9.5 percentage points, primarily because the Company needed to confirm orders one month in advance, and the rate of gross margin of its exported chicken products sharply dropped due to the fluctuation of the price of chicken meat in the international market.

**b. Analysis of sales volume**

Product	Production volume (10,000 tonnes)	Sales volume (10,000 tonnes)	Inventory (10,000 tonnes)	YoY change of production volume %	YoY change of sales volume %	YoY change of inventory %
Feed	234.89	235.21	3.32	6.59	6.83	-8.79

**c. Analysis of cost**

Unit: yuan Currency: RMB

By Industry	Item	2018	% of total costs	2017	% of total costs	YoY change of cost %
Feed	raw material	6,119,294,900.03	95.63	5,613,478,574.01	95.66	9.01
Feed	labor cost	71,606,347.71	1.12	60,647,231.68	1.03	18.07
Feed	depreciation	79,320,489.62	1.24	71,198,471.38	1.21	11.41
Feed	energy (electricity, coal, steam)	63,975,504.94	1.00	56,039,982.04	0.95	14.16

Feed	other manufacturing expenses(excl. energy and depreciation)	64,591,463.96	1.01	66,975,309.18	1.14	-3.56
Feed	total production cost	6,398,788,706.26	100.00	5,868,339,568.29	100.00	9.04
Slaughtering	raw material	3,617,303,605.51	92.42	2,540,116,008.71	90.22	42.41
Slaughtering	labor cost	189,652,695.41	4.85	167,526,748.62	5.95	13.21
Slaughtering	depreciation	19,934,651.59	0.51	15,177,387.11	0.54	31.34
Slaughtering	energy (electricity, coal, steam)	36,825,872.82	0.94	37,198,676.48	1.32	-1.00
Slaughtering	other manufacturing expenses(excl. energy and depreciation)	50,422,203.90	1.29	55,484,073.31	1.97	-9.12
Slaughtering	total production cost	3,914,139,029.23	100.00	2,815,502,894.23	100.00	39.02
By Product	Item	2018	% of total costs	2017	% of total costs	YoY change of cost %
Feed	raw material	6,119,294,900.03	95.63	5,613,478,574.01	95.66	9.01
Feed	labor cost	71,606,347.71	1.12	60,647,231.68	1.03	18.07
Feed	depreciation	79,320,489.62	1.24	71,198,471.38	1.21	11.41
Feed	energy (electricity, coal, steam)	63,975,504.94	1.00	56,039,982.04	0.95	14.16
Feed	other manufacturing expenses(excl. energy and depreciation)	64,591,463.96	1.01	66,975,309.18	1.14	-3.56
Feed	total production cost	6,398,788,706.26	100.00	5,868,339,568.29	100.00	9.04
Slaughtering	raw material	3,617,303,605.51	92.42	2,540,116,008.71	90.22	42.41
Slaughtering	labor cost	189,652,695.41	4.85	167,526,748.62	5.95	13.21
Slaughtering	depreciation	19,934,651.59	0.51	15,177,387.11	0.54	31.34
Slaughtering	energy (electricity, coal, steam)	36,825,872.82	0.94	37,198,676.48	1.32	-1.00
Slaughtering	other manufacturing expenses(excl. energy and depreciation)	50,422,203.90	1.29	55,484,073.31	1.97	-9.12
Slaughtering	total production cost	3,914,139,029.23	100.00	2,815,502,894.23	100.00	39.02

Note:

In 2018, the production cost of the Company's slaughtering and processing business

increased by 39.02%, mainly due to the blooming market of white feather broiler, whilst the price of raw materials (delivery broiler) increased, the slaughtering capacity of broiler continued to increase simultaneously.

#### d. Top 5 customers and suppliers

The sales revenue of top 5 customers reached 646.37 million yuan, contributing towards 4.11% of the Company's total sales revenue, of which, the sales revenue relating selling products to the related parties reached 403.44 million yuan, accounting for 2.56% of the total annual sales.

The purchase orders of top 5 suppliers reached 2.34 billion yuan, accounting for 17.41% of the Company's purchase orders during the Period, of which, the orders relating purchasing products from the related parties reached 165.11 million yuan, accounting for 1.23% of the total purchase orders.

Other Explanation:

#### Top 5 Customers

Customer	Business type	Sales revenue(unit:10,000yuan)	% of total operating revenue
Customer 1	Delivery broiler	15,895.14	1.01
Customer 2	Feed raw material	14,504.00	0.92
Customer 3	Delivery broiler	12,728.23	0.81
Customer 4	Feed	11,564.53	0.73
Customer 5	Delivery broiler	9,945.16	0.63
Total		64,637.07	4.10

#### Top 5 Suppliers

Supplier	Business type	Purchase Amount(unit:10,000yuan)	% of total Purchase Amount
Supplier 1	Raw material	152,970.42	11.36
Supplier 2	Raw material	29,591.66	2.20
Supplier 3	Raw material	18,377.57	1.36
Supplier 4	Raw material	16,943.60	1.26
Supplier 5	Delivery broiler	16,511.39	1.23
Total		234,394.64	17.41

#### C. Expense

Unit: yuan Currency: RMB

Item	2018	2017	Change %
Sales expense	420,646,753.59	411,506,654.06	2.22%
Administrative expense	227,941,858.19	225,935,973.80	0.89%
R&D expense	61,100,349.28	61,953,095.44	-1.38%
Financial expense	74,900,937.42	60,854,400.51	23.08%
Total	784,589,898.48	760,250,123.81	3.20%

**D. R&D Input**

	Unit: yuan    Currency: RMB
R&D expenditure	61,100,349.28
Capitalized R&D expenditure	0
Total R&D expenditure	61,100,349.28
% of total operating revenue	0.39
R&D headcount	162
% of the Company's headcount	3.37

**R&D input**

“Constantly Working on New Products, Never Following the Beaten Path” has laid a foundation for Wellhope's R&D philosophy. At present, the Company has established or designated more than 10 R&D bases for conducting related trials of pig, layer, broiler, ruminant and aquatic feed, and whilst it has built a sound technology achievement transformation system. In 2018, the Company carried out nearly 100 trials for verifying feed products totally invested 61.1003 million yuan, accounting for 0.39% of the operating revenue.

During the reporting period, the work relating to R&D has been further deepened and refined. Meanwhile, the Company, as an influential representative of China's feed enterprises, participated in formulating two community standards, i.e. Formula feeds for Layers and Broilers, and Formula feeds for starter and growing-finishing pigs organized by China Feed Industry Association, which have been implemented on November 1st, 2018, both of two standards have had a huge impact on the feed industry. Moreover, the Company's applied for the project "nutrition standard and processing technology specification of antibiotic-free feed for layers", which has been approved as the local standard of Liaoning province, the project " R&D and promotion of key technologies of pig feed series with low-nitrogen emission", won the first prize of Liaoning animal husbandry science and technology contribution award. The “research of anti-weaning stress and environmental protection of piglet creep feed” was supported by Shenyang science and technology planning project. As one of the participating units, the Company's "R&D and application of new products of biological feed additives" won the first prize of China industry-university-research cooperation innovation achievement award. In 2018, the Company was authorized and submitted 17 patents for invention, including "a total mixed

pellet diet for fattening mutton sheep and its process", "a kind of microbial feed additive and its production method", "broiler compound premix and its production method", "a compound premix for lactation sow and its production method", etc.

Basing on the target of product safety, quality stability, accurate nutrition and powering business performance, the Company always focuses on independent innovation and seeks innovative inspiration from the market demands and development trend, continuously accumulates the strengths of technology and product. The R&D work in 2018 shown as follows:

**a. Swine feed product:**

Basing on applying net energy system, environment-friendly and energy-saving formulating technology with low-nitrogen and low-phosphorus, the Company has developed a plasma-free creep feed and high cost-effective nursery feed, and upgraded the growing-fattening products and the feed used in the pre-weaning and post-weaning periods. It has also designed nearly 40 different combinations of formulation in the field of antibiotic alternative, which realized satisfied progress and laid a foundation for further reducing the antibiotic used in piglet feed. Meanwhile, the Company has obtained clear application results and comparative data on the use of raw materials in piglets feed at the stage of pre-30kg body weight, which played a decisive role in stabilizing piglets feed products and reducing costs. In addition, the researches on functional dietary fiber used in Danbred sows have been at the domestic leading level, and the Company has developed 30-32% sows concentrate feed and compound feed with highly rich fiber. In the second half of 2018, the African swine fever broke out in China, the Company rapidly planed and designed high-immunological nursery and sow feed products.

**b. Broiler feed product:**

Integrated broiler business has been increased substantially in 2018, making relevant feed technology being constantly facing challenges brought by changes in raising model, wide-span region, seasonal changes and different value-added range of broiler parts products. The Company's technical team conducted in-depth researches and investigations in the local farms, carefully studied the effects of feed and raising management on production performance and economic benefit. A lot of R&D and innovation work have

been carried out to promote and support the development of integrated broiler business. For example, the feed product model of granular powder, the control of grinding size and PDI, the study of post-coating technique for liquid raw materials, the technology of controlling microbial contamination through feed processing, the technology of early diagnosis of digestive tract health, the precise application of broiler raw material database, and several technologies for improving the weight of gizzard.

#### **c. Layer feed product**

The Company has made full advantage of protein sources and co-product resources to reduce the use of corn and soybean meal, whilst optimized production parameters and inclusion levels to achieve higher production performance and lower costs as well as increase competitiveness of related products. Depending on evaluating the practical use of cereal co-products and corn produced in different year, it has relocated metabolic energy value, updated databases and provided scientific basis for purchasing materials and designing ration. Moreover, it has developed low cost formula of low total phosphorus to effectively reduce the amount of calcium phosphate use, whilst assessed layer premixes and provided solutions for products further improvement. It also rationally used functional products to improve intestinal health and immune function in laying hens to increase eggshell quality and color, extending the laying period. Independent R&D of biological fermentation technology, which has been widely used in the Company's feed product, could improve intestinal health, disease resistance and anti-stress ability, increase feed conversion ratio, whilst by developing new products to extend the egg shelf life and quality.

#### **d. Ruminant feed product**

The Company has built several research farms and conducted field experiments for beef cattle and finishing lambs. With the research support, the technical team, including nutritionists, formulators and product managers, carried out a series of products verifying tests and put forward certain market-orientated products which could improve the carcass quality and slaughtering rate, meanwhile, it also put forward the feeding programs to shorten the fattening period of beef cattle and implemented the total mixed ration for finishing lambs, which promoted the fast progress in feeding and realizing better profit for

farmers.

#### e. Aquatic feed product

The goal for R&D in aquatic feed is to develop more stable, efficient, and highly safe feed for maintaining the health of aquatic animals, and finally ensuring the food safety. The technologies include, researching and evaluating protein-saving and amino acid balancing technology to realize low protein diets and fish meal replacement, utilizing bio-enzyme appropriate for aquatic animals to achieve low nitrogen, low phosphorus and reduce pollution emission, moreover, relying on functional additives such as biological active peptide and the technology of protecting intestinal tract and liver to guarantee the health of aquatic animals. Furthermore, the Company also put forward some management programs for raising aquatic animals in 2018, including the "1-2-3" management model for freshwater crayfish, highly efficient management model for river crab, etc., which has improved dietary efficiency and growth rate, some special commercial feed for carp, loach, channel catfish, crayfish, pacific white shrimp have been proved to be more competitive and more popular with high quality and cost price. The functional feed products represented by "Stronger Liver and Intestine" can enhance the immunity function and promote the health of cultured animals, with lower incidence of diseases and higher economic value.

#### E. Cash flow

Unit: yuan Currency: RMB

Item	2018	2017	Change %
Cash inflow of operating activities	16,387,473,689.22	14,379,421,212.36	13.96%
Cash outflow of operating activities	15,886,068,773.63	13,768,030,841.61	15.38%
Net cash flow from operating activities	501,404,915.59	611,390,370.75	-17.99%
Cash inflow of investing activities	61,627,106.73	72,034,325.33	-14.45%
Cash outflow of investing activities	571,358,643.35	698,441,861.53	-18.20%
Net cash flow from investing activities	-509,731,536.62	-626,407,536.20	Not applicable
Cash inflow of financing activities	1,818,096,102.83	1,634,364,154.53	11.24%
Cash outflow of financing activities	1,651,103,379.20	1,584,489,956.92	4.20%
Net cash flow from financing activities	166,992,723.63	49,874,197.61	234.83%
Net cash flow	148,523,982.16	33,366,297.35	345.13%

## 2. Assets and liabilities

Unit: yuan Currency: RMB

Item	Closing balance of 2018	% of total assets	Closing balance of 2017	% of total assets	YoY change %	Note
Derivative financial assets	2,042,527.60	0.03	971,380.80	0.02	110.27	increase of the position of derivative financial assets
Prepayments	185,899,348.53	2.68	266,224,330.51	4.45	-30.17	decrease of the prepayments for raw materials
Long-term equity investment	1,354,820,455.99	19.55	1,022,372,386.20	17.08	32.52	increase of new investments and additional investments in associated companies, the number of associates accounting by equity method increased
Construction in progress	255,719,188.30	3.69	122,640,897.91	2.05	108.51	increase of newly built pig farms
Productive biological assets	30,484,794.88	0.44	19,281,856.15	0.32	58.10	increase of purchasing parent stock
Other non-current assets	197,497,688.18	2.85	32,362,984.62	0.54	510.26	increase of prepayments for land and long-term assets
Other payables	309,537,195.12	4.47	201,709,649.48	3.37	53.46	increase of the obligation of repurchasing the restricted incentive stock
Non-current liabilities due within one year	32,999,999.96	0.48	20,000,000.00	0.33	65.00	increase of long-term payables due within one year
Long-term loans	118,500,000.00	1.71	20,300,000.00	0.34	483.74	increase of long-term bank Loans
Long-term payables	23,345,833.38	0.34	0.00	0.00	-	the subsidiary conducted financial lease and need to pay for the leased equipment



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

#### **A. Fundamental state of industry and the Company**

##### **a. Industrial policies and their impacts on the Company**

###### **(a) Industrial policies**

- ◆ "No.1 Document issued by the CPC Central Committee" formulates the strategy for rural revitalization

On January 2, 2018, the Central Committee of the Communist Party of China (CPC) and State Council issued the *Opinions of the Central Committee of the Communist Party of China and State Council on the Implementation of the Rural Revitalization Strategy* ("No.1 Document issued by the CPC Central Committee" of 2018). As stated in the document, "Implementing the strategy of revitalizing the rural areas is a major decision and plan made at the 19th CPC National Congress, a major historical task for securing a decisive victory in building a moderately prosperous society in all respects and moving on to all-out efforts to build a great modern socialist country as well as a general principle for the work related to agriculture, rural areas and farmers in the new era. Compared with the "No.1 Document" issued in the past few years, the Document of 2018 is not a specific guidance for a subdivided segment of the industry, but a comprehensive coverage of the political construction, economic construction, cultural construction, social construction, ecological civilization construction and other aspects in rural areas. Meanwhile, the Document is not limited to the tactical guidance in the stage, but makes a long-term plan for the work in the coming decades from strategic level.

Agriculture in China has always been regarded as the foundation of the national economy. The release of the "No.1 Document in 2018" has once again clarified the significant importance of the work related to agriculture, farmers, and rural areas, and a series of follow-up policies also provided good opportunities for key agricultural and animal husbandry enterprises.

- ◆ The new edition of Hygienic Standard for Feed was officially launched

Approved by the General Administration of Quality Supervision, Inspection and Quarantine

of China and the Standardization Administration, the revised *Hygienic Standard for Feed* was officially promulgated and implemented on May 1st, 2018.

The revised new edition mainly focuses on the following aspects: First, it added the items on pollutants. The item on the control of toxic and hazardous substances has been expanded to 24 branches in 5 categories, including 164 technical indicators, which contain inorganic pollutants, natural plant toxins, mycotoxins, organochlorine pollutants and microorganisms, 80% of which meet the world's most stringent EU standards. Second, the standard expanded the types of applicable feed categories, comprehensively covering feed raw materials, premix, concentrated feed, concentrate supplement and compound feed. Third, it refined the limitation of quantitative value of each item in different feed raw materials, different animal categories and feed products designed for different growth stages, more than 100 limitations of quantitative values were modified or supplemented. Fourth, it added and modified the detection methods of some items in combination with the progress in detection technology.

The newly edited *Hygienic Standard for Feed*, as a mandatory national standard, adheres to the "most stringent standards" requirements, so as to ensure the safety of animal food and consumer health from the source.

◆ Comprehensive promotion of reducing the use of veterinary antibiotic

On April 20th, 2018, the Ministry of Agriculture of China released two documents, *Notice of Ministry of Agriculture and Rural Affairs of China on the Pilot Program for Reducing the Use of Veterinary Antibiotic* and the *Plan of Pilot Program*. According to the plans, the pilot program for reducing the use of veterinary antibiotic during animal raising phase should try to carried out within three years, while related reduction model should be promoted and reduce the use of antimicrobial drug feed additives to achieve "zero growth" in the antibiotic, and the problems of drug residue for livestock and antimicrobial resistance should be effectively controlled.

It can be predicted that in the next few years, the progress of reducing the use of antibiotic in the feed industry will be comprehensively promoted. It has become a new challenge for feed companies to seize the commanding heights of "reducing antibiotic" and "antibiotic-free".

◆ Promulgation and implementation of *Environmental Protection Tax Law*

From January 1st, 2018, *Environmental Protection Tax Law of China* officially came into effect, imposing environmental protection tax on pollution emission of large-scale livestock and poultry farms. According to the law, the farms with more than 50 heads of cow, 500 heads of pig or 5,000 broilers (ducks) would be required to pay tax for environmental protection

Other than previous administrative regulations, department rules or local regulations, the *Environmental Protection Tax Law*, like the *Environmental Protection Law*, is enacted and promulgated by the Standing Committee of the National People's Congress, which is at the forefront of China's legal system with supreme legal authority. The enactment and promulgation of the Law indicates the government's commitment to environmental regulation, while it is the practice of green development concept at the legal level, and has great significance for promoting the construction of social ecological civilization and economic green development.

**(b) The impacts of industry policies on the Company and its response**

In 2018, the supply-side structural reform of China's agriculture and animal husbandry industry was carried out in an orderly manner, and solid steps were taken in structural adjustment, quality and efficiency improvement. In this context, the government and the market have also put forward new standards and requirements for agriculture and animal husbandry industry, bringing both challenges and opportunities.

◆The top-level design of Rural Revitalization Plan provides key players of the industry a historic opportunity

On one hand, the successful implementation of rural revitalization strategy needs to depend on the enforcement of governmental departments and workable measures of various policies. On the other hand, it is also necessary for the key players in agriculture and animal husbandry industry to make full use of their rich social resources and business practices to drive the development of the industry. Strategic layout of rural revitalization provides a good opportunity for their business expanding.

◆Increasingly stringent standards for health and environmental protection make the

industry continuing to consolidate

In 2018, the new edition of *Hygienical Standard for Feed* and the *Environmental Protection Tax Law* were officially implemented, and the pilot program of "reducing the use of antibiotic" was launched, indicating that the health and environmental protection management of Chinese animal husbandry industry has entered a more rigorous new stage. This will further accelerate the consolidation in animal husbandry industry, the smaller, unqualified and polluting players will be driven out of the market or seek support from larger players, making key players' advantages in scale, technology, brand, capital and service being further highlighted.

In the face of new policies, the Company has formulated a series of strategic guidelines and business plans, as detailed in the "Company Development Strategy" and "Business Plan" sections below.

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

**--The position of the Company in the industry**

The Company has won many honors and titles including "Excellent National Agricultural Industrialization Leading Enterprise", "National Accreditation of Enterprise Technology Center", "Vice President of China Feed Industry Association", "Well-known Trademark of China", "High Technology Enterprise", etc. In 2016, the Company was rated as "Top Ten Leading Feed Enterprises in China" by China Feed Industry Association. From 2015 to 2017, the Company had been listed in China's Fortune 500 List for three consecutive years, only five agricultural and animal husbandry enterprises were selected in 2017. From 2016 to 2017, the Company had been listed in the "Top 100 Light Industry Enterprises of China" for two consecutive years.

In the brand value evaluation results of Liaoning Province in 2018, the Company has become the highest score winner among more than 100 enterprises from nine industries by its brand strength value of 961. It is in the first-class level of the industry, and some indexes are far beyond the others within the industry, it has the brand value of RMB 1.16 billion.

Furthermore, the Company is the largest agricultural and animal husbandry enterprise in the Northeast China, which has a high brand influence in the North & Northwest China, Shandong Province and other places. In 2017 and 2018, the Company slaughtered 392 million and 455 million of white feather broilers respectively (including holding and associated companies), ranking the first echelon of China's white feather broiler industry.

➤ **Competitive advantages:**

**(a) Advantage of talents**

Talents are the most valuable wealth and core competitiveness of the Company, and the resource of talents has become one of the Company's strong competitive advantages.

The comprehensive strength of the Company's talents team is at the forefront of the industry. The management team led by the co-founders has high academic qualification and professional background, also a deep understanding and recognition of corporate culture and management mode. They are united and stable, always fighting in the front line of markets with a strong cohesion. 70 percent of the general managers and above level managers of the subsidiaries have bachelor degree or above, and more than one-third of the young managers selected from the "Sunflower Program", which is one of the Company's most important talents reserve programs, receive masters degree or above. Meanwhile, its strong R&D team ensures the leading-edge technology and products. It also has a team of young and professional marketing and technical supporting experts who have systematic and professional knowledge and practice regarding farm management, which is the guarantee for the implementation of the Company's marketing strategy.

The Company's talents advantage stems from the advanced human resources policy. In terms of talents introduction, the Company always adheres to the principle of high-standard recruitment and upholds the core culture of "knowledge is power, unity is power". In terms of talents training, it formulates dual-channel training system according to its strategic goals and staff development need, providing a targeted platform for helping the staff to grow. In terms of talents incentive, the Company continuously improves and optimizes the remuneration policy, and implements merit-based principle of remuneration, it also conducts separate performance appraisal system for the sales team and administrative departments so as to keep the team dynamic. At the same time, the

Company adheres to the principle of "sharing bumper harvest", shares its development achievements with employees in various ways, such as holding shares of subsidiaries and elasticity welfare. In 2018, the Company carried out the restricted stock incentive program, which 372 core talents and key position talents participated. Through this program, the interests of Company, shareholders and key-employees are combined together to ensure the sustainable and stable development of the Company and ultimately achieve a win-win situation for all.

**(b) Advantage of industrial layout**

The Company's advantage of industrial layout centers on the structure and geographical location.

In terms of industrial structure, the Company has primarily formed a value chain with high competitiveness and risk control in fields of raw material trade, feed, animal raising, slaughtering, food further processing, which can improve the overall competitiveness, enable all business divisions to connect closely, enhance profit margin and greatly reduce the risks of single operation. Through the integrated management of the industrial chain, the product quality can be also better managed, and the safety of products can be ensured by applying internal management and traceability system, which ultimately meet the requirements of consumers for food safety.

In terms of geographical location, the Company's headquarters is located in Shenyang of Liaoning Province, with more than 130 holding and associated companies located in over 20 provincial regions across China. These companies can quickly respond to new market situation and policy environment, which form industry linkage with regional advantages. In addition, the Company actively responds to "the Belt and Road Initiative" to vigorously expand international markets by building plants in Nepal, the Philippines, Indonesia, Russia, etc., and now it is well on its way to exploring new markets abroad.

**(c) Advantage of R&D**

Regarding to R&D team, the Company has a technical team composed of more than 100 masters, doctors, professors and senior experts who have profound theories, they apply cutting-edge technologies to practice and conduct field-work in different farms. Relying on rich formulating experiences, leading database application technology and high level

animal growth model and other advantages, the Company has established a technological innovation system to continuously provide safe and high-quality products for the society, and offer first-class customized nutrition for the farms, which effectively enhance the added value of the products and farms' economic benefit.

Regarding to R&D achievements, the Company has over 70 kinds of scientific research programs, and each year it launches 10 new products and technologies. Now it has 40 patents invention, and has received 2 prizes of National Science and Technology Progress Awards and near 20 ministerial and provincial-level technology awards. In addition, the Company has also realized significant breakthrough and achieved good benefits in broiler raising technology and farm operation program, especially in the implementation of three tiers cage system, which drives the livability, average body weight, feed conversion ratio and other core indicators of broiler standing in the forefront of domestic industry and being recognized by cooperative farmers. In terms of know-how and management programs for large-scale farms, the minimum ventilation technology for cage-fed broilers, automatic control of house environment, ventilation and backwashing of drinking water system, weekly body weight, disease prevention & immunization, as well as the use and control of medicines, etc., have also reached the first-class level in China.

Regarding to technical cooperation, the Company cooperated with Royal De Heus in 2006, a century-old Dutch company. By combining De Heus' strengths with its own researches on nutrition and raw materials, the Company has formed a data-based nutrition evaluation system, continuously launched efficient and innovative solutions centered on the needs of local market and customers, among which it has made pioneering explorations and breakthroughs in "safety and high quality", "precision and efficiency" and "antibiotics-free for environmental protection" and other aspects.

**(d) Advantage of product quality**

The quality control team of the Company has established an excellent control system for raw materials by strict acceptance standards and high level testing technology. Whilst all the staff strictly implement the *Standard of Feed Quality and Safety Management* issued by the Ministry of Agriculture of China, and combine the ISO9001, ISO22000 and ISO-IEC17025 quality and food safety management systems to improve the standardized

process from purchasing to production, quality control then to sales, all of them are always dedicated to ensuring the safety and high quality of products.

The R&D testing center, equipped with high-level testing equipment and facilities with 15 laboratories in terms of physicochemical testing room, microorganism testing room, etc., is one of the first testing centers capable of detecting melamine and other banned additives. Moreover, the testing center has been certified by CNAS as the key laboratory of the state, making its testing and calibration results being recognized by 41 countries and 55 authoritative institutions. In 2018, it won the first prize in the evaluation of testing technology of peer enterprises in Liaoning Province. Through comparison with SGS, Yili Group, Yihaikerry Group and other upstream and downstream enterprises and third-party enterprises, the testing results of the Company have won recognitions.

**(e) Advantage of brand**

The Company has always been paying great attention to brand building. The trademark "Wellhope" has been awarded many honors, such as Liaoning famous-brand product, Liaoning famous brand, China's well-known trademark, China's top 500 most valuable brand, the most influential brand in animal husbandry, and trusted product in China feed industry. In addition to the "Wellhope" brand, the Company also adopts the operation mode of multi-brand, which can not only cover the target market at multiple levels, but also provide customers with more choices. The cross-coverage of main and auxiliary brands has played a positive role in promoting the sales volume of the Company. As a corporate brand, Wellhope has become one of the most advantaged brands, which is widely trusted and favored by its partners, customers and suppliers. Whilst as an employer brand, Wellhope has been recognized and loved by its employees and favored by job seekers. On December 11st, 2018, the Company won the honorary title of "National model enterprise of harmonious labor relations" initiated by the Ministry of Human Resources and Social Security of China. Meanwhile, on December 18th, 2018, it was selected as one of the "Top 10 best employers of 2018 in Shenyang" from more than 30,000 enterprises in the "Best employer awards ceremony of 2018 in China" organized by zhaopin.com.



**(f) Advantage of cost****◆Feed raw material**

The Company is located in the Northeast of China, the major corn producing area featured by "high unit weight, low toxin and little moisture", which is conducive to guarantee its product quality and effectively reduce the purchasing cost of energy raw materials. Therefore, even with the same purchasing price, the Company can maintain the quality advantage of energy raw materials. In addition, the Company's headquarters has established an excellent purchasing management system: Firstly, the Company has established strategic partnership with many top domestic and foreign raw material suppliers, the purchasing mode of the Company is classified into three levels, including headquarters centralized purchasing, inter-regional price comparison purchasing and local purchasing, which can strategically decrease the purchasing cost. Secondly, the Company combines raw material trading business with purchasing management, its professional purchasing team has a long term view of raw material prices and availability, makes great efforts to reduce the purchasing cost by ways of conducting real-time tracking on the market, unified management of different varieties and buying on future markets, etc. Thirdly, the purchasing team cooperates closely with the R&D team to further optimize the purchasing cost through re-formulating the feed, such as changing the composition of the feed to use cheaper alternative raw materials while achieving the same results. Fourthly, the Company works closely together with Royal De Heus experts, the two sides have set up a sharing channel to timely share the market trends and predict prices in regard of raw materials and additives, etc., meanwhile, the two parties may carry out joint purchasing cooperation after import channels of raw materials can be broadened in the future, thus greatly enhancing the overall bargaining power.

**◆Integrated broiler business**

The Company has always been committed to improving the production standards of each part in the value chain of integrated broiler business by ways of constantly innovating the practical operation technology and management mode, optimizing the production and operation indicators, and enhancing staff's working efficiency to indirectly reduce the

overall operating costs. On the demand side, the Company has high market recognition and a large downstream customer base, which is conducive to the efficient release of its production capacity. On the supply side, the Company maintains stable capacity utilization rate, which has been at a high level for the past three years. Therefore, the marginal cost and average cost of integrated broiler business remain at a low level supported by conducting fine production management and high capacity utilization rate. In 2018, the integrated broiler business division continued to expand business and upgrade the equipment in the slaughterhouses, which further improved the automation and intelligence level, and significantly enhanced the slaughtering efficiency, guaranteed the product quality and reduced the production cost.

➤ **Competitive disadvantages:**

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

**c. Company business model, upstream & downstream circumstances**

➤ **Upstream & downstream circumstances**

**(a) Upstream industry**

The upstream raw materials relating to feed business cover corn, soybean meal, fish meal, cotton meal, rapeseed meal, amino acid, vitamin, etc., whilst the upstream products of integrated broiler business are mainly parent stock.

As for corn in 2018, China's corn planting structure was adjusted and the effect of destocking was remarkable. Meanwhile, the consumption of further processed products increased, and along with the impact of China-US trade friction, the corn price presented upward trend with fluctuations. In the first half year, corn price rose at first then fell down, and in the second half year, the expectation of sharp decline of production in China's major corn producing areas promoted the higher corn price, meanwhile, due to the China-US trade friction, the bullish sentiment in the corn market has determined that it was difficult for the corn price to fall in the later period.

As for soybean meal, the main trends of the market in 2018 can be divided into two

phases. In the first stage, the core factor was the reduction of soybean in Argentina, but it did not bring a significant increase of the soybean price under the backdrop of abundant soybean supplement in the United States and Brazil. In the second stage, the China-US trade relationship became the core factor. Affected by the trade friction, China's soybean imports dropped at the first time within the past 7 years, according to data released by the General Administration of Customs, the total soybean imports in 2018 decreased by 7.9 percent on a year-on-year base. News of trade frictions between China and the United States continued to upset market expectations, triggering wild fluctuations in soybean meal price.

As for fish meal, the price came off early highs. At the beginning of 2018, the fish meal market continued the heat of the end of the prior year. After October 2017, the nationwide fish meal inventory was less than 60,000 tonnes, the shortage of inventory and the delayed arrival of goods led to the supply fell short of demand, making the price remaining high for a period. Coming to April, the arrival of new season's fish meal brought dramatically increased supplies, and along with the impact of African swine fever on downstream demand, the price of fish meal fell sharply. Until the end of 2018, the market has been in the basic situation of oversupply.

As for other feed raw materials, China-US trade friction caused a sharp decline in soybean imports, other alternative demands of miscellaneous meals such as rapeseed meal and cotton meal increased significantly. Overall, the international situation was conducive to the domestic meals market, together with gradually improved consolidation of feed additives industry, a relatively rigid demand leads to the strengthening of market price transmission mechanism.

As for broiler, China remained a low introduction of grandparent stock in 2018. According to the statistics of China Animal Husbandry Association, the number of introducing (updating) grandparent stock in 2013 reached 1,541,600 sets, while in 2018 only 750,000 sets, which was less than 50% of that in 2013. Due to the tightening introduction of grandparent and the obvious reduction of forced molting, the inventory of parent stock shows a downward trend, and the prices of parent day old chicks and commercial day old chicks are expected to keep rising, China's white feather broiler industry may continue a tight supply situation in 2019.

**(b) Downstream industry**

Feed industry is the front end of the industry chain of animal husbandry, and its downstream connects the animal raising industry, slaughtering industry and the terminal consumption of meat products. The Company primarily manufactures pig, poultry and ruminant feeds, so the feed business demand of the Company is greatly influenced by the market of pig, layer, broiler, ruminant animal and the terminal consumption structure.

As for pig raising business, this industry was hit by "price drop" and ASF in 2018. In the first half of the year, the price showed a downward trend due to the large inventory of pig. In the second half of the year, ASF spread to more than 20 provincial-level administrative regions, which increased the downward pressure on the industry. ASF accelerated the progress of cutting overcapacity, and a large number of pig were culled which resulted in a huge gap in the supply of pork. The pig price cycle will be strongly rebounded after bottoming.

As for layer market, the government has set strict restrictions on food safety, and environmental protection has stepped into new normal phase. Relevant policies issued by the government on pollution prevention and animal raising area adjustment constrained the capacity of layer. Moreover, influenced by ASF, the alternative consumption of egg has increased, making the egg price in 2018 at a high level. Overall, the layer market was booming in 2018.

As for broiler market, white feather broiler was introduced to China in 1986, after more than 30 years of development, China has become one of the world's leading producers of white feather broiler. But from 2015 to 2018, the introduction of white feather broiler has been lower for four consecutive years, which led to the tight supply of parent and commercial day old chicks. Moreover, on the demand side, the spread of ASF caused a big shortage of pork, so the consumption of white feather broiler as the alternative skyrocketed. Overall, under the dual effects of sharp contraction at the supply side and moderate expansion at the demand side, the white feather broiler industry has already ushered in a historic strong period with an expectable prospect.

As for ruminant market, China is a big producer of beef and mutton. With continuously improved consumption level of residents, especially the changes in the dining table of

urban residents, beef and mutton consumptions have risen significantly. From the beginning of August 2018, ASF spread in many regions in China, some consumers abandoned pork and switched to other meat, which has increased domestic consumption of beef and mutton. The National Bureau of Statistics showed that, at the end of 2018, China's beef price index rose by 6.0% on a year-on-year base, and the lamb price index rose by 11.9%. Overall, the increases of beef and mutton consumption have become an irresistible trend, and the tight supply will not change fundamentally in the short term.

As for terminal consumption, the structure of meat consumption has been gradually changing, presenting rapidly growing proportion of beef and chicken. According to statistics from the US Department of Agriculture, in 1987, the per capita consumption ratio of pork, beef and chicken in China were 88.81%, 3.71% and 7.48% of the total of three types of meat, pork consumption was close to 90%. Coming into 2018, these figures changed to be 73.60%, 11.22% and 15.18%, pork consumption showed a downward trend. Compared with pork, beef consumption presented a small base but an obvious trend of growth, and chicken also showed a large increase.

In general, due to ASF resulted in a huge gap in the supply of pork, the pig cycle is expected to bottom out in advance and the alternative broiler and ruminant market will be leaping forward. Moreover, along with the popularization of the concept of healthy diet and due to the high fat content of pork, chicken and beef consumption will continue to be increased, and the change in the structure of meat consumption will become the general trend.

#### **d. Primary technology**

Relying on the advantages of independent research strength and combination of industry-university-research cooperation, the Company constantly pursues technological innovation in various fields. According to the circumstances of feed market and raw materials, as well as customer-based demands, the Company has integrated its know-how and product superiority with the advanced nutrition technology and service philosophy of its strategic partner Royal De Heus, refined its technology and reformulated feed products, the primary technology includes:

**(a) Low protein diet:** The resources of protein raw materials are difficult to satisfy the needs of livestock production in China, and heavily dependent on imports. The demand on protein as for poultry and pig is essentially amino acids. In the past, only the diets with higher crude protein could meet the needs of different amino acids for livestock and poultry. By way of studying on the characteristics of digestion and absorption of animals at different physiological stages and the nutritional needs of amino acids, the Company has established an ideal amino acid model, which combines with the application of industrial synthetic amino acids, so as to reduce the crude protein in the diet, save food resources, mitigate environmental pollution, and meet the needs of pig and poultry for maintaining the demand on nutrition.

**(b) Exploring of antibiotic-free feed and reducing the use of antibiotic in the farm:** Consumers pay great attention to the food safety, and China is now steering to the post-antibiotic era from the antibiotic era. Supported by raw materials' selection, quality control, crushing process, the use of phytase and the functional additives, the Company ensures the feed products can provide stable, balanced and highly digestible nutrition, which keep animal health and increase the immunity and anti-stress ability. Meanwhile, the Company guides the farmers continuously improving bio-safety, field management and feeding program, trying to produce antibiotic-free feed and reduce antibiotics throughout the raising process.

**(c) Sow diet with functional dietary fiber:** By adding a variety of non-fermentable dietary fiber and supplementing cationic salts as well as electrolysis vitamins in the diet of sows, the Company increases the proportion of dietary fiber and adjusts the electrolyte balance, so as to stimulate the intestinal tract movement, improve the health of gastrointestinal tract of sows, which can solve the constipation problem, enhance the satiety of pregnant sows, reduce stereotyped behaviors and relieve the farrowing stress. The most importance part is that, by improving the postpartum appetite, increasing the feed intake of lactating sows, it can stimulate the milk production, and sequentially improve sows' reproductive performance, reduce the raising costs eventually in order to increase economic benefits. The effect of this technology has been proved and it is at the leading edge in this research area.

**(d) Establishing broiler nutrition-based database:** Broiler raising is mainly concentrated in the central and northeast regions of China, which are featured by wide-span and obvious seasonal variation. In addition, affected by the short feeding cycle, high raising density, especially ventilation, temperature and lighting management which can directly impact on the mortality and morbidity, as well as the market demands on raw meat which need to provide large gizzard (muscular stomach), high-quality breast and sized legs, the Company has established a nutritional requirement database for broilers, developed different types and combinations of feed and feeding program, and formulated the nutritional requirement of broilers under different external conditions, in order to meet the needs of the market and customers under different conditions, and to improve the feed conversion ratio, reduce the mortality rate, and promote the growth potential. Meanwhile, as the increasing exports of meat products bringing higher requirements on antibiotic-free or lower antibiotic, the Company has conducted more stringent control over the use of medicine added to feed, which is stricter than national standards. Raising broilers by fine nutrition and lower antibiotics can decrease the costs, reduce waste discharge and environmental pollution.

**(e) Broiler feeding management:** The Company carefully studies on the impacts of feed and raising process on production performance and efficiency. After years of explorations and accumulated practices, the Company's broiler feeding management and technology level, especially the application of three tiers cage system, have made significant breakthroughs and good benefits. The core indicators of commercial broilers, such as livability, average body weight and feed-meat ratio, have been in the forefront of the domestic industry and widely recognized by cooperative farms. Key technologies and management of large-scale raising, such as minimum ventilation technology for caged broilers, automatic control of raising environment, ventilation and small windows, automatic backwash of waterline system, weekly gained weight, disease prevention and control, immunization, drug use and control have also reached the first-class level in China. Whilst, its independently designed ventilation mode and solar energy utilization technology can simplify ventilation and heat preservation, reduce electricity consumption, save coal and mitigate air pollution.

**(f) Functional feed for strengthening the liver and intestinal tract of aquatic animals:**

The primary metabolic, immune and digestive organs of aquatic animals include livers and intestinal tracts, which play an important role in maintaining the health. The Company has selected variety of functional additives, which are beneficial to protect and repair liver and intestine, along with using immune enhancers such as bioactive peptides, plant essential oil, probiotics and immune polysaccharide, it can improve immunity for reducing morbidity of animals and finally increase the economic benefits of aquaculture.

**(g) The “1-2-3” management model for freshwater crayfish:** Farmers are easy to neglect wintertime and springtime during crayfish culture. In these periods, the short of feed source and the slow ingestion of crayfish can make many troubles to crayfish because of the low water temperature in pond. Also, some mistakes exist in aquaculture management in these periods, such as selecting low grade feed or even no feeding and neglecting water quality management. As for this, the Company has developed special feed named “Kai Kou Bao” for juvenile and subadult crayfish, which has higher nutrition, stronger attractivity and better digestibility. Meanwhile, it also has developed a series of water adjusting products and biological fermentation products in order to satisfy the water quality in the low-temperature period. The use of these products can benefit to improve the water quality, fertilize the cultured water, and provide more natural food, and finally contribute to the economic benefits.

**(h) The 305-day 10 tons’ milk program:** According to the nutrient requirements and the key management points at each stage of dairy cattle, a full series of products have been developed for calves, heifers, lactating cattle, dry cattle and close up cattle, which can improve the feed intake and the weaning weight for calves. Moreover, the Company pays more attention to the growth of heifers in terms of height, length and udder, the age of first insemination can be around 12.5 and 13.5 months. In the period of dry and close up, the nutrients have been scientifically offered to increase the dry matter intake and reduce the incidence of metabolism disease after calving. Whilst for lactating period, the nitrogen and energy have been well balanced in the compound for lactating cattle to improve the rumen environment and to increase milk yield. In addition, the Company also provides the customers farm management practice and nutrition program of 305-day 10 tons’ milk.



**(i) Feeding program for beef cattle and lambs:** Basing on the nutrients requirement and physiological characters of beef cattle, the Company constantly formulates the feeding programs and technical solutions for different stage to improve the finishing performance, also launches related products based on rumen regulation techniques. Whilst according to the nutrients requirement of finishing lambs, the total mixed ration diet has designed to increase the dry matter intake and minimize the feed waste, which can help to achieve the precise feeding and the balance of nutrients.

**(j) Precise and dynamic feed formulation technology and high-temperature pelleting technology:** The Company has carried out active academic and technical communications with China Agricultural University as for the dynamic database of feed raw materials, which provide big data support for reducing formula cost and improving precise formulation. The high-temperature pelleting technology can reduce the risk of microbial pollution, but it has different degree of loss of temperature-sensitive nutrients. As for this, the Company is organizing research on countermeasures to improve product competitiveness and the bio-safety level of broiler and pig feed.

## **B. Production and sales circumstance**

### **a. Production and sales mode**

The Company carries out the system of "purchasing-producing-selling", it implements the mode of producing feed products by orders, and conducts the sales mode of selling on commission and direct selling. Regarding small and medium farms, they buy feed from the dealers, and the large-scale farms buy the products directly from the Company.

### **Where a co-production mode with farmers (applicable)**

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

**b. Main products distribution and selling**

Main Product	Channel	Sales volume (10,000 tons)	Sales revenue (10,000 yuan)	Sales cost(10,000 yuan)	YoY change of sales volume %	YoY change of sales revenue %	YoY change of sales cost %
Feed	direct selling	99.61	311,346.00	272,486.14	11.07	12.62	12.72
Feed	selling on commission	135.60	418,512.90	369,684.78	3.91	6.86	8.42

**Where adopts the mode of selling on commission**

As at the end of the reporting period, the Company had nearly 10,000 dealers of feed products, which mainly adopt the mode of prepayment before delivery and delivering products after receiving the payment.

The Company provided the price list of each category to the dealers, and the settlement price of products should be determined according to the Company's sales plan and sales contract. During the reporting period, there was no violation of the agreement by dealers such as fleeing goods.

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

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

In 2018, small-scale customers contributed to 6.41% of the Company's total sales revenue with 468 million yuan, bringing a small impact on operation.

**C. Information of the Company divided by industry segments**

Unit: 10,000 yuan Currency: RMB

Main products	Number of raising (10,000 broilers)	Number of sales (10,000 broilers)	Sales revenue	Sales cost	Gross profit margin %	Number of delivery (10,000 broilers)	Inventory (10,000 broilers)
White feather broiler	6,541	6,128	151,539.56	131,135.80	13.46	6,128	859

Note: Above sales revenue and sales cost are unconsolidated and offset.

Unit: 10,000 yuan Currency: RMB

Feed	Volume	Payment	Average Price/ton
self-produced	292,413 tons	78,052.04	2,669.24
externally purchased	4,724 tons	1,291.34	2,733.57

**4. Investment analysis**

As at December 31st, 2018, the balance of the Company's long-term equity investment reached RMB 1.355 billion yuan, increasing by 2.52% compared with the end of prior year. For details, please refer to "VII--Notes to the Items of Consolidated Financial Statements, part 9--long-term equity investment in the consolidated financial statements".

## 5. Main holding and associated companies

Unit: 10,000yuan

Company	Core business	Registered capital	Total assets	Net assets	Net profit
Shenyang Wellhope Feed	Feed manufacturing and selling	550.00	11,716.40	10,171.83	1,604.81
Liaoning Expert Trading	Feed raw materials and selling	5,000.00	33,579.92	21,142.49	1,707.32
Beijing Sanyuan Wellhope Agri-Tech	Feed manufacturing and selling	1,000.00	20,772.68	18,561.51	824.21
Shenyang Wellhope Agri-Tech	Feed manufacturing and selling	8,210.00	13,421.25	11,388.99	685.81
Xi'an Wellhope Feed Sci-Tech	Feed manufacturing and selling	500.00	12,101.73	9,829.94	2,151.73
Dandong Wellhope Chengsan Agri-Tech	Broiler raising and feed	8,000.00	42,578.68	27,585.22	15,152.36
Dalian Chengsan Animal Husbandry	Broiler raising and feed	1,008.61	63,052.63	45,905.58	11,737.74
Tai'an Jiuguhe Agriculture	Broiler raising and feed	1,060.00	31,457.04	15,578.88	9,745.58
Anshan Jiuguhe Food	Broiler slaughtering, processing and selling	4,320.00	52,935.70	24,224.95	6,930.31
Linghai Jiuguhe Food	Broiler raising and feed	1,755.00	18,381.40	8,930.98	4,103.73
Huluodao Jiuguhe Feed	Broiler raising and feed	1,085.00	13,894.06	6,591.69	4,507.09
Huluodao Jiuguhe Food	Broiler slaughtering, processing and selling	7,370.00	24,381.95	15,230.53	4,249.58

Unit: 10,000yuan

The impact of the net profit of subsidiary or the investment income from associated company on the net profit of the Company reaching 10% or above							
Company	Core business	Registered capital	Total assets	Net assets	Net profit	Operating revenue	Operating profit
Beipiao Hongfa Food	Feed, parent stock, day old chick, broiler raising and slaughtering	3,000.00	94,176.28	71,992.27	23,163.85	258,736.96	23,370.82
Dalian Heyuan Agri-Tech	Feed, parent stock, day old chick, broiler raising	10,000.00	69,211.00	30,468.68	14,523.16	144,818.66	14,688.33

Note: Above financial figures belong to the single subsidiary, excluding the data of the subsidiaries within consolidated scope of above companies.

### **III. Perspectives on the Company's Future Development**

#### **1. Industry structure and trend**

China has always attached great importance to agriculture, in recent years, along with continuous changes in international trade, resources and environment, technical conditions, industrial structure, policies and regulations, agriculture has also stepped towards a new phase. The "No.1 Document issued by the CPC Central Committee" of 2017 put forward the idea of deepening supply-side structural reform of agriculture, the "No.1 Document" of 2018 completed the top-level design of the rural revitalization strategy, whilst the "No.1 Document" of 2019 further pointed out that under the complicated situation of increasing downward pressure on the economy and profound changes in the external environment, it had a special importance to do a good job related to "agriculture, farmers, and rural areas". Under the background of continuous deepening of supply-side reform and gradual transformation and upgrading of the industry, animal husbandry industry has also ushered in new opportunities under numerous challenges.

#### **A. Increasingly improved industry consolidation**

Along with the fierce competition taking place in the feed industry, extra large companies constantly expand businesses, medium and large feed producers start to seek business opportunities, whilst small producers are gradually squeezed out of the market. Regarding to large companies, they utilize their advantages in technology, cost, brand, management and capital to continuously improve their total factor productivity and rapidly expand production scale and seize market shares through mergers and building new plants, those small and medium feed producers have gradually been weeded out in increasingly fierce competition due to their lower technical level, higher comprehensive costs, weaker brand reputation, insufficient management ability and enormous financial pressure. The continuous deepening of supply-side structural reform and constant transformation and upgrading of the industry will continually weed out unqualified players, which will lead to increasing improvement of industry consolidation.

#### **B. Continuously extended industrial chain**

Animal husbandry industry is consisted of feed production, animal health product, livestock and poultry raising, slaughtering and processing, etc., whilst its upstream is

connected to the planting industry, and downstream serves the farm and sideline food processing industry, these connected industries constitute an organic whole. Along with weeding out unqualified players, large scale animal husbandry companies are continuously expanding markets. Due to the needs of risk control, profit growth and food safety, those extra large players gradually integrate resources during their mergers and acquisitions, also expand lengthways for extending to the whole industrial chain and establishing a strong competitive edge and anti-risk capability. Impacted by development trend of “integrated industrial chain”, occupying the entire chain has become the development theme 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 environment protection regulations, such as the revision of the *Environment Protection Law*, the promulgation of the *Environment Protection Tax Law*, and the release of the *Regulations on Pollution Prevention of Scale Raising of Livestock and Poultry* and the *Action Plan for Pollution Prevention of the Agricultural and Rural Pollution*, etc. The successive launches of relevant policies have demonstrated China's determination for increasing environment protection supervision on the animal husbandry industry, and local governments have also issued certain new regulations in regard of farm removal, ban of raising and restriction of farms, which will further weed out unqualified players and make the animal husbandry industry facing the situation of re-shuffling.

**D. Great concern of food safety promoting the start-up of reducing the use of veterinary antibiotic**

On April 20th, 2018, the Ministry of Agriculture released two documents in terms of *Notice of Ministry of Agriculture and Rural Affairs on the Pilot Program for Reducing the Use of Veterinary Antibiotic* and the *Plan of Pilot Program*, which pointed out that, the pilot program for reducing the use of veterinary antibiotic during animal raising should be strived to be implemented within three years, whilst related reduction model should be promoted and decrease the use of feed additives of antimicrobial drug to achieve "zero growth" in using veterinary antibiotic, and the problems of drug residues and antimicrobial

resistance should be effectively controlled. It can be predicted that, in the next few years, the progress of reducing the use of veterinary antibiotic in the feed industry will be comprehensively promoted. It has become a new challenge for feed enterprises to seize the commanding heights of "reducing antibiotics" and "antibiotic-free".

#### **E. African Swine Fever driving bio-safety to become a key factor**

Disease has always been one of the major risks faced by animal husbandry industry. In China, ASF was first discovered in August 2018, and spread to more than 20 provincial-level administrative regions in the next six months. In response to the ASF, the government has successively issued a series of policies, and significant changes have taken place in pig industrial pattern. Long-distance transportation of pig has been restricted, whilst the original consolidated market has been divided into regional markets. Slaughter-process and logistics systems will also undergo major changes, the timing of establishing slaughter-process projects for companies engaged in livestock raising industry is gradually ripe. The era of integrating animal raising and slaughter-process business may be fully started. In addition, although ASF has driven some small back yard farms out of the market, this does not mean that China's large scale farms have advantages in controlling ASF. On the contrary, the bio-safety measures of large scale farms in China are not mature compared with overseas', whilst compared with those back yard farms, large farms also have the characteristics of "more heads of pig", "more people" and "frequent economic activities", it is difficult for large farms to control once the disease outbreak. Therefore, ASF has become an obstruction for promoting large scale raising in China, which will force China's pig raising industry must complete the transformation of "modernization" at first before being "large scale", whilst the boost of "large scale" is premised on 'thorough bio-safety measures and veterinary services'. Due to the improvement of bio-safety measures and veterinary services are restricted by "capital strength" and "construction period", for a long period of time, small back yard farms will rely on their "less investment", "small scale", "low cost" and "flexible response" to maintain their tenacious vitality.

## **F. Gradually changed consumption structure supporting an encouraging prospect of white feather broiler industry**

According to statistics from the USDA, the per capita consumption ratio of pork, beef and chicken in China were 88.81%, 3.71% and 7.48% in 1987 of the totals of three types of meat, and the pork consumption was close to 90%. Coming into 2018, these figures changed to 73.60%, 11.22% and 15.18%, the pork consumption showed a downward trend, but still huge. Compared with pork, beef consumption presented a small base but an obvious trend of growth, and chicken also showed a large increase. With the popularization of the concept of healthy diet, the proportion of chicken and beef consumption will continue to increase, especially for chicken, its nutritional characteristics of high-protein, low-fat, and low-cholesterol have been increasingly favored by Chinese residents. Moreover, in terms of growth rate and raising cost, etc., white feather broiler has greater advantages than pig and cattle. Under the dual effects of sharp contraction at the supply side and moderate expansion at the demand side, the white feather broiler industry has already ushered in a historic strong cycle, showing an encouraging prospect.

### **2. Development strategy of the Company**

The long-term development goal of the Company is to become one of the world's top agricultural and animal husbandry enterprises, whilst in the next three years, it will be striving to become an enterprise with leading-edge quality and efficiency across agriculture, animal husbandry and food industries and a supplier of relevant service. In 2018, the Company further clarified its development strategy for the next three years, i.e., upholding the core value characterized by "integrity, responsibility and win-win", insisting the operation culture featured by 'innovation, efficiency and self-discipline", giving full play to the advantages of regional position and coverage effect of the brand, business scale and customer relationships, steadily improving present core businesses (feed & trade), developing emerging strategic businesses (broiler integration & pig raising), and actively cultivate potential businesses (international business & food), meanwhile, further echeloning the talents team, unremittingly innovating technology and marketing pattern, information resources, investment and financing platform, deeply expanding international business centered on Southeast Asia, and crafting an operation model with leading-edge quality and efficiency that can create synergies and reduce costs among all business



divisions, whilst providing customers and related parties (shareholders, employees, suppliers, society) products and services with brand influence, becoming an enterprise with leading-edge quality and efficiency across agriculture.

Following the business strategy of developing industrial chain and vertical integration, the Company will continuously increase investment in the integrated broiler business, optimize its industrial structure and conduct lean management in internal operation, further improve safety and added value of terminal broiler products, whilst it will give great impetus to raw meat and cooked food businesses, achieve the goal in ten years that "every Chinese person eats one Wellhope broiler every year". Regarding to pig business, the Company will proactively design the distribution of pig raising business, gradually realize regional covering and leading position by taking related advantages, such as geographic location, highly professional personnel. The Company plans to take 5 to 8 years creating an operation model which is driven by two complementary engines in terms of integrated broiler business and integrated pig business. Regarding to feed business, it will continue to explore new markets through the transformation and upgrading of feed plants, increase market shares and sales volume of single plant, conduct lean management to continuously reduce costs and expenses, whilst improve the operating efficiency and profitability. For trade and related businesses, it will seize the opportunities such as animal raising scale expanding, the advancement of raising technology and upgrading of bio-safety system, conduct precisely marketing and improve services, pursuing a synergetic development with the main business and multi-win. The Company will also deepen, improve, thoroughly exploit the existing overseas markets.

**A. Talents leadership strategy:** The Company will give full play to the existing advantages of corporate culture, employer brand and human resource management, continuously optimize organizational structure and improve management system, strengthen talent echelon construction, enhance performance appraisal management and remuneration incentive mechanism, meanwhile, it will reinforce the recruitment of outstanding talents for integrated business, promote all policies being tilted towards excellent talents, make more excellent and high-potential talents can move to the management stage, continue to cultivate required talent resources to the organization.

**B. Technology innovation strategy:** The Company will strengthen the reserve of key technical talents, improve R&D management and evaluation system, as well as establish an effective incentive mechanism. Meanwhile, it will make great efforts to provide integrated solutions for customers by virtue of precise nutrition, strict quality control and innovative services. It will also enhance R&D expenditures in the field of broiler integration and pig raising, promote independent innovation and further exchange know-how and animal raising with Royal De Heus to ensure the leading-edge product competitiveness.

**C. Corporate culture strategy:** The Company will utilize the unique advantages of its corporate culture in corporate value orientation, behavioral traction and brand image-building, continuously improve strategic planning for corporate culture and its management functions, strengthen cultural publicizing and appraisal of implementation for core managers, and optimize promoting channels and further improve the ways of publicizing corporate culture, creating cohesive and highly recognized values and codes of conduct whilst forging a uniquely competitive enterprise and brand image.

**D. Informatization strategy:** The Company will allow fully play to the rich experience of informatization-based operation and maintenance in the feed business, help to strengthen core business and emerging strategic business, and further deepen the informatization level of feed business, rapidly promote the IT application of broiler integration and trade business, improve big data platform and training system to avoid security risks, and create an information resource management platform which will promote the Company's fine management , provide data for decision-making and expedite operating efficiency.

### **3. Business plan in 2019**

2019 is the first year for the Company conducting strategic changing and transformation, it will leverage the strengths of culture, talents, market and brand that have been accumulated over the years. While continuing to develop feed and raw materials trade businesses, the Company will reinvest in integrated broiler business and promote its in-depth management, whilst accelerate the distribution and operation of pig raising business, taking 5 to 8 years to craft an operation model driven by two complementary engines: integrated broiler and integrated pig businesses, focusing on achieving the management strength of "leading-edge quality and efficiency" that creates synergies and

reduces costs among all business, becoming an top-notch enterprise with leading-edge quality and efficiency across agriculture, animal husbandry and food industries as well as a manufacturer of safe and high-quality meat product.

#### **A. Integrated broiler business**

In 2019, the Company will seize the opportunities arising from consolidated industry and its transformation and upgrading, further improve the production capacity and scale through in-depth management and mergers and acquisitions, whilst accelerate the pace of broiler raising and cooked food business, moreover, great efforts will be made to increase the volume of broiler feed, promote slaughtering business and moderately expand the hatching business, so as to further improve the chain structure, and gradually enable the capacity of broiler raising can fully meet the slaughtering needs. It will strive to achieve the goal of raising 390 million broilers and slaughtering over 500 million in 2019(holding and associated companies together).

Furthermore, it will continue to strengthen lean management, adhere to benchmarking management to continuously improve internal management, and also attach great importance to boost raising technology, bio-safety system building, etc., meanwhile, along with centering on product innovation, quality safety and marketing expansion, it will try to realize promotions in the sales of fresh raw meat, prepared and cooked food, as well as exported products. Moreover, it will continuously pursue safety and efficiency improvement in broiler raising unit, chase quality and structure improvement in slaughtering and processing unit, whilst strive to achieve further improvement in scale and quality for further processing unit.

Relying on the opportunities provided by the industry and market and self-owned advantages, Wellhope will unswervingly expand, maximize and refine integrated broiler business, partnering towards the goal of taking 10 years for slaughtering 1 billion white feather broilers and providing each Chinese person with one Wellhope broiler per year.

#### **B. Feed and raw material trade business**

In response to ASF, the Company will continuously develop market-oriented feed products, increase sales of high-value products, continuously improve and innovate customer service systems, help customers to tide over the difficulties. While stabilizing pig feed, the

Company will seize the opportunity of structure adjustment of meat product, give full play to its brand advantage of ruminant feed, strengthen the marketing efforts of the ruminant and aquatic feed, further enhance product competitiveness and customer service quality, as well as strive to achieve a large percentage increase in ruminant and aquatic feed. Furthermore, in 2019, the Company will continuously deepen internal reform, separate the sales system and administration system of feed business, innovate incentive policies, continue to reduce production costs and period expense rate, and strengthen personnel management to ensure that the overall operation system is more efficient and competitive.

### **C. Pig raising business**

Based on the practices accumulated from 2017 to 2018, the Company has further clarified the strategy of entering pig raising business with firm confidence. In 2019, while continuing to operate existing pig projects, the Company will give great efforts to newly started 500,000 heads pig project in Fushun city, and the pig farm in Gongzhuling city. Meanwhile, it will actively seek for cooperation and acquisition opportunities regarding pig raising and slaughtering, further strengthen professional talents team building and bio-safety management for pig farms, especially focus on pig farm and farmers' disease prevention as well as the operation cost management for pig farms. Along with carrying forward newly built projects, the capacity of pig raising will be gradually released, the Company's holding and associated companies will try to achieve the goal of providing 300,000 heads of pig in 2019 (without considering the uncertainties caused by ASF).

### **D. Key points of transformation and management in 2019**

- ◇ Safety is the first priority.
- ◇ Uphold the driven rules for operation management: "Code of conduct of managers", "Strict management regarding three aspects" (strict intracompany management, strict performance appraisal, and strict self-discipline).
- ◇ Continue to promote excellent performance management, deepen the reform, and complete business transformation and upgrading.
- ◇ Focus on talents echelon building.

- ◇ Fully conduct lean management, gradually achieve leading-edge quality and efficiency.
- ◇ Enhance the management of financing and risk control, ensure the healthy and sustainable development.
- ◇ Implement brand strategy, enhance the core competitiveness.
- ◇ Speed up IT application, provide data for supporting decision-making.

#### **4. Possible risks**

##### **A. Risks of fluctuations in raw material prices**

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

##### **Solutions:**

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

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

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

(d) The Company and Royal De Heus have set up an information sharing channel, which makes the two sides can timely share the market trends, such as raw materials, additives, etc. In addition, the two sides may carry out joint purchasing cooperation in the future, which will greatly enhance the overall bargaining power.

#### **B. Risks of fluctuations in livestock and poultry prices**

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

#### **Solutions:**

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

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

#### **C. Risks of serious animal disease**

Feed and animal raising are the Company's two main businesses. Disease outbreak is one of the main risks faced by animal raising companies. Once a disease happens, it will cause panic in the market, which will reduce the demands, then lessen the production of the companies, decrease incomes and increase costs. Whilst, the feed industry mainly serves

downstream animal raising industry, the downstream market will directly affect the performance of feed business. As an unpredictable emergency, an explosive disease will undoubtedly have a strong impact on the Company's operations.

**Solutions:**

(a) Rationally optimize the industrial distribution and structural layout, disperse possible risks by the simplest and direct way.

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

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

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

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

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

**Solutions:**

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

(a) Regarding to raising and slaughtering, in the face of increasingly strict environmental protection requirements, the Company have comprehensively identified environmental risk points, and formulated emergency plan for environmental emergencies so as to maintain the stable operation. For the key pollutant discharge plants, the Company has

developed a complete self-monitoring program, which can find problems to repair, eliminate hidden dangers in a timely manner, it also continuously increases investment in environmental protection, such as personnel and funds, to ensure these plants always complying with national standards.

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

#### **E. Risks of exchange rate fluctuations**

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

#### **Solutions:**

(a) Closely focus and study on the dynamic international foreign exchange market, enhance the awareness of preventing foreign exchange risk, and improve the research and forecasting capabilities of the foreign exchange market.

(b) Improve the bargaining power in foreign trade transaction by enhancing the competitiveness of products, and use RMB for settlement, reduce the exchange rate risks by adding insured value clause and the exchange rate risk allocation clause in the contract.



(c) Make full use of foreign exchange forwards, swaps and options (combination) and other instruments to maintain the exchange rate for foreign exchange exposure.

(d) According to specific conditions of different countries, based on the principle of "using foreign currencies in foreign trade", reasonably match the income and debts to control the exchange rate risks.

#### **F. Risks of food safety**

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

#### **Solutions:**

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

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

## Section V Important Disclosures

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

#### 1. Cash dividend

The Company has established a sustainable, stable and scientific return system for investors basing on considering the Company's long-term and sustainable development, actual situation, current profit and future perspective of performance, shareholders' willing, external financing circumstances, etc.

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

During the reporting period, the Company conducted profit distribution for 2017 in April 2018: based on the total share capital on December 31st, 2017 as 831,176,469 shares, it distributed cash dividends of RMB 1.00 yuan per 10 shares (tax included), totalling 83,117,646.90 yuan.

The Company's 2018 profit distribution plan will be: based on the total share capital on the equity registration date when the 2018 annual profit distribution will be implemented, it will distribute cash dividends of RMB 1.8 yuan per 10 shares (tax included) to all shareholders, totalling RMB 166,014,791.28 yuan. This profit distribution plan will be submitted to the Shareholders' Meeting.

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

Unit: yuan Currency:RMB

Year	Dividend per 10 shares (yuan, tax included)	Amount of cash dividends (tax included)	The net profit attributable to the common shareholders of the Company in the year of distributing cash dividend	Percentage of net profit attributable to the common shareholders of the Company in the consolidated statements %
2018	1.80	166,014,791.28	551,928,618.35	30.08
2017	1.00	83,117,646.90	471,024,473.92	17.65
2016	1.00	83,117,646.90	426,978,443.55	19.47

## II. Execution of Commitment

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

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

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

1. The Company prepared the financial statements for 2018 in accordance with the Notice of the Ministry of Finance on the Revision and Issuance of the Format of General Corporate Financial Statements for 2018 (No. 15 [2018] of the Ministry of Finance) and its interpretation as well as the requirements of Accounting Standards for Business Enterprises, such accounting policy change adopts the retroactive adjustment method.

2. The Ministry of Finance in 2017 promulgated the No. 9 Interpretation of Accounting Standards for Business Enterprises - Accounting Treatment for the Net Loss of Investment under the Equity Method, No. 10 Interpretation - Depreciation Method which Bases on the Income Generated by Fixed Assets, No. 11 Interpretation - Amortization Method which Bases on the Income Generated by Intangible Assets, No. 12 Interpretation -Whether the key management service provider and receiver is related party.

The Company has implemented above interpretations from January 1st, 2018, which had no impact on the Company's financial figures at the beginning of period.

The changes in accounting policies will not affect the Company's total assets, total liabilities, net assets and net profits in the consolidated financial statements in 2018 and before the change.

### IV. Accounting Firm Engaged by the Company

Unit: 10,000 yuan Currency: RMB

Accounting Firm ( Local)	Jiangsu Suyajincheng CPA LLP
Payment	110
Length of Service	8 years

	Name	Payment
Accounting Firm of Internal Control	Jiangsu Suyajincheng CPA LLP	35

Accounting Firm ( Local)	Name	Jiangsu Suyajincheng CPA LLP
	Office Address	21st-23rd F, Central International Plaza, No.105-6 North Zhongshan Road, Nanjing, Jiangsu Province, China
	Name of Signed CPA	Zhou Jiawen, Wang Jin

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

**V. Major litigation and Arbitration Matters**

Non

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

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

**VII. Employee's Equity Incentive Plan, Stock Ownership Plan or Other Incentive Measures and related Impacts**

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

## VIII. Significant Related Party Transaction

### Related transactions related to Day-to-Day Operations

Matters do not disclose in the Company's extraordinary announcement

Unit: 10,000 yuan Currency: RMB

Related Party	Relationship	Transaction Type	Transaction Content	Pricing Principle	Transaction Amount	Settlement Mode
Suizhong Rehen Fishery	Associated company	Purchasing goods	Feed raw materials	Comparable uncontrolled price	406.33	Transfer of account
Anshan Jiuguhe Food	Associated company	Purchasing goods	Poultry product	Comparable uncontrolled price	1,060.76	Transfer of account
Dalian Chengsan Animal Husbandry	Associated company	Purchasing goods	Delivery broiler	Comparable uncontrolled price	16,511.39	Transfer of account
Huludao Jiuguhe Food	Associated company	Purchasing goods	Poultry product	Comparable uncontrolled price	543.53	Transfer of account
Schippers(Beijing)	Associated company	Purchasing goods	Other	Comparable uncontrolled price	42.82	Transfer of account
Guangzhou Yikun Trading	Associated company	Purchasing goods	Feed raw materials	Comparable uncontrolled price	618.88	Transfer of account
Zhangjiakou Jiahe Agriculture and Animal Husbandry	Associated company	Purchasing goods	Piglet	Comparable uncontrolled price	592.82	Transfer of account
Tai'an Jiuguhe Agriculture	Associated company	Purchasing goods	Feed	Comparable uncontrolled price	1,242.99	Transfer of account
Linghai Jiuguhe Feed	Associated company	Purchasing goods	Other	Comparable uncontrolled price	63.86	Transfer of account
Gongzhuling Corn Purchasing and Storing	Associated company	Purchasing goods	Feed raw materials	Comparable uncontrolled price	97.08	Transfer of account
Nepal Wellhope Agri-tech Pvt. Ltd.	Joint venture	Selling goods	Feed	Comparable uncontrolled price	19.96	Transfer of account
Linghai Jiuguhe Feed	Associated company	Selling goods	Feed raw materials	Comparable uncontrolled price	3,787.82	Transfer of account
Tai'an Jiuguhe Agriculture	Associated company	Selling goods	Feed raw materials	Comparable uncontrolled price	6,839.00	Transfer of account
Anshan Jiuguhe Food	Associated company	Selling goods	Delivery broiler	Comparable uncontrolled price	15,895.14	Transfer of account

Qingdao Shenfeng Agri-Tech	Associated company	Selling goods	Feed raw materials	Comparable uncontrolled price	1,835.97	Transfer of account
Beipiao Hongfa Food	Associated company	Selling goods	Feed raw materials	Comparable uncontrolled price	726.01	Transfer of account
Huludao Jiuguhe Food	Associated company	Selling goods	Feed	Comparable uncontrolled price	1,373.63	Transfer of account
Dandong Wellhope Chengsan Agri-Tech	Associated company	Selling goods	Feed raw materials	Comparable uncontrolled price	1,082.08	Transfer of account
Suizhong Rehen Fishery	Associated company	Selling goods	Feed	Comparable uncontrolled price	11.17	Transfer of account
Schippers(Beijing)	Associated company	Selling goods	Other	Comparable uncontrolled price	88.74	Transfer of account
Zhangjiakou Jiahe Agriculture and Animal Husbandry	Associated company	Selling goods	Feed	Comparable uncontrolled price	2,305.99	Transfer of account
Guangzhou Yikun Trading	Associated company	Selling goods	Feed raw materials	Comparable uncontrolled price	14,504.00	Transfer of account
Jinzhou Jiufeng Food	Associated company	Selling goods	Delivery broiler	Comparable uncontrolled price	521.16	Transfer of account
Anshan Fengsheng Food	Associated company	Selling goods	Delivery broiler	Comparable uncontrolled price	9,945.16	Transfer of account
Dalian Chengsan Animal Husbandry	Associated company	Selling goods	Feed raw materials	Comparable uncontrolled price	1,033.76	Transfer of account
Tailai Jiahe Agriculture and Animal Husbandry	Associated company	Selling goods	Feed	Comparable uncontrolled price	4,186.32	Transfer of account
Total				/	85,336.37	/
Wholesale sales return		non				
Interpretation of related party transaction		The Company and its associated companies know each other better, and have maintained long-term cooperation relationships, which can strengthen the trust of products produced by partners, reduce transaction cost, improve working efficiency and avoid trading disputes. Purchasing raw materials from related parties can ensure the quality. Moreover, by participating in the management and exerting influence on related companies can help them to maintain a long-term and stable supply, also help them reduce the marketing pressure. The purpose of conducting related party transactions is to satisfy the needs of the Company's production and operation, the purchasing or selling price is determined according to the market price of similar products. Such transactions do not violate relevant laws, Company Constitution, etc., and do not damage the rights and interests of shareholders.				



## IX. Circumstance of Social Responsibilities

### 1. Anti-poverty project of the Listed Company

#### A. Targeted poverty alleviation

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

#### B. Overview of targeted poverty alleviation

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

The Company also provides farmers with a unified veterinary drug subsidy of 0.5 yuan per duck, coal subsidy of 0.2-0.5 yuan per duck in winter and cooling subsidy of 0.3-0.5 yuan in summer and other policies, above-mentioned matters have been clearly stated in the contract. In 2018, the Company signed 2,774 contracts with 1,387 farmers, and repurchased 15.416 million meat ducks, with a total subsidy of 8.476 million yuan. The farmers realized good benefits, the average profit of farmers could reach 4 yuan per duck, achieving a bumper harvest in 2018.

#### C. Figures of targeted poverty alleviation

Unit: 10,000 yuan, Currency: RMB

Index	Details
1. Overall	
of which: funds for poverty alleviation	847.60
2. In details	
Type of targeted poverty alleviation	Targeted poverty alleviation for agriculture
a. The number of targeted poverty alleviation project	1
b. Investment amount	847.60

#### **D. Follow-up targeted poverty alleviation**

The Company will continuously focus on poverty alleviation projects for agricultural industries, supporting poverty by training farmers, providing job opportunities and increasing income of farmers, it will also increase the technical service, and improve farmers' technology level to ensure the success of farming, achieve a win-win situation.

### **2. Social responsibilities**

Animal husbandry is a fundamental industry that drives farmers to become richer, it is also a great industry that makes people living a happier life. There are 5 animal husbandry products in the "Vegetable Basket Project" among chickens, fish, meat, eggs, milk, vegetables and fruits. This industry is a basic guarantee for providing hygienic and nutritious animal foods and holding important missions and responsibilities. At the start-up period, the Company wrote and announced its Vision and Mission to inside and outside the industry, indicating and admonishing all employees about the Company's social responsibilities and missions during its development process. Over the years, the Company has been strictly fulfilling its commitment and practicing the corporate culture. In 2018, the Company further refined its core values characterized by "Integrity, Responsibility, Win-win", once again stressed the importance of its responsibilities.

#### **A. Responsibilities to society and industry**

➤ **Practice of Wellhope Mission.** The Company has taken "Using advanced technology, excellent service, and outstanding products to promote the development of China's animal husbandry industry, save resources, protect the environment, provide food security and benefit the society" as its mission and ultimate goal since its establishment.

Saving resources: China needs to use only 7% of the world's land to feed 22% of the world's population. In response to increasing shortage of natural resources, the Company continues to develop new products like low-protein daily ration and biological feed, which are committed to saving resources and saving food. In terms of raising technology, the Company helps farmers to improve their raising concept and technology level so as to continuously achieve high efficiency and benefit, whilst the Company also applies relevant energy-saving technologies to improve resource utilization, for example, its original ventilation mode and solar energy utilization technology, can simplify ventilation and heat

preservation, reduce electricity consumption and save coal. In terms of broiler slaughtering, the Company equips high-efficient facilities and continuously improves its technology, meanwhile, through fine management, it improves slaughtering technique level and achieves efficient killing-out percentage and energy saving.

**Environment Protection:** Because animal husbandry has certain pollution to the environment, the Company utilizes various ways such as technological innovation and equipment investment to protect the environment. In terms of technical innovation, it applies environment-friendly raw materials and additives in feed formulations, and continuously develops safe and environment-friendly daily ration to reduce emissions of heavy metals, nitrogen and phosphorus. In terms of animal raising and slaughtering, the Company automates production lines and continuously improves the design, recycles wastes and uses the combination of planting and animal raising to realize environmental protection.

**Food Safety:** The Company's R&D testing center is equipped with advanced testing equipment that comes from all over the world. Through strict quality control management, raw materials and feed products are checked at all levels to ensure the safety of feed products. For the broiler business, the Company takes all aspects of controlling of the supply of "material, medicine, day old chick" as well as production and sales process from the source. Relying on unified operation model, standardized management and streamline operation, the Company integrates bio-safety, drug residue control and processing hygiene to achieve traceable food safety.

➤ **Honesty Driven Company.** In the course of development, the Company has always conducted business driven by the principle of honesty and trustworthiness, observing the laws and compliance management, always keeps its words to employees, customers, suppliers, partners and shareholders. The Company strictly implements the regulations issued by China Securities Regulatory Commission, Shanghai Stock Exchange, its Company Constitution and other internal systems, also actively adapts to the changes in regulatory policies, and continuously improves its corporate governance and the effectiveness of information disclosure. In 2018, the Company honestly and normatively disclosed 66 temporary announcements and 4 periodic reports in the designated media, which truly and comprehensively displayed its profit status, core businesses, development plans, and

effectively transmitted its information to the investors, it had no violations on information disclosure. The Company's annual information disclosure work in 2017 received the A-level evaluation from Shanghai Stock Exchange. Entering 2019, it will continue to carry out the principles of honesty driven, protect the legitimate rights and interests of investors, and give play to the social responsibilities of listed company.

➤ **Public Charity.** The Company has always persisted in the principle of contributing to its motherland by operating excellent businesses and giving back to the society. Over the years, the Company has donated to disaster areas, disabled aid projects and related educational institutions directly or through the Red Cross. In recent years, the Company has continued to work with a supplier, participating in the donation activities on the World Egg Day, caring about poor primary school students' healthy growth through donating high-quality and nutritional eggs. Moreover, the Company provides awards and bursary supports to many college students in China, also gives them holiday internship opportunities and organizes summer camps. In 2018, the Company donated nearly RMB 1 million of education funds and scholarships to Nanjing Agricultural University, Shenyang Agricultural University, Gansu Agricultural University and other universities. The subsidiary companies also actively participated in charitable activities organized by local governments. Many managers of the Company also devoted themselves to public charity in different forms.

➤ **Employment Promotion.** According to the Company's development needs, it carries out social and campus recruitment every year, creating job opportunities for the society. In 2018, the Company recruited more than 300 undergraduates, masters and doctoral students from 28 universities across China, and provided systematic training to help them grow rapidly.

## **B. Responsibilities to employees and shareholders**

a. The Company has always pursued sharing results and achieved win-win and multi-win with employees, customers, partners and shareholders. Since going public, it has implemented stable returns for investors, and made Three-Year's Shareholder Dividend Return Plan (2017-2019) in 2017, to guarantee shareholders' rights and interests. Whilst the Company's 2018 profit distribution plan will be: based on the total share capital on the

equity registration date when the 2018 annual profit distribution will be implemented, the Company will distribute cash dividends of RMB 1.8 yuan per 10 shares (tax included) to all shareholders, totalling RMB 166,014,791.28 yuan. This profit distribution plan has been deliberated and approved by the Board of Directors, pending submission to the Shareholders' Meeting. After the implementation, the Company will totally distribute cash dividends of 332 million yuan from 2016 to 2018, accounting for 22.91% of the net profit attributable to the shareholders of the Company.

b. Driven by the principle of "sharing bumper harvest", the Company shares its achievements with employees in various ways, such as holding shares of subsidiaries and flexible welfare. In 2018, the Company implemented Restricted Stock Incentive Program for granting 372 key managers in key positions restricted stock, which effectively combined the interests of shareholders, the Company and the core team to promote the sustainable development of the Company and realize sharing of results.

c. In strict accordance with national laws and regulations, the Company provides social security for employees. On this basis, it provides commercial insurance to employees and benefits their family members, and it also expands welfare guarantee through internal resource sharing, pilot flexible benefits, and commendation awards to improve employees' happiness index. In the meantime, the Company continues to build three-level training system, fully develops and uses Wellhope E-Learning College and external resource channels to provide more time-sensitive and adaptable courses to promote the growth and value enhancement of employees. In the aspect of career development, the Company has created an "H-type" dual-channel development plan for employees. Each employee can choose a management route or a technical route according to competence and future planning. The Company targets at making great efforts to help employees to achieve their career development.

d. The internal public welfare organization -- "Wings of Love" foundation, established in 2007, continues to play the role of caring for employees. It gives certain rewards to the employee's children who are admitted to the universities, encouraging them to study hard and encouraging the employees to train talents for the country and society., whilst it provides financial assistance to the families of employees suffered difficulties, helping them to tide over hard time, now the Company has donated nearly RMB 4 million yuan.

Moreover, every year the Company organizes different forms of cultural activities to continuously enrich the work and life of employees. On December 11st, 2018, the Company won the honorary title of "National Model Enterprise with Harmonious Labor Relations" initiated by China's Ministry of Human Resources and Social Security, and in "2018 China Best Employers Awards Ceremony" hosted by Zhaopin.com on December 18th, 2018, the Company stood out among more than 30,000 enterprises and won the "2018 Top 10 Best Employers of Shenyang".

### **C. Responsibilities to customers**

Driven by the concept of making progress together with customers, the Company is dedicated to providing excellent products to customers, whilst it is constantly improving and innovating customer service systems to help customers to grow and progress. The Company has developed a series of professional training programs, specialized management programs of farm environment and data management systems, etc. By ways of "five-meeting model" (new product recommendation meeting, dealer promotion meeting, product trial analysis meeting, animal raising technology seminar, dealer's training), "three on-site model" (on-site visit, on-site diagnosis, on-site plan design), expert hotline, etc., the Company helps dealers and farmers to improve their operation concept and raising technology to get better economic results. In 2018, ASF raged, which caused heavy losses to pig raising, the Company responded quickly, provided the farmers (farms) with newly developed products, online counseling and solutions to fight against the disease, it also promoted pig insurance and raising insurance. Moreover, the Company held live trainings of "Face up to ASF, Healthy Raising", and invited domestic and foreign experts to analyze ASF and explain countermeasures from various aspects in order to help customers to prevent ASF and control losses. The highest number of online audiences reached 200,000. Moreover, its ruminant feed subsidiaries promoted custody business for cattle farms, whilst its integrated broiler business division provided contract farms with complete feeding and management solutions, to support customers growing business.

## **3. Environmental protection policy**

### **A. Information of pollution discharge**

Puyang Wellhope Food Co., Ltd. (hereinafter referred to as "Puyang Wellhope"), a holding

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

Puyang Wellhope: the main pollutants include gas waste and water waste, among which water waste mainly contains COD, ammonia nitrogen, total phosphorus, pH, suspended solids, biochemical oxygen requirement, animal and vegetable oil, total coliform group and total nitrogen. The gas waste mainly contains SO<sub>2</sub>, nitric oxide and particulate matter. Emission method: 1 sewage treatment waste water emission outlet, distributed in the southeast corner of the building of the sewage monitoring base station; 1 gas waste exhaust outlet, distributed in the boiler room in the northeast corner of the plant site. Puyang Wellhope strictly implements emission standards for industrial "three wastes". The emission of waste water is subject to the three-level standards in the *Discharge Standard of Water Pollutants for Meat Packing Industry* (GB 13457-1992), emission permit (9141092367412881xt001p), and the indirect emission limit value in the water inflow agreement of Nanle County sewage treatment Co., Ltd. (COD≤400mg/L, NH<sub>3</sub>-N≤35mg/L, total phosphorus≤2.5mg/L, BOD≤180mg/L, suspended solids≤220mg/L, total nitrogen≤40mg/L, pH value of 6-9). The gas waste emission is subject to the concentration limit of *Emission Standard of Air Pollutants for Coal-Burning Oil-Burning Gas-Fired Boiler* (GB 13271-2014) and emission permit (9141092367412881xt001p) requirements, that is, the emission concentration of SO<sub>2</sub> shall be ≤50mg/Nm<sup>3</sup>, the emission concentration of particulate shall be ≤20mg/Nm<sup>3</sup> and emission concentration of NO<sub>x</sub> shall be ≤150mg / Nm<sup>3</sup>. Total emission of main pollutants under the pollutant emission permit is as follows: COD 15.58 tons/year and ammonia nitrogen 2.95 tons/year. During the reporting period, the total emission of Puyang Wellhope was controlled within the permitted scope, and the "three wastes" treatment met the standard requirements without exceeding the standard.

Kaifeng Wellhope: the main pollutant is water waste, which mainly contains COD, ammonia nitrogen, total phosphorus, pH, suspended solids, biochemical oxygen requirements, animal and vegetable oil, total coliform group and total nitrogen. Emission method: 1 sewage treatment waste water emission outlet, distributed in the southeast of the factory. Kaifeng Wellhope strictly implements emission standards for industrial "three wastes". The emission of waste water is subject to the second-level standard in the *Discharge Standard of Water Pollutants for Meat Processing Industry* (GB 13457-1992), emission permit (91410212MA4057G88A001R) and the sewage emission limit in the GHPY ZI No. 2501 Environmental evaluation criteria (COD $\leq$ 100mg/L, NH<sub>3</sub>-N $\leq$ 20mg/L, BOD $\leq$ 40/L, suspended solids $\leq$ 100mg/L, pH value of 6-8.5, coliform numbers $\leq$ 10000). Total emission of main pollutants under the pollutant emission permit: COD 3.60 tons/year, ammonia nitrogen 0.79 tons/year. During the reporting period, the total emission of Kaifeng Wellhope was controlled within the permitted scope, and the "three wastes" treatment met the standard requirements without exceeding the standard.

Zhongjia Food: the main pollutants include gas waste and water waste, among which water waste mainly contains COD, ammonia nitrogen, total phosphorus, pH, suspended solids and total nitrogen. The gas waste mainly contains SO<sub>2</sub>, nitric oxide and particulate matter. Emission method: 1 sewage treatment waste water emission outlet, distributed in the west of the southern end of the new sewage treatment workshop; 1 gas waste exhaust outlet, distributed on the roof of the boiler room. Zhongjia Food strictly implements emission standards for industrial "three wastes", DB 21/1627-2008 *Liaoning Provincial Standard-Comprehensive Sewage Emission Standard* (COD $\leq$ 50mg/L, NH<sub>3</sub>-N $\leq$ 8mg/L, total phosphorus $\leq$ 0.5mg/L, suspended solids $\leq$ 20mg/L, total nitrogen $\leq$ 15mg/L, pH value of 6-9). The gas waste emission is subject to gas boiler emission concentration limit of *Emission Standard of Air Pollutants for Coal-Burning Oil-Burning Gas-Fired Boiler* (GB 13271-2014). During the reporting period, the total emission of Zhongjia Food was controlled within the permitted scope, and the "three wastes" treatment met the standard requirements without exceeding the standard.

Shenyang Huakang: the main pollutant is water waste, which mainly contains COD, ammonia nitrogen, pH and suspended solids. Emission method: 1 sewage treatment waste water emission outlet, distributed in then northeast of the sewage treatment station.



Shenyang Huakang strictly implements the emission standards for industrial "three wastes". The emission of waste water is subject to the first-level standard in the *Discharge Standard of Water Pollutants for Meat Processing Industry* (GB 13457-1992), emission permit DB 21/1627-2008 *Liaoning Provincial Standard-Comprehensive Sewage Emission Standard* (COD $\leq$ 50mg/L, NH<sub>3</sub>-N $\leq$ 8mg/L, total phosphorus $\leq$ 0.5mg/L, suspended solids $\leq$ 20mg/L, pH value of 6-9). The gas waste emission is subject to gas boiler emission concentration limit of *Emission Standard of Air Pollutants for Coal-Burning Oil-Burning Gas-Fired Boiler* (GB 13271-2014) (SO<sub>2</sub> emission concentration  $\leq$ 200mg/Nm<sup>3</sup>, particulate matter concentration  $\leq$ 20mg/Nm<sup>3</sup>, NOX emission concentration  $\leq$ 200mg/Nm<sup>3</sup>). During the reporting period, the total emission of Shenyang Huakang was controlled within the permitted scope, and the "three wastes" treatment met the standard requirements without exceeding the standard.

#### **B. Circumstance of building and operating pollution control facilities**

Puyang Wellhope:

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

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

Kaifeng Wellhope:

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

Dalian Zhongjia:

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

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

Shenyang Huakang:

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

### **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 the "three simultaneous"

environmental protection system.

**D. Emergency plan for environmental emergencies**

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

## Section VI Changes in Common Shares and Shareholder Information

### I. Changes in Common Shares

During the reporting period, the total number of common share and the structure of share capital of the Company did not change.

### II. Shareholders and Actual Controller

#### 1. The number of shareholders

Total number of common shareholder as at December 31st, 2018	22,583
Total number of common shareholder at the end of March 2019	25,118

#### 2. Top ten shareholders and top ten shareholders holding unrestricted shares as at the end of the reporting period

Unit: share

Shareholding of top ten shareholders							
Name of shareholder	Changes	Total shares held at the period-end	%	Restricted shares held	Pledged or Frozen		Nature of shareholder
					Status	Shares	
Jin Weidong		146,487,381	17.62		Pledged	53,430,000	Domestic natural person
Ding Yunfeng		80,398,500	9.67		Pledged	8,930,000	Domestic natural person
DE HEUS MAURITIUS		80,007,352	9.63				Foreign legal person
Shao Caimei	2,648,800	54,559,878	6.56		Pledged	16,900,000	Domestic natural person
Wang Fengjiu		50,084,602	6.03		Pledged	10,945,000	Domestic natural person
Zhang Tiesheng		48,360,000	5.82		Pledged	6,970,000	Domestic natural person
Shenyang Wellhope Heli Investment Co., Ltd.		48,360,000	5.82				Domestic non-State-owned legal person
Wang Zhongtao		47,151,000	5.67		Pledged	8,220,000	Domestic natural person
Gao Junsong	-767,005	15,132,184	1.82		Pledged	8,570,000	Domestic natural person
Wang Zhenyong		9,800,000	1.18		Pledged	1,420,000	Domestic natural person

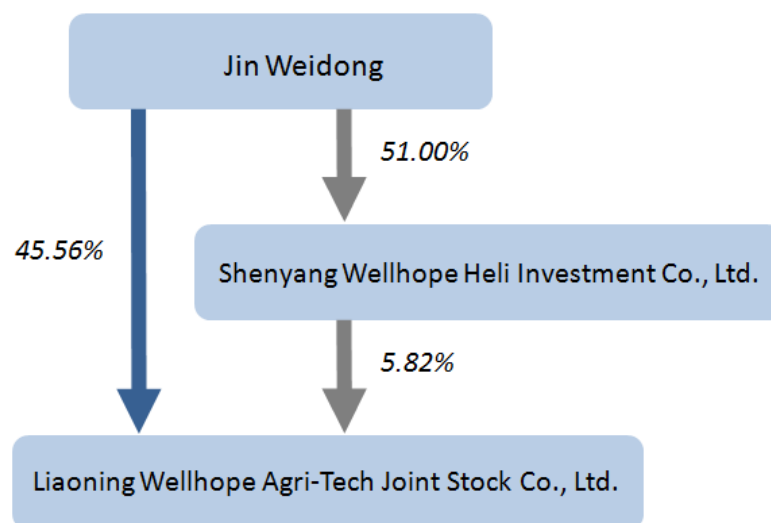
Top ten shareholders holding unrestricted shares			
Name of shareholder	Unrestricted shares held	Shares by type	
		Type	Shares
Jin Weidong	146,487,381	RMB common stock	146,487,381
Ding Yunfeng	80,398,500	RMB common stock	80,398,500
DE HEUS MAURITIUS	80,007,352	RMB common stock	80,007,352
Shao Caimei	54,559,878	RMB common stock	54,559,878
Wang Fengjiu	50,084,602	RMB common stock	50,084,602
Zhang Tiesheng	48,360,000	RMB common stock	48,360,000
Shenyang Wellhope Heli Investment Co., Ltd.	48,360,000	RMB common stock	48,360,000
Wang Zhongtao	47,151,000	RMB common stock	47,151,000
Gao Junsong	15,132,184	RMB common stock	15,132,184
Wang Zhenyong	9,800,000	RMB common stock	9,800,000
Relationship of above shareholders or statement made by the parties acting in concert	1. Jin Weidong, Ding Yunfeng, Wang Fengjiu, Shao Caimei and Wang Zhongtao act in concert; 2. Jin Weidong is the actual controller of Shenyang Heli Investment Co., Ltd. 3. No relation or concerted action is found among other shareholders.		

### III. Controlling Shareholder and Actual Controller

#### 1. Controlling shareholder

##### Natural person

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



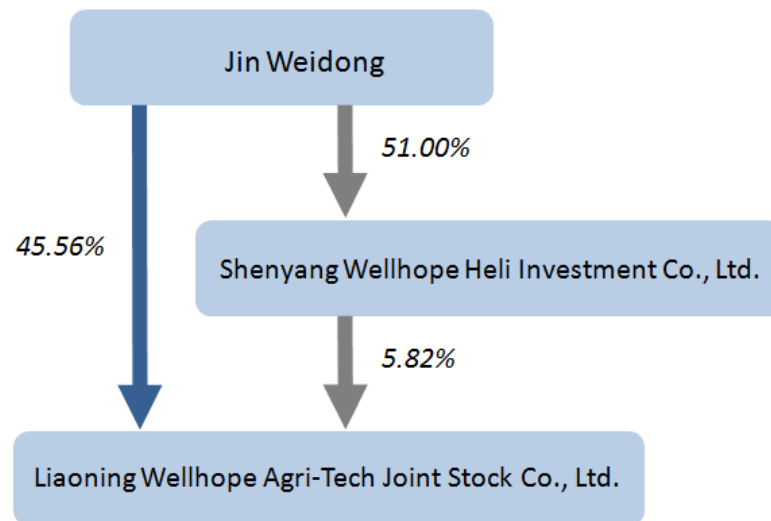
**Note:** As at the end of the reporting period, Jin Weidong directly held 146,487,381 shares of the Company, accounting for 17.62% of the total equity, and Jin Weidong totally

controlled 51.38% of the Company's voting rights through controlling Shenyang Heli Investment which had 5.82% of the Company's voting rights, and through signing the *Agreement of Acting in Concert* with Ding Yunfeng(9.67%), Wang Fengjiu(6.03%), Shao Caimei(6.56%) and Wang Zhongtao(5.67%) who totally controlled 27.93% of the Company's voting rights. Jin Weidong is the actual controller of the Company.

## 2. Actual controller

### Natural person

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



**Note:** As at the end of the reporting period, Jin Weidong directly held 146,487,381 shares of the Company, accounting for 17.62% of the total equity, and Jin Weidong totally controlled 51.38% of the Company's voting rights through controlling Shenyang Heli Investment which had 5.82% of the Company's voting rights, and through signing the *Agreement of Acting in Concert* with Ding Yunfeng(9.67%), Wang Fengjiu(6.03%), Shao Caimei(6.56%) and Wang Zhongtao(5.67%), who totally controlled 27.93% of the Company's voting rights. Jin Weidong is the actual controller of the Company.

## **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)	Reason of Change	Pre-tax remuneration paid by the Company (10,000 yuan)	Whether obtain remuneration from related parties of the Company
Jin Weidong	Chairman	male	56	Feb. 3, 2015	Feb. 1, 2021	146,487,381	146,487,381			55.12	no
Ding Yunfeng	Director and President	male	56	Feb. 3, 2015	Feb. 1, 2021	80,398,500	80,398,500			53.00	no
Wang Fengjiu	Vice President	male	50	Feb. 3, 2015	Feb. 1, 2021	50,084,602	50,084,602			43.58	no
Shao Caimei	Director and Chief Technical Officer	female	53	Feb. 3, 2015	Feb. 1, 2021	51,911,078	54,559,878	2,648,800	buying shares in the secondary market	50.38	no
Wang Zhongtao	Chairman of the Supervisory Board	male	55	Feb. 3, 2015	Feb. 1, 2021	47,151,000	47,151,000			50.00	no
Wang Zhenyong	Vice President	male	53	Feb. 3, 2015	Feb. 1, 2021	9,800,000	9,800,000			50.00	no
Gao Quanli	Vice President	male	53	Feb. 3, 2015	Feb. 2, 2018	4,613,550	4,583,550	-30,000	selling shares in the secondary market	50.37	no
Zhang Wenliang	Director and Chief Financial Officer	male	59	Feb. 3, 2015	Feb. 1, 2021	8,565,100	8,565,100			39.60	no
Wang Xueqiang	Vice President	male	52	Feb. 3, 2015	Feb. 2, 2018	9,380,000	9,380,000			50.00	no
Sun Lige	Vice President	male	48	Mar. 28,2016	Feb. 2, 2018	9,551,250	9,531,250	-20,000	selling shares in the secondary market	50.00	no
Zhao Xin	Director, Board Secretary, Chief HR Officer	female	47	Feb. 3, 2015	Feb. 1, 2021	8,353,242	4,470,160	-3,883,082	equity division	50.00	no
Di Guo	Vice President	male	49	Feb. 3, 2015	Feb. 2, 2018	5,108,219	5,108,219			50.00	no



Qiu Jiahui	Vice President	male	47	Feb. 3, 2015	Feb. 1, 2021					50.00	no
Zhang Shuyi	Independent Director	male	55	Feb. 3, 2015	Feb. 2, 2018					0.50	no
Hu Jianmin	Independent Director	male	60	Feb. 3, 2015	Feb. 1, 2021					6.00	no
Liu Huan	Independent Director	male	64	Feb. 3, 2015	Feb. 1, 2021					6.00	no
Wang Zhe	Independent Director	female	39	Feb. 2, 2018	Feb. 1, 2021					5.50	no
Jacobus Johannes de Heus	Director	male	50	Feb. 3, 2015	Feb. 1, 2021						no
Marcus Leonardus van der Kwaak	Supervisor	male	50	Feb. 3, 2015	Feb. 1, 2021						no
Yuan Minger	Supervisor	female	49	Feb. 3, 2015	Feb. 1, 2021					14.04	no
Li Jun	Supervisor	male	47	Apr. 27, 2016	Feb. 1, 2021					28.00	no
Wei Yanjin	Supervisor	male	61	Jul. 20, 2016	Mar. 26, 2019					7.00	no
total						431,403,922	430,119,640	-1,284,282	/	709.09	/

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

Gao Quanli	Male, born in 1966, bachelor's degree, joined Liaoning Wellhope in 1996, now takes charge of feed business in regions of Central, East, North and Northwest China.
Zhang Wenliang	Male, born in 1960, master's degree, joined Liaoning Wellhope in 1996, now holds the posts of board director and CFO.
Wang Xueqiang	Male, born in 1967, bachelor's degree, joined Liaoning Wellhope in 1995, now takes charge of feed business in Liaoning province.
Sun Lige	Male, born in 1971, bachelor's degree, joined Liaoning Wellhope in 1997, now takes charge of purchasing business.
Zhao Xin	Female, born in 1972, bachelor's degree, joined Liaoning Wellhope in 1995, now holds the posts of board director, board secretary, CHO.
Di Guo	Male, born in 1972, master's degree, joined Liaoning Wellhope in 1996, now takes charge of feed business in Jilin and Heilongjiang provinces.
Qiu Jiahui	Male, born in 1972, bachelor's degree, joined Liaoning Wellhope in 2000, now holds the post of Vice President, taking charge of broiler integration business division.
Zhang Shuyi	Male, born in 1964, Ph.D., Dean of School of Animal Husbandry and Veterinarian of Shenyang Agricultural University.
Hu Jianmin	Male, born in 1959, Ph.D., professor of School of Animal Husbandry and Veterinarian of Shenyang Agricultural University, independent director of Liaoning Wellhope.
Liu Huan	Male, born in 1955, Chinese nationality, CPA, professor of School of Tax Administration of Central University of Finance and Economics, independent director of Liaoning Wellhope.
Jacobus Johannes de Heus	Male, born in 1969, the Dutch nationality, master's degree, CEO of Royal De Heus, board director of Liaoning Wellhope.
Marcus Leonardus van der Kwaak	Male, born in 1969, the Dutch nationality, master's degree, CFO of Royal De Heus, supervisor of Liaoning Wellhope.
Yuan Minger	Female, born in 1970, bachelor's degree, supervisory board director and audit manager of Liaoning Wellhope.
Li Jun	Male, born in 1972, master's degree, joined Liaoning Wellhope in 2004, now holds the posts of supervisory board director and director of raw material trade business division and general manager of Liaoning Expert Trading Co., Ltd.
Wei Yanjin	Male, born in 1958, master's degree, joined Liaoning Wellhope in 2001, now holds the posts of supervisory board director and President of related business division.
Wang Zhe	Female, born in 1980, Ph.D., professor and doctoral advisor of School of Animal Husbandry and Veterinarian of Shenyang Agricultural University, independent director of Liaoning Wellhope.

## II. Posts Held by Incumbent and Outgoing Directors, Supervisors and Senior Management during the Reporting Period

### 1. Post held in the shareholding entity

Name	Shareholding entity	Post	Start of tenure	End of tenure
Wei Yanjin	Shenyang Wellhope Heli Investment Co., Ltd.	executive director	2011	

### 2. Post held in other entity

Name	Other entity	Post	Start of tenure	End of tenure
Zhang Shuyi	Shenyang Agricultural University	dean of School of Animal Husbandry and Veterinarian	2018	
Zhang Shuyi	Wuxi Kezhigan Science and Technology Ltd.	executive director	2012	
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	
Note	above posts are relevant, main posts, but not all.			

**III. 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 the personal 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 7.09 million yuan to board directors, supervisory board directors and senior managers.

**IV. Changes of Directors, Supervisors and Senior Management**

Name	Office title	Change	Reason
Gao Quanli	vice president	outgoing	expiration of tenure
Wang Xueqiang	vice president	outgoing	expiration of tenure
Sun Lige	vice president	outgoing	expiration of tenure
Di Guo	vice president	outgoing	expiration of tenure
Zhang Shuyi	independent director	outgoing	expiration of tenure
Wang Zhe	independent director	new electing	new electing

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

### 1. Headcount

Full time employee of parent company	259
Full time employee of major subsidiaries	4,553
Total full time employees	4,812
The number of retired employees whose expenses are borne by the parent company and its major subsidiaries	15
<b>Functions</b>	
Function	Employees
Production	1,504
Sales	2,015
R&D and Technology	621
Finance	320
Administration	352
Total	4,812
<b>Educational backgrounds</b>	
Educational background	Employees
Master's degree and above	346
Bachelor's degree	1,820
Junior college	1,580
Below junior college	1,066
Total	4,812

### 2. Remuneration policy

The Company has continuously improved its remuneration and performance management system in order to effectively absorb and retain talents and promote its sustainable development. Driven by fair and merit-based principle, it connects employee's income levels with the Company's business progress and its goal of business performance, whilst it also considers related factors such as the country's macro economy, industry situation, market competition, etc., to ensure that its remuneration policy is competitive to the outside and fair to the inside.

Meanwhile, the Company adopts three-level-management in terms of headquarters, business divisions (regions) and local subsidiaries. Targeted and differentiated remuneration incentives have been adopted for different types of employees, whilst the remuneration structure has been mainly divided into regular salary and floated salary plus long-term incentive plan, the floated part of which is linked to the Company's business performance and individual's performance. The remuneration system for different types of

employee has differences, which enhance the enthusiasm of employees and guarantee the fairness.

Moreover, the Company focuses on the incentive program for excellent employees. In 2018, it implemented the restricted stock incentive plan, which granted 372 key talents in key positions restricted stocks and signed Letter of Responsibility with them. In addition, it also adopts various methods such as holding shares of subsidiaries, flexible benefits, and promotion training to ensure that core talents can grow rapidly on a larger platform and power the Company's business progress.

Besides strictly abiding by the national laws and regulations, which provides basic guarantees for employees, like five social insurances and one housing fund, etc., the Company provides commercial insurance welfare to employees and benefits their family members. It also provides employees with necessary welfare protection through internal resource sharing, completing welfare system and pilot flexible benefits to improve employees' happiness index.

### **3. Training plan**

Continuously cultivating talents and always devoting to the employees' value enhancement is part of the Company's human resources policy. Therefore, the Company's HR system formulates annual training plan to cultivate required talents and better serve to the development strategy.

First, utilizing the opportunity of "Excellent Performance Management Project", it vigorously organized trainings relating to this project, covering around 100 middle and senior managers. Since starting the project in early June to the end of the year, the Company organized 9 times of group counseling and discussion, 9 times of face-to-face training, and 12 times of task analysis combining actual work, subsequently the Company has determined its strategy, goal, vision and core values, three-year strategic plan, division of labor and functions, and preliminarily determined the KPI of each business division and business units, making the concept of excellent performance being understood and accepted by more managers. In addition to the visible results of its output, management thinking, logic concepts, tools and methods have been integrated into daily management and routine work, which promoted the management ability.

Second, it tried new ways of training projects. Through the network platform, the activity named “Wellhope Best Answerer”, which lasted for 5 days with 1,194 participants who answered 140,312 questions that covered various aspects of industry and professional skills, the Company promoted its employees learning actively, it also utilized the OA platform “Cloud-Hub” to realize online operation and control of onboarding training, which could timely and effectively track the learning dynamics of new staff, design the learning content in a more personalized way. The promotion of new tools, new platforms and new methods boosted its training system more efficient and promoted the employees improving competency and contributing to the business performance.

Third, it fully developed and used Wellhope E-Learning College and external resources to provide employees with more time-sensitive and more adaptable courses and learning resources. For example, the Company used the "Cloud-Hub" to regularly promote courses and to monthly select and evaluate high-quality courses, it also recommended “Weekly Lesson”, each year it develops 30 new courses, invites some external training organizations, and selects key personnel to go aboard for study, which can help employees to expand their horizons, broaden their thinking and keep pace with the times.

Fourth, it continuously strengthened three-level-training management system, clarified the work of headquarters, business divisions, subsidiaries, business units and functional departments, especially strengthened the detailing and collaboration in the fields of onboarding training, job skill training, business unit’s manager training, etc. In 2018, the Company held the “Seedling Plan” training camp for more than 130 new graduates. In the coming year, the Company will further build its training system for leading the employees growing and maintaining talents advantage in the fierce market competition, therefore continuously make progress and keep stable and healthy development.

Fifth, it continued to develop the training programs for business divisions and functional departments according to market changes and management needs, strengthened the training management and implementation, as well as supervised and guided the trainings organized by themselves, for example, the information resource planning (IRP) project organized by the IT center, ASF training for salesman and technical supporting experts organized by the sales system, market analysis and new materials knowledge training organized by the purchasing system in response to the fluctuated markets, low-nitrogen

diet ration technology training organized by technical system, etc. Through various trainings, the Company can continuously improve the skills and horizons of the employees, as well as management ability and work improvement.

#### **4. Labor outsourcing**

The total number of working hours	2,068,736
Total amount of remuneration paid for outsourcing	38,418,259.15



## Section IX Corporate Governance

### I. Overview of Corporate Governance

In accordance with the Corporation Law, the Securities Law and other laws and regulations issued by the CSRC, the Company has gradually built its corporate governance mechanism, continuously improved corporate governance structure and insisted standard operation, whilst it has formulated relevant rules of procedure and working system, also established a relatively complete internal control system, which has strengthened the protection of non-controlling interests. Meanwhile, the Company has fulfilled its obligation of information disclosure in a true, accurate, timely and complete manner in strict accordance with relevant provisions, so as to ensure that all shareholders have fair access to information.

In 2018, the Company held 3 times of shareholders' meetings, 9 times of board meetings and 8 times of supervisory board meetings. Approved by the shareholders' meeting, the Company has completed the general election of the board of directors and supervisory board directors, which re-elected Chairman of the board, member of special committees and business management team. Meanwhile, the first Extraordinary Shareholders' Meeting of the Company in 2018 deliberated and approved the proposal of amending the Company Constitution and the Rules of Procedure of the Shareholders' Meeting, which has further improved the corporate governance structure. The Company complies with the requirements of relevant documents of regulatory authorities in major governance aspects.

### II. Shareholders' Meeting Convened during the Reporting Period

Meeting	Date	Query URLs of Resolution	Disclosing Date of Resolution
2018 First Extraordinary Shareholders' Meeting	Feb. 2nd, 2018	www.sse.com.cn	Feb. 3rd, 2018
2017 Annual Shareholders' Meeting	Apr. 12th, 2018	www.sse.com.cn	Apr. 13rd, 2018
2018 Second Extraordinary Shareholders' Meeting	Dec. 7th, 2018	www.sse.com.cn	Dec. 8th, 2018

Explanation:

During the reporting period, the Company held 3 times of shareholders' meeting, which deliberated 2017 Annual Report, profit distribution plan, restricted stock incentive plan, etc. The convening, holding, voting and other related procedures of the shareholders' meeting complied with laws and regulations, Company Constitution, Rules of Procedure of the Shareholders' Meeting and other relevant provisions, ensured all shareholders, especially non-controlling shareholders enjoying equal status and fully exercising 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 2018	Physical presence	Via Tele-communi	Via proxy	Number of absence	Whether continually fail to physically attend the meeting two times	Number of attended shareholders' meeting
Jin Weidong	no	9	9	4	0	0	no	2
Ding Yunfeng	no	9	9	4	0	0	no	2
Jacobus Johannes de Heus	no	9	9	8	0	0	no	0
Shao Caimei	no	9	9	7	0	0	no	1
Zhang Wenliang	no	9	9	8	0	0	no	0
Zhao Xin	no	9	9	3	0	0	no	3
Hu Jianmin	yes	9	9	3	0	0	no	2
Liu Huan	yes	9	9	9	0	0	no	0
Zhang Shuyi	yes	1	1	0	0	0	no	1
Wang Zhe	yes	8	8	3	0	0	no	2

Number of board meetings in 2018	9
of which: number of assembling together at the place	0
Number of holding meeting by telecommunication	3
Number of holding meeting by assembling together at the place and telecommunication	6

### IV. During the Reporting Period, the Circumstance of Establishing and Implementing Performance Appraisal System and Incentive Mechanism relating to Senior Management

The remuneration of senior management is composed of basic salary and performance salary, the basic salary shall be paid monthly, and the performance salary will be

determined according to the performance appraisal result and the Company's annual operating status

**V. Whether Disclosing Self-evaluation Report of the Internal Control**

The Company will disclose the evaluation report of its internal control at the same time as the 2018 Annual Report. Details please refer to the website of Shanghai Stock Exchange (<http://www.sse.com.cn>).

**VI. Explanation of Audit Report for Internal Control**

Jiangsu Suyajincheng CPA LLP issued the Audit Report of Internal Control, holding that the Company has maintained effective internal control over financial reporting in all major aspects on December 31st, 2018 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. [2019]449

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

#### **1. Opinion**

We have audited the financial statements of Liaoning Wellhope Agri-Tech Joint Stock Co., Ltd. (hereinafter referred to as "the Company"), which comprise the statement of financial position as at December 31st, 2018, 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 31st, 2018, 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.

<b>A. Assessing bad debt provisions for accounts receivable</b>	
Please refer to following No. V "Important Accounting Policies and Accounting Estimates" part 10--"Accounts Receivable", and No. VII "Notes to the Items of Consolidated Financial Statements" part 3-- "Accounts Receivable"	
<b>Key audit matters</b>	<b>How our audit addressed the key audit matter</b>
<p>The Company's accounts receivable as at December 31st, 2018 reached RMB 499.3962 million yuan, and the bad debt reserve reached RMB 101.5045 million yuan. The balance of accounts receivable was significant and the assessment of bad-debt provisions involved the judgment of the management, thus we took it as the key audit matter for us.</p>	<p>Our audit procedures mainly include:</p> <ul style="list-style-type: none"> <li>•We tested the design of the internal control and its operational effectiveness regarding the impairment test of accounts receivable.</li> <li>•We obtained the aging schedule of the accounts receivable at the end of the period, and checked the accuracy of the age of accounts receivable by reviewing relevant records such as accounting vouchers and invoices.</li> <li>•We conducted comprehensive review for the bad debt provisions of accounts receivable of age grouping, and rechecked and calculated the corresponding withdrawing proportion.</li> <li>•Regarding the overdue accounts receivable, we confirmed with the management to understand the information of the principal debtors and their assessment on the collectability of these accounts. We sought the information related to the debtors or the development situation of their business industries via open channels to identify whether there are some circumstances that affect the assessment results of the bad debt provisions of the accounts receivable.</li> <li>•We selected samples and implemented the external confirmation procedure for the significant accounts receivable, and checked the confirmation result with the amount recorded by the Company.</li> <li>•By comparing the information disclosed by other listed companies, we evaluated the overall rationality regarding the percentage of bad debt provisions accounting for the balance of the Company's accounts receivable.</li> </ul>
<b>B. The return on long-term equity investment recognized by the equity method.</b>	
Please refer to following No. V "Important Accounting Policies and Accounting Estimates" part 13--"Long-term Equity Investment", and No. VII "Notes to the Items of Consolidated Financial Statements" part 42—"Income from investment"	
<b>Key audit matters</b>	<b>How our audit addressed the key audit matter</b>
<p>The return on long-term equity investment calculated by the equity method in the current period reached RMB 281.1847 million yuan, which had a great impact on current gains and losses, thus we took it as the key audit matter for us.</p>	<p>Our audit procedures mainly include:</p> <ul style="list-style-type: none"> <li>•We reviewed and evaluated the Company's internal control regarding the return on long-term equity investment measured by the equity method.</li> <li>•We obtained related investee companies' constitution, investment agreements and other documents for determining whether the Company had a significant effect on related investee companies and whether the accounting method was correct.</li> <li>•We obtained related investee companies' audit reports and financial statements for reviewing whether the income from investment calculated by the Company's equity method was accurate.</li> <li>•Regarding the investee company with large investment income under the equity method, we reviewed the</li> </ul>

	<p>qualification of the audit institutions and its auditing circumstance, paid attention to the professional competence of other CPAs, and utilized the work and reports of other CPAs; we also conducted analytical procedure regarding related information of investee companies, such as the operating revenue, operating costs and inventory, etc., we also selected part of the investee companies to physically conduct review procedures.</p>
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#### **4. Other Information**

The management of the Company is responsible for the other information. The other information comprises information covered by the Company's 2018 Annual Report, but excludes the financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

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

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

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

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

disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

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

Jiangsu Suyajincheng CPA LLP

CPA: Zhou Jiawen(Project Partner)

CPA: Wang Jin

China

Nanjing

April 25th, 2019



## II. Financial Statements

## Consolidated Balance Sheet

Dec. 31st, 2018

Liaoning Wellhope

Unit: yuan Currency: RMB

Item	Dec. 31st, 2018	Jan. 1st, 2018
<b>Current Assets:</b>		
Monetary assets	928,902,753.06	748,944,362.80
Derivative financial assets	2,042,527.60	971,380.80
Notes receivable and accounts receivable	411,503,456.67	356,948,201.45
including: Notes receivable	13,611,778.44	5,010,660.00
Accounts receivable	397,891,678.23	351,937,541.45
Prepayments	185,899,348.53	266,224,330.51
Other receivables	98,997,213.04	99,240,703.92
including: Interest receivable		
Dividends receivable	5,481,783.34	8,214,127.94
Inventory	1,410,869,192.26	1,218,001,011.96
Other current assets	118,636,045.77	105,903,041.75
Total current assets	3,156,850,536.93	2,796,233,033.19
<b>Non-current assets:</b>		
Available-for-sale financial assets	3,680,000.00	3,340,000.00
Long-term equity investment	1,354,820,455.99	1,022,372,386.20
Fixed assets	1,516,702,438.29	1,537,692,913.05
Construction in progress	255,719,188.30	122,640,897.91
Productive biological assets	30,484,794.88	19,281,856.15
Intangible assets	206,387,940.29	209,911,332.82
Goodwill	290,425.67	290,425.67
Long-term prepaid expenses	177,903,367.82	205,261,029.88
Deferred income tax assets	30,357,726.08	36,475,136.05
Other non-current assets	197,497,688.18	32,362,984.62
Total non-current assets	3,773,844,025.50	3,189,628,962.35
<b>Total Assets</b>	<b>6,930,694,562.43</b>	<b>5,985,861,995.54</b>

## Consolidated Balance Sheet(continue)

Unit: yuan Currency: RMB

Item	Dec. 31st, 2018	Jan. 1st, 2018
<b>Current liabilities:</b>		
Short-term borrowings	1,347,690,168.49	1,191,240,000.00
Notes payable and accounts payable	572,729,779.31	524,321,952.83
Advance receipt	161,173,916.67	181,035,916.81
Payroll payable	49,731,930.35	41,249,493.29
Tax payable	28,744,792.72	40,336,595.39
Other payables	309,537,195.12	201,709,649.48
including: Interest payable	1,784,257.05	2,870,840.28
Dividends payable	526,000.00	1,470,000.00
Non-current liabilities due within one year	32,999,999.96	20,000,000.00
Total current liabilities	2,502,607,782.62	2,199,893,607.80
<b>Non-current Liabilities:</b>		
Long-term borrowings	118,500,000.00	20,300,000.00
Long-term account payable	23,345,833.38	
Deferred income	20,252,967.41	19,404,060.24
Total Non-current liabilities	162,098,800.79	39,704,060.24
Total Liabilities	2,664,706,583.41	2,239,597,668.04
<b>Owners' equity (or shareholders' equity):</b>		
Paid-up capital (or share capital)	845,751,469.00	831,176,469.00
Capital reserves	153,824,536.37	103,593,300.06
deduct: Treasury stock	70,688,750.00	
Other comprehensive income	-1,316,942.00	
Surplus reserves	272,882,920.19	232,486,459.89
Undistributed profits	2,651,462,525.08	2,223,048,013.93
Total Equity attributable to the owners of parent company	3,851,915,758.64	3,390,304,242.88
Non-controlling interests	414,072,220.38	355,960,084.62
Total owners' equity (or shareholders' equity)	4,265,987,979.02	3,746,264,327.50
Total liabilities and owners' equity (or shareholders' equity)	6,930,694,562.43	5,985,861,995.54

## Consolidated Balance Sheet of Parent Company

Dec. 31st, 2018

Unit: yuan Currency :RMB

Item	Dec. 31st, 2018	Jan. 1st, 2018
<b>Current assets :</b>		
Monetary assets	750,589,871.09	534,204,880.04
Derivative financial assets	2,042,527.60	971,380.80
Notes receivable and accounts receivable	16,033,809.05	22,133,097.07
including: Notes receivable		
Accounts receivable	16,033,809.05	22,133,097.07
Prepayments	2,278,798.85	4,694,018.23
Other receivables	869,671,230.01	1,114,239,707.67
including: Interest receivable		
Dividends receivable	15,225,270.58	8,214,127.94
Inventory	41,986,504.36	48,911,388.79
Total current assets	1,682,602,740.96	1,725,154,472.60
<b>Non-current assets:</b>		
Available-for-sale financial assets	3,000,000.00	2,660,000.00
Long-term equity investment	3,285,783,087.96	2,402,244,010.42
Fixed assets	73,509,615.43	80,858,510.66
Construction in progress	56,425,656.79	38,621,063.26
Intangible assets	16,169,866.87	13,960,464.95
Long-term prepaid expenses	854,845.30	955,852.90
Deferred income tax assets	9,060,127.91	6,241,701.57
Total non-current assets	3,444,803,200.26	2,545,541,603.76
<b>Total assets</b>	<b>5,127,405,941.22</b>	<b>4,270,696,076.36</b>
<b>Current liabilities:</b>		
Short-term borrowings	1,075,000,000.00	1,000,000,000.00
Notes payable and accounts payable	7,636,692.77	8,645,001.89
Advance receipt	2,690,153.80	2,851,074.45
Payroll payable	2,749,116.65	2,195,656.76
Tax payable	4,166,334.74	5,392,657.62
Other payables	1,026,382,418.43	662,369,470.90
including: Interest payable	1,601,798.61	2,624,340.28
Dividends payable		
Non-current liabilities due within one year	20,000,000.00	20,000,000.00
Total current liabilities	2,138,624,716.39	1,701,453,861.62
<b>Non-current liabilities:</b>		
Long-term borrowings	118,000,000.00	20,000,000.00
Deferred income	7,425,000.00	7,425,000.00
Total non-current liabilities	125,425,000.00	27,425,000.00
Total liabilities	2,264,049,716.39	1,728,878,861.62
<b>Owners' equity(or shareholders' equity):</b>		
Paid-up capital (or share capital)	845,751,469.00	831,176,469.00

Capital reserves	160,705,065.92	102,593,326.35
deduct: Treasury stock	70,688,750.00	
Other Comprehensive income	-1,305,935.62	
Surplus reserves	272,882,920.19	232,486,459.89
Undistributed profits	1,656,011,455.34	1,375,560,959.50
Total owners' equity	2,863,356,224.83	2,541,817,214.74
Total liabilities and owners' equity (or shareholders' equity)	5,127,405,941.22	4,270,696,076.36

**Consolidated Income Statement**  
**January-December, 2018**

Liaoning Wellhope	Unit: yuan    Currency: RMB	
Item	2018	2017
<b>1. Total operating revenue</b>	15,750,798,120.67	13,695,843,458.67
<b>2. Total operating costs</b>	15,354,766,727.04	13,338,238,708.02
including: Operating costs	14,421,297,677.40	12,521,474,992.06
Taxes and surtaxes	24,850,909.29	24,868,043.29
Selling expenses	420,646,753.59	411,506,654.06
Administrative expenses	227,941,858.19	225,935,973.80
R&D expenses	61,100,349.28	61,953,095.44
Financial expenses	74,900,937.42	60,854,400.51
including: Interest expenses	66,635,982.41	64,240,983.00
Interest income	4,414,083.01	4,594,760.63
Impairment losses on assets	124,028,241.87	31,645,548.86
add: Other income	14,165,463.22	34,675,966.99
Income from investment	286,014,954.24	171,116,996.23
including: Income from investments in associated companies and joint ventures	281,184,722.32	108,860,200.54
Gain from changes in fair value	-369,580.00	-263,470.00
Gain from assets disposal	-5,252,624.79	-1,331,137.12
<b>3. Operating profit</b>	690,589,606.30	561,803,106.75
add: Non-operating income	10,354,127.19	22,538,686.90
deduct: Non-operating expenditure	9,404,244.62	3,062,409.50
<b>4. Pretax profit</b>	691,539,488.87	581,279,384.15
deduct: Income tax expense	86,850,335.00	81,324,570.84
<b>5. Net profit</b>	604,689,153.87	499,954,813.31
Net Profit from Continuing Operations	604,689,153.87	499,954,813.31
Net profit attributable to the shareholders of parent company	551,928,618.35	471,024,473.92
Non-controlling interests income	52,760,535.52	28,930,339.39
<b>6. Other comprehensive income, net of tax</b>	-1,325,947.22	
Attributable to owners of parent company	-1,316,942.00	
a. Other comprehensive income that cannot be reclassified into gains or losses		
b. Other comprehensive income that will be reclassified into the gains or	-1,316,942.00	

losses		
(a) Other comprehensive income that can be transferred in gains or losses under the equity method	-1,305,935.62	
(b) Exchange differences on translation of foreign currency financial statements	-11,006.38	
Attributable to non-controlling interests	-9,005.22	
<b>7. Total comprehensive income</b>	603,363,206.65	499,954,813.31
Attributable to the owners of parent company	550,611,676.35	471,024,473.92
Attributable to non-controlling interests	52,751,530.30	28,930,339.39
<b>8. EPS</b>		
(1) Basic earnings per share (yuan per share)	0.66	0.57
(2) Diluted earnings per share (yuan per share)	0.66	0.57

**Consolidated Income Statement of Parent Company****January-December, 2018**

Unit: yuan Currency: RMB

Item	2018	2017
<b>1. Total operating revenue</b>	623,566,267.53	659,619,444.51
<b>deduct: Operating cost</b>	415,589,730.95	445,898,726.95
Taxes and surtaxes	1,514,878.36	1,642,806.10
Selling expenses	14,708,404.12	13,296,649.77
Administrative expenses	26,911,250.47	23,260,545.45
R&D expenses	24,141,364.43	28,012,929.33
Financial expenses	22,370,584.84	19,706,245.34
including: Interest expenses	49,300,111.55	50,420,335.67
Interest income	27,053,420.01	31,287,658.84
Impairment losses on assets	30,418,264.45	23,817,308.88
add: Other income	4,850,607.00	4,447,503.67
Income from Investment	321,116,524.32	226,927,334.76
including: Income from investments in associated companies and joint ventures	283,297,787.16	107,327,562.72
Gain from changes in fair value	-369,580.00	-263,470.00
Gain from assets disposal		44,633.35
<b>2. Operating profit</b>	413,509,341.23	335,140,234.47
add: Non-operating income	3,827,456.11	5,308,387.85
deduct: Non-operating expenditure	705,058.28	231,521.00
<b>3. Pretax profit</b>	416,631,739.06	340,217,101.32
deduct: Income tax expense	12,667,136.02	15,572,329.79
<b>4. Net profit</b>	403,964,603.04	324,644,771.53
Net profit from continuing operations	403,964,603.04	324,644,771.53
<b>5. Other comprehensive income, net of tax</b>	-1,305,935.62	
a. Other comprehensive income that cannot be reclassified into gains or losses		
b. Other comprehensive income that will be reclassified into gains or losses	-1,305,935.62	
(a) Other comprehensive income that can be transferred in gains or losses under the equity method	-1,305,935.62	
<b>6. Total comprehensive income</b>	402,658,667.42	324,644,771.53

**Consolidated Statement of Cash Flow****January-December, 2018**

Liaoning Wellhope	Unit: yuan	Currency: RMB
Item	2018	2017
<b>1. Cash flow from operating activities</b>		
Cash received by selling goods, providing labor services	16,234,878,306.02	14,202,097,842.61
Tax refunds	25,981,833.91	17,826,449.30
Cash received from other activities related to operating	126,613,549.29	159,496,920.45
Sub-total of cash inflow of operating activities	16,387,473,689.22	14,379,421,212.36
Cash paid for goods purchase and labor services	14,693,894,419.34	12,690,331,070.19
Cash paid to and for employee	575,676,082.13	535,069,021.45
Tax payments	131,636,206.28	117,432,952.41
Cash paid to other activities related to operating	484,862,065.88	425,197,797.56
Sub-total of cash outflow of operating activities	15,886,068,773.63	13,768,030,841.61
Net cash flow from operating activities	501,404,915.59	611,390,370.75
<b>2. Cash flow from investing activities</b>		
Cash received from disinvestment	28,502,239.82	27,166,162.82
Cash received from return on investment	18,281,844.61	24,032,937.86
Net cash received from disposal of fixed assets, intangible assets and other long-lived assets	11,789,308.39	131,119.94
Net cash received from disposal of subsidiaries and other business units	3,053,713.91	5,464,048.04
Cash received from other activities related to investment		15,240,056.67
Sub-total of cash inflow of investing activities	61,627,106.73	72,034,325.33
Cash paid for acquiring and building fixed assets, intangible assets and other long-lived assets	427,473,918.37	466,394,339.41
Cash paid for investments	143,884,724.98	231,139,288.98
Net cash paid for acquiring subsidiaries and other business units		908,233.14
Cash paid to other activities related to investment		
Sub-total of cash outflow of investing activities	571,358,643.35	698,441,861.53
Net cash flow from investing activities	-509,731,536.62	-626,407,536.20
<b>3. Cash flow from financing activities</b>		
Cash received by absorbing investments including: Capital contributed by non-controlling interests to subsidiaries	96,474,856.62	24,064,154.53
Cash received from borrowings	1,680,490,000.00	1,610,300,000.00
Cash received from other activities related to	41,131,246.21	



financing		
Sub-total of cash inflow of financing activities	1,818,096,102.83	1,634,364,154.53
Repayments of borrowings	1,469,954,166.66	1,420,000,000.00
Cash paid for distributing dividends, profits, or paid for interests	155,249,212.54	151,273,956.92
including: Dividends or profits paid by subsidiaries to non-controlling interests	4,409,000.00	4,619,507.55
Cash paid to other activities related to financing activities	25,900,000.00	13,216,000.00
Sub-total of cash outflow of financing activities	1,651,103,379.20	1,584,489,956.92
Net cash flow from financing activities	166,992,723.63	49,874,197.61
<b>4. Effect of foreign exchange rate fluctuations on cash and cash equivalents</b>	-10,142,120.44	-1,490,734.81
<b>5. Net increase in cash and cash equivalents</b>	148,523,982.16	33,366,297.35
add: Opening balance of cash and cash equivalents	740,680,891.81	707,314,594.46
<b>6. Closing balance of cash and cash equivalents</b>	889,204,873.97	740,680,891.81

**Consolidated Statement of Cash Flow of Parent Company**

January-December, 2018

Unit: yuan Currency: RMB

Item	2018	2017
<b>1. Cash flow from operating activities</b>		
Cash received by selling goods, providing labor services	617,488,886.12	662,432,618.16
Cash received from other activities related to operating	536,969,369.05	766,899,692.90
Sub-total of cash inflow of operating activities	1,154,458,255.17	1,429,332,311.06
Cash paid for goods purchase and labor services	402,821,941.75	439,118,031.87
Cash paid to and for employee	25,121,026.30	20,839,121.00
Tax payments	17,800,791.44	18,129,343.68
Cash paid to other activities related to operating	422,473,394.25	599,635,805.09
Sub-total of cash outflow of operating activities	868,217,153.74	1,077,722,301.64
Net cash flow from operating activities	286,241,101.43	351,610,009.42
<b>2. Cash flow from investing activities</b>		
Cash received from disinvestment	37,848,161.29	27,394,362.82
Cash received from return on investment	53,246,572.37	106,677,814.68
Net cash received from disposal of fixed assets, intangible assets and other long-lived assets		68,603.12
Cash received from other activities related to investment		9,540,056.67
Sub-total of cash inflow of investing activities	91,094,733.66	143,680,837.29
Cash paid for acquiring and building fixed assets, intangible assets and other long-lived assets	19,033,211.74	41,019,979.46
Cash paid for investments	253,599,265.53	347,880,476.19
Sub-total of cash outflow of investing activities	272,632,477.27	388,900,455.65
Net cash flow from investing activities	-181,537,743.61	-245,219,618.36
<b>3. Cash flow from financing activities</b>		
Cash received by absorbing investments	70,688,750.00	
Cash received from borrowings	1,450,000,000.00	1,160,000,000.00
Sub-total of cash inflow of financing activities	1,520,688,750.00	1,160,000,000.00
Repayments of borrowings	1,277,000,000.00	1,110,000,000.00
Cash paid for distributing dividends, profits, or paid for interests	133,440,300.12	132,608,048.55
Sub-total of cash outflow of financing activities	1,410,440,300.12	1,242,608,048.55
Net cash flow from financing activities	110,248,449.88	-82,608,048.55

<b>4. Effect of foreign exchange rate fluctuations on cash and cash equivalents</b>	-1,343.50	-275.98
<b>5. Net increase in cash and cash equivalents</b>	214,950,464.20	23,782,066.53
add: Opening balance of cash and cash equivalents	525,941,409.05	502,159,342.52
<b>6. Closing balance of cash and cash equivalents</b>	740,891,873.25	525,941,409.05

**Change Statement of Owner's Equity**  
**January-December, 2018**

Unit: yuan Currency: RMB

Item	2018							
	Equity Attributable to the Owners of Parent Company						Non-controlling Interests	Total Owners' Equity
	Share Capital	Capital Reserve	Deduct: Treasury Stock	Other Comprehensive Income	Surplus Reserve	Undistributed Profits		
1. Closing balance of prior period	831,176,469.00	103,593,300.06			232,486,459.89	2,223,048,013.93	355,960,084.62	3,746,264,327.50
2. Opening balance of current period	831,176,469.00	103,593,300.06			232,486,459.89	2,223,048,013.93	355,960,084.62	3,746,264,327.50
3. Changes of current period	14,575,000.00	50,231,236.31	70,688,750.00	-1,316,942.00	40,396,460.30	428,414,511.15	58,112,135.76	519,723,651.52
A. Total comprehensive income				-1,316,942.00		551,928,618.35	52,751,530.30	603,363,206.65
B. Capital contributed and reduced by owners	14,575,000.00	50,231,236.31	70,688,750.00				8,825,605.46	2,943,091.77
a. Common stock invested by owners	14,575,000.00	56,113,750.00	70,688,750.00				25,786,106.62	25,786,106.62
b. Amount of share-based payment included in the owner's equity		1,997,989.57						1,997,989.57
4. Other		-7,880,503.26					-16,960,501.16	-24,841,004.42
C. Profit distribution					40,396,460.30	-123,514,107.20	-3,465,000.00	-86,582,646.90
a. Appropriation of surplus reserves					40,396,460.30	-40,396,460.30		
b. Extraction of general risk provisions								
c. Profit distributed to owners (or shareholders)						-83,117,646.90	-3,465,000.00	-86,582,646.90
4. Closing balance of current period	845,751,469.00	153,824,536.37	70,688,750.00	-1,316,942.00	272,882,920.19	2,651,462,525.08	414,072,220.38	4,265,987,979.02

Item	2017							
	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		
1. Closing balance of prior period	831,176,469.00	107,366,826.13			200,021,982.74	1,867,605,664.06	314,988,438.39	3,321,159,380.32
2. Opening balance of current period	831,176,469.00	107,366,826.13			200,021,982.74	1,867,605,664.06	314,988,438.39	3,321,159,380.32
3. Changes of current period		-3,773,526.07			32,464,477.15	355,442,349.87	40,971,646.23	425,104,947.18
A. Total comprehensive income						471,024,473.92	28,930,339.39	499,954,813.31
B. Capital contributed and reduced by owners		-3,773,526.07					18,130,814.39	14,357,288.32
a. Common stock invested by owners							24,064,154.53	24,064,154.53
b. Amount of share-based payment included in the owner's equity								
4. Other		-3,773,526.07					-5,933,340.14	-9,706,866.21
C. Profit distribution					32,464,477.15	-115,582,124.05	-6,089,507.55	-89,207,154.45
a. Appropriation of surplus reserves					32,464,477.15	-32,464,477.15		
b. Extraction of general risk provisions								
c. Profit distributed to owners (or shareholders)						-83,117,646.90	-6,089,507.55	-89,207,154.45
4. Closing balance of current period	831,176,469.00	103,593,300.06			232,486,459.89	2,223,048,013.93	355,960,084.62	3,746,264,327.50

**Change Statement of Owner's Equity of Parent Company**  
**January-December, 2018**

Unit: yuan Currency: RMB

Item	2018						
	Share Capital	Capital Reserve	Deduct: Treasury Stock	Other Comprehensive Income	Surplus Reserve	Undistributed Profits	Total Owners' Equity
1. Closing balance of prior period	831,176,469.00	102,593,326.35			232,486,459.89	1,375,560,959.50	2,541,817,214.74
2. Opening balance of current period	831,176,469.00	102,593,326.35			232,486,459.89	1,375,560,959.50	2,541,817,214.74
3. Changes of current period	14,575,000.00	58,111,739.57	70,688,750.00	-1,305,935.62	40,396,460.30	280,450,495.84	321,539,010.09
A. Total comprehensive income				-1,305,935.62		403,964,603.04	402,658,667.42
B. Capital contributed and reduced by owners	14,575,000.00	58,111,739.57	70,688,750.00				1,997,989.57
a. Common stock invested by owners	14,575,000.00	56,113,750.00	70,688,750.00				
b. Amount of share-based payment that included in the owner's equity		1,997,989.57					1,997,989.57
C. Profit distribution					40,396,460.30	-123,514,107.20	-83,117,646.90
a. Appropriation of surplus reserves					40,396,460.30	-40,396,460.30	
b. Profit distributed to owners (or shareholders)						-83,117,646.90	
c. Other							-83,117,646.90
4. Closing balance of current period	845,751,469.00	160,705,065.92	70,688,750.00	-1,305,935.62	272,882,920.19	1,656,011,455.34	2,863,356,224.83

Item	2017						
	Share Capital	Capital Reserve	Deduct: Treasury Stock	Other Comprehensive Income	Surplus Reserve	Undistributed Profits	Total Owners' Equity
1. Closing balance of prior period	831,176,469.00	102,593,326.35			200,021,982.74	1,170,842,881.06	2,304,634,659.15
2. Opening balance of current period	831,176,469.00	102,593,326.35			200,021,982.74	1,170,842,881.06	2,304,634,659.15
3. Changes of current period					32,464,477.15	204,718,078.44	237,182,555.59
A. Total comprehensive income						324,644,771.53	324,644,771.53
B. Profit distribution					32,464,477.15	-119,926,693.09	-87,462,215.94
a. Appropriation of surplus reserves					32,464,477.15	-32,464,477.15	
b. Profit distributed to owners (or shareholders)						-83,117,646.90	-83,117,646.90
c. Other						-4,344,569.04	-4,344,569.04
4. Closing balance of current period	831,176,469.00	102,593,326.35			232,486,459.89	1,375,560,959.50	2,541,817,214.74

### **III. Basic Information of the Company**

#### **1. Overview of the Company**

Approved by the People's Government of Liaoning Province, Liaoning Wellhope Agri-Tech Joint Stock Co., Ltd. (hereinafter referred to as the Company) is a limited liability company founded by 23 natural persons, including Jin Weidong, Ding Yunfeng, etc., which was registered in Liaoning Province Administrative Bureau of Industry and Commerce on March 27th, 2003. The headquarters of the Company is located in Shenyang, currently it holds the business license with the number of 9121000074712989XU and the registered capital of RMB 845.7515 million yuan, registered address (headquarters address): No. 169, Huishan Street, Shenbei New District, Shenyang, Liaoning Province. Its legal representative is Jin Weidong.

The Company's business scope covers feed and feed additives processing, production, marketing; grain purchasing (self-use); sales of feed raw materials; poultry and livestock raising, seawater and freshwater aquaculture; agricultural and sideline products processing; ordinary road freight (regarding the business activities which need to be approved by the law, shall be approved by relevant authorities).

The financial statements have been approved to be disclosed by the Company's 9th board meeting of the 6th Session of Board of Directors on April 25th, 2019.

#### **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 scope of 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 current period



Company	Way of Obtaining
Chongqing Wellhope Agri-Tech	Invested
Russia Wellhope Agri-Tech	Invested
Dahong Agriculture and Animal Husbandry Sci-Tech	Invested

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

Company	Reason of Excluding from the Consolidation Scope
Panjin Wellhope Jiuguhe Food	cancelled
Wuwei Wellhope Feed	transferred
Hancheng Wellhope Feed	cancelled
Jingzhou Wellhope Feed	cancelled
Yangling Wellhope Agri-Tech	cancelled
Xi'an Mico Monkey E-Commerce	transferred
Liaoning Shennong Wellhope Bio-Tech	transferred

**IV. Basis of Preparing Financial Statements**

**1. Basis of preparing**

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

**2. Going concern**

The Company has the ability of going concern within at least 12 months since the end of the reporting period, and there are no major issues affecting the ability of going concern.

**V. Important Accounting Policies and Accounting Estimates**

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

## **1. Declaration about compliance with Accounting Standards for Business Enterprises**

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

## **2. Accounting period**

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

## **3. Operating cycle**

The Company takes a 12-month operating cycle.

## **4. Bookkeeping base currency**

RMB

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

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

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

On the date of combination, the assets and liabilities acquired by the Company in business combination under the same control shall be measured according to the book value of assets and liabilities of the combining party in the consolidated financial statements of the final controlling party. The share of the book value of the owner's equity held by the combining party, which is owned, by the final controlling party in the consolidated statement of the final controlling party is regarded as the initial investment cost of long-term equity investment in the individual financial statements. The balance between initial cost of investment of long-term equity investment and paid combining consideration (including paid cash, non-cash assets transferred, book value of occurred or assumed debt as well as the total face value of issued stocks), capital reserve (equity premium or capital

premium) shall be adjusted; If the balance of capital reserve (equity premium or capital premium) is not sufficient for offset, the surplus reserves and undistributed profit shall be offset successively.

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

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

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

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

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

(B) For business combination realized step by step through multiple exchange transactions, the combined cost is the sum of the amount of equity investments held prior to the acquisition date that are re-measured at fair value on the acquisition date and the investment cost newly increased on the acquisition date. The long-term equity investment in individual financial statements is the sum of the book value of the equity investment held before the acquisition date and the investment cost newly increased on the acquisition date. Exclude package deal.

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

(A) Where other assets other than intangible assets obtained from the Acquiree in the business combination (not only finite to the assets which have been originally confirmed

by the Acquiree), the future economic benefits are expected to flow into the Company and the fair values reliably measured, they shall be separately confirmed and measured at the fair values.

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

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

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

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

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

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

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

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

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

included into the current gains and losses.

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

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

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

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

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

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

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

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

## **6. Preparation methods for consolidated financial statements**

(1) Uniform accounting policy and accounting period

All accounting policies and accounting period adopted by subsidiaries taking into 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 combined financial statements.

(2) Preparation methods for combined 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 combined financial statements.

(3) The reflection of excess deficit of subsidiaries in combined 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 rest of the reduction 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 subsidiary during the report period

① Disposal of increased number of subsidiary 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 subsidiary 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 the subsidiary arrangement during the report period

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

**7. Confirmation standard of cash and cash equivalents**

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

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

**8. Foreign currency transactions and foreign currency statement translation**

(1) Accounting methods of foreign currency transactions

① Initial confirmation of foreign currency transaction

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

② Adjustment or settlement of balance sheet date or settlement date

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

(A) Accounting treatment principle for foreign currency monetary item

For foreign currency monetary items, on the balance sheet date or settlement date, the Company adopts spot exchange rate (intermediate price) for conversion on the balance sheet date or settlement date to adjust the amount of the accounting base currency of

foreign currency monetary items caused by exchange rate fluctuations, and treat them as exchange balances. Among them, the exchange balance between foreign currency loans related to the acquisition, construction or production of assets eligible for capitalization is included in the cost of assets eligible for capitalization. Other balance of exchange shall be included into current financial expense.

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

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

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

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

(2) Accounting treatment methods for foreign currency statement translation

① The Company shall conduct translation of the financial statements of overseas operations as the following methods:

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

(B) The income and expense items in the profit statements shall be translated at the spot exchange rate of the transaction date, or at a spot exchange rate which is confirmed



through a systematic and rational method and which is approximate to the spot exchange rate on the transaction date.

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

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

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

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

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

## **9. Financial Instruments**

Financial instruments include financial assets, financial liabilities and equity instruments.

(1) Classification of financial instruments

①Classification of financial assets

According to business characteristics, investment strategies and risk management requirements, the Company divides the acquired financial assets into the following four categories: (A) Financial asset measured by fair value and the change of which is included into current gains and losses (B) Held-to-maturity investment; (C) Loans and accounts

receivable; (D) Available-for-sale financial assets.

Financial assets measured by fair value and whose change is included into current gains or losses include: (A) Transactional financial assets (B) Financial assets designated to be measured in light of fair value and the change of which is included into the current gains and losses (C) The investor invests in the rights and interests of the subsidiary Company which is not included in the combined financial statements. (D) Equity investments held by venture capital institutions, mutual funds and similar entities, etc.

Equity investments that have no control, joint control or significant impact on the invested entity can be divided into financial assets that are measured at fair value and whose variation are included in current gains and losses or financial assets available for sale according to business characteristics, investment strategies and risk management requirements. In some special cases, equity investments divided into available-for-sale financial assets can be accounted for by cost method.

#### 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 which are measured at their fair values and of which the change is included in the current gains and losses, including transactional financial liabilities and the designated financial liabilities which are measured at their fair values and of which the change is included in the current gains and losses; (B) Other financial liabilities.

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

##### ① Confirmation basis of financial instruments

When becoming one party of Financial Instrument Contract, the Company shall confirm a financial asset or financial liability.

##### ② Measurement method of financial instruments

(A) Financial assets or financial liabilities measured by the fair value and its change is included into the current gains and losses; taking the fair value as initial measurement amount when obtained, include the transaction costs into current gains and losses when occurred. The cash dividends declared but not yet paid or the bond interest that is due but

has not yet been paid in the actual payment are separately confirmed as dividends receivable or interest receivable. Cash dividends or bond interest earned during the holding period shall be confirmed as investment income. On the balance sheet date, it shall be measured according to the fair value and the variation in its fair value shall be included in the gains and losses of the current period. In sale of transactional financial assets, the investment income shall be confirmed according to the balance between the actual value received (dividends receivable and interest receivable shall be deducted) and the book value of the transactional financial assets on the disposal day, and the accumulated amount previously recorded in the variation in fair value shall be transferred to the investment income.

(B) Held-to-maturity investment: The initial measurement amount shall be the sum of the fair value at the time of acquisition and the relevant transaction costs. The bond interest which has expired but has not been taken included in the actually paid price, shall be confirmed as receivable interest separately. Interest income is calculated and confirmed based on amortized cost and effective interest rate during the holding period and then is reckoned in the investment revenue. The effective interest rate shall be confirmed when obtained, and it will remain unchanged within the estimated duration or appropriate shorter period. On the balance sheet date, shall measure as per amortized cost. At disposal, the balance between the price obtained (interest receivable shall be deducted if any) and the book value of held-to-maturity investment is confirmed as investment income.

(C) Loan and receivables: Loans and receivables mainly refer to loans issued by financial enterprises and receivables formed by enterprises by selling goods or providing labor services, shall be measured at amortized cost by the effective interest method. Loans granted by financial enterprises in accordance with current market conditions shall be initially confirmed as the sum of the principal of the loans granted and related transaction costs. The receivable credit rights formed by external sales of goods or services provided by the Company are usually taken the receivable price of the contract or agreement from the Buyer as the initially confirmed amount. Interest income confirmed during the holding

period of loan shall be calculated on the basis of the actual interest rate. The enterprise shall include the price obtained and the balance between the loan and the book value of receivables into the current profit or loss when withdraws or disposes the loans and receivables.

(D) Available-for-sale financial assets: The sum of the fair value and related transaction expenses are taken as the initially confirmed amount. In this type of assets, the equity instrument investments for which there is no quotation in the active market and whose fair value cannot be measured reliably, and the derivative financial assets, which are connected with the equity instrument and must be settled by delivering the equity instrument shall be measured subsequently on the basis of their costs. The cash dividends declared but not paid or the bond interest that is due but has not yet been paid in the actual payment are separately confirmed as dividends receivable or interest receivable. Cash dividends or bond interest earned during the holding period shall be included in investment earnings. On the balance sheet date, the financial assets available for sale shall be measured at fair value, and the changes in fair value are included in other comprehensive earnings. At disposal, the balance between the price obtained (dividends receivable and interest receivable shall be deducted if any) and the book value of available-for-sale financial assets shall be included in investment earnings. Meanwhile, the amount corresponding to disposed portion of the cumulative variation in the fair value previously included in other comprehensive earnings shall be transferred out and included in investment earnings.

(E) Other financial liabilities: With the sum of fair value at the time of occurrence and related transaction costs as the initial accounting amount, the interest costs are confirmed with the actual interest rate method, and measured according to the amortized cost on the balance sheet date.

(3) Confirmation basis and measurement methods of financial assets transfer

① Confirmation conditions for termination of financial assets

When the Company transfers financial assets, if the Company has transferred nearly all of the risks and rewards related to the ownership of the financial asset to the transferee, it

shall stop the confirmation of the financial asset; If it retained nearly all of the risks and rewards related to the ownership of the financial assets, it shall not terminate the confirmation of the financial assets.

When judging whether the transfer of financial assets meets the above conditions for terminating the confirmation of financial assets, the Company shall adopt the substance over form principle.

②The treatment of the financial asset transfer satisfying the termination confirmation condition

The Company classifies the transfer of financial assets into the overall transfer and partial transfer of financial assets.

(A) If the overall transfer of financial assets satisfies the conditions for termination confirmation, the Company shall include the balance between the consideration received as a result of the transfer and the book value of the transferred financial assets into the current gains and losses, and transfer the cumulative amount of changes in fair value, which is directly included in other comprehensive gains (where the transferred financial assets are available for sale), into the current gains and losses.

(B) If the partial transfer of financial assets satisfies the conditions for termination confirmation, the Company shall apportion the book value of the transferred financial assets between termination confirmation and non-termination in accordance with their respective relative fair values, and include the balance between the consideration of confirmation termination and the book value of confirmation termination of financial assets in the current gains and losses, while transferring the amount corresponding to confirmation termination of the cumulative change in fair value originally directly recorded in other comprehensive income (involving transferable financial assets available for sale) into the current gains and losses.

③The treatment of the financial asset transfers unsatisfying the termination confirmation condition

When the transfer of financial assets does not meet the confirmation termination conditions, the financial assets shall remain confirmation, and the consideration received

shall be confirmed as financial liabilities.

(4) Confirmation conditions for termination of financial liabilities

① If the whole or part of current obligations of the financial liabilities has been relieved, the Company shall terminate the confirmation of the whole or part of financial liabilities; in case the Company signs agreement with creditor to replace the existing financial liabilities by undertaking new financial liabilities, and the new financial liabilities differ from the existing financial liabilities substantially in terms of contractual terms, the confirmation of existing financial liabilities shall be terminated and the new financial liabilities shall be confirmed.

② Where the Company makes substantial revisions to whole or part of the contractual terms of the existing financial liabilities, it shall terminate the confirmation of the existing financial liabilities or part of it, and at the same time confirm the financial liability after revising the contractual terms as a new financial liability.

③ Where financial liabilities have been fully or partially terminated for confirmation, the balance between the book value terminated for confirmation and the consideration paid (including non-cash assets transferred or undertaken new financial liabilities) shall be included in current gains and losses.

④ Where the Company repurchases partial financial liabilities, it shall distribute, on the re-acquisition date, the entire book value of the financial liabilities shall be distributed in light of the relative fair value of the part whose confirmation is continued and the part whose confirmation has been terminated. The balance between the book value which is distributed to the confirmation has been terminated and the considerations has paid (including the non-cash assets it has transferred out or the new financial liabilities it has assumed) shall be included into the current gains and losses.

(5) Confirmation method of the fair value of the financial instruments

① The fair value of financial asset or financial liability for which there is an active market shall be confirmed according to the unjustified quoted price of the active market on the measurement date.

② If there is no active market, the fair value shall be confirmed by the valuation

technology, and the specific principles and methods shall be in accordance with the relevant provisions of Accounting Standards for Enterprises No. 39 - Fair Value Measurement.

(6) Impairment Accreditation criteria, Test Method and Withdrawing Method for Impairment provision of Financial Assets (excluding accounts receivable).

The Company shall carry out an inspection on the book value of the financial assets (including single or a group of financial asset) other than those measured at their fair values and of which the change is into the current gains and losses on the balance sheet date. Where there is any objective evidence proving that such financial asset has been impaired, the impairment loss shall be confirmed, and the impairment provision shall be withdrawn.

The objective evidence of impairment of financial assets includes serious financial difficulties of the issuer or debtor, bankruptcy or financial restructuring of the debtor, failure of the financial assets trading in the active market due to major financial difficulties of the issuer, and serious or non-temporary decline in the fair value of equity instruments investment.

① Impairment test method and withdrawing method of the provision for impairment of the held-to-maturity investment

If there is objective evidence indicating the impairment occurred in held-to-maturity investment on the balance sheet date, the Company shall calculate and confirm the impairment losses according to the balance between its book value and the present value of estimated future cash flows.

(A) The single held-to-maturity investment with significant amount shall be carried out impairment test separately, if there is objective evidence indicating that impairment has occurred, confirm the impairment loss according to the balance of the present value of future cash flow lower than the book value, and withdraw impairment provision.

(B) Non-significant held-to-maturity investment of single amount and significant held-to-maturity investment of single amount without impairment after separate testing is divided into several portfolios according to similar credit risk characteristics, and then the

impairment loss is calculated according to a certain proportion of balance of these portfolios on the balance sheet date, and the impairment provision is calculated.

② Impairment test method and withdrawing method of the provision for impairment of the available-for-sale financial assets

On the balance sheet date, if there is objective evidence shows that the financial assets available for sale have been impaired, the impairment provision shall be calculated and the impairment loss shall be confirmed. When comprehensive judgment is made according to the relevant factors that the decline of the fair value of the available-for-sale equity instruments investment is severe or non-temporary, it shows that the available-for-sale equity instruments investment is under impairment. Among which, "Severe decline" refers to the decline range of fair value exceeding 30% accumulatively; "Non-temporary decline" refers to the constant decline of fair value exceeding 12 months. When impairment provision is withdrawn on available-for-sale financial assets, the original accumulating losses included into other comprehensive profit and caused by drop of fair value shall be transferred out and included into current gains and losses. The accumulating losses that transferred out equals to the balance derived by deducting the recovered principal, the amortized amount, the current fair value and the impairment loss that has been originally included into the gains and losses from initial acquisition cost of the available-for-sale financial assets.

After confirming the impairment losses, if there is objective evidence proving that its value has been restored, and it is objectively related to the matters occurred after confirming the losses, the originally confirmed impairment losses shall be reversed; the impairment losses of the investment of available-for-sale equity instrument are reversed and confirmed as other comprehensive incomes, and that of the available-for-sale debt instruments are included into current gains and losses.

Where an equity instrument investment for which there is no quoted price in the active market and whose fair value cannot be reliably measured, or a derivative financial asset which is connected with the equity instrument and which must be settled by delivering the equity instrument, suffers from any impairment, the balance between book value of



financial asset and the current value of the future cash flow discounting of similar financial assets according to the rate of market return at that time shall be confirmed as impairment losses and be included into the gains and losses of the current period. Once an impairment loss has been confirmed, it shall not be transferred back.

(7) The held-to-maturity investments that are not yet due are reclassified to accounting treatment methods of available-for-sale financial assets

Where the Company has the intention of holding or the ability to make changes so that an investment is no longer suitable to be classified as held-to-maturity investment, the investment shall be reclassified by the Company as available-for-sale financial asset. The Company will sell or reclassify part of the held-to-maturity investment, which is not caused by independent events beyond the control of the Company that are not expected to recur and are difficult to reasonably predict. It will also reclassify the remaining part of such investment into financial assets that can be sold.

## 10. Accounts Receivable

(1). Individual account receivable with significant amount and reserved for bad-debt separately

the judgment basis or amount standard for account receivable with amount that is individually significant, withdrawing bad debt provision individually	Receivables with an individual amount of RMB 500,000 yuan or above (including 500,000 yuan)
withdrawing method of bad debt provision of account receivable with amount that is individually significant, withdrawing bad debt provision individually	<p>On the balance sheet date, the Company shall conduct a separate impairment test for individual account receivable with significant amount. If there is objective evidence, which proves that the impairment has occurred, it shall recognize the impairment loss and withdraw the bad debt reserve according to the difference between the present value of future cash flow and its book value. Where individual account receivable with significant amount has no impairment after testing, the bad debt reserve shall be calculated and drawn according to its closing balance in accordance with the aging portfolio.</p> <p>Objective evidence of impairment shall include the following:</p> <ol style="list-style-type: none"> <li>(1) The debtor has serious financial difficulties;</li> <li>(2) The debtor breaches the terms of the contract (such as the default or overdue payment of interest or principal, etc.);</li> <li>(3) By considering economic or legal reasons, make concessions to the debtor who has financial difficulties;</li> <li>(4) The debtor is likely to go bankrupt or carry out other debt restructuring.</li> </ol>

(2). Bad debt provision of accounts receivable is conducted according to credit risk grouping

age grouping	The individual account receivable with significant amount does not withdraw bad debt provision after single testing, adding the receivable which no longer has significant amount after deducting individual withdrawing of bad debt provision, shall take the age of receivables as a similar credit risk characteristics of portfolio.
risk-free grouping	The credit risks of receivables are classified according to the transaction objects and the nature of the receivables, and there is no default risk of the receivables.

In the grouping, the aging analysis method is adopted to calculate and withdraw the bad debt reserve

Age	Percentage of withdrawing bad debt provision of accounts receivable %	Percentage of withdrawing bad debt provision of other accounts receivable %
within 1 year(including 1 year)	5	5
1-2 years	10	10
2-3 years	40	40
over 3 years	100	100

## 11. Inventory

(1) Classification of inventory

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

(2) Valuation method for delivery of inventory

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

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

① Confirmation basis of net realizable value of inventory

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

(B) The materials inventory need to be processed, during the normal process of production and management, the estimated sale price of the finished products minus the estimated costs when finished the works, the estimated selling expenses and related tax payments, the net realizable value can be confirmed.

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

(D) But for materials held for production, etc., if the net realizable value of finished products made from the materials is higher than the cost, the materials shall still be measured based on 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.

② Withdrawing method of inventory falling price reserves

The Company shall prepare for the reduction of inventory price according to the lower price between 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 withdrawn by the Company according to the categories.

(4) Inventory system

The Company shall adopt perpetual inventory system for the stock inventory and regularly conduct 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.

## 12. Available-for-sale Assets

### (1) Available-for-sale

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

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

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

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

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

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

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

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

The Company shall measure the book value of assets and liabilities in non-current assets or disposal groups according to relevant accounting standards before dividing non-current assets or disposal groups into available for sale assets for the first time.

When the Company initially measures or recalculates non-current assets or disposal groups held for sale on the balance sheet date, if its book value is higher than the net amount of fair value minus selling expenses, the book value is written down to the net amount of fair value minus selling expenses, and the amount written down is confirmed as the loss of assets impairment, which is recorded in the current gains and losses, and the

provision for holding impairment of assets for sale is made. For the amount of loss of impairment of assets confirmed by the disposal group held for sale, we shall first 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 categories held for sale in the combined 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.

## **13. Long-term equity investment**

### (1) Investment cost confirmation of long-term equity investment

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

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

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

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

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

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

The expenses, taxes and other necessary expenses incurred by the Company directly

related to the acquisition of long-term equity investment are included in the initial investment cost of long-term equity investment.

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

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

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

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

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

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

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

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

(C) After obtaining a long-term equity investment, the Company shall confirm the investment losses and profits and other comprehensive income respectively and adjust the book value of the long-term equity investment in terms of the due owned or borne share

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

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

When net deficiency of the invested entity that confirmed to be borne, it shall be disposed as the following orders: The book value of the long-term equity investment shall be offset at first. If the book value of long-term equity investment is not enough to be offset, the investment losses shall be confirmed continuously according to the limit that the book



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

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

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

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

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

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

#### **14. Fixed assets**

(1). Confirmation conditions

The fixed assets refer to the tangible assets held for commodity production, rendering

service, lease or operation management with a service life of more than one accounting year. The fixed assets are confirmed when the following conditions are met:

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

(2). Method of depreciation

Item	Method of depreciation	Period of depreciation (year)	RM value rate	Yearly depreciation
office and buildings	straight-line service life depreciation	10-40	3	2.43-9.70
machinery equipment	straight-line depreciation	10	3	9.70
transportation equipment	straight-line depreciation	4	3	24.25
other equipment	straight-line depreciation	5	3	19.40

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

① Confirmation basis of fixed assets under finance lease

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

② Pricing method of fixed assets under finance lease

At the beginning of the lease period, the Company shall regard the lower of the fair value of leased assets and the present value of the minimum lease payment on the lease start date and the initial direct expenses incurred as the accounting value of the financing leased assets, the lowest lease payment as the value of the long-term accounts payable, and the balance between the lower of the fair value of leased assets and the present value of the minimum lease payment on the lease start date as the accounting value of the financing leased assets and the minimum rental payments as unconfirmed financing cost. Unconfirmed financial charges shall be amortized to each period in lease term according to effective interest method.

③ Method for depreciation of fixed assets under finance lease

The Company shall adopt the depreciation policy consistent with owned fixed asset to

withdraw 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 withdrawn 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 withdrawn depreciation within the shorter one between the lease term and the service life of leasing asset.

## **15. 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.

## **16. Borrowing cost**

### **(1) Range of the borrowing cost**

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

currency borrowings.

(2) Borrowing cost principle

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

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

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

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

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

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

If assets eligible for capitalization is interrupted abnormally during the course of acquisition and construction or production, and the interruption lasts more than 3 months, the capitalization of borrowing costs shall be suspended. The borrowing costs occurred during the interruption shall be confirmed as current gains or losses, until the acquisition and construction or production activities of the asset restart, the capitalization of borrowing costs shall be continued. If the interruption is a necessary step for making the acquired, built or produced assets which are eligible for capitalization reaching estimated usable and marketable status, the capitalization of the borrowing costs shall be continued.

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

When the acquired, built or produced assets which are eligible for capitalization can reach

estimated usable and marketable state, shall stop capitalizing on borrowing costs; the borrowing costs incurred thereafter shall be confirmed as current gains and losses according to the real amount.

Where each part of the acquired, built or produced assets which are eligible for capitalization is completed separately, and every single part is available to use or sell during the continuing construction of other parts, and the acquisition and construction or production activities, which are necessary to make such part of asset reaching the estimated status of being available to use or sell, have already been completed substantially, shall stop capitalizing on the borrowing costs in relation to this part of asset.

Where each part of the acquired, built or produced assets which are eligible for capitalization is completed separately and but it cannot be available to use or sell till the whole construction finishing, shall stop capitalizing on the borrowing costs when the assets can be completed entirely.

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

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

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

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

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

costs.

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

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

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

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

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

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

During the period of capitalization, the exchange balance on foreign currency specific borrowings shall be capitalized, and shall be included in the cost of assets eligible for capitalization.

## **17. Biological assets**

(1) Classification of biological assets

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

(2) Conformation conditions of biological assets

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

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

### (3) Depreciation of productive biological assets

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

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

Type	Life expectancy (month)	Anticipated net residual value	Depreciation method
Parent Stock-Pig	48	300.00 yuan per head	straight-line-method
Parent Stock(Broiler)	10	25.00 yuan per broiler	units-of-production method

The depreciation coefficient shall be calculated according to the empirical value of egg production during the service life of parent stock(broiler) and withdrawing depreciation according to the depreciation coefficient.

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 change in accounting estimate.

## 18. Intangible assets

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

#### ① Initial measurement of intangible assets

##### (A) Initial measurement of outsourcing intangible assets

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

##### (B) Initial calculation for independently developed intangible assets

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

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

#### ② Subsequent measurement of intangible assets

The service life shall be analyzed and confirmed by the Company when obtaining the intangible assets. The intangible assets acquired by the Company include intangible assets with finite service life and indefinite service life.

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

For intangible assets with limited service life, the Company will adopt the straight-line



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

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

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

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

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

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

③ Estimate the service life of intangible assets

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

(B) If the service life is not stipulated in the contract or law, the Company shall confirm the period when intangible assets can bring economic benefits to the Company by employing relevant experts for demonstration or comparing with those in the same industry and referring to the Company's historical experience.

(C) In accordance with the above method, if it is still unable to reasonably confirm the time limit when the intangible assets can bring economic benefits for the Company, the

intangible assets shall be deemed as the intangible assets with uncertain service life.

④ Treatment of land use right

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

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

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

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

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

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

(A) Research stage

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

(B) Development stage

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

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

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

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

(A) Complete the intangible assets to make them feasible to be used or sold in technology;

(B) Possess the intention to complete the intangible assets and use or sell them;

(C) The ways of intangible assets to generate economic benefits include the ability to prove the existence of the market where there are the products produced by the intangible assets or the existence of that of the intangible assets, and prove its usefulness if intangible assets will be used internally;

(D) There are sufficient technologies, financial resources and other resources supporting to complete the development of the intangible assets, and the Company is able to use or sell the intangible assets;

(E) Expenditures that belong to the development stage of the intangible assets can be measured reliably.

### **19. 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 amount of the fair value of the assets deducted by the disposal expenses and the present value of the expected future cash flow of the assets. Calculate and confirm the assets impairment reserves based on single asset; shall it be difficult to estimate the recoverable amount of single asset, the recoverable amount of the asset group shall be confirmed based on its belonging asset group. Asset group is the minimum asset portfolio that can generate cash inflow independently.

Each year, the Company performs the impairment test on the goodwill and the intangible assets with uncertain service life, no matter whether there are signs of impairment or not.

When the Company conducts the impairment test on business reputation, as for the book value of goodwill formed due to the business combination, it shall be amortized to related assets groups from the acquisition date according to the reasonable methods; The part that is hard to be allocated to related assets groups shall be amortized to related combined assets groups. When apportioning the book value of the goodwill to the relevant asset

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

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

## **20. 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.

## **21. Employee remuneration**

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

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

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

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

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

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

### (3). Accounting treatment method of dismissal welfare

Dismissal welfare refers to the remuneration for the employee when the Company terminates the labor relationship with the employee before the labor contract expires or when the Company encourages the employee to receive layoff voluntarily. If the Company provides dismissal welfare for staffs, the staff remuneration liability generating from confirming dismissal welfare on the earlier one of the following two dates shall be included into current gains and losses:

① When the Company cannot unilaterally withdraw the dismissal welfare provided by labor relationship relief plan or reduction suggestion.

② When the Company confirms cost or expense relevant to the restructuring involved in paying dismissal welfare.

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

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

① Cost to serve.

② Net interest amount of net liabilities or net asset of other permanent staff welfares.

③ The change generating from the recalculation of net liability or net asset of other permanent staff welfares.

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

## **22. Estimated Liabilities**

(1) Confirmation principles of estimated liabilities

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

① That obligation is a current obligation undertaken by the Company;

② It is likely to cause the economic benefit to flow out of the Company due to the performance of the obligation;

③ The amount of the obligation can be measured reliably.

(2) Calculated method for estimated liabilities

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

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

with the middle estimate within the range.

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

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

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

### **23. Share-based payment**

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

(1) Accounting treatment on the grant date

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

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

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

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

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

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

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

### (3) Accounting Treatment on the Vesting Date

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

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

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



## 24. Revenue

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

### (1) Confirming principle of the revenue for selling goods

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

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

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

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

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

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

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

(A) If labor service cost incurred is estimated to be compensated in full amount, provision

of labor service income shall be confirmed according to the amount that has been regained or can be regained by estimation and carry forward the labor service cost that has accrued;

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

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

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

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

## **25. Governmental grant**

(1) Category of governmental grant

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

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

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

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

Confirmation principle of government grant

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

② The Company is able to receive governmental grant.

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

(3) Measurement for government grant

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

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

(4) Accounting treatment method for government grants

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

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

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

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

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

④ Government grants related to the day-to-day operation of the Company shall be accounted for as other benefits or deducted with relevant costs in accordance with the nature of its economic operations. Government grants unrelated to the daily activities of enterprise are included in the income and expenditure of non-business activities. If the finance allocates the discount funds directly to the Company, the Company will deduct the relevant borrowing costs from the corresponding discount.

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

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

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

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

## **26. Deferred income tax assets/deferred income tax liabilities**

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

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

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

② Confirmation basis of deferred income tax assets

(A) The Company shall confirm the deferred income tax assets arising from a deductible temporary balance to the extent of the amount of the taxable income which it is likely to obtain and which can be deducted from the deductible temporary balance. The amount of taxable income likely to be obtained in the future period includes the amount of taxable income realized in normal production and operation activities in the future period, and the amount of taxable income increased due to the return of temporary balance of taxable income during the period of deductible temporary balance.

(B) As for any deductible losses and tax deduction that can be carried over to the next

years, the corresponding deferred income tax assets shall be confirmed to the extent that the amount of future taxable income to be offset for the deductible loss and tax to be likely obtained.

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

③ Confirmation basis of the deferred income tax liabilities

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

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

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

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

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

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

**27. Lease****(1). Accounting treatment method of operating lease**

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

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

**(2). Accounting treatment methods of financial lease**

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

On the commencement date of the lease term, a lessor recognizes the sum of the minimum lease receipts on the lease commencement date and the initial direct costs as the entry value in an account of the finance lease values receivable, and record the

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

## 28. Changes of important accounting policies and estimates

Important accounting policies

Content and reason for the changes of accounting policies	Note
according to the Notice of the Ministry of Finance on the Revision of General Financial Statement Format for Enterprises in 2018 issued on June 15th, 2018, the Company has made the following amendments to the items listed in the financial statements	See below

The details of the affected items in the financial statements at the beginning of the current period and prior period (December 31st, 2017/ Financial Year 2017) are as follows:

Before adjustment		After adjustment	
Item	Amount(yuan)	Item	Amount(yuan)
notes receivable	5,010,660.00	notes receivable and account receivable	356,948,201.45
account receivable	351,937,541.45		
interest receivable		other receivables	99,240,703.92
dividends receivable	8,214,127.94		
other receivables	91,026,575.98		
fixed assets	1,537,692,913.05	fixed assets	1,537,692,913.05
disposal of fixed assets			
construction in progress	122,640,897.91	construction in progress	122,640,897.91
engineering material			
notes payable	24,553,300.00	notes payable and accounts payable	524,321,952.83
accounts payable	499,768,652.83		
interest payable	2,870,840.28	other payables	201,709,649.48
dividends payable	1,470,000.00		
other payables	197,368,809.20		
administration expense	287,889,069.24	administration expense	225,935,973.80
		R&D expense	61,953,095.44

## VI. Tax

### 1. Categories of taxes and tax rate

categories	taxation basis	tax rate
value-added tax	output VAT--deductable input VAT	10%、11%、16%、17%( VAT on sales)
urban maintenance and construction tax	turnover tax payable	1%、5%、7%
corporate income tax	income tax payable	15%、20%、25%
extra charges of education funds	turnover tax payable	3%
extra charges of local education funds	turnover tax payable	2%

### 2. Tax preference

#### A. value-added tax

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

According to the regulation of No.32 Document issued by the Ministry of Finance and Taxation of China in 2018, from May 1st, 2018, the VAT taxable sales of taxpayers, which were subject to the original tax rates of 17% and 11%, should be adjusted to 16% and 10% respectively.

#### B. corporate 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 will be 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	253,687.16	3,225,842.47
cash at bank	888,951,186.81	737,455,049.34
other monetary capital	39,697,879.09	8,263,470.99
total	928,902,753.06	748,944,362.80
including: the total amount of funds deposited abroad	523,693.62	



Other Note:

Letter of credit guarantee deposits of other monetary capital reached RMB 29,999,881.25 yuan, futures margin reached RMB 9,697,997.84 yuan in the end of the period.

## 2. Derivative financial assets

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
futures	2,042,527.60	971,380.80
total	2,042,527.60	971,380.80

## 3. Notes receivable and accounts receivable

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
notes receivable	13,611,778.44	5,010,660.00
accounts receivable	397,891,678.23	351,937,541.45
total	411,503,456.67	356,948,201.45

### ➤ Notes receivable

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
bank acceptance	6,442,013.54	4,940,660.00
commercial paper	851,559.80	70,000.00
international letter of credit	6,318,205.10	
total	13,611,778.44	5,010,660.00

➤ **Accounts receivable**

**a. Category of accounts receivable**

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	Withdrawing percentage %		Amount	Percentage %	Amount	Withdrawing percentage %	
the account receivable with amount that is individually significant, withdrawing bad debt provision individually	35,402,027.84	7.09	32,693,068.50	92.35	2,708,959.34	1,014,506.01	0.25	1,014,506.01	100.00	
withdrawing bad debt provision on the basis of credit risk grouping	461,404,961.77	92.39	66,341,431.88	14.38	395,063,529.89	396,944,611.82	99.31	45,007,070.37	11.34	351,937,541.45
the account receivable with amount that is not individually significant, but withdrawing bad debt provision individually	2,589,233.48	0.52	2,470,044.48	95.40	119,189.00	1,749,714.57	0.44	1,749,714.57	100.00	
total	499,396,223.09	/	101,504,544.86	/	397,891,678.23	399,708,832.40	/	47,771,290.95	/	351,937,541.45

- The account receivable with amount that is individually significant, withdrawing bad debt provision individually

Unit: yuan Currency: RMB

Account receivable	Closing balance			
	Account receivable	Bad debt provision	Withdrawing percentage %	Withdrawing 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	882,875.91	30.00	according to the estimated losses
Customer 4	927,022.22	278,106.67	30.00	according to the estimated losses
Customer 5	801,150.00	801,150.00	100.00	uncollectible
Customer 6	691,950.00	691,950.00	100.00	uncollectible
Customer 7	663,606.49	663,606.49	100.00	uncollectible
Customer 8	642,738.60	642,738.60	100.00	uncollectible
Total	35,402,027.84	32,693,068.50	/	/

- Withdrawing bad debt provision according to the aging analysis method

Unit: yuan Currency: RMB

Aging	Closing balance		
	Account receivable	Bad debt provision	Withdrawing percentage %
within 1 year	378,445,776.46	18,919,148.45	5.00
1-2 years	31,166,657.41	3,116,665.76	10.00
2-3 years	12,478,183.71	4,991,273.48	40.00
over 3 years	39,314,344.19	39,314,344.19	100.00
total	461,404,961.77	66,341,431.88	14.38

#### b. Bad debt provision of the current period

During the current period, withdrawing bad debt provision of 56,455,151.16yuan,taking back or recovering bad debts provisions of 470.20yuan.

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

Unit: yuan Currency: RMB

Item	write-off amount of money
actual write-off of accounts receivable	2,721,427.05

## ➤ of which, write-off important accounts receivable

Unit: yuan Currency: RMB

Name	Nature	Write-off amount	Reason	Whether generated by related party transactions
Customer 1	payment of goods	1,373,549.24	uncollectible long-term debt	no
total	/	1,373,549.24	/	/

## d. Top 5 accounts receivable

Debtor	Relationship	Amount in arrears	Period of arrears	% of total accounts receivable	Bad debt provision
1	related party	29,448,163.62	within 1 year	5.90	1,472,408.18
2	non-related party	23,998,355.83	1-2 years	4.81	23,998,355.83
3	non-related party	17,245,437.57	within 1 year	3.45	862,271.88
4	non-related party	9,125,139.00	within 1 year: 512,200.00yuan; 1-2 years: 354,260.00yuan; 2-3years: 2,029,958.00yuan; over 3years: 6,228,721.00yuan	1.83	7,101,740.20
5	non-related party	9,017,017.78	within 1 year	1.81	450,850.89
Total		88,834,113.80		17.80	33,885,626.98

## 4. Prepayments

## ➤ Aging

Unit: yuan Currency: RMB

Aging	Closing balance		Opening balance	
	Amount	Percentage %	Amount	Percentage %
within 1 year	181,416,954.06	97.59	256,398,664.92	96.31
1-2 years	4,482,394.47	2.41	9,825,665.59	3.69
Total	185,899,348.53	100.00	266,224,330.51	100.00

## ➤ Top 5 Prepayments

Company	Relationship	Amount in arrear	Reason of un-settlement	Description
1	non-related party	10,622,876.93	not yet been delivered	goods
2	non-related party	9,275,184.45	not yet been delivered	goods
3	non-related party	7,417,368.44	not yet been delivered	goods
4	non-related party	7,275,500.00	not yet been delivered	goods
5	related party	7,200,000.00	not yet been delivered	goods
Total		41,790,929.82		

**5. Other receivables**

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
interest receivable		
dividends receivable	5,481,783.34	8,214,127.94
other receivables	93,515,429.70	91,026,575.98
Total	98,997,213.04	99,240,703.92

**a. Dividends receivable**

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
dividend on shares from long-term investment under the cost method		1,500,000.00
dividend on shares from long-term investment under the equity method	5,481,783.34	6,714,127.94
Total	5,481,783.34	8,214,127.94

**b. Other receivables**

Unit: yuan Currency: RMB

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount of money	Percentage %	Amount	Withdrawing percentage %		Amount	Percentage %	Amount	Withdrawing percentage %	
other receivable with amount that is individually significant, withdrawing bad debt provision individually	4,181,664.67	3.85	4,181,664.67	100.00						
withdrawing bad debt provision on the basis of credit risk grouping	103,993,471.13	95.85	10,478,041.43	10.08	93,515,429.70	96,710,506.86	100.00	5,683,930.88	5.88	91,026,575.98
other receivable with amount that is not individually significant, but withdrawing bad debt provision individually	324,297.70	0.30	324,297.70	100.00						
Total	108,499,433.50	/	14,984,003.80	/	93,515,429.70	96,710,506.86	/	5,683,930.88	/	91,026,575.98

- Other receivable with amount that is individually significant at period-end, withdrawing bad debt provision individually

Unit: yuan Currency: RMB

Company	Closing balance			
	Other receivable	Bad debt provision	Withdrawing percentage %	Withdrawing reason
Company 1	2,014,874.40	2,014,874.40	100.00	uncollectible
Company 2	927,562.18	927,562.18	100.00	uncollectible
Company 3	700,000.00	700,000.00	100.00	uncollectible
Company 4	539,228.09	539,228.09	100.00	uncollectible
Total	4,181,664.67	4,181,664.67	/	/

- Bad debt provision is calculated and withdrawn according to aging analysis method

Unit: yuan Currency: RMB

Aging	Closing balance		
	Other receivable	Bad debt provision	Withdrawing Percentage %
within 1 year	27,791,996.42	1,389,599.81	5.00
1-2 years	72,626,396.82	7,262,639.68	10.00
2-3 years	2,915,459.91	1,166,183.96	40.00
over 3 years	659,617.98	659,617.98	100.00
Total	103,993,471.13	10,478,041.43	10.08

### c. Nature of other receivable

Unit: yuan Currency: RMB

Nature	Closing book balance	Opening book balance
general operating receivables	69,098,131.11	66,104,724.74
deposit and security	8,459,232.04	1,891,720.95
export rebates receivable	83,420.35	142,261.17
receivable from disposal of long-lived assets	2,386,850.00	100,000.00
receivable from disposal of investment	28,471,800.00	28,471,800.00
Total	108,499,433.50	96,710,506.86

### d. Bad debt provision of the current period

During the current period, withdrawing bad debt provision of 9,763,541.22yuan, taking back or recovering bad debts provisions of 8,925.00yuan.

### e. The actual write-off of other receivable in current period

Unit: yuan Currency: RMB

Item	Write-off amount of money
actual write-off amount	454,543.30

**f. Top 5 other receivables**

Unit: yuan Currency: RMB

Company	Nature	Closing balance	Aging	% of closing balance of other receivable	Closing balance of bad debt provision
1	temporary debit	38,067,493.00	1-2 years	35.09	3,806,749.30
2	receivable from disposal of investment	28,471,800.00	1-2 years	26.24	2,847,180.00
3	temporary debit	5,000,000.00	1-2 years	4.61	500,000.00
4	guarantee deposit	3,900,000.00	less than 1 year	3.59	195,000.00
5	receivable from disposal of assets	2,386,850.00	less than 1 year	2.20	119,342.50
Total	/	77,826,143.00	/	71.73	7,468,271.80

**6. Inventory****a. Category of inventory**

Unit: yuan Currency: RMB

Item	Closing balance			Opening balance		
	Book balance	Falling price reserve	Book value	Book balance	Falling price reserve	Book value
raw material	597,791,390.18	2,023,583.41	595,767,806.77	562,428,180.20	1,329,982.10	561,098,198.10
goods in process	20,992,307.08	637,575.55	20,354,731.53	84,683,366.70		84,683,366.70
finished goods	601,323,157.89	2,482,860.62	598,840,297.27	491,938,102.91	210,251.38	491,727,851.53
consumptive biological assets	180,062,002.46	6,188,094.69	173,873,907.77	56,751,401.07		56,751,401.07
low priced and easily worn articles	10,842,865.30		10,842,865.30	9,743,492.07		9,743,492.07
wrappage	11,189,583.62		11,189,583.62	13,996,702.49		13,996,702.49
Total	1,422,201,306.53	11,332,114.27	1,410,869,192.26	1,219,541,245.44	1,540,233.48	1,218,001,011.96

**b. Inventory falling price reserves**

Unit: yuan Currency: RMB

Item	Opening balance	Increased amount	Reduced amount	Closing balance
		Withdrawing	Taking back or reselling	
raw material	1,329,982.10	693,601.31		2,023,583.41
goods in process		637,575.55		637,575.55
finished goods	210,251.38	2,272,609.24		2,482,860.62
consumptive biological assets		6,188,094.69		6,188,094.69
Total	1,540,233.48	9,791,880.79		11,332,114.27



**7. Other current assets**

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
available for deducting VAT and prepaid tax	118,636,045.77	103,903,041.75
other		2,000,000.00
Total	118,636,045.77	105,903,041.75

**8. Available-for-sale financial assets****a. Circumstance**

Unit: yuan Currency: RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
available-for-sale debt instruments:						
available-for-sale equity instruments:	3,680,000.00		3,680,000.00	3,340,000.00		3,340,000.00
measured at fair value						
measured at cost	3,680,000.00		3,680,000.00	3,340,000.00		3,340,000.00
Total	3,680,000.00		3,680,000.00	3,340,000.00		3,340,000.00

**b. Available-for-sale financial assets measured at cost in the end of the period**

Unit: yuan Currency: RMB

Investee	Book balance				Shareholding of investee	Cash dividends in current period
	Opening balance	Increase	Decrease	Closing balance		
Beijing Haobang Artificial Insemination Service Co., Ltd.	100,000.00			100,000.00	6.10	100,000.00
Henan Shanghui Feed	500,000.00			500,000.00	1.67	
China-Russia Friendship Association	10,000.00			10,000.00	33.00	
Hengshui Hejia Agriculture and Animal Husbandry	1,600,000.00			1,600,000.00	16.00	
Hengshui Jiarun Agriculture and Animal Husbandry	1,050,000.00			1,050,000.00	15.00	
Shenyang Bonong Weite Animal Health	80,000.00			80,000.00	10.00	
Xi'an Micro Monkey E-commerce		340,000.00		340,000.00	10.00	
Total	3,340,000.00	340,000.00		3,680,000.00	/	100,000.00

## 9. Long-term equity investment

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	Cash dividends or profits declared	Withdrawing impairment provision		
I. Joint Ventures								
Unphung Joint Venture Company	4,167,616.44						4,167,616.44	
Nepal Wellhope Agri-tech Pvt. Ltd.	7,501,575.10						7,501,575.10	
NEXUS WELL-HOPE AGRITECH INTERNATIONAL LIMITED	6,150,602.09					6,150,602.09		17,900,000.00
subtotal	17,819,793.63					6,150,602.09	11,669,191.54	17,900,000.00
II. Associates								
Qingdao Shenfeng	17,112,831.00		1,756,652.64		3,000,000.00		15,869,483.64	
Anshan Jiuguhe Food	72,090,706.70	17,496.00	27,389,092.80				99,497,295.50	
Tai'an Jiuguhe Agriculture	24,224,527.39	30,618.00	40,475,117.38				64,730,262.77	
Linghai Jiuguhe Feed	18,731,645.36	1,000.00	15,205,070.45				33,937,715.81	
Huludao Jiuguhe Food	41,997,797.00	6,000.00	15,872,205.94				57,876,002.94	
Dandong Wellhope Chengsan Food	31,153,202.05		3,613,007.66				34,766,209.71	
Dandong Wellhope Chengsan Agri-Tech	24,865,722.20		30,304,710.67				55,170,432.87	

Haicheng New Hongzunda Agri-Tech	9,683,659.98		1,622,064.89				11,305,724.87	
Beipiao Hongfa Food	183,100,603.27		80,999,857.31		12,127,500.00		251,972,960.58	
Jixi Haitai Food								
Beijing Dahong Hengfeng	7,561,103.10	6,750,000.00	2,541,884.08				16,852,987.18	
Tai'an Jiufeng Agri-Tech	768,700.85	14,574.00	-285,209.72				498,065.13	
Schipper(Beijing)	591,971.91		489,689.39				1,081,661.30	
Shenyang Wenjie Bio-Tech	11,982,371.23		74,654.86				12,057,026.09	
Huludao Jiuguhe Feed	7,987,004.96	3,000.00	17,058,407.88				25,048,412.84	
Jinzhou Jiufeng Food	27,183,550.40	11,000.00	2,807,077.05				30,001,627.45	
Zhangjiakou Jiahe Agriculture and Animal Husbandry	62,203,890.42		-1,446,218.58				60,757,671.84	
Tai'an Fengjiu Agri-Tech		402,800.00	4,977,508.75				5,380,308.75	
Anshan Fengsheng Food	18,919,272.68		778,066.92				19,697,339.60	
Dalian Chengsan Animal Husbandry	198,477,782.15		53,290,054.28				251,767,836.43	
Tailai Jiahe Agriculture and Animal Husbandry	33,709,365.63		-12,554,213.55				21,155,152.08	
Gongzhuling Corn Purchasing and Storing	65,890,431.04		-4,469,304.17				61,421,126.87	
Lankao Skyland Duck Meat	32,789,431.19		3,744,152.62				36,533,583.81	
Hainan Nongken Wenfeng Wenchang Chicken		525,000.00	-123,085.01				401,914.99	

Dunhua Wellhope Agri-Tech		3,000,000.00	434,662.23				3,434,662.23	
Dunhua Fengda Agriculture and Animal Husbandry		3,000,000.00	-1,085,107.10				1,914,892.90	
PT KARKA NUTRI INDUSTRI.	37,296,600.00		1,646,452.33	-1,957,754.20			36,985,298.13	
GOLDEN HARVESTA INC.	60,000,000.00	42,281,336.16	-1,139,942.87	686,589.74			101,827,983.03	
Guangrong Xinchuang		15,090,561.00	-2,584,730.01	-34,771.16			12,471,059.83	
Suizhong Rehen Fishery	2,926,483.65		507,265.26				3,433,748.91	
Dalian Wellhope Fish Meal	4,823,481.30		510,212.44				5,333,693.74	
Liaoning Petmate Bio-Tech	3,310,685.56	2,000,000.00	-281,855.57				5,028,829.99	
Guangzhou Yikun Trading	1,126,494.07		-589,043.03				537,451.04	
Guangzhou Pulihe Trading	297,188.73		-69,383.66				227,805.07	
Jilin Hengfeng Animal Health Product		714,000.00	-529,083.36				184,916.64	
Shenyang Wanli Sky Agriculture and Animal Husbandry	1,020,851.71		2,657.86				1,023,509.57	
Daqing Supply and Marketing Wellhope Agri-Tech	2,725,237.04		241,373.28				2,966,610.32	
subtotal	1,004,552,592.57	73,847,385.16	281,184,722.34	-1,305,935.62	15,127,500.00		1,343,151,264.45	
Total	1,022,372,386.20	73,847,385.16	281,184,722.34	-1,305,935.62	15,127,500.00	6,150,602.09	1,354,820,455.99	17,900,000.00

**10. Fixed assets**

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
fixed assets	1,516,702,438.29	1,537,692,913.05
disposal of fixed assets		
Total	1,516,702,438.29	1,537,692,913.05

## ➤ Circumstance of fixed assets

Unit: yuan Currency: RMB

Item	Buildings and structures	Machinery equipment	Transportation equipment	Other equipment	Total
1. original value					
A. opening balance	1,221,370,753.80	884,156,477.32	94,574,605.36	61,142,437.70	2,261,244,274.18
B. increased amount	80,695,124.50	96,931,910.98	8,272,597.28	5,601,227.86	191,500,860.62
a. purchased		84,578,395.62	8,272,597.28	5,601,227.86	98,452,220.76
b. construction in progress transferred in	80,695,124.50	12,353,515.36			93,048,639.86
C. decreased amount	12,424,070.02	15,216,836.84	5,162,912.93	2,839,306.73	35,643,126.52
a. disposed or scrapped	12,405,118.02	14,750,912.33	5,162,912.93	2,149,137.15	34,468,080.43
b. business combination decreased	18,952.00	465,924.51		690,169.58	1,175,046.09
D. closing balance	1,289,641,808.28	965,871,551.46	97,684,289.71	63,904,358.83	2,417,102,008.28
2. accumulated depreciation					
A. opening balance	255,235,335.89	353,926,916.62	71,796,352.54	39,198,912.79	720,157,517.84
B. increased amount	54,653,271.24	80,497,617.08	8,948,992.18	6,938,912.11	151,038,792.61
a. withdrawing	54,653,271.24	80,497,617.08	8,948,992.18	6,938,912.11	151,038,792.61
C. decreased amount	2,131,161.75	7,442,234.27	4,391,884.87	2,092,369.47	16,057,650.36
a. disposed or scrapped	2,114,131.14	7,205,718.15	4,391,884.87	1,977,477.06	15,689,211.22
b. business combination decreased	17,030.61	236,516.12		114,892.41	368,439.14
D. closing balance	307,757,445.38	426,982,299.43	76,353,459.85	44,045,455.43	855,138,660.09
3. impairment provision					
A. opening balance	2,739,514.01	580,583.41		73,745.87	3,393,843.29
B. increased amount	26,756,559.34	15,004,259.49	99,538.65	6,709.13	41,867,066.61
a. withdrawing	26,756,559.34	15,004,259.49	99,538.65	6,709.13	41,867,066.61
C. decreased					

amount					
a. disposed or scrapped					
D. closing balance	29,496,073.35	15,584,842.90	99,538.65	80,455.00	45,260,909.90
4. book value					
A. closing book value	952,388,289.55	523,304,409.13	21,231,291.21	19,778,448.40	1,516,702,438.29
B. opening book value	963,395,903.90	529,648,977.29	22,778,252.82	21,869,779.04	1,537,692,913.05

## 11. Construction in progress

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
construction in progress	255,719,188.30	122,640,897.91
engineering material		
Total	255,719,188.30	122,640,897.91

### a. Circumstance of construction in progress

Unit: yuan Currency: RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Dalian Heyuan-Dayao Hatching Farm	14,698,247.50		14,698,247.50	11,150,720.50		11,150,720.50
Jilin Hefeng-pig farm construction	11,889,319.05		11,889,319.05	11,557,389.34		11,557,389.34
Dalian Zhongjia-workshop renovation project	18,742,578.01		18,742,578.01	7,022,657.55		7,022,657.55
Wellhope-intelligent premix plant construction	89,135,356.79		89,135,356.79	38,621,063.26		38,621,063.26
Weifang Wellhope-plant, office construction				22,417,652.39		22,417,652.39
Fushun Agriculture and Animal Husbandry-pig farm construction	116,448,215.28		116,448,215.28	5,638,340.00		5,638,340.00
Sheyang Wellhope Poultry-broiler raising project				7,081,876.12		7,081,876.12
Other constructions	4,805,471.67		4,805,471.67	19,151,198.75		19,151,198.75
Total	255,719,188.30		255,719,188.30	122,640,897.91		122,640,897.91

## b. Changes of important constructions in progress in current period

Unit: yuan Currency: RMB

Project	Budget	Opening balance	Increased amount	Amount transferred in fixed assets	Closing balance	Percentage of accumulated project input accounting for budget %	Progress %	Accumulated amount of capitalized interest	of which: amount of capitalized interest in current period	Capitalization rate of interest for the current period %	Source of funds
Dalian Heyuan-Dayao Hatching Farm	50,000,000.00	11,150,720.50	3,547,527.00		14,698,247.50	29.40	30.00				self-raised
Jilin Hefeng-pig farm construction	130,000,000.00	11,557,389.34	331,929.71		11,889,319.05	9.15	10.00				self-raised
Dalian Zhongjia-workshop renovation project	40,000,000.00	7,022,657.55	27,337,518.79	15,617,598.33	18,742,578.01	85.90	85.00				self-raised
Wellhope-intelligent premix plant construction	100,000,000.00	38,621,063.26	50,514,293.53		89,135,356.79	89.14	95.00				self-raised
Weifang Wellhope- plant, office construction	25,000,000.00	22,417,652.39	-1,860,131.92	20,557,520.47		82.23	100.00				self-raised
Fushun Agriculture and Animal Husbandry-pig farm construction	160,000,000.00	5,638,340.00	110,809,875.28		116,448,215.28	72.78	90.00				self-raised
Sheyang Wellhope broiler raising project	13,000,000.00	7,081,876.12	5,796,233.67	12,878,109.79		99.06	100.00				self-raised
Total	518,000,000.00	103,489,699.16	196,477,246.06	49,053,228.59	250,913,716.63	/	/			/	/

**12. Productive biological asset**

## ➤ Productive biological assets using cost measurement model

Unit: yuan Currency: RMB

Item	Animal husbandry		Total
	Parent stock(broiler)	Parent stock(pig)	
1. original value			
A. opening balance	20,717,818.79	3,165,003.86	23,882,822.65
B. increased amount	34,602,390.55	1,219,486.71	35,821,877.26
a. externally purchased	34,602,390.55	1,219,486.71	35,821,877.26
C. decreased amount	25,621,868.41	442,330.14	26,064,198.55
a. disposed	25,621,868.41	442,330.14	26,064,198.55
D. closing balance	29,698,340.93	3,942,160.43	33,640,501.36
2. accumulated depreciation			
A. opening balance	4,180,855.15	420,111.35	4,600,966.50
B. increased amount	15,023,051.95	752,370.02	15,775,421.97
a. withdrawing	15,023,051.95	752,370.02	15,775,421.97
C. decreased amount	17,028,824.06	191,857.93	17,220,681.99
a. disposed	17,028,824.06	191,857.93	17,220,681.99
D. closing balance	2,175,083.04	980,623.44	3,155,706.48
3. impairment provision			
4. book value			
A. closing book value	27,523,257.89	2,961,536.99	30,484,794.88
B. opening book value	16,536,963.64	2,744,892.51	19,281,856.15

**13. Intangible assets**

Unit: yuan Currency: RMB

Item	Land use rights	Computer software and other	Total
1. original value			
A. opening balance	240,238,664.76	7,942,666.70	248,181,331.46
B. increased amount	4,375,624.14	2,716,507.21	7,092,131.35
a. purchased	4,375,624.14	2,716,507.21	7,092,131.35
C. decreased amount	3,754,400.00	1,208,165.81	4,962,565.81
a. disposed	3,754,400.00	43,117.26	3,797,517.26
b. decreased by business combination		1,165,048.55	1,165,048.55
D. closing balance	240,859,888.90	9,451,008.10	250,310,897.00
2. accumulated amortization			
A. opening balance	35,085,023.03	3,184,975.61	38,269,998.64
B. increased amount	5,020,742.86	934,973.93	5,955,716.79
a. withdrawing	5,020,742.86	934,973.93	5,955,716.79
C. decreased amount	250,293.20	52,465.52	302,758.72
a. disposed	250,293.20	42,756.78	293,049.98
b. decreased by business combination		9,708.74	9,708.74
D. closing balance	39,855,472.69	4,067,484.02	43,922,956.71
3. impairment provision			
4. book value			
A. closing book value	201,004,416.21	5,383,524.08	206,387,940.29
B. opening book value	205,153,641.73	4,757,691.09	209,911,332.82



**14. 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	
formed by business combination not under the same control	290,425.67			290,425.67
Total	290,425.67			290,425.67

**15. Long-term prepaid expenses**

Unit: yuan Currency: RMB

Item	Opening balance	Increased amount	Amortized amount	Other decreased amount	Closing balance
broiler cages	157,550,962.21	7,111,343.09	33,258,055.69		131,404,249.61
land lease fee	29,198,489.06	3,267,015.00	3,553,580.96		28,911,923.10
fixed assets improvement	15,542,794.30	1,755,209.56	2,791,899.84		14,506,104.02
other	2,968,784.31	2,658,249.48	2,047,221.55	498,721.15	3,081,091.09
Total	205,261,029.88	14,791,817.13	41,650,758.04	498,721.15	177,903,367.82

**16. Deferred income tax assets/deferred income tax liabilities****a. Deferred income tax assets that are not offset**

Unit: yuan Currency: RMB

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
provision for the impairment of assets	123,490,892.94	24,192,802.11	65,292,755.35	12,744,307.64
internal transaction unrealized profit	24,135,874.13	4,740,032.12	29,320,452.83	5,886,599.44
deductible losses			68,718,144.98	16,691,453.47
changes in fair value	629,750.00	94,462.50	260,170.00	39,025.50
deferred income	8,291,717.40	1,330,429.35	7,425,000.00	1,113,750.00
Total	156,548,234.47	30,357,226.08	171,016,523.16	36,475,136.05

**b. Unrecognized deferred income tax asset details**

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
deductible temporary difference	42,034,648.58	
deductible losses	200,765,735.60	104,517,476.96
Total	242,800,384.18	104,517,476.96

**c. The deductible losses that were unrecognized as deferred income tax assets will be due in the following years**

Unit: yuan Currency: RMB

Year	Closing balance	Opening balance	Note
2019	30,849,456.75	24,934,700.09	
2020	25,063,480.88	22,385,864.80	
2021	43,093,813.02	27,219,543.49	
2022	41,661,829.48	29,977,368.58	
2023	51,299,045.25		
2027	2,082,969.89		
2028	6,715,140.33		
Total	200,765,735.60	104,517,476.96	/

**17. Other non-current assets**

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
prepayments of long-lived assets	102,807,235.63	32,362,984.62
prepayments of broiler raising fees to contract farms	94,690,452.55	
Total	197,497,688.18	32,362,984.62

**18. Short-term borrowing**

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
pledged loan		
mortgage loan		
guaranteed loan	100,460,168.49	20,000,000.00
credit loan	1,247,230,000.00	1,171,240,000.00
Total	1,347,690,168.49	1,191,240,000.00

Note: The guaranteed loan is the bank loan guaranteed by the Company for its subsidiary company, Lingyuan Wellhope Agri-Tech; the pledged loan is the balance of import bill advance of Liaoning Expert Trading Company, one of the Company's subsidiaries.

**19. Notes payable and accounts payable**

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
notes payable		24,553,300.00
accounts payable	572,729,779.31	499,768,652.83
Total	572,729,779.31	524,321,952.83

➤ **Notes payable**

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
commercial paper		
bank acceptance		
letter of credit		24,553,300.00
Total		24,553,300.00

➤ **Accounts payable**

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
accounts payable relating to purchasing goods and expenses	541,799,353.46	479,134,295.09
accounts payable relating to long-lived assets	30,930,425.85	20,634,357.74
Total	572,729,779.31	499,768,652.83

**20. Advance receipt**

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
sales proceeds	161,173,916.67	181,035,916.81
Total	161,173,916.67	181,035,916.81

**21. Payroll payable****a. Payroll payable list**

Unit: yuan Currency: RMB

Item	Opening balance	Increased amount	Decreased amount	Closing balance
1. short-term benefits	38,707,879.68	537,627,728.10	527,689,845.19	48,645,762.59
2. post-employment benefits-defined contribution plan	2,541,613.61	45,572,636.80	47,028,082.65	1,086,167.76
3. termination benefits		958,154.29	958,154.29	
4. other benefits due within one year				
Total	41,249,493.29	584,158,519.19	575,676,082.13	49,731,930.35

**b. Short-term benefits**

Unit: yuan Currency: RMB

Item	Opening balance	Increased amount	Decreased amount	Closing balance
1. wages, bonuses, allowances and subsidies	37,698,337.56	477,332,371.83	468,565,499.28	46,465,210.11
2. staff benefits expenses		26,275,214.80	26,275,214.80	
3. social insurance charges	520,033.49	21,936,398.40	22,024,785.61	431,646.28
including: medical insurance premiums	359,093.72	18,549,540.19	18,536,979.45	371,654.46
occupational injury insurance premium	106,265.04	1,676,152.39	1,748,485.38	33,932.05
birth insurance premium	54,674.73	1,710,705.82	1,739,320.78	26,059.77
4. housing provident fund	109,257.00	7,556,449.53	7,542,673.53	123,033.00
5. employee labor union dues, employee education expense	380,251.63	3,258,618.30	3,265,648.68	373,221.25
6. short-term paid absences				
7. short-term profit sharing plan				
8. other short-term benefits		1,268,675.24	16,023.29	1,252,651.95
Total	38,707,879.68	537,627,728.10	527,689,845.19	48,645,762.59

**c. Defined contribution plan**

Unit: yuan Currency: RMB

Item	Opening balance	Increased amount	Decreased amount	Closing balance
basic endowment insurance	2,426,396.50	42,967,876.44	44,334,943.77	1,059,329.17
unemployment insurance expense	115,217.11	2,604,760.36	2,693,138.88	26,838.59
enterprise annuity				
Total	2,541,613.61	45,572,636.80	47,028,082.65	1,086,167.76

**22. Tax payable**

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
value-added tax	799,254.04	1,217,397.59
corporate income tax	25,166,379.53	35,737,626.45
individual income tax	422,794.82	1,138,812.81
city maintenance and construction tax	107,516.70	77,797.35
extra charges of education funds	78,629.58	60,938.74
house property tax	669,396.33	677,589.57
city and town land use tax	1,088,230.44	964,990.19
stamp tax	322,623.83	418,704.78
other	89,967.45	42,737.91
Total	28,744,792.72	40,336,595.39

**23. Other payables**

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
interest payable	1,784,257.05	2,870,840.28
dividends payable	526,000.00	1,470,000.00
other payables	307,226,938.07	197,368,809.20
Total	309,537,195.12	201,709,649.48

**➤ Interest payable**

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
interests on long-term loan that pay interests periodically and repay the principal due at maturity	69,376.61	52,777.78
interest payable of short-term borrowing	1,714,880.44	2,818,062.50
Total	1,784,257.05	2,870,840.28

**➤ Dividends payable**

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
common stock dividends	526,000.00	1,470,000.00
Total	526,000.00	1,470,000.00

➤ **Other payables****a. Other payables by nature**

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
operational payables relating to expenses and transactions	138,332,488.07	94,888,809.20
investment related payables	98,205,700.00	102,480,000.00
non-restricted stock repurchase obligations	70,688,750.00	
Total	307,226,938.07	197,368,809.20

**b. Important other payables with over 1 year aging**

Unit: yuan Currency: RMB

Item	Closing balance	Reason
Xinjiang Heyin Growth Equity Investment Partnership	58,205,700.00	Not up to the agreed payment date
Total	58,205,700.00	/

**24. Non-current liability due within 1 year**

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
long-term borrowings due within 1 year	20,000,000.00	20,000,000.00
long-term payables due within 1 year	12,999,999.96	
Total	32,999,999.96	20,000,000.00

**25. Long-term loan**

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
pledged loan		
mortgage loan		
guaranteed loan		
credit loan	118,500,000.00	20,300,000.00
Total	118,500,000.00	20,300,000.00

**26. Long-term payable**

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
long-term payable	23,345,833.38	
special payable		
Total	23,345,833.38	

➤ **Long-term payable by nature**

Unit: yuan Currency: RMB

Item	Opening balance	Closing balance
accrued financial lease outlay		23,345,833.38

**27. Deferred income**

Unit: yuan Currency: RMB

Item	Opening balance	Increased amount	Decreased amount	Closing balance	reason
government grant	19,404,060.24	3,000,000.00	2,151,092.83	20,252,967.41	
total	19,404,060.24	3,000,000.00	2,151,092.83	20,252,967.41	/

Projects receiving government grants:

Unit: yuan Currency: RMB

Liability item	Opening balance	Amount of newly increased grant	Included in the non-operating income	Included in other income	Closing balance	Related to assets/ related to income
grant for Lingyuan Wellhope 100,000 tons ruminant feed project	4,500,000.00			500,000.00	4,000,000.00	related to asset
grant for Lingyuan Wellhope corn purchasing and storage barn	3,000,000.00			300,000.00	2,700,000.00	related to asset
sci-tech grant for Changchun Wellhope feed R&D project	1,779,060.24			912,342.83	866,717.41	related to income
Shenyang city central industrial transformation and upgrading funds	10,125,000.00			438,750.00	9,686,250.00	related to asset
Lingyuan Wellhope 50,000 tons organic fertilizer project		3,000,000.00			3,000,000.00	related to asset
Total	19,404,060.24	3,000,000.00		2,151,092.83	20,252,967.41	/

**28. Share capital**

Unit: yuan Currency: RMB

	Opening balance	Changes(increase/decrease)		Closing balance
		Issuing new shares	Subtotal	
Total shares	831,176,469.00	14,575,000.00	14,575,000.00	845,751,469.00

Note: In December 2018, the Company issued 14.575 million restricted shares to 372 natural persons at the price of 4.85 yuan per share, totally raising RMB 70,688,750.00 yuan, including RMB 14.575 million yuan of share capital and RMB 56.1138 million yuan of capital reserve.

**29. Capital reserve**

Unit: yuan Currency: RMB

Item	Opening balance	Increased amount	Decreased amount	Closing balance
capital premium (stock premium)	99,261,843.96	56,113,750.00	7,880,503.26	147,495,090.70
other capital reserves	4,331,456.10	1,997,989.57		6,329,445.67
Total	103,593,300.06	58,111,739.57	7,880,503.26	153,824,536.37

Note: The capital premium increased in current period due to issuing restricted shares, which increased RMB 56,113,750 yuan, the decreased amount of capital premium due to the changes in the Company's equity share in its subsidiaries; the increase of other capital reserves due to stock incentive plan executed by the Company, its recognized capital reserve in current period.

**30. Treasury stock**

Unit: yuan Currency: RMB

Item	Opening balance	Increased amount	Decreased amount	Closing balance
repurchase of restricted stock		70,688,750.00		70,688,750.00
Total		70,688,750.00		70,688,750.00

**31. Other comprehensive income**

Unit: yuan Currency: RMB

Item	Opening balance	Amount of current period					Closing balance
		Pre-tax amount	Deduct: amount that included in other comprehensive income in prior period and transferred in current gains or losses	Deduct: income tax expense	After-tax amount attributable to parent company	After-tax amount attributable to non-controlling interest	
other comprehensive income that cannot be reclassified into gains or losses							
other comprehensive income that will be reclassified into gains or losses		-1,325,947.22			-1,316,942.00	-9,005.22	-1,316,942.00
including: other comprehensive		-1,305,935.62			-1,305,935.62		-1,305,935.62

income that can be transferred in gains or losses under the equity method							
converted difference of foreign currency financial statements		-20,011.60			-11,006.38	-9,005.22	-11,006.38
Total other comprehensive income		-1,325,947.22			-1,316,942.00	-9,005.22	-1,316,942.00

### 32. Surplus reserve

Unit: yuan Currency: RMB

Item	Opening balance	Increased amount	Decreased amount	Closing balance
statutory surplus reserve	232,486,459.89	40,396,460.30		272,882,920.19
Total	232,486,459.89	40,396,460.30		272,882,920.19

### 33. Undistributed profit

Unit: yuan Currency: RMB

Item	2018	2017
undistributed profit at the end of prior period before adjustment	2,223,048,013.93	1,867,605,664.06
adjust the total amount of undistributed profit at the beginning of current period		
undistributed profit at the beginning of current period after adjustment	2,223,048,013.93	1,867,605,664.06
add: net profit attributable to the owners of the parent company in current period	551,928,618.35	471,024,473.92
deduct: appropriation of statutory surplus reserve	40,396,460.30	32,464,477.15
appropriation of discretionary surplus reserve		
extraction of general risk provisions		
common stock dividends payable	83,117,646.90	83,117,646.90
dividends of common stock transferred to capital		
undistributed profit at the end of current period	2,651,462,525.08	2,223,048,013.93

### 34. Operating revenue and operating cost

Unit: yuan Currency: RMB

Item	2018		2017	
	operating revenue	operating cost	operating revenue	operating cost
core businesses	15,742,792,774.42	14,415,344,771.04	13,666,948,105.72	12,499,623,655.73
other businesses	8,005,346.25	5,952,906.36	28,895,352.95	21,851,336.33
Total	15,750,798,120.67	14,421,297,677.40	13,695,843,458.67	12,521,474,992.06



**35. Taxes and surtaxes**

Unit: yuan Currency: RMB

Item	2018	2017
city maintenance and construction tax	940,097.90	928,068.01
extra charges of education funds	676,683.45	716,079.93
house property tax	6,978,501.15	7,198,198.73
land use tax	10,539,729.72	11,224,445.50
vehicle and vessel use tax	42,942.77	188,558.20
stamp tax	5,211,980.74	4,567,795.72
environmental protection tax	460,973.56	44,897.20
Total	24,850,909.29	24,868,043.29

**36. Sales expenses**

Unit: yuan Currency: RMB

Item	2018	2017
payroll	162,608,694.49	150,135,672.01
travelling expense	105,628,967.15	107,316,673.52
transportation and handling expense and vehicle expense	81,816,784.59	84,350,851.96
service fee	15,601,209.62	13,617,003.46
business entertainment expense	15,315,493.59	14,067,947.63
business advertising expense	10,584,270.74	9,981,841.50
lease expense	5,970,164.05	5,065,660.80
meeting expenditure	4,100,827.77	5,008,857.71
sales service charge	2,780,212.04	3,690,800.64
office and communication fee	2,704,622.28	3,259,942.14
subtotal of other item	13,535,507.27	15,011,402.69
Total	420,646,753.59	411,506,654.06

**37. Administration expense**

Unit: yuan Currency: RMB

Item	2018	2017
payroll	102,981,629.02	104,715,008.58
depreciation	35,198,583.05	35,471,714.50
office and communication fee	12,103,084.06	14,236,052.41
travelling expense	8,776,171.14	9,639,842.67
repair charge	5,451,152.88	8,308,731.47
lease expense	5,177,268.87	3,808,895.44
amortization of intangible assets	6,328,067.44	6,325,602.00
business entertainment expense	5,231,882.50	6,031,858.29
water and electricity	3,641,887.47	3,615,525.41
service fee	5,654,971.79	6,049,956.06
heating fee	4,116,865.94	3,224,752.80
other	33,280,294.03	24,508,034.17
Total	227,941,858.19	225,935,973.80

**38. R&D expenditure**

Unit: yuan Currency: RMB

Item	2018	2017
payroll	20,252,008.67	17,410,840.97
design testing fee	28,296,665.97	33,764,313.78
material and appliance charge	5,253,593.05	2,380,269.20
travel expense	3,364,720.06	3,420,910.73
depreciation and amortization charge	3,094,972.99	4,853,526.06
Subtotal of other item	838,388.54	123,234.70
Total	61,100,349.28	61,953,095.44

**39. Financial expense**

Unit: yuan Currency: RMB

Item	2018	2017
interest expenditure	66,635,982.41	64,240,983.00
deduct: interest income	-4,414,083.01	-4,594,760.63
add: exchange loss	9,638,461.65	-995,270.32
service charge	3,040,576.37	2,203,448.46
Total	74,900,937.42	60,854,400.51

**40. Impairment loss on assets**

Unit: yuan Currency: RMB

Item	2018	2017
bad debt losses	66,218,692.38	19,224,503.55
inventory falling price losses	9,791,880.79	671,647.40
available-for-sale financial assets impairment losses		
held-to-maturity investments impairment losses		
long-term equity investments impairment losses	6,150,602.09	11,749,397.91
investment property impairment losses		
fixed assets impairment losses	41,867,066.61	
Total	124,028,241.87	31,645,548.86

**41. Other income**

Unit: yuan Currency: RMB

Item	2018	2017
government grant charged in	14,165,463.22	34,675,966.99
Total	14,165,463.22	34,675,966.99

**42. Return on investment**

Unit: yuan Currency: RMB

Item	2018	2017
return on long-term equity investment measured by the equity method	281,184,722.34	108,860,200.54
income from disposal of long-term equity investment	1,374,325.45	14,084,674.20
income from disposal of financial assets which are measured at fair value and the changes included in current gains or losses	3,190,994.43	82,305.33
income from available-for-sale financial assets, etc.	100,000.00	100,000.00
after losing control, gains obtained from remeasuring residual	164,912.02	11,891,683.97

equity at fair value		
other		36,098,132.19
Total	286,014,954.24	171,116,996.23

**43. Income from changes in fair value**

Unit: yuan Currency: RMB

Source of income from changes in fair value	2018	2017
financial assets measured at fair value and the changes included in current gains or losses	-369,580.00	-263,470.00
including: income from the changes in fair value of derivative financial instruments	-369,580.00	-263,470.00
Total	-369,580.00	-263,470.00

**44. Income from assets disposal**

Unit: yuan Currency: RMB

Item	2018	2017
gains or losses from disposal of fixed assets	-1,939,342.38	-1,331,137.12
gains or losses from disposal of construction in progress	-1,496,120.61	
gains or losses from disposal of intangible assets	-1,817,161.80	
Total	-5,252,624.79	-1,331,137.12

**45. Non-operating Income**

Unit: yuan Currency: RMB

Item	2018	2017	Amount included in current non-recurring gains and losses
Total gains or losses from disposal of non-current assets	247,406.47		247,406.47
of which: gains or losses from disposal of fixed assets	247,406.47		247,406.47
government grants	5,305,777.88	20,716,339.00	5,305,777.88
inventory profit gains	351,193.28	525,812.25	351,193.28
insurance indemnity income	2,001,544.16		2,001,544.16
other	2,448,205.40	1,296,535.65	2,448,205.40
Total	10,354,127.19	22,538,686.90	10,354,127.19

## ➤ Government grants included in current gains and losses

Unit: yuan Currency: RMB

Item	2018	2017	Related to assets/related to earnings
foreign trade industry development special fund of Shenyang Finance Bureau	2,011,900.00		related to earnings
Shenyang Mayor Quality Award	500,000.00		related to earnings
Subtotal for other projects under 500,000 yuan	2,793,877.88		related to earnings
Linzhang county small and medium-sized enterprises support funds		816,339.00	related to earnings
2016 Liaoning Science and Technology Award		1,000,000.00	related to earnings

Lankao County Science and Technology Award		13,300,000.00	related to earnings
tax contribution grants of Shenbei New District		5,000,000.00	related to earnings
commodity grain province reward funds of Jilin Province		600,000.00	related to earnings
Total	5,305,777.88	20,716,339.00	/

#### 46. Non-operating expenditure

Unit: yuan Currency: RMB

Item	2018	2017	Amount included in current non-recurring gains and losses
Total losses from disposal of non-current assets	4,698,080.39		4,698,080.39
including: losses from disposal of fixed assets	4,698,080.39		4,698,080.39
losses from debt restructuring	1,147,367.47		1,147,367.47
external donations	1,064,405.00	750,424.15	1,064,405.00
abnormal loss	590,640.65	1,213,232.32	590,640.65
amercement outlay	632,789.35	790,739.23	632,789.35
other	1,270,961.76	308,013.80	1,270,961.76
Total	9,404,244.62	3,062,409.50	9,404,244.62

#### 47. Income tax expense

Unit: yuan Currency: RMB

Item	2018	2017
income tax expense	80,735,273.83	91,056,507.61
deferred income tax expense	6,115,061.17	-9,731,936.77
Total	86,850,335.00	81,324,570.84

#### ➤ Adjustment procedure for accounting profit and income tax expense

Unit: yuan Currency: RMB

Item	2018
Total profit	691,539,488.87
income tax expenses calculated at statutory/applicable tax rates	103,730,923.33
effects of subsidiaries that are subject to different tax rates	-11,184,460.11
effects of adjusting the income tax on previous periods	281,331.03
effects of non-taxable income	-42,571,261.71
effects of non-deductible costs, expenses and losses	3,230,600.21
the impact of using deductible losses of unrecognized deferred income tax assets of prior period	-1,199,210.09
effects of deductible temporary difference or deductible loss of unrecognized deferred income tax assets of current period	23,301,341.47
calculation and deduction of R&D expenditure	-4,416,289.76
effects of transferring back the deductible loss of recognized deferred income tax assets of prior period on the income tax expense	15,677,360.63
income tax expense	86,850,335.00

**48. Cash flow statement****a. Cash received from other activities related to operating**

Unit: yuan Currency: RMB

Item	2018	2017
government grants	20,320,148.27	43,371,366.23
interest income	4,414,083.01	4,594,760.63
subtotal of transactions and other	101,879,318.01	111,530,793.59
Total	126,613,549.29	159,496,920.45

**b. Cash paid to other activities related to operating**

Unit: yuan Currency: RMB

Item	2018	2017
travelling expense	114,405,138.29	116,956,516.19
transportation and handling expense and vehicle expense	81,816,784.59	78,316,811.20
R&D expenditure	37,753,367.62	40,423,338.01
business entertainment expense	20,547,376.09	20,099,805.92
office and communication fee	14,807,706.34	17,495,994.55
Service fee	21,256,181.41	19,666,959.52
other operating expenses	90,976,916.72	69,406,198.93
transactions and other	103,298,594.82	62,832,173.24
Total	484,862,065.88	425,197,797.56

**c. Cash received from other activities related to investment**

Unit: yuan Currency: RMB

Item	2018	2017
futures trading security deposit		2,115,056.67
government grants related to assets		13,125,000.00
finance products		
Total		15,240,056.67

**d. Cash received from other activities related to financing**

Unit: yuan Currency: RMB

Item	2018	2017
subsidiaries receive capital increase from non-controlling interests in advance	40,000,000.00	
cash received from disposal of subsidiaries' shareholdings	1,131,246.21	
Total	41,131,246.21	

**e. Cash paid to other activities related to financing**

Unit: yuan Currency: RMB

Item	2018	2017
cash paid to buying non-controlling interests of the subsidiary	25,900,000.00	13,216,000.00
Total	25,900,000.00	13,216,000.00

**49. Further information of cash flow statement****a. Further information**

	Unit: yuan Currency: RMB	
Further information	2018	2017
1. adjust net profit to cash flow from operating activities		
Net profit	604,689,153.87	499,954,813.31
add: assets impairment provision	124,028,241.87	31,645,548.86
depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	166,814,214.58	160,997,175.49
amortization of intangible assets	5,955,716.79	6,325,602.00
amortization of long-term unamortized expense	41,650,758.04	32,360,527.63
losses on disposal of fixed assets, intangible assets and other long-term assets	5,252,624.79	1,331,137.12
losses on discarding of fixed assets	4,450,673.92	
losses due to changes in fair value	369,580.00	263,470.00
financial expense	76,778,102.85	65,731,717.81
investment losses	-286,014,954.24	-171,116,996.23
decrease of deferred income tax assets	6,115,061.17	-9,723,473.02
increase of deferred income tax liabilities		-8,463.75
decrease of inventory	-202,815,701.27	-77,705,967.25
decrease of operating receivables	-168,481,074.50	-116,287,839.01
increase of operating receivables	60,557,196.59	189,995,794.72
other	62,055,321.13	-2,372,676.93
net cash flow from operating activities	501,404,915.59	611,390,370.75
2. major investing and financing activities that do not involve cash receipts and payments		
3. net changes in cash and cash equivalents		
closing balance of cash	889,204,873.97	740,680,891.81
deduct: opening balance of cash	740,680,891.81	707,314,594.46
add: closing balance of cash equivalent		
deduct: opening balance of cash equivalent		
net increase in cash and cash equivalents	148,523,982.16	33,366,297.35

**b. Net cash received from disposal of subsidiaries in current period**

	Unit: yuan Currency: RMB
	Amount
cash or cash equivalents received from disposal of subsidiaries during the current period	3,072,000.00
including: Wuwei Wellhope Feed	12,000.00
Xi'an Micro Monkey E-commerce	3,060,000.00
deduct: cash and cash equivalents held by the subsidiary on the date of losing control	18,286.09
including: Wuwei Wellhope Feed	1,048.35
Xi'an Micro Monkey E-commerce	17,237.74
add: cash or cash equivalents received in current period from disposal of subsidiaries during previous periods.	
including: Wuwei Wellhope Feed	
Xi'an Micro Monkey E-commerce	
net cash received from disposal of subsidiaries	3,053,713.91

**c. Cash and cash equivalents**

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
1. cash	889,204,873.97	740,680,891.81
including: cash on hand	253,687.16	3,225,842.47
bank deposits available for payment at any time	888,951,186.81	737,455,049.34
2. cash equivalent		
3. closing balance of cash and cash equivalents	889,204,873.97	740,680,891.81

**50. Assets in which ownership or use rights are restricted**

Unit: yuan Currency: RMB

Item	Closing book value	Reason for restriction
monetary capital	9,697,997.84	futures margin
monetary capital	29,999,881.25	L/C guarantee deposit
Total	39,697,879.09	/

**51. Foreign currency monetary items**

Unit: yuan

Item	Foreign currency closing balance	Translating exchange rate	Closing balance translated into RMB
monetary capital			4,025,773.21
including: US dollar	244,777.55	6.8632	1,679,957.28
Euro	10.56	7.8473	82.90
Hong Kong dollar	2,079,478.90	0.8762	1,822,039.41
Ruble	5,311,294.28	0.0986	523,693.62
accounts receivable			9,719,009.23
including: US dollar	49,072.00	6.8632	336,790.95
Hong Kong dollar	10,707,850.13	0.8762	9,382,218.28
short-term borrowing			80,460,168.49
including: US dollar	11,723,418.88	6.8632	80,460,168.49
accounts payable			479,251.69
including: US dollar	69,829.19	6.8632	479,251.69

**52. Government grants**

Unit: yuan Currency: RMB

Category	Amount	Present item	Amount included in current gains and losses
grants for corn processing and storage	2,595,900.00	other income	2,595,900.00
grants for key technology project of safe, efficient and antibiotic-free piglet feed	872,342.83	other income	872,342.83
grants for development project of bacteriophage preparation for intestinal pathogenic bacteria	1,000,000.00	other income	1,000,000.00
R&D fund for 2016 granted by Guangzhou Sci-Tech Innovation Committee	600,000.00	other income	600,000.00
Shenyang Finance Bureau foreign trade industry development special fund	2,011,900.00	non-operating income	2,011,900.00
R&D fund for green and environmental-friendly sow feed	650,000.00	other income	650,000.00

Shenyang Mayor quality award	500,000.00	non-operating income	500,000.00
grants for the invention of an emulsified piglet pellet feed and preparation method	500,000.00	other income	500,000.00
research funds for the third batch of provincial level capital construction project in 2018 of Liaoning Province	1,500,000.00	other income	1,500,000.00
grants for newly approved construction of new science and technology innovation platforms	2,000,000.00	other income	2,000,000.00
subtotal for other grants under 500,000 yuan	2,793,877.88	non-operating income	2,793,877.88
subtotal for other grants under 500,000 yuan	2,296,127.56	other income	2,296,127.56
deferred income transferred in current period	2,151,092.83	other income	2,151,092.83
Total	19,471,241.10	/	19,471,241.10

## VIII. Change of consolidation scope

### 1. Disposal of subsidiary

Unit: yuan Currency: RMB

Subsidiary	Disposal price	Percentage of disposed shareholding %	Disposal way	Date of losing control	The difference of the share of such subsidiary's net asset held by the Company in the consolidated financial statements which caused by disposal price and disposal of investment	Residual shareholding on the date of losing control %	Booking value of residual equity on the date of losing control	Fair value of residual equity on the date of losing control	Gains or losses from residual equity remeasured at fair value
Xi'an Micro Monkey E-commerce	3,060,000.00	90	transfer	2018-3-31	1,484,208.17	10	175,087.98	340,000.00	164,912.02
Wuwei Wellhope Feed	12,000.00	60	transfer	2018-5-31	-142,256.97				
Liaoning Shennong Wellhope Bio-Tech		60	transfer	2018-1-31	32,374.25				

### 2. Change of consolidation scope caused by other reason

The Company invested to set up Chongqing Wellhope Agri-Tech Company, holding 65.00% shares, established Russia Wellhope Agri-Tech Company, holding 55.00% shares. Chongqing Dahong Agricultural and Animal Husbandry Company, a subsidiary of the Company, invested and established Chongqing Dahong Agriculture Sci-Tech Company, holding 100.00% shares, all these companies have been included in the consolidation scope in current period.



**IX. Equity in other entities****1. Equity in subsidiaries****a. Composition of the Company**

Subsidiary	Business site	Registered site	Business type	Shareholding %		Mode of acquisition
				Direct	Indirect	
Haicheng Xinzhongxin Wellhope Feed	Haicheng city	Haicheng city	production	51.00		investment
Dalian Huakang Xinxin Food	Dalian city	Dalian city	production	65.00		investment
Changchun Hengfeng Agriculture and Animal Husbandry	Changchun city	Changchun city	trading		51.00	investment
Jinan Xinweita Trading	Jinan city	Jinan city	trading		76.00	investment
Henan Wellhope Agri-Tech	Kaifeng city	Kaifeng city	production	100.00		investment
Zhengzhou Wellhope Agri-Tech	Zhengzhou city	Zhengzhou city	production	70.00		investment
Zhumadian Wellhope Agri-Tech	Zhumadian city	Zhumadian city	production	90.00		investment
Jiaozuo Wellhope Feed	Jiaozuo city	Jiaozuo city	production	98.30		investment
Nanyang Wellhope Feed	Nanyang city	Nanyang city	production	70.00		investment
Kaifeng Meat Food	Kaifeng county	Kaifeng county	production	100.00		investment
Zhangwu Wellhope Agriculture	Zhangwu county	Zhangwu county	production	60.00		investment
Xifeng Qianyue Planting	Xifeng county	Xifeng county	production		100.00	investment
Sanjiang Wellhope Agri-Tech	Jixian county	Jixian county	production	100.00		investment
Jixian Expert Trading	Jixian county	Jixian county	trading		100.00	investment
Gongzhuling Wellhope Agri-Tech	Gongzhuling city	Gongzhuling city	production	100.00		investment
Shenyang Expert Trading	Shenyang city	Shenyang city	trading	100.00		investment
Liaoning Skyland Livestock Equipment	Shenyang city	Shenyang city	production	100.00		investment
Shenyang Wellhope Ruminant Feed	Shenyang city	Shenyang city	production	100.00		investment
Shenyang Wellhope Extruded Feed	Shenyang city	Shenyang city	production	100.00		investment
Shenyang Wellhope Aquatic Feed	Shenyang city	Shenyang city	production	100.00		investment
Shenyang Jiahe Tianfeng Commerce and Trade	Shenyang city	Shenyang city	trading	100.00		investment
Liaoning Wellhope Food	Beipiao city	Beipiao city	production	60.00		investment
Haicheng Wellhope Agri-Tech	Haicheng city	Haicheng city	production	100.00		investment
Tai'an Wellhope Feed	Tai'an county	Tai'an county	production	100.00		investment

Lingyuan Wellhope Agri-Tech	Lingyuan city	Lingyuan city	production	90.50		investment
Beijing Helai Sci-Tech	Beijing city	Beijing city	production	100.00		investment
Beijing Wellhope Agri-Tech	Beijing city	Beijing city	trading	100.00		investment
Beijing Sanyuan Wellhope Agri-Tech	Beijing city	Beijing city	production	70.00		investment
Jilin Wellhope Agri-Tech	Jilin city	Jilin city	production	100.00		investment
Jilin Hefeng Pig Breeding	Gongzhuling city	Gongzhuling city	production	100.00		investment
Harbin Weierhao Trading	Harbin city	Harbin city	trading	51.00		investment
Daqing Wellhope Bayi Nongda Animal Sci-Tech	Daqing city	Daqing city	production	70.00		investment
Mudanjiang Wellhope Agri-Tech	Mudanjiang city	Mudanjiang city	production	100.00		investment
Jinzhou Wellhope Agri-Tech	Jinzhou city	Jinzhou city	production	100.00		investment
Gongzhuling Wellhope Ruminant Feed	Gongzhuling city	Gongzhuling city	production	100.00		investment
Heilongjiang Wellhope Agri-Tech	Harbin city	Harbin city	production	100.00		investment
Tangshan Wellhope Feed	Tangshan city	Tangshan city	production	80.00		investment
Cangzhou Helai Sci-Tech	Cangzhou city	Cangzhou city	production	70.00		investment
Xi'an Wellhope Feed Sci-Tech	Xi'an city	Xi'an city	production	85.00		investment
Gansu Wellhope Agri-Tech	Wuwei city	Wuwei city	production	100.00		investment
Jining Wellhope Agri-Tech	Jining city	Jining city	production	70.00		investment
Shanghai Wellhope Feed	Shanghai city	Shanghai city	production	65.00		investment
Shanghai Hehong Trading	Shanghai city	Shanghai city	trading	32.00	42.00	investment
Pinghu Wellhope Agri-Tech	Pinghu city	Pinghu city	production	85.00		investment
Huai'an Wellhope Feed	Huai'an city	Huai'an city	production	100.00		investment
Qingdao Wellhope Agri-Tech	Pingdu city	Pingdu city	trading	95.00		investment
Guangzhou Xiangshun Livestock Equipment	Guangzhou city	Guangzhou city	production	56.00		investment
Hainan Wellhope Agri-Tech	Chengmai county	Chengmai county	production	100.00		investment
Fuyu Wellhope Agri-Tech	Fuyu city	Fuyu city	production	97.00		investment
Fuyu Wellhope Taolaizhao Poultry Raising	Fuyu city	Fuyu city	production	97.00		investment
Changchun Wellhope Feed	Nong'an county	Nong'an county	production	98.00		investment
Changtu Wellhope Feed	Changtu county	Changtu county	production	100.00		investment
Lankao Wellhope Agri-Tech	Lankao county	Lankao county	production	100.00		investment
Tongliao Wellhope Tianyi Prataculture	Tongliao city	Tongliao city	production	51.00		investment

Liaoning Wellhope Purchasing & Trading	Shenyang city	Shenyang city	trading	100.00		investment
Shenyang Wellhope Agri-Tech	Shenyang city	Shenyang city	production	100.00		investment
Liaoning Expert Trading	Shenyang city	Shenyang city	trading	100.00		combined under the same control
Shenyang Fengmei Bio-Tech	Shenyang city	Shenyang city	production	100.00		combined under the same control
Shenyang Pufeng Commerce and Trade	Shenyang city	Shenyang city	trading	100.00		combined under the same control
Shenyang Huawei Pharmaceutical	Shenyang city	Shenyang city	production		51.00	combined under the same control
Liaoning Wellhope Agriculture and Animal Husbandry	Shenyang city	Shenyang city	production	100.00		Combined not under the same control
Puyang Wellhope Food	Puyang city	Puyang city	production	60.00		Combined not under the same control
Jingzhou Wellhope Agriculture and Animal Husbandry	Jingzhou city	Jingzhou city	trading	86.00		investment
Dalian Heyuan Wellhope Agri-Tech	Dalian city	Dalian city	production	51.00		investment
Shenyang Nongda Wellhope Feed	Shenyang city	Shenyang city	production	100.00		investment
Dalian Wellhope Feed	Dalian city	Dalian city	production	100.00		investment
Xingcheng Wellhope Feed	Xingcheng city	Xingcheng city	production	100.00		investment
Yunnan Wellhope Feed	Kunming city	Kunming city	production	96.00		investment
Liaoning Godaji E-commerce	Shenyang city	Shenyang city	trading	100.00		investment
Anhui Wellhope Agri-Tech	Haozhou city	Haozhou city	production	70.00		investment
Shanxi Wellhope Agri-Tech	Yuanping city	Yuanping city	production	100.00		investment
Pingyuan Wellhope Food	Handan city	Handan city	production	100.00		investment
Shenyang Huaweida Animal Health Product	Shenyang city	Shenyang city	trading		75.00	investment
Dalian Zhongjia Food	Dalian city	Dalian city	production		100.00	Combined not under the same

						control
Luohe Hongfeng Poultry	Luohe city	Luohe city	production	51.00		investment
Wellhope Food(Shenyang)	Shenyang city	Shenyang city	production	100.00		investment
Changchun Wellhope Food	Changchun city	Changchun city	production	85.00		investment
Pingyuan Wellhope Agri-Tech	Handan city	Handan city	production		100.00	investment
Puyang Wellhope Agri-Tech	Puyang city	Puyang city	production		100.00	investment
Chongqing Dahong Agriculture and Animal Husbandry Equipment	Chongqing city	Chongqing city	production		50.00	Combined not under the same control
Dalian Tianyicheng trading	Dalian city	Dalian city	trading		50.00	investment
Beijing Brilliant Dragon Commerce and Trade	Beijing city	Beijing city	trading		59.00	investment
Tangshan Hejia Agriculture and Animal Husbandry	Tangshan city	Tangshan city	production	65.00		investment
Tangshan Wellhope Sci-Tech	Tangshan city	Tangshan city	production	70.00		Combined not under the same control
Shenyang Huakang Xinxin Food	Shenyang city	Shenyang city	production	95.00		investment
Weifang Wellhope New Hesheng Feed	Weifang city	Weifang city	production	51.00		investment
Kaifeng Wellhope Meat Food	Kaifeng city	Kaifeng city	production		100.00	investment
Shenyang Huakang Broiler	Shenyang city	Shenyang city	production	95.00		investment
Kaifeng Wellhope Agriculture and Animal Husbandry	Kaifeng city	Kaifeng city	production		100.00	investment
Fushun Wellhope Agriculture and Animal Husbandry	Fushun city	Fushun city	production		100.00	investment
Shenyang Wellhope Polutry	Shenyang city	Shenyang city	production		100.00	investment
Shenyang Huakang Agriculture and Animal Husbandry	Shenyang city y	Shenyang city y	production		100.00	investment
Dehui Wellhope Agri-Tech	Dehui city	Dehui city	production		100.00	investment
Shenyang Tianjingde Trading	Shenyang city	Shenyang city	trading		80.00	investment
Chongqing Wellhope Agri-Tech	Chongqing city		production	65.00		investment
Dahong Agriculture and Animal Husbandry Technology Chongqing Branch	Chongqing city		production		100.00	investment
Russia Wellhope Agri-Tech			production	55.00		investment

**b. Important non-wholly owned subsidiary**

Unit: yuan Currency: RMB

Subsidiary	Shareholding of non-controlling interests	Gain or losses attributable to non-controlling interests	Declared dividends to non-controlling interests	Closing balance of non-controlling interests
Dalian Heyuan Agri-Tech	49.00	67,984,614.02		171,654,722.91
Xi'an Wellhope Feed Sci-Tech	15.00	3,227,595.95		14,736,063.38
Beijing Sanyuan Wellhope Agri-Tech	30.00	2,472,622.85		55,637,846.25
Tangshan Wellhope Feed	20.00	-2,383,511.77		14,230,771.82

**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
Dalian Heyuan Agri-Tech	387,238,954.52	386,397,787.09	773,636,741.61	384,749,243.08	38,499,083.34	423,248,326.42	333,622,897.87	278,678,127.79	612,301,025.66	400,729,374.87	400,729,374.87
Xi'an Wellhope Feed Sci-Tech	77,754,831.17	43,262,494.18	121,017,325.35	22,717,956.94		22,717,956.94	64,845,837.88	44,844,378.30	109,690,216.18	32,967,099.95	32,967,099.95
Beijing Sanyuan Wellhope Agri-Tech	180,774,234.54	26,952,555.35	207,726,789.89	22,111,712.84		22,111,712.84	174,171,349.68	29,453,731.23	203,625,080.91	26,407,669.59	26,407,669.59
Tangshan Wellhope Feed	47,477,540.37	77,434,251.30	124,911,791.67	53,739,426.35		53,739,426.35	66,009,913.28	78,949,036.23	144,958,949.51	61,887,531.58	61,887,531.58

Subsidiary	2018				2017			
	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	1,805,702,344.34	138,744,110.24	138,744,110.24	99,805,558.21	1,677,552,731.83	43,182,677.31	43,182,677.31	53,479,056.49
Xi'an Wellhope Feed Sci-Tech	387,215,020.67	21,517,306.35	21,517,306.35	27,803,030.51	342,506,270.08	24,841,161.78	24,841,161.78	21,895,014.85
Beijing Sanyuan Wellhope Agri-Tech	360,806,758.21	8,242,076.15	8,242,076.15	10,929,723.62	387,073,410.90	13,318,494.54	13,318,494.54	42,389,178.07
Tangshan Wellhope Feed	187,093,547.70	-11,917,558.86	-11,917,558.86	2,684,520.75	212,211,404.51	812,305.81	812,305.81	42,253,952.22

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

**a. Circumstance of the change of owner's equity**

In current period, the non-controlling shareholder of Lingyuan Wellhope Agri-Tech, Hainan Wellhope Agri-Tech, Yunnan Wellhope Feed, Liaoning Godaji E-commerce, Henan Wellhope Agri-Tech, respectively transferred 15.50%, 20.00%, 37.80%, 10.00% and 30.00% of shareholdings to the Company.

The Company respectively transferred 5.00% of shareholdings of Shenyang Huakang Xinxin Food, Jingzhou Wellhope Agriculture, Shenyang Huakang Broiler and Changchun Wellhope Food, non-controlling shareholder of its subsidiaries-Daqing Wellhope Bayi Nongda Animal Sci-Tech and Nanyang Wellhope Feed, increased investment by 30.00% respectively.

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

Unit: yuan Currency: RMB

	Lingyuan Wellhope Agri-Tech	Hainan Wellhope Agri-Tech	Yunnan Wellhope Feed	Liaoning Godaji E-commerce	Henan Wellhope Agri-Tech	Shenyang Huakang Xinxin Food	Daqing Wellhope Bayi Nongda Animal Sci-Tech	Nanyang Wellhope Feed	Jingzhou Wellhope Agriculture	Shenyang Huakang Broiler	Changchun Wellhope Food
cost of acquisition/disposal considerations											
--cash	12,400,000.00	2,000,000.00	1,890,000.00	1,000,000.00	8,610,000.00	100,000.00	4,800,000.00	3,000,000.00	2,528,571.00	100,000.00	500,000.00
--fair value of a non-cash asset											
total cost of acquisition/disposal considerations	12,400,000.00	2,000,000.00	1,890,000.00	1,000,000.00	8,610,000.00	100,000.00	4,800,000.00	3,000,000.00	2,528,571.00	100,000.00	500,000.00
deducting: share of net assets in the subsidiary calculated by gained or disposed shareholdings	9,604,482.11	-683,381.33	622,738.67	130,843.57	8,308,634.13	36,428.37	4,943,720.90	3,803,124.36	2,351,142.26	-290,099.65	148,075.17
balance	2,795,517.89	2,683,381.33	1,267,261.33	869,156.43	301,365.87	63,571.63	-143,720.90	-803,124.36	177,428.74	390,099.65	351,924.83
of which: adjust capital reserve	-2,795,517.89	-2,683,381.33	-1,267,261.33	-869,156.43	-301,365.87	63,571.63	-143,720.90	-803,124.36	177,428.74	390,099.65	351,924.83

**3. Equity in joint ventures or associated companies**

**a. Important joint ventures or associated companies**

Unit: yuan Currency: RMB

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



**b. Financial figures of important joint ventures or associated companies**

Unit: yuan Currency: RMB

	2018				2017			
	Beipiao Hongfa Food	Anshan Jiuguhe Food	Tai'an Jiuguhe Agriculture	Dalian Chengsan Animal Husbandry	Beipiao Hongfa Food	Anshan Jiuguhe Food	Tai'an Jiuguhe Agriculture	Dalian Chengsan Animal Husbandry
current assets	503,634,934.55	417,277,140.35	283,786,492.81	780,819,026.16	415,207,031.77	276,907,623.06	171,421,105.53	573,458,128.77
non-current assets	438,127,861.68	112,079,862.26	30,783,891.85	375,918,473.97	410,218,767.94	117,525,979.35	11,883,149.91	322,101,127.24
Total assets	941,762,796.23	529,357,002.61	314,570,384.66	1,156,737,500.13	825,425,799.71	394,433,602.41	183,304,255.44	895,559,256.01
current liabilities	174,740,051.73	274,529,095.54	157,969,045.26	353,316,814.51	250,891,563.15	219,833,080.23	126,830,248.13	399,036,298.21
non-current liability	47,100,000.00	12,578,401.85	812,500.00	16,328,633.74	51,600,000.00	9,784,091.71	1,091,000.00	16,365,790.09
Total liability	221,840,051.73	287,107,497.39	158,781,545.26	369,645,448.25	302,491,563.15	229,617,171.94	127,921,248.13	415,402,088.30
non-controlling interests				111,098,427.82				70,613,815.00
equity attributable to shareholders of parent company	719,922,744.50	242,249,505.22	155,788,839.40	675,993,624.06	522,934,236.56	164,816,430.47	55,383,007.31	409,543,352.71
share of net assets calculated by shareholdings	251,972,960.58	100,654,669.42	64,730,262.77	135,198,724.82	183,026,982.80	72,090,706.70	24,224,527.39	81,908,670.54
--goodwill				116,569,111.61				116,569,111.61
--unrealized profit of internal transaction		-1,157,373.92						
--other					73,620.47			
book value of equity investment in joint venture	251,972,960.58	99,497,295.50	64,730,262.77	251,767,836.43	183,100,603.27	72,090,706.70	24,224,527.39	198,477,782.15
operating revenue	2,587,369,620.08	1,856,147,804.84	1,212,886,039.39	2,550,658,470.89	2,395,113,260.68	1,292,609,019.67	750,292,809.29	711,554,035.64
net profit	231,638,507.94	69,303,074.75	97,455,832.09	307,020,416.94	115,577,011.85	61,098,554.92	17,245,357.86	34,128,563.28
other comprehensive income								
Total comprehensive income	231,638,507.94	69,303,074.75	97,455,832.09	307,020,416.94	115,577,011.85	61,098,554.92	17,245,357.86	34,128,563.28
dividends received from associated companies	12,127,500.00				1,617,000.00	3,653,983.36		

**c. Summarized financial information of unimportant joint ventures and associated companies**

Unit: yuan Currency: RMB

	2018	2017
Joint venture:		
Total book value of investment	11,669,191.54	17,819,793.63
Items calculated according to the shareholdings		
--net profit	4,007,001.33	6,281,680.08
--other comprehensive income	-2,412,673.32	3,312,229.76
--Total comprehensive income	1,594,328.01	9,593,909.84
Associated company:		
Total book value of investment	675,182,909.17	526,658,973.06
Items calculated according to the shareholdings		
--net profit	81,585,071.51	28,427,900.87
--other comprehensive income	-1,305,935.62	
--Total comprehensive income	80,279,135.89	35,963,125.56

Note: Unphung Joint Venture Company, Nepal Wellhope Agri-tech Pvt. Ltd., NEXUS WELL-HOPE AGRITECH INTERNATIONAL LIMITED use cost method.

**X. Risks Related to Financial Instruments**

The Company's main financial instruments include equity investment, borrowing, accounts receivable and accounts payable. Detailed descriptions of various financial instruments can be found in the relevant items in Note V. The Company manages and monitors these risk exposures to ensure to control the risks above in the limited scope.

The Company's objective in risk management is to strike a balance between risks and return, minimize the negative impact of risk on the Company's operating results, and maximize the benefits of shareholders and other equity investors. Based on this risk management objective, the basic strategy of the Company's risk management is to identify and evaluate various risks of the Company, set up appropriate limit of risk tolerance, conduct risk management, and supervise various risks in a timely and reliable way to control risks within the limited range.

**1. Market risks**

**A. Interest rate risk**

The Company's risk of cash flow changes in financial instruments due to the changes in interest rates mainly related to floating-rate bank loans. The Company's policy is to maintain the floating-rate of these loans.

## B. Foreign exchange risks

Foreign exchange risk refers to the risk of loss caused by exchange rate movement. The Company's main business activities are settled in RMB, with a small amount of import and export business, changes in exchange rate have little impact on the Company.

### 2. Credit risk

The maximum credit risk exposure that may cause financial losses to the Company mainly comes from financial assets loss caused by the other party of contract failed to perform duty.

In order to reduce credit risk, the Company constantly strengthens the risk management awareness of accounts receivable, and only deals with confirmed and reputable third parties. In accordance with the Company's policies, it is necessary to conduct credit audit and approval, carefully confirm the credit limit, implement other monitoring procedures and take necessary measures to recover overdue claims.

The Company reviews the recoverability of receivables on the balance sheet date to ensure adequate provision for bad debts against non-recoverable amounts. Therefore, the management of the Company believes that the credit risk taken by the Company has been greatly decreased.

### 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 measured at fair value 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. financial assets measured at fair value and changes recorded into current gains or losses	2,042,527.60			2,042,527.60

A. trading financial assets	2,042,527.60			2,042,527.60
a. debt instrument investment				
b. equity instrument investment				
c. derivative financial assets	2,042,527.60			2,042,527.60
Total assets continuously measured at fair value	2,042,527.60			2,042,527.60

## 2. The determination basis of market price of the item measured at fair value of the sustainable and non-sustainable first level fair value measurement

The derivative financial assets of the Company are futures, which are measured by the unadjusted quoted price of the same assets or liabilities in the active market on the balance sheet date

## XII. Related party and transaction

### 1. Snapshot of parent company

Jin Weidong is the actual controller of the Company.

### 2. Snapshot of joint ventures and associated companies

Please check important joint ventures and associated companies.

Circumstance of the joint ventures and associated companies, which had related transactions with the Company in the period.

Company	Relationship
Unphung Joint Venture Company	joint venture
Nepal Wellhope Agri-tech Pvt. Ltd.	joint venture
Anshan Fengsheng Food	associated company
Anshan Jiuguhe Food	associated company
Beipiao Hongfa Food	associated company
Dalian Chengsan Animal Husbandry	associated company
Dalian Wellhope Fish Meal	associated company
Daqing Supply and Marketing Wellhope Agri-Tech	associated company
Danhong Wellhope Chengsan Agri-Tech	associated company
Dunhua Wellhope Agri-Tech	associated company
Gongzhuling Corn Purchasing and Storing	associated company
Guangzhou Pulihe Trading	associated company
Guangzhou Yikun Trading	associated company
Haicheng New Hongzunda Agri-Tech	associated company
Huluodao Jiuguhe Food	associated company
Huluodao Jiuguhe Feed	associated company
Jinzhou Jiufeng Food	associated company
Lankao Skyland Feed	associated company
Lankao Skyland Duck	associated company
Linghai Jiuguhe Feed	associated company
Qingdao Shenfeng Agri-Tech	associated company
Shenyang Wenjie Bio-Tech	associated company

Schipper(Beijing)	associated company
Suizhong Rehen Fishery	associated company
Tai'an Fengjiu Agri-Tech	associated company
Tai'an Jiufeng Agri-Tech	associated company
Tai'an Jiuguhe Agriculture	associated company
Tailai Jiahe Agriculture and Animal Husbandry	associated company
Zhangjiakou Jiahe Agriculture and Animal Husbandry	associated company
Beijing Dahong Hengfeng Agri-Tech	associated company

### 3. Snapshot of other related party

Related party	Relationship
Ding Yunfeng	The Company's shareholder, board director, President, holds 9.67% shares
DE HEUS MAURITIUS	The Company's shareholder, holds 9.63% shares
Shao Caimei	The Company's shareholder, board director, CTO, holds 6.56% shares
Wang Fengjiu	The Company's shareholder, Vice President, holds 6.03% shares.
Shenyang Heli Investment	The Company's shareholder, holds 5.82% shares.
Wang Zhongtao	The Company's shareholder, Chairman of the Supervisory Board, holds 5.67% shares.

### 4. Snapshot of related party transaction

#### a. Purchasing and selling products, providing and accepting labor service

Unit: yuan Currency: RMB

Relate party	Transaction	2018	2017
Suizhong Rehen Fishery	feed raw materials	4,063,349.71	9,658,615.20
Dalian Wellhope Fish Meal	feed raw materials	89,540,418.85	70,262,704.90
Anshan Jiuguhe Food	broiler product	10,607,617.64	2,725,178.11
Dalian Chengsan Animal Husbandry	delivery broiler	165,113,902.72	
Beipiao Hongfa Food	broiler product		1,645,220.06
Huludao Jiuguhe Food	broiler product	5,435,308.49	9,643,224.14
Schipper(Beijing)	other	428,182.58	
Guangzhou Yikun Trade	feed raw materials	6,188,772.00	11,300,153.00
Guangzhou Pulihe Trade	feed raw materials		1,638,896.86
Tai'an Fengjiu Agri-Tech	day old chick	3,350,549.01	518,424.00
Zhangjiakou Jiahe Agriculture and Animal Husbandry	piglet	5,928,183.50	8,021,349.55
Tai'an Jiuguhe Agriculture	feed	12,429,921.60	2,797,279.00
Haicheng New Hongzunda Agri-Tech	feed	1,120,316.47	2,222,038.16
Shenyang Wenjie Bio-Tech	other	6,280,763.74	487,291.97
Jinzhou Jiufeng Food	broiler product		105,663.72
Daqing Supply and Marketing Wellhope Agri-Tech	feed raw materials	8,880,812.73	3,960,123.42
Linghai Jiuguhe Feed	other	638,607.11	
Gongzhuling Corn Purchasing and Storing	feed raw materials	970,780.18	
Total		320,977,486.33	124,986,162.09

#### Selling products or providing labor service

Unit: yuan Currency: RMB

Relate party	Transaction	2018	2017
Nepal Wellhope Agri-tech Pvt. Ltd.	feed	199,620.44	140,200.00
Linghai Jiuguhe Feed	feed raw materials	37,878,202.08	18,279,127.86
Tai'an Jiuguhe Agriculture	feed raw materials	68,389,964.35	65,150,685.72

Anshan Jiuguhe Food	broiler	158,951,429.95	181,408,642.40
Qingdao Shenfeng Agri-Tech	feed raw materials	18,359,677.35	29,735,587.09
Beipiao Hongfa Food	feed raw materials	7,260,089.78	15,239,343.97
Huludao Jiuguhe Food	feed	13,736,255.76	18,128,055.18
Haicheng New Hongzunda Agri-Tech	feed raw materials	33,009,620.76	26,115,831.31
Dandong Wellhope Chengsan Agri-Tech	feed raw materials	10,820,771.04	3,105,240.54
Tai'an Jiufeng Agri-Tech	feed raw materials	1,924,877.65	739,912.58
Huludao Jiuguhe Feed	feed raw materials	25,481,359.12	21,502,965.81
Suizhong Rehen Fishery	feed	111,724.14	69,230.77
Schipper(Beijing)	other product	887,414.00	278,381.19
Zhangjiakou Jiahe Agriculture and Animal Husbandry	feed	23,059,889.84	22,201,793.92
Dalian Wellhope Fish Meal	feed raw materials	537,672.40	
Guangzhou Yikun Trade	feed raw materials	145,040,015.85	111,529,209.55
Guangzhou Pulihe Trade	feed raw materials		34,029,936.44
Jinzhou Jiufeng Food	broiler	5,211,589.00	154,832.00
Anshan Fengsheng Food	broiler	99,451,627.68	1,389,732.21
Dalian Chengsan Animal Husbandry	feed raw materials	10,337,579.61	10,559,059.71
Tailai Jiahe Agriculture and Animal Husbandry	feed	41,863,178.67	4,449,716.24
Daqing Supply and Marketing Wellhope Agri-Tech	feed raw materials	29,511,060.56	4,144,887.00
Lankao Skyland Duck	feed raw materials	129,207.19	
Lankao Skyland Feed	feed raw materials	2,196,704.00	
Dunhua Wellhope Agri-Tech	feed raw materials	5,062,091.02	
Total		739,411,622.24	568,352,371.49

## b. Related party guarantee

The Company acted as guarantor

Unit: yuan Currency: RMB

Guaranteed party	Amount of guarantee	Guarantee date	Guarantee maturity date	Whether the guarantee has been fulfilled
Lingyuan Wellhope Agri-Tech	20,000,000.00	May 29th, 2018	May 24th, 2019	no
Liaoning Expert Trading	80,460,168.49			no

## c. Borrowings to related party

Unit: yuan Currency: RMB

Related party	Borrowings	Starting date	Due date	Note
Lankao Skyland Duck	5,000,000.00			Lankao Skyland Duck was formerly a wholly-owned subsidiary of the Company, the Company provided operating borrowings for it, thus forming receivable other. In December 2017, other shareholders of Lankao Skyland Duck increased investment in this company, making the shareholdings of the Company being below 50%, and Lankao Skyland Duck became an associated company of the Company.
Lankao Skyland Feed	38,067,493.00			Lankao Skyland Feed was formerly a wholly-owned subsidiary of the Company, the Company provided operating borrowings for it, thus forming receivable

				other. In December 2017, other shareholders of Lankao Skyland Feed increased investment in this company, making the shareholdings of the Company being below 50%, and Lankao Skyland Feed became an associated company of the Company.
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#### d. Remuneration for key management

Unit: 10,000yuan Currency: RMB

Item	2018	2017
remuneration for key management	709.09	404.88

### 5. Related party receivables and payables

#### a. Receivables

Unit: yuan Currency: RMB

Item	Related party	Closing balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
accounts receivable	Dandong Wellhope Chengsan Agri-Tech	285,000.00	14,250.00	647,440.00	32,372.00
accounts receivable	Anshan Jiuguhe Food	29,448,163.62	1,472,408.18	13,548,841.72	677,442.09
accounts receivable	Tai'an Jiuguhe Agriculture			4,647,449.75	232,372.49
accounts receivable	Zhangjiakou Jiahe Agriculture and Animal Husbandry	4,185,015.26	209,250.76	3,871,269.00	193,563.45
accounts receivable	Guangzhou Yikun Trade			19,140,043.17	957,002.16
accounts receivable	Qingdao Shenfeng Agri-Tech			28,455.00	1,422.75
accounts receivable	Linghai Jiuguhe Feed			7,195.00	359.75
accounts receivable	Huluodao Jiuguhe Feed			200.00	10.00
accounts receivable	Anshan Fengsheng Food	6,876,402.60	343,820.13	1,389,732.21	69,486.61
accounts receivable	Dalian Chengsan Animal Husbandry	1,062,573.20	53,128.66	1,373,479.92	93,394.99
accounts receivable	Tailai Jiahe Agriculture and Animal Husbandry	69,020.56	3,451.03	3,769,536.24	188,476.81
accounts receivable	Dunhua Wellhope Agri-Tech	30,351.21	1,517.56		
accounts receivable	Guangzhou Yikun Trade	3,492,893.69	174,644.68		
accounts receivable	Daqing Supply and Marketing Wellhope Agri-Tech	711,060.56	35,553.03		
other receivable	Lankao Skyland Duck	5,000,000.00	500,000.00	5,000,000.00	250,000.00
other receivable	Lankao Skyland Feed	38,067,493.00	3,806,749.30	39,330,793.00	1,966,539.65

prepayment	Dalian Wellhope Fish Meal	205,850.00		834,156.00	
prepayment	Huludao Jiuguhe Food			2,428,674.54	
prepayment	Suizhong Rehen Fishery	7,200,000.20		2,709,300.20	
prepayment	Gongzhuling Corn Purchasing and Storing	1,825,000.00			

## b. Payables

Unit: yuan Currency: RMB

Item	Related party	Closing book balance	Opening book balance
accounts payable	Dalian Wellhope Fish Meal	3,543,366.00	2,397,273.80
accounts payable	Anshan Jiuguhe Food	8,783,890.00	
accounts payable	Tai'an Jiuguhe Agriculture	6,143,639.40	
accounts payable	Shenyang Wenjie Bio-Tech	1,312,595.06	
accounts payable	Gongzhuling Corn Purchasing and Storing	313,608.00	
accounts payable	Suizhong Rehen Fishery	539,819.05	
accounts payable	Dalian Chengsan Animal Husbandry	10,604,874.78	
advance receipt	Qingdao Shenfeng Agri-Tech		147,000.00
advance receipt	Linghai Jiuguhe Feed		324,450.00
advance receipt	Huludao Jiuguhe Feed	53,613.00	463,500.00
advance receipt	Nepal Wellhope Agri-tech Pvt. Ltd.	38,700.00	38,700.00
advance receipt	Tai'an Jiuguhe Agriculture	1,502,000.00	1,240,565.00
advance receipt	Beijing Dahong Hengfeng Agri-Tech		810.00
advance receipt	Haicheng New Hongzunda Agri-Tech		463,500.00
advance receipt	Tai'an Jiufeng Agri-Tech	49,892.50	
other payables	Nepal Wellhope Agri-tech Pvt. Ltd.	2,999.41	2,999.41
other payables	Unphung Joint Venture Company	71,682.43	71,682.43
other payables	Anshan Jiuguhe Food		206,191.05

## XIII. Share-based payment

### 1. Circumstance of share-based payment

Unit: share Currency: RMB

Total amount of equity instrument granted by the Company during current period	14,575,000
Total amount of exercised equity instruments	

Note:

In accordance with the approved resolutions--Liaoning Wellhope 2018 Restricted Stock Incentive Plan and Its Abstract (draft), Adjusting Related Items regarding to 2018 Restricted Stock Incentive Plan, the Company issued 14.575 million restricted shares to 372 key managers at the price of 4.85 yuan per share in 2018, increased RMB 14.575 million yuan of the registered capital.

This incentive plan should be valid from the date of granting restricted shares to the date when all restricted shares could be removed trading restrictions or repurchased and written off by the Company, with a maximum period of no more than 48 months. The



restricted shares should not be transferred, used for guarantee or repaying debts before removing the trading restrictions, and the shares and dividends obtained from the restricted shares due to the Company conducting capital reserve converted to share capital, distributing share dividends, etc., should be simultaneously locked according to the incentive plan. After the expiration of restricted period, the Company shall handle related matters, such as removing trading restrictions, whilst the restricted shares held by the incentive objects who could not meet the conditions of removing restriction, should be repurchased and written off by the Company, relevant equity could not be deferred to the next period.

Arrangement of restricted shares:

Arrangement of removing trading restrictions	Time of removing trading restrictions	Percentage of unrestricted shares
first unrestricted period	The first trading day after 12 months from the date of finishing the registration of granted shares to the last trading day within 24 months from the date of finishing the registration of granted shares	30.00%
second unrestricted period	The first trading day after 24 months from the date of finishing the registration of granted shares to the last trading day within 36 months from the date of finishing the registration of granted shares	30.00%
third unrestricted period	The first trading day after 36 months from the date of finishing the registration of granted shares to the last trading day within 48 months from the date of finishing the registration of granted shares	40.00%

## 2. Equity-settled share-based payment

Unit: yuan Currency: RMB

confirmation method of fair value of equity instrument at the grant date	Closing price at the grant date
basis for determining the number of exercised equity instrument	It is expected that the exercise conditions can be met and the granted objects can exercise the equity
accumulated amount of equity-settled share-based payment which recorded into capital reserve	1,997,989.57
Total expense recognized by equity-settled share-based payment	1,997,989.57

## XIV. Commitment and contingency

### 1. Important commitment

Important commitment to external, its nature and amount existed on the balance sheet date

As at December 31st, 2018, the operating lease contracts that the Company had signed or

were ready to perform, were mainly the lease of operating site and buildings, as follows:

Period	Lease payable(10,000 yuan)
the first year after the balance sheet date	2,176.90
the second year after the balance sheet date	2,075.66
the third year after the balance sheet date	2,102.97
after the third year after the balance sheet date	13,778.18

## 2. Contingency

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

## XV. Events after the balance sheet date

### 1. Non-adjusting event

Unit: yuan Currency: RMB

Event	Content	Impact on financial position and operating results
stock and bond issuing	On April 18th, 2019, in accordance with the approval, the Company non-public issued 76,552,927 RMB common shares at the price of 10.16 yuan per share, totally raised funds 768,926,185.57 yuan after deducting underwriting fees, which increased 76,552,927 yuan share capital and 692,373,258.57 yuan capital reserve.	-

### 2. Circumstance of profit distribution

Unit: yuan Currency: RMB

profit or dividend planned to be distributed	166,014,791.28
declared profit or dividend after deliberation and approval	166,014,791.28

## XVI. Notes to major items of the parent company's financial statements

### 1. Notes receivable and accounts receivable

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
notes receivable		
accounts receivable	16,033,809.05	22,133,097.07
Total	16,033,809.05	22,133,097.07

➤ **Accounts receivable****a. Category of accounts receivable**

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	Withdrawing %		Amount	Percentage%	Amount	Withdrawing %	
the account receivable with amount that is individually significant, withdrawing bad debt provision individually										
withdrawing bad debt provision on the basis of credit risk grouping	45,176,203.73	100.00	29,142,394.68	64.51	16,033,809.05	39,141,624.03	100.00	17,008,526.96	43.45	22,133,097.07
the account receivable with amount that is not individually significant, but withdrawing bad debt provision individually										
Total	45,176,203.73	100.00	29,142,394.68	64.51	16,033,809.05	39,141,624.03	100.00	17,008,526.96	43.45	22,133,097.07

## Withdrawing bad debt provision according to the aging analysis method

Unit: yuan Currency: RMB

Aging	Closing balance		
	Accounts receivable	Bad debt provision	% of withdrawing
subtotal of within 1 year	11,945,705.84	597,285.29	5.00
1 -2 year	3,408,692.00	340,869.20	10.00
2-3 years	2,291,182.00	916,472.80	40.00
over 3 years	27,287,767.39	27,287,767.39	100.00
Total	44,933,347.23	29,142,394.68	64.86

**b. Bad debt provision of the current period**

During the current period, withdrawing bad debt provision of RMB 12,133,867.72 yuan, taking back or recovering bad debts provisions of 0 yuan.

**c. Top 5 accounts receivable**

Debtor	Relationship	Amount in arrears	Year of arrears	percentage of total accounts receivable %	Bad debt provision
1	non-related party	9,125,139.00	within 1 year: 512,200.00yuan; 1-2 year: 354,260.00yuan; 2-3 years: 2,029,958.00 yuan; over 3 years: 6,228,721.00 yuan	20.20	7,101,740.20
2	non-related party	7,351,644.00	over 3 years	16.27	7,351,644.00
3	non-related party	7,053,335.00	over 3 years	15.61	7,053,335.00
4	non-related party	3,176,909.25	within 1 year: 2,476,139.25 yuan; 1-2 year:700,770.00 yuan	7.03	193,883.96
5	non-related party	2,997,424.50	within 1 year	6.63	149,871.23
Total		29,704,451.75		65.74	21,850,474.39

**2. Other receivable**

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
interest receivable		
dividends receivable	15,225,270.58	8,214,127.94
other receivable	854,445,959.43	1,106,025,579.73
Total	869,671,230.01	1,114,239,707.67

**a. Dividends receivable**

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
dividends from long-term investment under cost method	9,743,487.24	1,500,000.00
dividends from long-term investment under equity method	5,481,783.34	6,714,127.94
Total	15,225,270.58	8,214,127.94

**Other receivable****a. Category of other receivable**

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	% of withdrawing		Amount	Percentage %	Amount	% of withdrawing	
other receivable with amount that is individually significant, withdrawing bad debt provision individually										
withdrawing bad debt provision on the basis of credit risk grouping	861,813,069.64	100.00	7,367,110.21	0.85	854,445,959.43	1,109,824,476.25	100.00	3,798,896.52	0.34	1,106,025,579.73
other receivable with amount that is not individually significant, but withdrawing bad debt provision individually										
Total	861,813,069.64	100.00	7,367,110.21	0.85	854,445,959.43	1,109,824,476.25	100.00	3,798,896.52	0.34	1,106,025,579.73

**Withdrawing bad debt provision according to the aging analysis method**

Unit: yuan Currency: RMB

Aging	Closing balance		
	Other receivable	Bad debt provision	% of withdrawing
subtotal of within 1 year	932,764.96	46,638.25	5.00
1 -2 year	71,332,173.00	7,133,217.30	10.00
2-3 years	120,000.00	48,000.00	40.00
over 3 years	139,254.66	139,254.66	100.00
Total	72,524,192.62	7,367,110.21	10.16

**b. Categorized by nature**

Unit: yuan Currency: RMB

Nature	Closing book balance	Opening book balance
operating receivable	784,899.62	668,768.63
cash pledge and guarantee deposit	200,000.00	200,000.00
related party- fund transfer	832,356,370.02	1,080,483,907.62
disposal of investment receivables	28,471,800.00	28,471,800.00
Total	861,813,069.64	1,109,824,476.25

**c. Bad debt provision of the current period**

During the current period, withdrawing bad debt provision of RMB 12,133,794.64 yuan, taking back or recovering bad debts provisions of 0 yuan.

**d. The actual write-off of receivable other in current period**

Unit: yuan Currency: RMB

Item	Write-off
actual write-off of receivable other	8,565,580.95

Of which, write-off important other receivable

Unit: yuan Currency: RMB

Company	Type	Amount of write-Off	Reason	Procedure of write-off	Whether the payment is generated by related party transactions
Jingzhou Wellhope Feed	account current	8,144,060.95	this subsidiary was cancelled		yes(wholly-owned subsidiary)
Jiangsu Oriental Pearl Grain and Oil industry	account current	421,520.00	uncollectible long-term arrears		no
Total	/	8,565,580.95	/	/	/

**e. Top 5 other receivables**

Unit: yuan Currency: RMB

Company	Type	Closing balance	Aging	% of closing balance of receivables other	Closing balance of bad debt provision
1	account current	95,813,478.29	within 1 year	11.12	
2	account current	90,230,094.40	within 1 year	10.47	
3	account current	77,354,291.58	within 1 year	8.98	
4	account current	66,328,454.90	within 1 year	7.70	
5	account current	52,035,791.38	within 1 year	6.04	
Total	/	381,762,110.55	/	44.31	

### 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
investments in subsidiaries	1,956,908,795.47		1,956,908,795.47	1,405,216,852.54		1,405,216,852.54
investments in associates and joint ventures	1,346,774,292.49	17,900,000.00	1,328,874,292.49	1,008,776,555.79	11,749,397.91	997,027,157.88
Total	3,303,683,087.96	17,900,000.00	3,285,783,087.96	2,413,993,408.33	11,749,397.91	2,402,244,010.42

#### a. Investments in subsidiaries

Unit: yuan Currency: RMB

Company	Opening balance	Increase in current period	Decrease in current period	Closing balance
Haicheng Wellhope Feed	8,000,000.00	4,526,045.83		12,526,045.83
Tai'an Wellhope Feed	21,000,000.00	12,004,797.91		33,004,797.91
Shenyang Wellhope Ruminant Feed	5,500,000.00	54,147.92		5,554,147.92
Liaoning Wellhope Agriculture and Animal Husbandry	47,115,974.95			47,115,974.95
Shenyang Nongda Wellhope Feed	44,128,263.98	103,265.19		44,231,529.17
Xingcheng Wellhope Feed	82,392,638.39	131,351.20		82,523,989.59
Dalian Wellhope Feed	42,006,984.38	116,319.78		42,123,304.16
Jinzhou Wellhope Feed	10,000,000.00	7,021,247.92		17,021,247.92
Changtu Wellhope Feed	3,000,000.00			3,000,000.00
Shenyang Wellhope Extruded Feed	20,000,000.00	13,003,427.08		33,003,427.08
Shenyang Wellhope Aquatic Feed	15,000,000.00	23,304.17		15,023,304.17
Shenyang Wellhope Agri-Tech	82,064,201.70	122,160.80		82,186,362.50
Shenyang Wellhope Poultry		5,483.33		5,483.33
Gongzhuling Wellhope Agri-Tech	35,000,000.00	33,585.42		35,033,585.42
Jilin Wellhope Agri-Tech	10,925,000.00	5,127,135.42		16,052,135.42
Gongzhuling Wellhope Ruminant Feed	5,000,000.00	6,854.17		5,006,854.17
Sanjiang Wellhope Agri-Tech	4,188,747.06	17,002,056.25		21,190,803.31
Mudanjiang Wellhope Agri-Tech	4,252,381.29	19,002,741.67		23,255,122.96
Heilongjiang Wellhope Agri-Tech	50,000,000.00	70,073,339.58		120,073,339.58
Beijing Helai Sci-Tech	25,000,000.00	40,439.59		25,040,439.59
Beijing Wellhope	5,000,000.00			5,000,000.00

Agri-Tech				
Huai'an Wellhope Feed	30,000,000.00	21,247.92		30,021,247.92
Gansu Wellhope Agri-Tech	40,000,000.00	7,539.58		40,007,539.58
Henan Wellhope Agri-Tech	14,000,000.00	38,649,754.16		52,649,754.16
Lankao Wellhope Agri-Tech	10,000,000.00	33,006,854.17		43,006,854.17
Wuwei Wellhope Feed	300,000.00		300,000.00	
Yangling Wellhope Agri-Tech	5,000,000.00		5,000,000.00	
Jingzhou Wellhope Feed	3,000,000.00		3,000,000.00	
Shenyang Huaweida Animal Health Product		6,168.75		6,168.75
Jilin Hefeng Pig Breeding	15,000,000.00			15,000,000.00
Shenyang Expert Trading	15,000,000.00	15,000,000.00		30,000,000.00
Shenyang Jiahe Tianfeng Commerce and Trade	10,000,000.00	12,337.50		10,012,337.50
Liaoning Expert Trading	20,000,000.00	30,057,575.00		50,057,575.00
Shenyang Pufeng Commerce and Trade	5,499,788.72	10,000,000.00		15,499,788.72
Liaoning Wellhope Purchasing & Trading	10,000,000.00	20,022,618.75		30,022,618.75
Hainan Wellhope Agri-Tech	8,000,000.00	17,000,000.00		25,000,000.00
Liaoning Skyland Livestock Equipment	10,800,000.00	17,759,595.83		28,559,595.83
Shenyang Fengmei Bio-Tech	20,123,973.51	30,158.34		20,154,131.85
Xi'an Micro Monkey E-commerce	5,000,000.00		5,000,000.00	
Panjin Wellhope Food	50,000,000.00		50,000,000.00	
Pingyuan Wellhope Food	80,000,000.00	67,273,304.17		147,273,304.17
Pingyuan Wellhope Agri-Tech		21,933.33		21,933.33
Kaifeng Meat Food	90,000,000.00	10,000,000.00		100,000,000.00
Wellhope Food(Shenyang)	3,000,000.00	2,741.67		3,002,741.67
Liaoning Godaji E-commerce	9,000,000.00	1,009,595.83		10,009,595.83
Lingyuan Wellhope Agri-Tech	4,250,000.00	12,421,247.91		16,671,247.91
Haicheng Xinzhongxin Wellhope Feed	5,892,898.56	8,910.42		5,901,808.98
Fuyu Wellhope Agri-Tech	27,160,000.00	19,403,427.08		46,563,427.08
Changchun Wellhope Feed	10,000,000.00	74,313,585.41		84,313,585.41



Daqing Wellhope Bayi Nongda Animal Sci-Tech	13,520,000.00	210,966.67		13,730,966.67
Beijing Sanyuan Wellhope Agri-Tech	7,000,000.00	155,589.58		7,155,589.58
Tangshan Wellhope Feed	40,000,000.00	18,506.25		40,018,506.25
Cangzhou Helai Sci-Tech	3,500,000.00	10,281.25		3,510,281.25
Shanxi Wellhope Agri-Tech	40,000,000.00	3,427.08		40,003,427.08
Tangshan Hejia Agriculture and Animal Husbandry	3,250,000.00	3,260,966.67		6,510,966.67
Tangshan Wellhope Sci-Tech	21,000,000.00	2,741.67		21,002,741.67
Shanghai Wellhope Feed	1,950,000.00	30,158.34		1,980,158.34
Pinghu Wellhope Agri-Tech	850,000.00	14,393.75		864,393.75
Anhui Wellhope Agri-Tech	7,000,000.00	25,208,225.00		32,208,225.00
Xi'an Wellhope Feed	4,250,000.00	58,945.83		4,308,945.83
Zhengzhou Wellhope Agri-Tech		3,918,966.67		3,918,966.67
Zhumadian Wellhope Agri-Tech		9,006,854.17		9,006,854.17
Nanyang Wellhope Feed		11,039,039.89		11,039,039.89
Jiaozuo Wellhope Feed		49,154,797.92		49,154,797.92
Jingzhou Wellhope Agri-Sci-Tech	23,660,000.00	21,247.92	2,528,571.00	21,152,676.92
Qingdao Wellhope Agri-Tech	28,500,000.00	31,529.16		28,531,529.16
Jining Wellhope Agri-Tech	19,600,000.00	9,595.83		19,609,595.83
Yunnan Wellhope Feed	2,910,000.00	1,892,741.67		4,802,741.67
Fuyu Wellhope Taolaizhao Poultry Raising	5,626,000.00	2,741.67		5,628,741.67
Harbin Weierhao Trading	2,010,000.00	1,564,112.50		3,574,112.50
Changchun Hengfeng Agriculture and Animal Husbandry Equipment		19,191.66		19,191.66
Beijing Brilliant Dragon Commerce and Trade		17,820.83		17,820.83
Shanghai Hehong Trading	960,000.00	18,506.25		978,506.25
Jinan Xinweita Trading		13,708.33		13,708.33
Zhangwu Wellhope Agriculture	1,800,000.00			1,800,000.00
Tongliao Wellhope Tianyi Prataculture	10,200,000.00			10,200,000.00
Chongqing Dahong		9,595.83		9,595.83

Agriculture and Animal Husbandry Equipment				
Guangzhou Xiangshun Equipment	2,950,000.00	4,112.50		2,954,112.50
Dalian Huakang Xinxin Food	10,400,000.00	104,868.75		10,504,868.75
Dalian Heyuan Agri-Tech	51,000,000.00	56,889.58		51,056,889.58
Dalian Zhongjia Food		15,764.58		15,764.58
Shenyang Huakang Broiler	1,800,000.00	27,416.67	100,000.00	1,727,416.67
Shenyang Huakang Xinxin Food	1,800,000.00	21,933.33	100,000.00	1,721,933.33
Shenyang Huakang Agriculture and Animal Husbandry		61,687.50		61,687.50
Changchun Wellhope Food	9,000,000.00	13,708.33	500,000.00	8,513,708.33
Dehui Wellhope Agri-Tech		4,112.50		4,112.50
Weifang Wellhope New Hesheng Feed	12,750,000.00			12,750,000.00
Puyang Wellhope Food	20,000,000.00	17,135.42		20,017,135.42
Luohe Hongfeng Poultry	4,080,000.00			4,080,000.00
Puyang Wellhope Agri-Tech		4,112.50		4,112.50
Kaifeng Wellhope Agriculture and Animal Husbandry		4,112.50		4,112.50
Liaoning Wellhope Food	30,000,000.00	13,708.33		30,013,708.33
Hancheng Wellhope Feed	3,250,000.00		3,250,000.00	
Russia Wellhope Agri-Tech		1,000,000.00		1,000,000.00
Total	1,405,216,852.54	621,470,513.93	69,778,571.00	1,956,908,795.47

**b. Investments in associates and joint ventures**

Unit: yuan Currency: RMB

Company	Opening balance	Increase or Decrease in Current Period					Closing balance	Closing balance of impairment provision
		Additional investment	Gains or losses on investments recognized under equity method	Adjustment of other comprehensive income	Declaring of paying cash dividend or profit	Withdrawing of impairment provision		
<b>I. Joint Ventures</b>								
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	6,150,602.09					6,150,602.09		17,900,000.00
subtotal	17,819,793.63					6,150,602.09	11,669,191.54	17,900,000.00
<b>II. Associates</b>								
Qingdao Shenfeng	17,112,831.00		1,756,652.64		3,000,000.00		15,869,483.64	
Anshan Jiuguhe Food	72,090,706.70	17,496.00	28,546,466.72				100,654,669.42	
Tai'an Jiuguhe Agriculture	24,224,527.39	30,618.00	40,475,117.38				64,730,262.77	
Linghai Jiuguhe Feed	18,731,645.36	1,000.00	15,205,070.45				33,937,715.81	
Huludao Jiuguhe Food	41,997,797.00	6,000.00	15,872,205.94				57,876,002.94	
Dandong Wellhope Chengsan Food	31,153,202.05		3,613,007.66				34,766,209.71	
Dandong Wellhope Chengsan Agri-Tech	24,865,722.20		30,304,710.67				55,170,432.87	
Haicheng New Hongzunda Agri-Tech	9,683,659.98		1,622,064.89				11,305,724.87	
Beipiao Hongfa Food	183,100,603.27		80,999,857.31		12,127,500.00		251,972,960.58	
Jixi Haitai Food								
Beijing Dahong Hengfeng	7,561,103.10	6,750,000.00	2,541,884.08				16,852,987.18	
Tai'an Jiufeng Agri-Tech	768,700.85	14,574.00	-285,209.72				498,065.13	

Schipper(Beijing)	591,971.91		489,689.39				1,081,661.30	
Shenyang Wenjie Bio-Tech	11,982,371.23		74,654.86				12,057,026.09	
Huluodao Jiuguhe Feed	7,987,004.96	3,000.00	17,058,407.88				25,048,412.84	
Jinzhou Jiufeng Food	27,183,550.40	11,000.00	2,807,077.05				30,001,627.45	
Zhangjiakou Jiahe Agriculture and Animal Husbandry	62,203,890.42		-1,446,218.58				60,757,671.84	
Tai'an Fengjiu Agri-Tech		402,800.00	4,977,508.75				5,380,308.75	
Anshan Fengsheng Food	18,919,272.68		1,525,901.04				20,445,173.72	
Dalian Chengsan Animal Husbandry	198,477,782.15		53,290,054.28				251,767,836.43	
Tailai Jiahe Agriculture and Animal Husbandry	33,709,365.63		-12,554,213.55				21,155,152.08	
Gongzhuling Corn Purchasing and Storing	53,998,747.07		-4,469,304.17				49,529,442.90	
Lankao Skyland Duck Meat	35,566,308.90		3,744,152.62				39,310,461.52	
Hainan Nongken Wenfeng Wenchang Chicken		525,000.00	-123,085.01				401,914.99	
Dunhua Wellhope Agri-Tech		3,000,000.00	434,662.23				3,434,662.23	
Dunhua Fengda Agriculture and Animal Husbandry		3,000,000.00	-1,085,107.10				1,914,892.90	
PT KARKA NUTRI INDUSTRI.	37,296,600.00		1,646,452.33	-1,957,754.20			36,985,298.13	
GOLDEN HARVEST INC.	60,000,000.00	42,281,336.16	-1,139,942.87	686,589.74			101,827,983.03	
Guangrong Xinchuang		15,090,561.00	-2,584,730.01	-34,771.16			12,471,059.83	
subtotal	979,207,364.25	71,133,385.16	283,297,787.16	-1,305,935.62	15,127,500.00		1,317,205,100.95	
Total	997,027,157.88	71,133,385.16	283,297,787.16	-1,305,935.62	15,127,500.00	6,150,602.09	1,328,874,292.49	17,900,000.00

**4. Sales revenue and cost**

Unit: yuan Currency: RMB

Item	2018		2017	
	Revenue	Cost	Revenue	Cost
revenue from principal businesses	622,265,592.28	414,962,519.59	658,334,951.24	445,186,050.69
revenue from other businesses	1,300,675.25	627,211.36	1,284,493.27	712,676.26
Total	623,566,267.53	415,589,730.95	659,619,444.51	445,898,726.95

**5. Return on investment**

Unit: yuan Currency: RMB

Item	2018	2017
return on long-term equity investments under cost method	46,691,821.24	63,828,074.99
return on long-term equity investments under equity method	283,297,787.16	107,327,562.72
income from disposal of long-term equity investments	-12,064,078.53	4,940,137.84
income from disposal of financial assets measured at fair value and recorded in current gains and losses	3,190,994.45	82,305.33
other		50,749,253.88
Total	321,116,524.32	226,927,334.76

**XVII. Supplementary Information****1. Non-operating gains or losses in current period**

Unit: yuan Currency: RMB

Item	Amount	Note
gains or Losses from disposal of non-current assets	-3,713,387.32	
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 polices)	19,471,241.10	
gains or losses from debt restructuring	-1,147,367.47	
gain or loss on fair-value changes in trading financial assets and liabilities, and investment income from disposal of trading financial assets and liabilities as well as available-for-sale financial assets(excl. the effective portion of hedges that arise in the Company's ordinary course of business)	2,821,414.45	
non-operating income and expense other than those described above	-3,208,527.84	
non-controlling interests effects	-4,163,566.50	
income tax effects	-590,792.81	
Total	9,469,013.61	

**2. Return on equity and earnings per share**

Profit of reporting period	Weighted average ROE %	EPS	
		Basic EPS	Diluted EPS
net profit attributable to common shareholders of the Company	15.30	0.66	0.66
net profit attributable to common shareholders of the Company after deducting non-recurring gains and losses	15.04	0.65	0.65

## Section XII Reference

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

Chairman of the Board of Directors: Jin Weidong

The submission date approved by the Board of Directors: April 29th, 2019