

Stock Trading Symbol: 603609

Stock Abbreviation (English): Wellhope

Bond Trading Symbol: 113647

Bond Abbreviation (English): Wellhope bond

**Wellhope Foods Co., Ltd.**

**2022 Annual Report**



### Important Statements

- I. The Board of Directors, Supervisory Board, Directors, Supervisors and Senior Management of the Company hereby warrant that there are no false representations, misleading statements or material omissions in this annual report, jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of the contents of this report.
- II. All Directors attended the Board Meeting.
- III. Suyajincheng CPA LLP has issued a standard audit report for the Company.
- IV. The person in charge of the Company, Jin Weidong, the person in charge of accounting work, Chen Yu, and the person in charge of the accounting organization (accounting supervisor), Chen Yu, declare that they guarantee the truthfulness, accuracy and completeness of the financial report in the annual report.
- V. The proposal of dividend payment for the reporting period approved by the Board of Directors  
The Company's profit distribution proposal for 2022 is to distribute a cash dividend of RMB1.20 (tax included) for every 10 shares to all shareholders based on the total share capital of the Company registered on the date of registering the implementation of equity distribution (excluding the shares held in the Company's repurchase special account). As of December 31, 2022, the total share capital of the Company recorded 919,430,450 shares, excluding 20,956,579 shares held in the Company's special account of repurchased shares, and the estimated cash dividend of RMB107,816,864.52 (tax included) was calculated on the basis of 898,473,871 shares, accounting for 21% of the net profit attributable to shareholders of the Company in 2022.
- VI. Risk Statement of Forward-looking Statements  
The forward-looking descriptions contained in this report such as business plans, development strategies and other information can't 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 appropriated by the controlling shareholder and his related parties.
- VIII. There has been no occurrence of the Company violating its decision-making procedure while providing external guarantees.
- IX. There has been no occurrence that more than half of the Directors can't guarantee the authenticity, accuracy and completeness of the annual report disclosed by the Company.
- X. Material Risk Warning  
The Company has described in detail in this report the relevant risks that may exist, please refer to "Possible Risks" in "Section III Business Operations Analysis".
- XI. 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 2022 Annual Report can be obtained at: [www.sse.com.cn](http://www.sse.com.cn).

## Contents

Section I	Glossary .....	4
Section II	Company Profile and Key Financial Information .....	5
Section III	Business Operation Analysis.....	9
Section IV	Corporate Governance .....	51
Section V	Environment and Social Responsibility .....	63
Section VI	Important Disclosures .....	79
Section VII	Changes in Common Shares and Shareholder Information .....	86
Section VIII	Preference Share .....	91
Section IX	Corporate Bond .....	92
Section X	Financial Statements .....	94

Reference file directory	Financial statements with the signature and seal of the legal representative, the person taking charge of accounting and the person taking charge of the accounting department.
	The original audit report with the seal of the accounting firm and the signature and seal of the CPA.
	During the reporting period, all the original documents and original announcements of the Company that have been publicly disclosed on the websites designated by the China Securities Regulatory Commission.

## Section I Glossary

## I. Glossary

<b>CSRC</b>	refers to	China Securities Regulatory Commission
<b>SSE</b>	refers to	Shanghai Stock Exchange
<b>Wellhope, the Company</b>	refers to	Wellhope Foods Co., Ltd.
<b>Reporting Period</b>	refers to	January 1, 2022-December 31, 2022
<b>The end of the reporting period</b>	refers to	December 31, 2022
<b>Royal De Heus</b>	refers to	Koninklijke De Heus B.V., the biggest privately-owned feed company in the Netherlands, is the parent company of De Heus Mauritius Ltd., one of the Company's shareholders
<b>Company Constitution</b>	refers to	The Constitution of Wellhope Foods Co., Ltd.
<b>Shareholders' Meeting</b>	refers to	The Shareholders' Meeting of Wellhope Foods Co., Ltd.
<b>Board of Directors</b>	refers to	The Board of Directors of Wellhope Foods Co., Ltd.
<b>Supervisory Board</b>	refers to	The Supervisory Board of Wellhope Foods 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

## Section II Company Profile and Key Financial Information

### I. Company Information

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

### II. Contact Person

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

### III. Basic Information of the Company

Registered address	No. 169, Huishan Street, Shenbei New District, Shenyang, Liaoning Province, China
Change of the Company's registered address	On December 6, 2016, the registered address of the Company was changed from "No. 67, Hunnan Development Zone, Shenyang " to "No. 169, Huishan Street, Shenbei New District, Shenyang, Liaoning Province". Please refer to the announcement No. 2016-045 disclosed by the Company on the website of Shanghai Stock Exchange
Office address	No. 169, Huishan Street, Shenbei New District, Shenyang, Liaoning Province, China
Postal code	110164
Company website	www.wellhope-ag.com
Email	hfmy@wellhope.co

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

Media designated by the Company for disclosing information	China Securities Journal, Shanghai Securities News, Securities Times
Website designated by the CSRC for publishing the annual report	www.sse.com.cn
Place where the Company prepares its annual report	Securities Department of the Company

### V. Stock Information

Stock information			
Stock type	Stock exchange for IPO	Stock abbreviation	Stock trading symbol
A share	Shanghai Stock Exchange	Wellhope(禾丰股份)	603609

**VI. Other Information**

Accounting firm (local)	Name	Suya Jincheng CPA LLP
	Office address	14th-16th F, Central International Plaza, No.159 Taishan Road, Nanjing, Jiangsu Province, China
	Name of signatory CPA	Zhou Jiawen, Wang Lei
The sponsor performs the responsibility of continuous supervision during the reporting period	Name	China Galaxy Securities Co., Ltd.
	Office address	Qinghai Finance Building, No.1 Building, No.8 Xiying Street, Fengtai District, Beijing
	Name of signatory representative	Zhang Peng, Qiao Na
	Period of conducting continuous supervision	2022

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

Unit: yuan Currency: RMB

Item	2022	2021	Year-on-Year change %	2020
Operating revenue	32,811,758,209.54	29,468,925,899.60	11.34	23,817,600,766.26
Net profit attributable to the shareholders of the Company	513,532,382.02	118,530,518.15	333.25	1,235,162,151.48
Net profit attributable to the shareholders of the Company deducting extraordinary items	519,633,545.80	134,826,072.01	285.41	1,230,677,435.86
Net cash flow from operating activities	196,266,510.34	299,160,222.36	-34.39	765,945,453.03
	<b>As at the end of 2022</b>	<b>As at the end of 2021</b>	<b>Year-on-Year change %</b>	<b>As at the end of 2020</b>
Net assets attributable to the shareholders of the Company	7,236,565,423.28	6,464,358,869.77	11.95	6,752,397,489.35
Total assets	15,393,315,399.76	12,971,506,159.72	18.67	11,646,508,203.99

**2. Key financial performance indicators**

Item	2022	2021	Year-on-Year change %	2020
Basic earnings per share (yuan per share)	0.58	0.13	346.15	1.34
Diluted earnings per share (yuan per share)	0.55	0.13	323.08	1.34
Basic earnings per share deducting extraordinary items (yuan per share)	0.58	0.15	286.67	1.33
Weighted average return on equity (%)	7.48	1.80	Increasing 5.68 percentage points	19.93
Weighted average return on equity deducting extraordinary items (%)	7.57	2.05	Increasing 5.52 percentage points	19.86

**VIII. Key Financial Figures by Quarters in 2022**

Item	Unit: yuan Currency: RMB			
	Q1	Q2	Q3	Q4
Operating revenue	6,374,353,021.62	7,412,560,316.11	9,734,652,677.96	9,290,192,193.85
Net profit attributable to the shareholders of the Company	-128,176,181.71	174,826,403.60	303,041,626.12	163,840,534.01
Net profit attributable to the shareholders of the Company deducting extraordinary items	-118,590,450.86	167,067,789.68	304,668,660.96	166,487,546.02
Net cash flow from operating activities	-364,899,379.02	129,241,759.98	7,711,939.72	424,212,189.66

**IX. Extraordinary Items**

Item	Unit: yuan Currency: RMB		
	2022	2021	2020
Gains or losses on disposal of non-current assets	-4,023,922.69	-13,978,382.83	3,169,342.06
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)	43,999,785.07	40,412,773.97	33,102,019.89
Income generated from the investment costs for acquiring subsidiaries, associated companies and joint ventures being lower than the fair value of the investee's net identifiable assets acquired by the Company	58.82		
Gains or losses on fair-value changes in trading financial assets and liabilities, derivative financial assets and liabilities, and the income from disposal of trading financial assets and liabilities, derivative financial assets and liabilities as well as other debt investment (excl. the effective portion of hedges that arise in the Company's ordinary course of business)	-6,371,590.35	2,552,441.74	-148,741.92
Non-operating income and expense other than those described above	-36,876,323.54	-42,725,463.13	-24,964,468.42
Other items that meet the definition of deducting extraordinary items	154,001.44	184,353.40	
deduct: Income tax effects	4,291,726.21	2,557,348.61	3,223,835.48
Non-controlling interests' effects(after-tax)	-1,308,553.68	183,928.40	3,449,600.51
Total	-6,101,163.78	-16,295,553.86	4,484,715.62

**X. Item Measured at Fair Value**

Unit: yuan Currency: RMB

Item	Opening balance	Closing balance	Change in this year	Effects on current profit
Derivative financial assets	9,667,725.25	4,050,071.80	-5,617,653.45	-6,371,590.35
Total	9,667,725.25	4,050,071.80	-5,617,653.45	-6,371,590.35

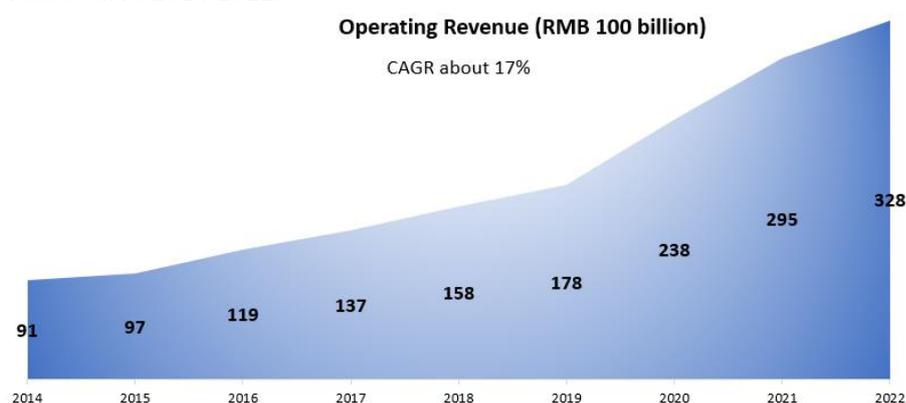
## Section III Business Operation Analysis

### I. Business Operation Analysis

In 2022, China's animal husbandry industry got out of a tight spot. In the first half of the year, feed raw material prices rose sharply, while animal husbandry industry still depressing. The increasing feed costs ate into the margins of animal raising business, making farmers or farms speed up cutting capacities. In the meantime, feed demands dropped significantly due to farmers or farms being less motivated to feed animals. Coming to the second half year, positive changes have been taken place in macro environment, the sentiment of downstream farming industry rebounded, farmers or farms were encouraged to quicken their restocking, ramping up the initiative of purchasing feed. Thereupon, the margins of feed business, broiler integration and pig farming businesses of the Company increased rapidly.

Facing the complex external environment, all the people of Wellhope have been working hard to implement the operation plan formulated at the beginning of the year, pushing forward the transformation and upgrading of the feed business, expanding the cost advantage of the broiler integration business, and striving to consolidate the foundation for the development of the pig farming business, while speeding up the introduction and training of key talents, and continuously optimizing the talent structure, strengthening the interlocking linkage of technology, production and marketing, and digging deeper into the potential of cost reduction and efficiency increase, meanwhile, promoting the process performance management system, and enhancing benchmarking and process management. For the whole year of 2022, the Company achieved an operating revenue of RMB32.812 billion with a year-on-year growth of 11.34%, the net profit attributable to shareholders of the Company recorded RMB514 million, rising 333.25%, and the net profit attributable to shareholders deducting extraordinary items recorded RMB520 million with a year-on-year increase of 285.41%. The weighted average return on net assets was 7.48%, increasing 5.68 percentage points compared with the prior year. At the end of the reporting period, the Company was in good financial condition, with total assets of RMB15.393 billion and net assets attributable to shareholders of the Company of RMB7.237 billion, increasing 18.67% and 11.95% respectively compared with the end of the previous year.

Operating revenue curve 2014-2022:



## 1. Feed business

For the year 2022, Wellhope's holding and associated companies produced nearly 8 million tons of feed, including 3.99 million tons of feed sold to external customers produced by companies within the scope of consolidation.

Variety	External sales in 2022 (10k tons)	Percentage
Pig feed	155.81	39.04%
Poultry feed	150.73	37.77%
Ruminant feed	73.57	18.43%
Other feed	18.98	4.76%
Total	399.09	100.00%

### A. Both supply and demand facing pressures, forging ahead in adversity

Influenced by unanticipated factors, the Company's feed mills located in most of the main production and sales regions (Northeast, Northwest, North China, Shandong Province, etc.) faced great difficulties in the first half of 2022, especially logistics, transportation and offline marketing services were under great pressure. The Company gave full play to its strong system and made every effort to ensure the normal supply of feed to customers. In response to the problems of difficult market promotion and after-sales service, the Company made use of the increasingly perfect online marketing service system to actively promote market development through webcasting, distance learning and online guidance, and at the same time provided customers with efficient and accurate after-sales service, which was highly praised and trusted by customers. In the second half of the year, the external environment became more stable, while the margins of raising animals improving significantly, farmers or farms were motivated to feed their animals. The Company seized such opportunity to take the initiative to quickly fill the market share lost in the first half of the year, feed sales decline gradually narrowed, product mix has been optimized, while the net profit per ton gradually rebounding.

### B. Raw material price hitting new high, boosting transformation and upgrading to reduce costs while improving efficiency

In 2022, the prices of major feed raw materials remained high, with corn and soybean meal prices reaching record highs. The Company made efforts in technology, purchasing, production and marketing, while further promoting the collaboration and connection among these functional systems to reduce costs and improve efficiency. In terms of technology, the Company continued to strengthen the R&D strength of feed formulations, accelerating the transformation towards European-style formulations, and gradually getting rid of the dependence on corn and soybean meal through selecting various raw materials alternatives. In terms of purchasing, the Company constantly improved the organizational structure of purchasing team, and boldly introduced key professionals, which significantly ramped up its capabilities in trend judgment and combined purchasing of spot-futures. In terms of production, the

Company has continuously optimized production equipment and processing technology, making the equipment and technology can be highly compatible with diversified formulas. The grinding, mixing, pelleting efficiency of each feed mill have been significantly improved. In terms of market, the Company continued to strengthen its market insights, and enhanced the front-line staff to take stock of after-sale service of feed products to ensure that the functional departments and back office can make precise and effective improvement simultaneously. Through the linkage and interlocking of middle and back-end platforms, the product competitiveness of feed business has been significantly heightened and its core competence has been further enhanced.

### **C. Facing complicated and volatile market, continuing to optimize customer structure**

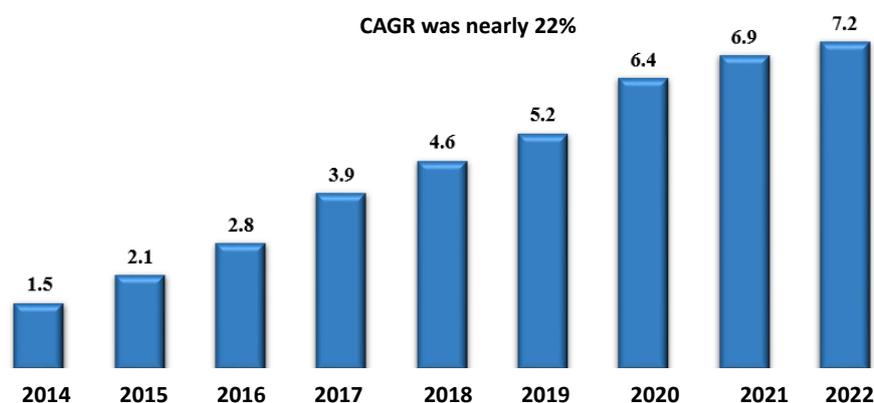
In 2022, China's pig production shifted from rapidly cutting overcapacity to moderately increasing capacity. In the process of capacity clearing, large-scale farms were forced to reduce production, and back-yard farms rapidly withdrew from the market. Against such backdrop of drastic market fluctuations, the pattern of pig farming industry gradually changed, the percentage of pig delivered by large-scale farms constantly increased. Based on such changes, the Company this year, kept to strategically transform from the dominance of dealers to equally stress on dealers' sales and direct sales to large farms, continuously improved the development strategy of large-scale farm customers to increase the proportion of sales volume contributed by large-scale customers. In order to meet the needs of large-scale farm customer development, the Company's business units started to improve organizational structure, build professional teams for developing large farms. Meanwhile, relying on own pig farming business, the Company provided services to large farms from upstream to downstream industries of animal husbandry, fully integrating resources to power the development of large-scale farms, while continuously expanding specialized and customized product lines, feed products and farm services gradually turned to differentiation and customization. In addition, the Company have also continuously optimized and innovated incentive programs for key talents in some business sectors, and proactively reserved younger technical experts to lay a solid foundation for future development.

### **2. Broiler integration business**

The adverse impact of the macro environment gradually moderated in the second half of 2022, the institutional purchases and out-of-home consumption slowly recovered, coupled with continued strength of pig prices, the broiler industry witnessed an important inflection point with the industrial chain turning from losses to profits. Grasping the opportunities in the industry, the Company's broiler integration business continued to take "ensuring safety, controlling expansion pace, adjusting industrial structure, promoting business ecosystem, compressing costs, improving efficiency and increasing profit" as the core guideline , steadily expanded the production scale, continuously heightened the operation management level, making the core competitiveness of broiler business continue to strengthen, while highlighting the profitability of broiler raising and slaughtering businesses. During this year, Wellhope's holding and associated companies totally slaughtered 720 million broilers, produced

and sold 1.86 million tons of broiler part products, also sold 27,000 tons of prepared and cooked foods.

#### Broilers slaughtered by holding and associated companies(100million)



#### A. Scientifically grasping the pace of development, moderately expanding production scale

In 2022, the Company decelerated the expansion of broiler integration business compared to previous years, with a gradual decline in the proportion of new projects, leading a subsequent increase in profitability. Regarding broiler breeder sector, the Company moderately expanded the scale of parent stock, gradually eliminated old broiler houses, while putting new breeder farms into operation one after another. During this period, the Company strove to ensure a smooth transition between old and new houses, and made new farms produce in a full capacity. Regarding broiler raising, the Company have been steadily expanding production capacity of commercial broilers, and actively strengthening farm management and building a talent pipeline. In terms of slaughtering, the Company has been expanding in small steps based on existing production capacity to continuously increase market shares, while actively exploring high-quality customers, and striving to achieve the highest comprehensive value with the best product mix.

#### B. Further promoting lean management, continuously improving cost advantages

In the first half of 2022, supported by excellent cost control, the Company's broiler business earned money against the trend of most companies in the industry running in the red. In the second half of the year, the Company further expanded operating results in the process of the market being on the upward trend, margins per broiler far exceeded the average level of this industry. In terms of broiler breeder sector, the Company further strengthened farm management to comprehensively optimize production performance indexes, focusing on improving the quality of day-old chicks. In terms of commercial broiler sector, the Company started from various aspects such as chicks, feed, animal health product and equipment to continuously improve the production performance, while dynamically adjusting fees paid to the contract farm owners, which significantly reduced the costs of raising commercial broiler in the reporting period. In terms of slaughtering, the Company continued to attract great importance to production efficiency, reduced operating costs and strengthened quality management, while rapidly expanding production scale and sales volume to earn money at the fastest

speed after the new project being put into operation.

### **C. Leveraging the scale advantage, actively exploring terminal market**

In 2022, the institutional purchase and out-of-home consumption recovered slowly amidst fluctuations. Against the backdrop of weak recovery in consumption, the Company's commercial broiler farms timely sold live broilers in batches to ensure sufficient and stable supply of chickens to most of the downstream slaughterhouses. On the basis of balanced production and sales, the Company's slaughterhouses have maximized capacity utilization and effectively reduced costs by scale effect. At the same time, the Company further enhanced the quality of broiler part products, significantly increased the percentage of fresh raw meat, and speeded up the expansion of sales channels for broiler parts products through multi-brand strategy, while timely adjusting product mix and optimizing customer structure according to customer demand and market fluctuations to maximize the comprehensive value of chicken products. For prepared and cooked food business, Tai'an project was successfully put into operation this year, which enabled the Company breaking the bottleneck in production capacity, the sales volume of prepared food was expected to increase rapidly.

### **3. Pig raising business**

In 2022, the supply of pig market presented loose-tight-loose circumstances, and pig prices witnessed deep fall, big rise and big fall. With the increase of feed cost, the competition in pig farming industry became fierce, and the fluctuations of pig prices accelerated, the competition in the industry has been escalated around the main line of reducing cost and improving efficiency. During the year, the Company, following the development strategy of pig raising business revised in the end of 2021, strictly controlled the production capacity, continuously strengthened farm management, whilst fully promoted the process performance management to constantly improve production performance, and strove to reduce cost and expense. In 2022, Wellhope's holding and associated companies totally sold 0.98 million heads of pig, including 0.64 million of finishers, 0.27 million of piglets and 65,000 heads of pig breeders.

#### **A. Strictly controlling production scale, performance of pig breeders continuously being improved**

In 2022, the Company's pig business continued to focus on scale control and quality improvement as its main development strategy. During the sharp rise in pig prices, the Company still maintained sufficient strategic focus, the numbers of pig sold in 2022 did not expand too much compared with 2021. Compared with the production scale, the Company paid more attention to the development quality of pig business than to the scale of production, and paid particular attention to the quality of pig breeders. In this year, the Company set up a breeding management team to classify batches of pig breeders according to breeding index, farrowing, litter size and evenness of estrus, sorted out and established core herds and propagation herds, while improving the boar herd by introducing excellent boars, enhancing the level of performance measurement of breeders to continuously improve the breeding system. At the same time, the Company has been promoting the use of breeding software to collect

and analyze data, and make dynamic adjustment according to the demand in the production process. By doing this, the production performance of pig breeders has been improved continuously. At the end of 2022, the total sow stock of the Company's holding and associated companies amounted to 63,000 heads, including 45,000 productive sows and 18,000 reserve gilts.

**B. Concentrating on cost reduction and efficiency, young backbones growing rapidly**

In 2022, the Company's pig raising business sector continued to promote process performance management system, held monthly operation analysis meetings at the head office, business region and local farm levels to quickly identify the key problems of each farm, establish task lists and implement betterment plans through the benchmarking analysis mode. For the sake of better reducing costs and increasing efficiency, the Company promoted information system in pig raising sector, which solved five pain points such as work collaboration, asset security, whole-process control, per capita efficiency and accurate settlement, effectively upgrading pig farming from experience management to system management and intelligent management. In addition, while actively organizing personnel training, the Company continued to introduce young backbones specialized in technology and management, help young farm managers grow up rapidly through track training and providing support. By doing this, the talents' team has become stronger. With the continuous improvement of performance of pig breeders, significant promotion of technical merit, increasing optimization of feed nutrition and feeding program, the cost control ability for pig farms has been significantly enhanced.

**C. Investing in bio-security, boosting related costs decreasing gradually**

With the normalization of African swine fever, bio-security has become an important factor affecting costs. In 2022, the Company continued to attach great importance to bio-security, further sorting out and improving the guidelines for disease control, optimizing and strengthening the immunization programs, medication procedures, decontamination procedures, testing procedures and other related operation processes to ensure that the bio-security work had rules to follow. At the same time, the Company continuously improved the reward and punishment regulations to ensure that team members always maintaining higher sense of responsibilities and vigilance. In addition, the Company further standardized the management regarding pig introduction to avoid pigs coming from complex sources, which greatly reduced the difficulty in disease prevention. At present, the Company has gradually combined bio-security work with lean management, continuously demonstrated cost efficiency and effectiveness of bio-security input under the premise of ensuring the safety of pig farms.

**4. Progress in other aspects**

**A. Promoting process performance management, aiming for continuous improvement**

The process performance management system was refined and summarized by the Company according to the experiences of the mature and effective management model of its broiler integration business in 2021. During the reporting period, the Company vigorously promoted and widely applied this management system in feed and pig farming sectors with remarkable results. The Company regularly

organized three-level operation analysis meetings at the group level, region level and local subsidiary level, supplemented by management methods such as benchmarking, task lists, project teams and inspections, and established a PDCA cycle and support system based on the continuous improvement of production and operation indicators to implementation of the Company's strategic objectives and key tactics, and to track the organizational and individual performance management, so as to achieve cost reduction and increase efficiency and enhance system strength.

### B. Strengthening capital operation to power business development

In April 2022, the Company successfully issue RMB1.5 billion of convertible bonds, which gave a shot in the arm to the healthy and sustainable development of Wellhope, all the raised funds are planned to invest in primary businesses to further expand the production capacity of feed, pig farming and slaughtering as well as broiler further processing, which could strengthen the synergistic advantages of the Company's industrial chain, and enhancing the overall profitability.

### C. Optimizing organizational structure and enhancing talent recruitment

During the reporting period, in order to cope with the more complex market environment, the Company carried out organizational structure combing and optimization at the head office, business unit and local subsidiary levels, especially focusing on the construction of purchasing, information technology, large-scale farm development, market research and other departments, while centering on core business, strengthening the recruitment and training of talents in key positions, improving the incentive mechanism, and at the same time, holding three-level meetings to heighten the synergy and interlocking among functional departments, which further enhanced team morale and market competition power.

## 5. Awards and recognitions in 2022



## II. Review of the Circumstances of the Industries in which the Company Operates

### 1. Feed industry

In 2022, the prices of raw materials in China's feed industry rose sharply, while the downstream farming market becoming complex and volatile, the overall profitability of the industry declined significantly,

and competitions became increasingly fierce. These industrial leaders using their advantages in technology, purchasing, brand, management, capital, logistics and other aspects to continuously increase market shares, small and medium-sized players gradually withdrew from the market in the increasingly fierce competition, making the elimination of losers within the industry intensify.

On the supply side, in 2022, national feed production recorded 302.23 million tons, including 135.98 million tons of pig feed, 32.11 million tons of layer feed, 89.25 million tons of broiler feed, 16.17 million tons of ruminant feed, 25.26 million tons of aquatic feed, 1.24 million tons of pet feed, and other feed production of 2.23 million tons. There were 36 large-scale feed enterprises with annual output of more than 1 million tons, their feed production accounted for 57.5% of the total national production, 6 group enterprises had an annual output of more than 10 million tons, 13 production plants had an annual output of more than 500,000 tons, the largest single plant output was 1.28 million tons. From the sales method, the national bulk feed amounted to 107.03 million tons with an increase of 18.5% over the previous year, accounting for 38.2% of the total output of compound feed, increasing 4.8 percentage points.

On the demand side, in the first half of 2022, affected by tight cash flow, sharp rise in cost and other factors, farmers were out of motivation to restock animals, combined with the impact of factors such as logistics and transport obstruction, making the inventories of pig and broiler stay at a historical low level, feed demand got into a slump. In the second half of the year, the macro environment continued to improve, livestock and poultry prices rose rapidly, the profit of animal farming improved significantly, large-scale farms took the lead in the expansion of production, back-yard farms resume work in hesitation, the phenomenon of secondary fattening of pigs and deferring sales gradually increased, the enthusiasm of restocking broilers have been enhanced, the inventories of livestock and poultry rebounded to pull feed demand growth, feed sales gradually recovered. Throughout the year, the demand side showed the trend of demand declining to rising, while production capacity of the southern regions recovered faster than the north.

Overall, in 2022, the profit margins of feed industry became significantly narrowed, which were squeezed by the upstream raw material market and downstream farming market, and the downstream customer structure was changed significantly, the percentage of large-scale farm customers was increased, which would further promote the consolidation of the feed industry.

*Note: The above data is obtained from the China Feed Industry Association Statistical Report and Boyar Industry Analysis Report.*

## **2. Broiler industry**

In 2022, the unfavorable impact of the macro environment gradually weakened in the second half of the year, the institutional purchase and out-of-home consumption slowly recovered, superimposed on the continued strength of pig prices, the broiler industry witnessed an important inflection point with the industrial chain turning from losses to profits.

On the supply side, the domestic stock of in-production grandparent breeders and parent breeders were at a relatively historical high level in 2022, and the annual average price of commercial day-old chicks was running at a medium to low level. Regarding to commercial broiler raising, in the context of rapidly rising feed costs and frequent animal diseases, the risk of farming intensified, back-yard farms gradually withdrew from the market. For the slaughtering sector, the expansion of total industrial capacity has slowed down significantly, industry profits have recovered, but the trend of selecting the superior and eliminating inferior was still obvious. In 2022, the delivery of domestic broilers decreased by 3.59% year-on-year, the broiler parts product output decreased by 2.81% year-on-year, and the overall price of broilers was oscillating upward.

On the demand side, the overall consumer demand of China's residents has been greatly impacted in the past three years, broiler products purchased by group meals, outdoor consumption had been declining. In the second half of the year, with the improvement of the macro environment, terminal consumption gradually picked up, group meals, catering, outdoor portable food consumption significantly increased, while pork prices sharply rising, thus the consumption demand for broiler products gradually recovered, the selling price of the broiler parts continuously soared, breaking through RMB11,000 per ton in July and rising to RMB11,800 per ton at the end of November, with prices hitting a new high since 2020, although the chicken prices fell slightly at the end of the year, but were still higher than the annual average price.

Overall, the broiler industry shifted to upward channel in 2022, but the disparity in operational capabilities of the companies within the industry made the profitability level vary greatly, and the elimination of incompetent players led to further clearing of production capacity, the process of consolidation continued to move forward.

**Note: The above data is obtained from Boyar Industry Analysis Report.**

### **3. Pig farming industry**

In 2022, with the increase of feed cost, the competition in pig farming industry became fierce, and the fluctuations of pig prices accelerated, the competition in the industry has been escalated around the main line of reducing cost and improving efficiency.

On the supply side, in the first half of 2022, China's pig industry speeded up to cut production capacity. In the first quarter, under the pressure of high cost, pig farming business suffered serious loss. In the second quarter, logistics obstruction and other situations interfered with the rhythm of pig delivery, farmers actively or passively delayed the sales of pig, they were irrationally reluctant to sell pig at lower price, which led to a tight supply in the market, the number of commercial live pig sold were significantly reduced compared with the first quarter. In the third quarter, pig price went upward, the phenomenon of delaying sales and secondary fattening increased, leading to further tight supply of pig under the disturbance of irrational reluctance of sell pig. At the beginning of the fourth quarter, the average price of live pig exceeded RMB28.00 per kg, however, factors such as measures taken to

prevent rapid pork price increases, releasing frozen pork reserves, delaying sales of pig and secondary fattening pushed pig prices starting to fall back from the high point. Throughout the year, the domestic pig supply presented the trends of loose, tight and loose again, and the pig price showed deep fall, big rise and big fall.

On the demand side, the restaurant consumption was in a slump in the past three years, which greatly impacted pork consumption. With the gradual optimization of the policy, market sentiment for a rebound in consumption strengthened, but the recovery of residents' consumption ability and consumption level could not happen overnight, the pork consumption was still under pressure in the short term, and may gradually improve in the long term. Since the second half of 2022, the profits of slaughterhouse became poor, the meat/pig ratio had fallen to historically low levels, the slaughterhouse start-up rate continued to remain low, and the overall demand side was running short. From the feedback of the market, the pork consumption had not returned to the level of three years ago.

In general, in the process of current cycle of cutting overcapacity to production recovery, the domestic pig industry has undergone large changes. In terms of geographical distribution, the northern region of China cut big production capacity, while farmers (farms) in the southern region becoming relatively more active in restocking pigs. In terms of production capacity structure, during the period of cutting overcapacity to production recovery, the group companies and large-scale pig farms were expanding rapidly, and the proportion of back-yard farms was significantly decreasing, part of the back-yard farms changed from self-breeding to purchase piglets for fattening and secondary fattening, and the sentiment of speculation became stronger. In terms of competition pattern, the market competition became more and more fierce in the process of large fluctuations of pig prices, and back-yard farmers gave full play to their flexibility advantage of timing in and out of market, while groups and large-scale farms expanded production rapidly, and cost control ability and capital strength became more and more important.

**Note: The above data is obtained from Boyar Industry Analysis Report.**

### **III. Circumstance of Primary Businesses in the Reporting Period**

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

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

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

### 1. Animal feed, feed raw materials trade businesses

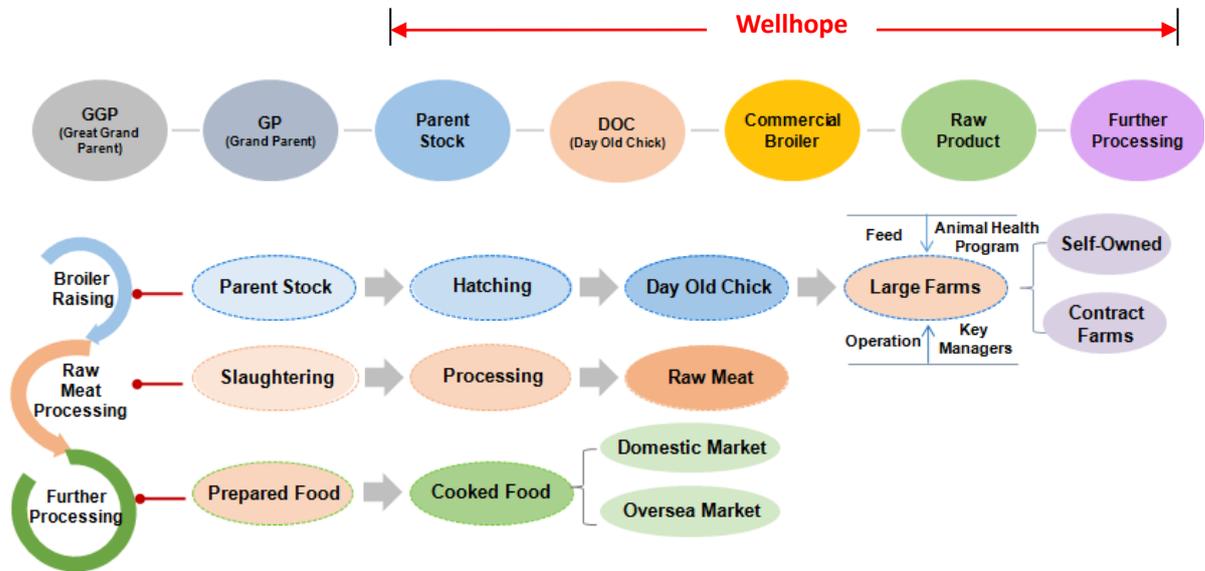
Wellhope produces and sells animal feed for swine, poultry, ruminant, aquatic and fur-farmed animals, which are marketed in 29 provincial-level administrative regions across China. It has also built feed mills in Nepal, Indonesia and the Philippines, etc. Driven by the concept of “constantly working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

The subsidiary trade companies mainly trade in feed raw materials such as fish meal, soybean meal and co-products of corn, also engage in feed additives including amino acid, antioxidant, mold inhibitors and vitamin. In addition, these trade companies are the sales agents of animal health products such as vaccines and veterinary drugs produced by global strategic suppliers. Now the trade business is active in the regions of Northeast, North, East, South, and Southwest regions across China, some products have been exported to Nepal, Mongolia and other countries.

### 2. Broiler integration business

The entities of Wellhope’s broiler integration business are mainly located in the provinces of Liaoning, Jilin, Heilongjiang, Hebei, Henan and Shandong, etc., which is divided into three business sectors in terms of broiler raising, meat processing and further processing, containing all parts in the industrial chain such as broiler breeders raising, day-old chick hatching, feed production, commercial broiler rearing, slaughtering and processing of raw meat, further processing of prepared and cooked food.

Through standardized management and streamline operation, Wellhope, cooperating with its partners, consolidates the controls of bio-safety, drug residue and in-process hygiene to achieve traceable food safety. Wellhope's broiler business has been developing rapidly in recent years both in production capacity and overall scale, now it has become one of the leading enterprises in the domestic broiler industry.



◆ **Broiler raising:** This sector covers broiler breeder raising, day-old chick hatching, commercial broiler rearing and feed processing. By formulating scientific and rational feeding programs, light programs and comprehensive disease prevention systems, Wellhope produces high-quality eggs for its hatching farms. Meanwhile, it has established thorough management systems in the hatching process and purchased intelligent facilities that are available for hatching in batches, also equipped with high-efficient and energy-saving hatcher and micro-environment control system for producing healthy day-old chicks. Entering commercial broiler sector, Wellhope mainly raises broiler by self-invested farms and large contract(out-sourcing) farms under the pattern of standardized management by unifying nine aspects. All these farms apply three-tier cages and automate all the processes from feed intake, water supply, temperature to moisture control, etc. The average weight of Wellhope's commercial broiler has reached 3.0 kg with the livability of 95%-96%, and the European production index exceeded 390, which has been widely recognized by the cooperative farms.

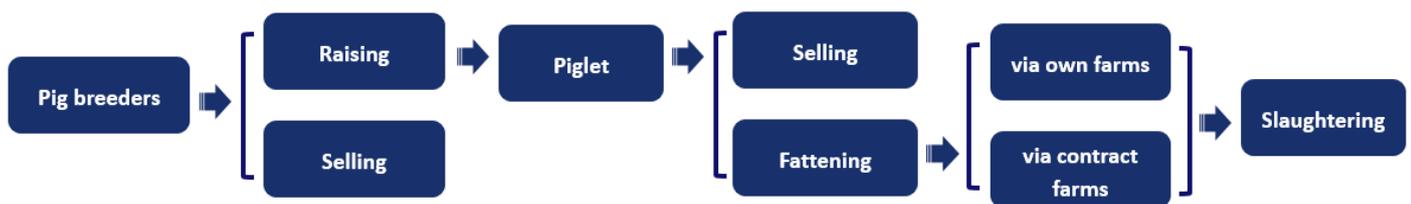
◆ **Raw meat processing:** Wellhope has set up 19 holding and associated slaughtering and processing factories, which are equipped with domestically state-of-the-art production lines that are available to slaughter 1.1 billion broilers per year. Driven by strict all-in and all-out inspection and quarantine as well as drug residue detection, every single factory has established a total quality guarantee system and traceability system to monitor all the processes. Meanwhile, Wellhope constantly strengthens slaughtering and processing techniques by ways of systematic pre-job training and skill promotion

training as well as conducting "6S" management (i.e., Seiri, Seiton, Seiketsu, Shitsuke, Seiso, Safety), making the killing out percentage and per capita slaughtering efficiency stand out among companies with similar scale. Now Wellhope's broiler parts products have entered the supply chain of Shineway Group, Jinluo Group, Yurun Group, China's McDonalds and KFC, Yoshinoya, Wallace, Dili Fresh Food, Yonghui Superstores, RT-MART, other large regional food distribution companies, fresh markets and food processing plants, etc. In the meantime, broiler products have also been sold to the regions of Hong Kong and Macao, and exported to some countries such as Mongolia and Bahrain, etc.

◆**Further processing:** Relying on the advantage of industrial chain integration, Wellhope uses high-quality chicken supplied by own slaughterhouses as raw materials and installs efficient and energy-saving equipment to process raw meat into prepared products and cooked food. At present it supplies over 100 kinds of further-processed chicken products to central kitchens of restaurant chains, corporate and school cafeterias, supermarkets and convenience stores. In addition, due to ever-growing consumer demand, Wellhope has been vigorously expanding its export business of cooked products, and such products have successfully penetrated the Japanese and Korean markets with good response.

### 3. Pig farming business

Wellhope started to try its hand at pig farming business in 2016. Through solely-invested, co-invested operations and leasing, it has built farms in some regions suitable for pig farming, such as Liaoning, Jilin, Heilongjiang, Henan, Hebei, and Anhui provinces. At present, Wellhope's pig farming business mainly adopts the operation model that composes of pig breeders farming and sales, commercial piglet selling plus fattening via contract farms and few own farms, as well as slaughtering. Through establishing comprehensive and strict bio-safety systems, advanced breeding systems and scientific feeding management systems, Wellhope is devoted to crafting an integrated chain that contains breeding, swine raising, slaughtering and processing.



#### A. Building farms with high standard

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

#### B. Holistic operation

a. In terms of genetic selection and breeding. Wellhope introduces high-quality pig breeders with

French, American and Danish genes to match different business areas to provide parent stock with pure pedigree and clear lineage. At the same time, by establishing scientific breeding programs, Wellhope continuously optimizes the structures of breeding stock to ensure the source of excellent breeders, so as to enhance its competence in swine raising industry.

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

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

#### **4. The Company's position in the involved industries**

The Company has the honorary titles of National Key Leading Enterprise of Agricultural Integration, State-Recognized Enterprise Technology Center, High-tech Enterprise, etc. Since completing IPO in 2014, the Company has been elected as Top 100 Most Valuable Corporation of Chinese Public Companies for four times, and ranked on China's Top 500 Private Enterprise for the sixth time. Meanwhile, the Company is the industry leader in the Northeast China, while having a high brand influence in northwest, north and central China. Regarding feed business, Wellhope is the Vice Chairman of China Feed Industry Association, and has been awarded as National Top 10 Leading Feed Enterprise, and the sales volume of commercial feed is among the top nationwide. Regarding broiler business, Wellhope's broiler integration business has been developing rapidly in recent years, now it has become a leading enterprise in the domestic broiler industry.

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

The core competitiveness of Wellhope is embodied in the highly educated, loyal and enterprising management team, the rationally planned business strategy that focuses on stable development, the sophisticated and advantageous industrial layout, the systematic and scientific R&D system driven by

continuous innovation, the constantly enhanced and vertically extended brand influence, coupled with the highly energized and dynamic corporate culture that powers the development of Wellhope.

### **1. The highly educated, loyal and enterprising management team**

Talented people are the primary resources and the most important core competence of Wellhope. The management team, with multi-level shareholders as the core, all have high education and senior professional backgrounds, abundant experiences and practices in management and animal husbandry industries, and they are highly capable of accurately grasping the operating environment, scientifically formulating corporate development strategies, and have deep insights and high recognitions of Wellhope's core values and business philosophy. Almost all the middle and senior managers are internally selected and cultivated by Wellhope, these core members have been rewarded with various incentives, and they have a strong sense of ownership. Over the past 28 years, the middle and senior management team has been highly stable, and the directors and general managers have rarely left the Company on their own initiative, except for those who were reassigned to other positions due to substandard performance. Meanwhile, newly promoted members of the management team born in the 1980s and 1990s are selected from key talents' cultivation programs, such as "Seedling Plan" and "Sunflower Program". They love the Company, they are aggressive to forge ahead, having become the backbone force of the management team. Wellhope also attaches great importance to the continuous learning and ability improvement of these managers by setting up various senior training programs such as the EDP (Executive Development Program), leadership training camp, etc. At the same time, it also organizes managers to study in domestic and overseas outstanding enterprises to expand their horizons and reflect on improvement. The main cause of failure of some domestic companies is due to unstable and disunited management team. In contrast, the highly educated, loyal and enterprising management team is one of Wellhope's core competitiveness at present and in the future, and it is also the main reason why the Company is so confident about the future.

### **2. Rationally planned business strategy that focuses on stable development**

With full insight into domestic and international political, economic and industry dynamics, Wellhope has always attached great importance to sustainable development and risk control, focused on the operational quality and profitable investment return of the enterprise and new projects. Driven by the investment concepts of steady growth, healthy and sustainable development, Wellhope, rationalizes its business layout step by step, instead of pushing through rash and impulsive investment, to maintain the rationality and safety of its industrial chain and to mitigate all calculated risks faced by enterprise operations, taking the "Built to Last" philosophy as a significant objective.

Rationally planned strategy focusing on stable development reflects in the following aspects.

A. Prudent expansion of business areas: Starting off with the premix business, Wellhope has been dedicated to expanding feed business over the years, at present it has become one of the top 10 commercial feed producers nationwide. In 2008, Wellhope entered broiler integration business after

careful thinking. After 15 years of efforts, the number of broilers processed by Wellhope's holding and associated entities have been standing at the forefront of the broiler industry, with its management and key technical indicators ranking top position both at home and abroad. In 2018, in order to seize market opportunities and control operating risks, Wellhope decided to formally launch pig farming business through cooperation and sole proprietorship. Since then, it has been mastering the core competitive advantage of this business through talents cultivation, practice accumulation, etc. Meanwhile, in the year 2018, Wellhope further recognized its development strategy in the next ten years, i.e., while unceasingly expanding feed business, Wellhope would vigorously boost broiler integration and pig farming businesses, explore food business, to ultimately become a leading enterprise with leading-edge financial security, product quality, operation cost and efficiency across agriculture, animal husbandry and food industries.

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

C. Steady market expansion: Instead of expanding rapidly in the nationwide markets supported by the success of feed business in northeast regions and broiler integration business, Wellhope, with rich experiences in market expansion, insists on exploring new markets based on overall analysis and investigations, carefully penetrating the markets step by step in the Northeast, Northwest, Northern China, Henan, Shandong provinces and other areas, while continuing to pursue asset-light operation, taking into account operational efficiency and returns on investment.

D. Strict control of financial risks: Wellhope always attaches great importance to financial risk control. Since going public, it has gradually improved internal control system, regulated corporate governance structure and enhanced the awareness on risk control. The Company's finance is managed vertically, with centralized financing and credit management, centralized fund management and centralized guarantee decision management. By taking into account the economic environment, industry development and operating conditions, the Company has effectively controlled the scale of indebtedness and financial costs, with a gearing ratio of 45.71% at the end of the reporting period.

### **3. The sophisticated and advantageous industrial layout**

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

A. Preferable geographical location: Wellhope is headquartered in Shenyang City, Liaoning Province, with its primary business layout in the North, especially in the Northeast regions. The Northeast is a potential growth area for livestock farming, with high quality raw materials, suitable climate, low

farming density and relatively low labor cost, where is ideal for the development of agricultural and animal husbandry enterprises. The Northeast is located in the largest grain-producing area in China, especially producing corn and rice characterized by high quality and large output. Relying on well-developed further processing industry, Northeast has abundant grain and its by-products that can be used as feed raw materials, which have the advantages of high-performance cost ratio and convenient logistics. After implementing the national policy of pre-assigned rice auction, the Northeast can enjoy a unique advantage supported by large rice supply and comprehensive costs, and the application of brown rice in formula has been maximumly dampened the pressure of the high corn price in feed costs. Meanwhile, broiler production mainly centralizes in Liaoning, Jilin, Henan, Hebei and Shandong provinces, where Wellhope's broiler integration businesses are mainly located in, account for over 75% of national production, and these areas are the most important regions for developing white feather broiler industry in China, with a strong foundation for broiler raising and more mature marketing system. The Company's livestock integration business implements a regional, cluster-type industrial chain layout, matching regional core industrial resources and forming industrial scale advantages in local areas in order to improve operational efficiency and reduce logistics costs.

Moreover, Wellhope is actively exploring overseas markets by building feed mills in the Philippines, Indonesia and Nepal, where animal husbandry is developing well with high potential.

B. Constantly optimized product portfolio: Based on agriculture and animal husbandry industries, Wellhope adopts the layout strategy of horizontal diversification and vertical integration to constantly optimize the industrial structure, which has increasingly heightened its capacity on risk resistance and sustained profitability. In terms of horizontal layout, while strengthening and expanding feed business, Wellhope has been vigorously promoting broiler integration and pig farming businesses to strive to achieve the goal of being the domestic and world's leader in broiler integration business and the regional leader in pig farming business. In terms of vertical integration, the integrated business model is the inevitable trend for domestic companies that are active in agriculture and animal husbandry industries. After years of developing in the fields of raw materials trading, feed production, animal raising, slaughtering and further processing businesses, Wellhope has formed a competitive and risk-proof industrial chain, and it is well on its way of gradually perfecting the support structure to each business sector in the chain, constantly exploring further processing of food to accelerate the construction of a complete industrial chain, while constantly standardizing and optimizing the division and collaboration system to further enhance the synergy effect among all business sectors.

#### **4. The systematic and scientific R&D system driven by continuous innovation**

By holding fast to the corporate mission, i.e. "Through advanced technology, professional services, and high-quality products, Wellhope is devoted to the development of China's animal husbandry industry, resources conservation, environmental protection, as well as food security for the benefit of the people", Wellhope's R&D system always adheres to market-oriented and customer-oriented principles

as well as upholding the objective of producing “safe products, with stable quality, tailored nutrition and being customer-centric”, constantly exploring innovative technology and working on new products. The Company has set up a unique and competitive R&D cooperation model, an excellent and leading R&D team, and has formed a three-level R&D system and high-efficient achievement transformation system supported by the large platform of Wellhope Research Institute. Meanwhile, the Company also has first-class testing capability nationwide and established an efficient and accurate dynamic raw material database, a distinct product portfolio and a constantly optimized service capability.

A. Excellent R&D team: Relying on a relatively complete industrial chain, Wellhope has built a R&D team specializing in animal raising, product formulation, manufacturing and related technologies to focus on feed, broiler integration, pig farming, biological feed additives, etc. Wellhope’s R&D team is composed of hundreds of masters and doctorate degree holders, professors and senior experts. These experts, with profound knowledge, have transformed many cutting-edge technologies into actual applications. In the meantime, those experienced technicians focus on conducting trials and demonstrations projects to validate, choose and apply the most suitable technologies. Relying on technical strengths, Wellhope has received many national and local-level accreditations and honors, including the Nationally-recognized Enterprise Technology Center, National and Local Joint Engineering Research Center for the Development and Application of New Biological Feed, National R&D Branch Center of Feed Processing, Comprehensive Trial Farm for National Pig Farming Industry Technology System, R&D Center of Agricultural Products Further Processing and Bio-pharmaceutical Industry Cluster of Liaoning Province, Innovation Team for Feed Technology and Safety of Liaoning Province.

B. Competitive R&D cooperation: In 2006, Wellhope partnered with Royal De Heus, a century-old company from the Netherlands. By drawing on its globally advanced technical resources, leading know-how and a century of excellent management practices, Wellhope has made successful breakthroughs and progresses in producing safe and high-quality feed, with precise and efficient nutritional contents, and most importantly using antibiotic-free technologies. Meanwhile, the R&D teams from both sides have maintained frequent exchanges, which enable Wellhope to keep abreast with the world's latest technologies in R&D achievements. By combining own 28-year’s technologies and experiences, Wellhope is committed to providing customers with high quality products and technical service. Adding to these, the Company cooperates deeply with research institutes and universities, such as China Agricultural University, Nanjing Agricultural University, Shenyang Agricultural University, Northeast Agricultural University, Hefei University of Technology, Anhui Agricultural University, to develop new technologies for feed products and meat products and joint training of professional talents.

C. Top-class testing ability and database: The Company's central laboratory is one of the few laboratories in domestic feed enterprises that have passed CNAS certification, and the test results can be recognized by 60 countries/regions worldwide. The lab has been equipped with advanced testing

equipment and divided into three functional rooms to cater for physics and chemistry testing, microbiology testing and precision instruments testing. From micro to macro levels, the central laboratory is able to maintain consistency in quality and plays a vital role in implementing the concept of safety first in every step of the production processes. Meanwhile, the Company has also established a dynamic database of raw materials that is constantly updated, and shares the data resources of its Dutch partners. With precise net energy database for sow, commercial pig, breeding cow and commercial cow, amino acid database, crude fiber database, fatty acid database, etc., animal rations can be precisely formulated according to production performance and feed intake to obtain the lowest cost formula and achieve the best cost performance ratio.

D. Fruitful research and development results: Research and development power the sustainable development of an enterprise. Wellhope has made many fruitful achievements on the road of research and development. By the end of the reporting period, Wellhope has received 228 authorized patents, including 66 invention patents, and won 2 National Science and Technology Progress Awards, 1 National Technology Invention Award and nearly 20 provincial and ministerial-level sci-tech awards.

Since its establishment, the Company has always focused on product development and technology upgrading. During the reporting period, the Company has quickly responded to market changes, upgraded a new generation of creep feed, launched the economic feed for middle and large-weight pig, dairy supplementary feed, beef cattle feed and new type of broiler feed. In response to raw material price fluctuations, the Company has focused on building a diversified formula system, and conducted a lot of research and development as well as promotion and application work on corn, soybean meal and other raw material substitution. For large-scale farms, the Company further upgraded and validated the existing sow feed products, and providing customized products and service solutions, pushing the competitiveness of sow feed being steadily improved. At the same time, the Company has carried out research and development in the pig farming business sector, such as sow nutrition system with different feeding programs, balanced amino acid diet with low protein and low soybean meal, fishmeal free high amino acid diet, diet for medium and large-weight pig with diversified grain, liquid fermented feed, etc., to further improve the product cost performance and enhance product competitiveness.

##### **5. Constantly enhanced and vertically extended brand influence**

Wellhope has successfully established its product and corporate brand in domestic agriculture and animal husbandry industries for the past 28 years. With the constant transformation and upgrading of the animal husbandry industry, its branding will be further strengthened.

A. Product brand: Relying on leading-edge technology, high quality products and continuous improvement in customer service over the years, Wellhope's brands have been widely accepted and trusted by customers in the market, especially in the Northern regions of China. The brand "Wellhope" has been recognized and honored as Liaoning Province Famous-brand Product, Liaoning Province

Famous Trademark, China Famous Brand, China's Top 500 Most Valuable Brands, Most Influential Brand in National Animal Husbandry Industry, Trustworthy Product in China's Feed Industry, Governor's Quality Award of Liaoning Province.

B. Corporate brand: Driven by the core values of "Integrity, Responsibility, Double-Win", some of Wellhope's businesses are joint ventures with partners, it has been working closely together with many partners for more than 10 or even 20 years, including a 17-year's good relationship with Royal De Heus. These successful ventures have proven that "Wellhope", as a corporate brand, has been well recognized and trusted by its partners. Meanwhile, the strength of Wellhope's brand has also been proved by long-term strategic partnerships with various multinational and domestic suppliers, and all loans provided by financial institutions over the years have been credit loans due to the good reputation of Wellhope. As a strong employer brand, "Wellhope" has been recognized and favored by employees, and potential job seekers. Wellhope has twice won the "Best Employer" based on rating by a third party Zhaopin.com, and in the first half of 2022, the Company was honored with the annual Top 10 Best Employer Brands Award in China's animal husbandry and feed industry.

C. Brand extension: Along with the rapid development of the Company's broiler integration and pig farming businesses, and supported by the business layout strategy of horizontal diversification and vertical integration, the market shares of Wellhope in the fields of raw material trading, animal health products, livestock and poultry breeding and farming, livestock and poultry fresh products, prepared and cooked food have been gradually increasing, and the market reputation and goodwill have been heightened also. In order to regulate the use of the brand Wellhope and protect the core value of this brand, Wellhope has not rashly used the main brand in the above business areas. The Company will, depending on the business development in each area, increase the vertical brand building efforts in mature business areas to further enhance the industry influence and business added value of Wellhope brand.

#### **6. The highly energized and dynamic corporate culture that powers the development of Wellhope**

After 28 years of development, Wellhope has established energized and dynamic corporate culture that has been acknowledged by all staff and powers its development. The core value of "Integrity, Responsibility, Double-Win" and the management philosophy of "Innovation, Efficiency, Self-Discipline", have been deeply entrenched in the thinking and behaviors of employees, and has been applied without fail in day-to-day management, strategic planning and business decision. Common values play a crucial role in improving organization efficiency, enhancing organizational cohesion and organizational empowerment. A good corporate culture is the fundamental principle for corporate operation, which powers the long-term development of Wellhope.

In 2022, the Company reviewed and upgraded the corporate culture management system, clarified the responsible persons and responsibilities of culture work at each level, which laid a good foundation for the continuous enrichment, development and implementation of Wellhope culture. The Company

further improved the self-media matrix, and divided the work of corporate culture at three levels of "head office + region (segment) + branch (sub) companies" to publicize and implement the culture of Wellhope, so that the culture can further penetrate into the hearts of employees. In order to further publicize cost reduction and cost consciousness, and let more employees participate in the group's activities, the head office organized an innovation and efficiency competition with the theme of cost reduction and efficiency increasing, in which every employee could think about innovative ways to create efficiency from their own work. In addition, the promotion and implementation of "process performance" culture and "benchmarking" culture have also become one of the ways to follow and execute the overall strategy of the Company. On the Wellhope Day 2022, The Chairman, President and other senior executives jointly preached the entrepreneurial history and culture of Wellhope, rekindled the passion of the second venture, and deepened the understanding of new and old employees on the background and content of Wellhope culture. The subsidiaries also held different kinds of staff activities to celebrate "Wellhope Day", which enriched the cultural life of staff and further promoted the company culture.

It has been proved that corporate culture is the moat of Wellhope's development, and constantly strengthening culture construction shall be a lasting and significant work for Wellhope.

## V. Operations during the reporting period

In 2022, the Company realized the operating revenue of RMB32.812 billion with a year-on-year growth of 11.34%, the net profit attributable to the shareholders recorded RMB514 million, and the net profit attributable to the shareholders deducting extraordinary items recorded RMB520 million, respectively rising 333.25% and 285.41% compared a year earlier. The weighted average return on equity was 7.48%, increasing 5.68 percentage points compared to the prior year.

### 1. Analysis of primary business

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

Unit: yuan Currency: RMB

Item	2022	2021	Change %
Operating revenue	32,811,758,209.54	29,468,925,899.60	11.34
Operating costs	30,839,271,196.05	27,900,298,516.35	10.53
Sales expenses	622,444,761.15	570,137,322.67	9.17
Administrative expenses	537,063,858.72	418,116,582.79	28.45
Financial expenses	160,680,329.03	100,665,726.06	59.62
R&D expenses	90,105,075.01	97,360,753.44	-7.45
Net cash flow from operating activities	196,266,510.34	299,160,222.36	-34.39
Net cash flow from investing activities	-743,139,911.44	-1,051,027,476.87	-
Net cash flow from financing activities	995,492,458.01	764,760,161.07	30.17

Explanation of above changes:

Operating revenue- Mainly due to the expansion of the Company's scale, the increase in the number of

management personnel, the increase in the level of compensation and benefits and the increase in office expenses.

Financial expenses- Mainly due to the increase in interest accrued on bank loans and convertible bonds during the reporting period.

Net cash flow from operating activities- Mainly due to the increase in prepayments and accounts receivable during the reporting period.

Net cash flow from investing activities- Mainly due to the decrease in cash paid for the purchase and construction of long-term assets.

Net cash flow from financing activities- Mainly due to cash received from the issuance of convertible bonds during the period.

## B. Analysis of revenue and cost

In 2022, the Company realized the operating revenue of RMB32.812 billion with a year-on-year growth of 11.34%. The operating cost recorded RMB30.839 billion with a growth rate of 10.53%.

### 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	15,643,489,370.72	14,423,483,922.24	7.80	1.86	3.69	Decreased 1.62 percentage points
Broiler integration	9,283,987,645.87	8,885,897,170.62	4.29	12.47	8.33	Increased 3.65 percentage points
Raw materials trade	5,179,881,518.45	4,994,178,302.78	3.59	40.89	43.00	Decreased 1.42 percentage points
Pig farming	2,057,708,604.87	1,976,858,326.69	3.93	38.30	14.55	Increased 19.92 percentage points
Related businesses	614,168,104.92	514,401,179.42	16.24	-9.18	-8.35	Decreased 0.76 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	15,643,489,370.72	14,423,483,922.24	7.80	1.86	3.69	Decreased 1.62 percentage points
Broiler integration	9,283,987,645.87	8,885,897,170.62	4.29	12.47	8.33	Increased 3.65 percentage points
Raw materials trade	5,179,881,518.45	4,994,178,302.78	3.59	40.89	43.00	Decreased 1.42 percentage points
Pig farming	2,057,708,604.87	1,976,858,326.69	3.93	38.30	14.55	Increased 19.92 percentage points

Related businesses	614,168,104.92	514,401,179.42	16.24	-9.18	-8.35	Decreased 0.76 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	4,229,181,142.03	4,079,912,003.00	3.53	43.61	45.93	Decreased 1.54 percentage points
North China	4,503,584,179.72	4,199,170,649.20	6.76	22.98	19.42	Increased 2.78 percentage points
Northeast China	15,627,930,766.52	14,589,718,629.02	6.64	4.18	4.12	Increased 0.05 percentage points
Central and South China	5,935,518,414.50	5,612,729,113.84	5.44	17.84	12.77	Increased 4.25 percentage points
Southwest China	831,371,560.04	799,549,962.38	3.83	19.82	19.53	Increased 0.23 points
Northwest China	1,196,837,221.39	1,095,464,142.31	8.47	-30.27	-29.14	Decreased 1.47 percentage points
Overseas market	454,811,960.63	418,274,402.00	8.03	14.51	11.37	Increased 2.59 percentage points
Analyzed by Sales Model						
Sales model	Operating revenue	Operating cost	Gross profit margin %	YoY change of revenue %	YoY change of cost %	YoY change of gross profit margin %
Direct selling	22,278,066,731.85	20,890,295,199.24	6.23	6.15	5.49	Increased 0.59 percentage points
Selling on commission	10,501,168,512.98	9,904,523,702.51	5.68	24.05	22.44	Increased 1.24 percentage points

**Explanation:**

During the reporting period, the sales volume of the Company's raw material trading business grew, while the prices maintaining a high level, making the operating revenue and operating costs of the Company's raw material trading business have increased significantly.

The Company's operating revenue and operating costs in East China increased significantly, mainly due to the stable growth of feed, raw material trading and broiler integration businesses in this region in 2022. The Company's operating revenue and operating cost in Northwest China decreased significantly, mainly due to the decrease in feed sales in this region in 2022.

**b. Analysis of sales volume**

Product	Production volume (10k tons)	Sales volume (10k tons)	Inventory (10k tons)	YoY change of production volume %	YoY change of sales volume %	YoY change of inventory %
Feed	498.28	399.09	7.43	-3.47	-7.85	2.27

## c. Analysis of cost

Unit: yuan Currency: RMB

By Industry	Item	2022	% of total costs	2021	% of total costs	YoY change %
Feed	Raw material	13,214,824,240.53	95.90	12,784,888,622.21	96.10	3.36
Feed	Labor cost	163,741,476.79	1.19	150,722,363.44	1.13	8.64
Feed	Depreciation	120,087,065.95	0.87	106,103,495.18	0.80	13.18
Feed	Energy (electricity, coal, steam)	166,499,265.08	1.21	146,590,774.25	1.10	13.58
Feed	Other manufacturing expenses (energy and depreciation excluded)	115,070,637.48	0.84	115,466,115.61	0.87	-0.34
Feed	Total production cost	13,780,222,685.83	100.00	13,303,771,370.69	100.00	3.58
Broiler	Raw material	7,888,954,785.20	84.10	7,256,411,038.64	83.02	8.72
Broiler	Labor cost	425,649,406.15	4.54	458,522,106.14	5.25	-7.17
Broiler	Depreciation	74,320,788.91	0.79	67,106,803.95	0.77	10.75
Broiler	Energy (electricity, coal, steam)	109,827,583.49	1.17	95,115,811.60	1.09	15.47
Broiler	Other manufacturing expenses (energy and depreciation excluded)	882,037,081.47	9.40	863,170,280.18	9.88	2.19
Broiler	Total production cost	9,380,789,645.22	100.00	8,740,326,040.51	100.00	7.33
By Product	Item	2022	% of total costs	2021	% of total costs	YoY change %
Feed	Raw material	13,214,824,240.53	95.90	12,784,888,622.21	96.10	3.36
Feed	Labor cost	163,741,476.79	1.19	150,722,363.44	1.13	8.64
Feed	Depreciation	120,087,065.95	0.87	106,103,495.18	0.80	13.18
Feed	Energy (electricity, coal, steam)	166,499,265.08	1.21	146,590,774.25	1.10	13.58
Feed	Other manufacturing expenses (energy and depreciation excluded)	115,070,637.48	0.84	115,466,115.61	0.87	-0.34
Feed	Total production cost	13,780,222,685.83	100.00	13,303,771,370.69	100.00	3.58
Broiler	Raw material	7,888,954,785.20	84.10	7,256,411,038.64	83.02	8.72
Broiler	Labor cost	425,649,406.15	4.54	458,522,106.14	5.25	-7.17
Broiler	Depreciation	74,320,788.91	0.79	67,106,803.95	0.77	10.75
Broiler	Energy (electricity, coal, steam)	109,827,583.49	1.17	95,115,811.60	1.09	15.47
Broiler	Other manufacturing expenses (energy and depreciation excluded)	882,037,081.47	9.40	863,170,280.18	9.88	2.19
Broiler	Total production cost	9,380,789,645.22	100.00	8,740,326,040.51	100.00	7.33

## d. Top 5 customers and suppliers

Sales to the top five customers amounted to RMB1.34 billion, accounting for 4.10% of the total annual sales; among the sales to the top five customers, sales to related parties amounted to RMB621.69

million, accounting for 1.89% of the total annual sales.

The purchase orders of top five suppliers amounted to RMB3.19 billion, accounting for 14.96% of the total annual purchases; among the top five suppliers, it did not occur the orders of purchasing products from the related parties.

### C. Expense

Unit: yuan Currency: RMB

Item	2022	2021	Change %
Sales expense	622,444,761.15	570,137,322.67	9.17
Administrative expense	537,063,858.72	418,116,582.79	28.45
R&D expense	90,105,075.01	97,360,753.44	-7.45
Financial expense	160,680,329.03	100,665,726.06	59.62

### D. R&D Input

#### a. R&D input

Unit: yuan Currency: RMB

Expensing R&D input	90,105,075.01
Capitalizing R&D expenditure	0
Total R&D expenditure	90,105,075.01
% of total operating revenue	0.27
Percentage of capitalizing R&D expenditure	0

#### b. Headcount

Headcount of R&D	258
Percentage of total staff %	3.09
Educational structure	
Item	Headcount
Doctoral candidate	20
Masters	112
Bachelors	78
Junior college	43
High school and below	5
Age structure	
Item	Headcount
30 years old (30 excluded)	94
30-40 (30 included, 40 excluded)	115
40-50 (40 included, 50 excluded)	32
50-60 (50 included, 60 excluded)	17
60 and above	0

#### c. Circumstances of R&D

##### --Progress in feed R&D

##### A) Strengthening product upgrades and reserves to continuously improve product competitiveness

In the face of the changing market landscape, the Company relied on its strong product development platform and more than 20 years of technical precipitation, insisted on market demand as the guide, accelerated the development of new products and upgraded of existing products through product life

cycle management to continuously improve the competitiveness of products.

In terms of pig feed, the Company continued to optimize the effect of anti-biotic free feed in different regions, strengthen the immune nutrition program, focus more on piglet intestinal health. The new generation of creep feed developed by the Company has been launched in the market, which has improved the palatability and anti-diarrhea of piglets. At the same time, the Company launched economic feed for finisher and feed products with large proportion of premix, which received good market feedback. For large-scale farms, the Company further upgraded and verified the existing sow feed products, supporting farms customized products and 6M service solutions, the competitiveness of sow feed products has been steadily improved. Meanwhile, the Company carried out researches in the own pig farms, such as nutrition for gilts at different ages and feeding model that controls growth rate without restricted feeding, balanced amino acid diet with low protein and low soybean meal, fishmeal free high amino acid diet, diversified grain diet for medium and large-weight pig, liquid fermented feed, etc., aiming to further improve product cost performance.

In terms of ruminant feed, the Company has been engaged in ruminant feed business for many years, it upgraded star products with large sales percentage and repositioned some products during the reporting period, digging deeper into customer needs, launching targeted products and feeding solutions, which closely integrated products, service solutions, farm evaluation and farm operable processes. In response to the downturn in the dairy industry, the Company's dairy product line continued to develop customized products, and helped customers actively carry out cost reduction programs to tide over the difficult times together.

In terms of broiler feed, this year, the Company's broiler team focused on overcoming formulation management difficulties and farming site problems, and made breakthroughs in the quality control and use of oil and grease in feed raw materials, and rapidly choose raw materials to alternate corn, soybean meal and some other materials with rapidly fluctuating prices, reducing costs while also ensuring broiler production performance.

**B) Increasing formula optimization efforts, promoting synergies among technology, purchasing, production and marketing to reduce costs**

The international situation and other factors led to high price fluctuations of feed ingredients, which adversely affected the cost of the Company's feed formulations. Thus, the Company continued to increase the optimization of its main product formulations this year, and accelerated the transition from American to European-style formulations, such as increasing the use of cost-effective raw materials such as brown rice, sunflower meal, corn by-products (DDGS, sprayed corn husk) and oats to realize corn-free formulations in some business region. Meanwhile, the Company continued to improve balanced amino acid formulations with low protein, evaluated and used miscellaneous meals and local origin raw materials to realize the technical reserve of diversified soybean meal-free diet for medium and large-weight pig. In addition, the Company has been making efforts to set up professional R&D

technical teams in various directions, integrate resources, quickly carry out formula comparison and targeted R&D verification and other work to accelerate the transformation of R&D results.

On the other hand, the Company deeply promoted the interlocking linkage of technology, purchasing, marketing and production, interoperated and formed task lists, quickly promoted formula adjustment, production process optimization and other lists to the ground, enhanced the sense of urgency and responsiveness through the upward and downward transmission of information, and strengthened the awareness of collaborative cost reduction.

As an outstanding enterprise representative, the Company participated in the development of two influential group standards (see the table below for the names of the standards). For the Ministry of Agriculture and Rural Affairs "Grain Saving Action - Technology Leading Soybean Meal Reduction and Substitution", the Company won honor of advanced typical case of technology demonstration for eight enterprises nationwide by virtue of the technical model of "Feed Precision Formulation and Efficient Processing Application".

#### **--Progress in research and development of breeding technology**

##### **A) Broiler raising technology**

The Company promoted differentiated broiler raising programs based on the situation in different regions. According to the current situation in Northeast China, the Company implemented "ballast plus pellet" mode with strict feeding restriction, and carried out slow feeding to appropriately extend the feeding time to ensure the same weight and reduce the feed to meat ratio, improve the livability, and further improve the farming efficiency. Outside of Northeast China, the Company has implemented high nutrient pellet feed, short day old and low feed to meat ratio, which has achieved satisfactory and stable results. Meanwhile, the R&D team has successfully solved some of the difficulties in broiler farming, such as low blood sugar and woody breast meat.

##### **B) Pig farming technology**

Sows: For many years, the Company's pig farming technology team has been carrying out research and verification based on Danish and French sows, while upgrading and iterating farming technology solutions by drawing on the advanced experience of partner Royal De Heus. This year, the Company focused on accumulating basic performance data of sows at each weight stage, optimizing the feeding procedures and bio-security program for contract farms, while optimizing the nutrition standard and feeding program for pig breeders, improving the powdering rate of pellet feed, etc., and establishing a five-phase nutrition system and feeding mode of growth control without restricted feeding for sows. During the reporting period, the Company vigorously promoted the collection of backfat measurement and feeding data of sows at various stages of pregnancy, improved the backfat and feeding model of French sows during pregnancy, which further explored the correlation between sow backfat and production performance, and clarified the best backfat of French sows at term to achieve continuous improvement of production performance and economic efficiency.

Fattening pigs: During the reporting period, the Company utilized a number of technologies such as diversified formula and control of feeding quantity at each stage, and made efforts to reduce feed costs by strengthening on-site management, changing troughs and other practical technologies, so that the cost of finisher gaining weight could be basically the same as the previous year in 2022 despite the significantly increased raw material prices.

#### --Projects undertaken, standards drafting, awards and patents received

Patents granted in 2022							
Number of authorized patents in 2022	30	Patents for invention	6	Total number of authorized patents	228	Patents for invention	66
		Patents for utility models and designs	24			Patents for utility models and designs	162
Circumstances of Wellhope participating in the formulation of national or group standards and undertaking sci-tech projects in 2022							
Participating in formulating two community standards		T/CFIAS8001-2022 Technical Specification for the Production of Low-Protein and Low-Soybean Meal Diversified Diets for Hog T/CFIAS8002-2022 Technical Specification for the Production of Low-Protein and Low-Soybean Meal Diversified Diets for Broiler					
Participating in the revision of industry regulations		Participating in the revision of Feed Ingredients Catalog led by the Ministry of Agriculture and Rural Development					
Participating in the formulation of two local standards		DB21/T3672-2022 Technical Specification for the Production of Antibiotic-Free Pork DB21/T3671-2022 Technical Specification for Identification and Grading Control of Key Risk Sources for Feed Production Quality and Safety					
Undertaking and presiding over scientific and technological projects		National Key Research and Development Program "Livestock and Poultry Low-Protein Low-Soybean Meal Diversified Diet Formulation and Food Saving Technology					
		Shenyang Science and Technology Program "Research on Precision Nutrition and Supporting Feeding Mode for Sow"					
		Liaoning Provincial Science and Technology Program "Selection and Breeding of Characteristic and Advantageous Livestock and Poultry Breeds and Key Technology of Whole Industry Chain Production of Liaoning Province"					
Certificates and awards obtained by the Company's technology research and development in 2022							
Leading or participating in the projects that obtained awards		2019-2021 First-class prize of National Agriculture, Animal Husbandry and Fishery Harvest Award "Integration and Promotion of Green Manufacturing Technology in the Food Chain of White Feather Broiler" [Leading role]					
		2019-2021 Third-class prize of National Agriculture, Animal Husbandry and Fishery Harvest Award, "Researching and Promotion of Key Technologies for Integrating Genetic Resource Screening and Breeding of Lean Boars" [Participation]					
		First-class prize of Beijing Agricultural Technology Promotion Award "Development of functional yeast products and their application and promotion in reducing the use of anti-biotics in livestock and poultry farming " [Participation]					
		Second-class prize of Jilin Provincial Science and Technology Progress Award for "Precise Optimization of Feed Nitrogen Source Structure and Creation and Application of Nitrogen Efficient Utilization System" (Changchun Wellhope Company) [Participation]					
		Second-class prize of Liaoning Agricultural Science and Technology Contribution Project "Research and Promotion of Comprehensive Supporting Techniques for Efficient Breeding of Large White Sow Breeds" [Participation]					

**E. Cash flow**

Unit: yuan Currency: RMB

<b>Item</b>	<b>2022</b>	<b>2021</b>	<b>Change %</b>
Net cash flow from operating activities	196,266,510.34	299,160,222.36	-34.39
Net cash flow from investing activities	-743,139,911.44	-1,051,027,476.87	-
Net cash flow from financing activities	995,492,458.01	764,760,161.07	30.17
Net increase in cash and cash equivalents	450,706,660.91	12,075,918.87	3,632.28

## 2. Assets and liabilities

### A. Circumstance of assets and liabilities

Unit: yuan Currency: RMB

Item	Closing balance of 2022	% of total assets	Closing balance of 2021	% of total assets	YoY change %	Explanation
Monetary capital	1,688,741,603.60	10.97	1,233,577,781.76	9.51	36.90	Mainly due to the issuance of RMB1.5 billion convertible corporate bonds that increased in funding in the current period
Derivative financial assets	4,050,071.80	0.03	9,667,725.25	0.07	-58.11	Decrease in disposal of derivative financial assets during the period
Notes receivable	5,778,682.68	0.04	11,846,863.22	0.09	-51.22	Part of notes receivable due for encashment
Accounts receivable	1,035,056,761.74	6.72	681,517,885.70	5.25	51.88	Increase in accounts receivable during the new settlement period
Prepayments	762,467,440.93	4.95	479,830,550.25	3.70	58.90	Increase in prepayment for raw materials during the period
Contract assets	1,186,905.42	0.01	2,505,447.69	0.02	-52.63	Decrease in contract warranty during the period
Right-of-use assets	328,428,097.10	2.13	199,981,121.45	1.54	64.23	Increase in corporate leasing business during the period
Goodwill	290,425.67	0.00	2,135,421.24	0.02	-86.40	Decrease in impairment of goodwill during the period
Short-term borrowing	933,785,791.96	6.07	1,546,199,813.26	11.92	-39.61	Decrease in repayment of short-term loans due during the period
Notes payable	600,000.00	0.00	3,900,000.00	0.03	-84.62	Decrease in notes payable due during the period
Accounts payable	1,691,652,639.28	10.99	1,296,159,112.55	9.99	30.51	Increase in purchasing payables due to the growth of production and sales during the period
Advance receipt	17,873,252.23	0.12	10,500,434.76	0.08	70.21	Increase in sales proceeds received in advance during the period
Payroll	182,394,434.59	1.18	108,059,107.18	0.83	68.79	Mainly due to the increase in payroll payable to employees during the period
Non-current	471,328,595.34	3.06	191,145,065.59	1.47	146.58	Mainly due to the increase in long-term

liabilities due within one year						loans and lease liabilities due within one year
Other current liabilities	5,334,961.22	0.03	9,681,957.60	0.07	-44.90	Decrease in sales tax received in advance for the period
Bonds payable	1,257,828,066.86	8.17				Issuing RMB1.5 billion convertible bonds during the period
Lease liabilities	223,002,370.80	1.45	123,468,375.46	0.95	80.61	Increase in leasing business of the Company during the period
Long-term payables	7,685,803.59	0.05	47,702,610.06	0.37	-83.89	Decrease in loans payable to finance leasing companies during the period

**B. Overseas assets**

Overseas assets recorded RMB8,685,618.82, accounting for 0.06% of the total assets.

**3. Restrictions on major assets as of the end of the reporting period**

Unit: yuan Currency: RMB

Item	Carrying value at the end of the period	Reason of restriction
Monetary capital	29,160,615.15	Futures Margin
Monetary capital	10,480,765.63	Letter of Credit Margin
Monetary capital	120,000.00	Bank Acceptance Margin
Total	39,761,380.78	/

**4. Investment analysis**

As at December 31, 2022, the balance of the Company's long-term equity investments recorded RMB2.49 billion, increased by 6.62% compared with the end of prior year. The investment in other equity instruments recorded RMB17.33 million, representing a decrease of 13.73% compared with the end of prior year. For details, please refer to notes to the items of Consolidated Financial Statements--long-term equity investment, Investments in other equity instruments.

## 5. Main holding and associated companies

Unit: RMB 10k

Company	Primary business	Registered capital	Total assets	Net assets	Net profit	Operating revenue	Operating profit
Beijing Sanyuan Wellhope Agri-Tech Company	Feed processing and selling	1,000.00	29,761.68	22,713.06	2,360.97	87,122.90	2,627.24
Anshan Jiuguhe Food Company	Broiler slaughtering	4,320.00	94,384.13	53,545.24	5,629.77	187,184.02	5,375.95
Huludao Jiuguhe Food Company	Broiler slaughtering	7,370.00	32,026.22	19,324.88	1,212.01	92,947.74	1,213.84
Beipiao Hongfa Food Company	Feed processing, broiler breeder raising, broiler raising and slaughtering	3,000.00	253,583.65	159,624.05	20,264.31	340,689.53	20,238.03
Dalian Heyuan Agri-Tech Company	Feed processing, broiler breeder raising, broiler raising and slaughtering	10,000.00	168,531.23	83,919.86	726.01	322,979.65	1,008.68
Dalian Chengsan Animal Husbandry Company	Feed processing, broiler raising	1,008.61	246,152.31	132,078.11	15,151.49	514,239.11	20,940.10
Liaoning Wellhope Agriculture and Animal Husbandry Development	Pig farming	5,000.00	126,155.74	19,623.69	2,415.17	64,245.51	2,546.91
Anhui Wellhope Agri-Tech Company	Feed processing, pig farming	16,000.00	77,498.45	3,134.16	-11,115.89	80,762.55	-9,103.52
Tai'an Jiuguhe Agriculture Development Company	Feed processing, broiler raising	1,060.00	76,400.10	16,881.76	3,221.17	251,533.79	3,137.31
Huludao Jiuguhe Feed Mill	Feed processing, broiler breeder raising, broiler raising	1,085.00	55,035.33	812.37	380.54	153,450.92	-2,134.74
Shenyang Wellhope Ruminant Feed Mill	Feed processing and selling	550.00	24,612.47	20,349.12	3,317.22	84,535.94	4,066.84
Linghai Jiuguhe Feed Mill	Feed processing, broiler raising	1,755.00	20,042.33	13,819.81	2,602.82	156,569.36	2,544.09

## VI. Outlook on the Company's Future Development

### 1. Industry outlook

China is a large agricultural producing country with a population of 1.4 billion, and agriculture has always been considered a strategic industry in China to provide security and stabilize people's confidence, which lays a foundation for national economy. This is not only because agriculture is the source of food and clothing for people and the basis of survival, but also because it is the cornerstone for other industries to become independent and to realize development. China has always paid great attention to the development of agriculture. Along with the latest changes in international trade, resources and environment, technical circumstance, industrial structure, policies and regulations and other factors, the development of agriculture has also ushered in a new stage. The National 14th Five-Year Plan stated in 2021 further proposed to continue to strengthen the leading position of agriculture, deepen the structural reform of the agricultural supply side, enhance quality-oriented development, and promote the revitalization of rural industries.

#### **A. Speeding up the elimination of backward capacity, feed industry consolidation being increasingly heightened**

Along with fierce competitions taking place in the feed industry, extra-large companies are constantly expanding their business scale, medium-sized producers are seeking business opportunities, whilst the shares of small producers have been gradually squeezed out. For large companies, they enjoy their strengths and advantages in technology, cost, brand, management, capital and logistics to continuously improve their operational efficiency, rapidly expand production scale and seize market shares through mergers and acquisitions as well as embarking on new projects. Those small and medium-sized feed producers have been gradually edged out in the increasingly fierce competitions due to their lower technical level, higher comprehensive costs, weaker brand reputation, lack of management skills, and capital pressure. With a series of events such as ban of using antibiotics in feed, African Swine Fever and the increasing prices of raw materials, the entry barriers of feed industry have been raised yet again, customers have also remarkably increased their requirements on the comprehensive strength of feed suppliers, which has sped up the elimination of backward players.

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

Animal husbandry industry consists of several industries such as feed production, animal health product, livestock and poultry raising, slaughtering and processing, etc., where the upstream activities are more related to the plantation industry, and the downstream serves the agri-food processing industry, and a variety of related industries form an organic whole. With the elimination of production capacity within the industry, large-scale companies are continuously expanding their business scale. For reasons of risk control, profit growth, food safety and other needs, these agricultural giants, apart from mergers and acquisitions, gradually integrate resources to expand their businesses in both upstream and downstream industries, and they have expanded vertically, striving to penetrate the industrial

chain and establish strong competitive advantages and anti-risk capabilities. Under the development trend of industrial chain integration, the industrial division of labor of large enterprises engaged in agricultural and animal husbandry industries have been gradually weakened, while seizing the resources of the whole industrial chain has become the theme of the development of animal husbandry industry.

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

In recent years, China has introduced a series of environmental protection regulations, such as the revision of the Environmental Protection Law, the Environmental Protection Tax Law, the Regulations on Pollution Prevention of Livestock and Poultry Scale Farming, and the Action Plan for Pollution Abatement of Agriculture and Rural Areas, etc. These successive launches of environmental protection policy highlight the determination of the state to increase the environmental protection supervision of animal husbandry industry, local governments have also issued certain new regulations related to farm removal, ban of animal raising and restriction of farms, which will further squeeze out less qualified players and reframe animal husbandry industry.

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

In the past several years, the circumstances food safety in China have been improving, but at present the circumstances of the small-scale, and fragmented food industry with low entry barriers have not been changed much, and the farm-to-table industrial chain is too long and too large with many risk points. The new edition on Food Safety Regulation of China released in October 2019 not only provided clear regulatory initiatives to address specific issues, but also strengthened the penalties for violations of the law through the policy of "implementing penalties to individuals". The Regulation came into force from December 1, 2019, the market has since been the most heavily regulated. In the future, more attention will be paid to the normalization of food safety and industrial system. Stringent food safety supervision will further squeeze out less qualified players, at the same time highlighting the strengths and advantages of large integrated companies.

**E. Pig farming industry ending the era of high profits, the prevention of African swine fever becoming normal**

As the domestic pig production capacity recovered beyond expectation, the pig price fell sharply continuously, but the capacity recovery and pork consumption were out-of-step, which resulted high-cost pig farming end from high profit to heavy loss, those enterprises who aggressively expanded pig farming suffered huge financial pressure. Thus, pig farming industry took a key turn, ending the era of high profit, and the main line of this industry has changed from "aggressive and fast expansion" to "cost reduction and efficiency improvement". The opening of the battle of cost means that China's pig farming industry is moving to a new stage, and the new pattern of supply and demand is being

reshaped in China's pig industry under the transformation and upgrading of high-quality development. In the meantime, the prevention of African swine fever has become normalized, and bio-security is still the primary problem that the industry needs to face, which further raises the entry barriers of pig farming industry, and the economy and effectiveness of investment in epidemic prevention cost has become an important factor affecting the total cost of pig farming.

**F. The proportion of pork consumption gradually decreasing, which accelerated restructuring of meat consumption**

After the normalization of African swine fever, the average pork prices in China rose significantly compared to previous cycles, however, the remarkable decline in the consumption capacity of residents led to a further reduction in pork consumption, pork purchased by group meals also fell significantly, food processing plants were forced to shift raw materials to chicken and vegetarian food, which accelerated the adjustment of domestic meat consumption structure, the overall consumption habits of residents are gradually changing. Characterized by high protein, low fat and cholesterol levels, chicken has been increasingly favored by people as a viable alternative to pork. In terms of growth rate, raising costs, safety and environmental protection, broiler also has a greater advantage compared to pigs. Seeing the experiences of developed countries, China's per capita chicken consumption still has a large growth potential with a vast market space.

**2. Development strategy of the Company**

Wellhope's long-term development objective is to become the world's leading enterprise across agriculture, animal husbandry and food industries. In the next three years(2023-2025), the Company will vigorously increase efforts and concentrate resources to strengthen and enlarge feed business, steadily develop broiler integration business, further improve the management of broiler industrial chain, consolidate the foundation of pig farming business, and focus on improving the production management level, whilst complete the phased layout of the food business and accelerate the development pace of food business.

According to the Company's three-year business plan, and combined with the analysis and judgment of the economic and industrial development trend in 2023, the Company has determined the specific business strategy for 2023, i.e., Wellhope will further heighten organization construction and system operation capacity, deepen the performance management and improve the synergistic management mechanism, closely follow the business, improve human capital and improve the incentive mechanism, quickly heighten the operating ability of three supporting platforms and the interlocking of technology, purchasing, information technology, finance, production and operation to achieve more effective support for the operation, making efforts to create competitive and aggressive front platform(including product power, service ability, financial strength, marketing force), cost-efficient middle platform(including production, purchasing, quality assurance, technology), and energized back-end platform(including HR, finance, technology, R&D, purchasing, IT, corporate culture), to become a

leading enterprise across agricultural, animal husbandry and food industries with safe financial position, high quality product, low operating cost and efficiency.

### **3. Business plan for 2023**

In 2023, the macroeconomic environment is expected to continue to improve, while domestic consumption slowly recovering amidst fluctuations. Under such backdrop, Wellhope will grasp industry opportunities to further strengthen its core competitiveness, broaden the moat round businesses, while focusing on building front, middle and back-end platforms, and promoting layout of production capacity and reserving talent in a planned and rhythmic manner, to lay a solid foundation for realizing the Company's long-term plan.

#### **A. Feed business**

In 2023, Wellhope will accelerate the transformation and upgrading of feed business. In terms of formula, the Company will continue to transform feed formula to European-style formula, reduce formula cost and heighten cost-performance of products by using various raw materials' alternatives based on the collaboration and connection of technology and purchasing teams. In terms of customer structure, besides leveraging the advantage of dealer's marketing, the Company will continue to strengthen technical service capabilities and accelerate cooperation with third-party financial institutions to increase the percentage of large-scale customers. In terms of product structure, based on holding the advantage of concentrate feed, the Company will gradually build up advantage in complete feed. By constantly optimizing production technology, improving supporting facilities, the Company will comprehensively enhance the production and supply of complete feed. In terms of capacity planning, the Company will keep to sort out the capacity distribution, also expand the capacity of key regions and advantageous varieties for expanding the scale advantage, while boosting the production system gradually transforming to automation, bulk and pelleting. In 2023, the Company plans to achieve more than 15% increase in feed sales volume.

#### **B. Broiler integration business**

In 2023, broiler integration business will still be led by the philosophy of ensuring safety, controlling expansion pace, adjusting industrial structure, promoting business ecosystem, compressing costs, improving efficiency and increasing profit, the Company will expand production scale as planned based on ensuring the advantage of margins per broiler. Regarding breeder raising, the Company will actively expand production to gradually increase market share, while trying to ensure each single farm producing in a full capacity, also strengthen production management, striving to close the gap of production performance of different breeder farms to continuously improve the quality of self-supplied chicks. In terms of commercial broiler farming, will steadily expand production according to the capacity of slaughterhouse to ensure a stable supply of chickens, and at the same time, speed up the transformation of automation, environmental protection and waste resource utilization. Regarding slaughtering segment, the Company will push forward the construction progress of uncompleted

projects as planned, continuously improve the operational efficiency of the projects that have been put into operation, rapidly expand the scale of production and sales in the new plants, further reduce costs and increase efficiency in the old plants, and at the same time continue to improve the ratio of fresh products, and strive to realize the highest comprehensive value with the optimal product mix. In 2023, Wellhope's holding and associated companies plan to totally slaughter more than 800 million of broilers.

### **C. Pig farming business**

In 2023, the Company will uphold a prudent investment philosophy to maintain a safe development pace, strictly control production capacity and cautiously expand production scale. Regarding pig breeder sector, the Company will continue to strengthen breeding management, and gradually build a multi-strain pig breeding system. Regarding finisher sector, the Company will gradually eliminate inefficient solely-invested fattening farms, and moderately expand the production capacity of finishers fattened by contract farms. At the same time, the Company will continue to boost the process performance management, optimize the talent pool of the core team, also stress on enhancing the operation capacity of pig farms, such as optimizing feed and nutrition programs, improving production management, to comprehensively reduce pig raising costs and heighten the core competency of pig business. In addition, the Company will continue to pay close attention to bio-security management, focusing on three major problems such as African swine fever, blue ear and diarrhea, for ensuring safe and stable operation. In 2023, Wellhope's holding and associated companies plan to achieve the objective of selling 1.2 million heads of pig to the market.

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

## **4. Possible risks**

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

The majority of the cost of feed business come from raw materials. Changes in the production in the main production areas of raw materials, import policies, storage and grants, exchange rate fluctuations, logistics costs and other factors may cause fluctuations in the market price of raw materials, which in turn affects the cost and gross margin of the Company's feed business. With the deepening of internationalization of agricultural trade in recent years, the supply and demand relationship and trading price of raw materials are affected by domestic and international spot and futures markets in many dimensions, and the price trend is becoming increasingly complex and volatile, which further increases the difficulty of cost management of the Company. In addition, the complex changes in the Sino-US relations, the Russia-Ukraine war and other international political and economic environment have also made the purchase of raw materials more variable.

### **Solutions**

- a. Wellhope has established strategic partnerships with many leading domestic and overseas raw

material suppliers. Meanwhile, it adopts three-level purchasing mode that includes centralized purchasing of head office, bidding purchasing of different business regions and local subsidiary purchasing to clarify the role of purchasing.

b. Wellhope combines its raw material trading business with purchasing management, i.e., the professional and practical raw materials' purchasing team conducts targeted forward-looking researches and real-time tracking on the market to strategically reduce the purchasing price, such as uniformly managing different variety of raw materials, adopting spot purchasing and futures together.

c. The purchasing team works closely with the R&D team to further optimize the purchasing cost by way of re-formulating the feeds, i.e., changing the composition of the feed to use cheaper alternative raw materials while achieving the same results.

d. Wellhope has set up a raw material information sharing channel with Royal De Heus, which enables the two sides to exchange information of raw materials and additives. In addition, the two sides have started joint purchasing for vitamins, amino acids and other raw materials, and may further expand the scope of joint procurement in the future to further enhance the overall bargaining power.

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

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

#### **Solutions**

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

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

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

while improving the overall profitability when facing a booming market.

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

Feed and animal raising are Wellhope's two core businesses. Epidemic is one of the main risks faced by animal raising companies. Once an animal epidemic happens, it will certainly cause panic in the market, which will reduce the demands, then lessen the production, the income shrinks and the cost rises. The feed industry mainly serves downstream livestock farming industry, thus, the downstream market will directly affect the performance of feed business. As an unpredictable emergency, an explosive epidemic will undoubtedly have a strong impact on the Company's operations.

#### **Solutions**

- a. Wellhope attaches great importance to regional distribution and business structure, which is the most direct way to disperse the risk of animal epidemic.
- b. Wellhope continues to improve the prevention technology of major epidemics, completes the early warning system and strives to control epidemics effectively before spreading.
- c. When the epidemic comes, the speed of response is particularly critical, the faster to response, the less to loss. Wellhope has set an emergency command system for major epidemics to minimize losses when they occur.
- d. Wellhope has been continuously conducting post-epidemic analysis and researches. Meanwhile, it has been constantly strengthening the ability to prevent epidemics from multiple aspects such as animal nutrition and veterinary services.
- e. For African Swine Fever, Wellhope has formed a relatively complete prevention system from product researches to farm management. Specific preventive measures have been detailed in Section III hereof-Pig farming business.

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

China has put forward some environmental protection regulations in recent years, such as *Environmental Protection Tax Law*, etc., which show the government's determination to increase supervision on environmental protection in animal husbandry industry, whilst the local governments have also issued certain new regulations regarding farm demolition, prohibition or restriction of animal raising. It can be seen that the continuously strengthened environmental protection is the trend of the industry, also an inevitable reality, which will further weed out unqualified players and reframe the industry.

#### **Solutions**

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

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

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

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

Wellhope's international business started early and has been developed rapidly, which can be affected by exchange-rate fluctuations in raw material purchasing, product export, overseas investment, including the following aspects. Firstly, international development has made the global purchasing of raw materials becoming normally, therefore, the risk of exchange-rate fluctuations is particularly acute for raw materials that are largely supplied from abroad. Secondly, Wellhope's export business of broiler parts products are growing rapidly with customers from many countries and regions across the world, and the exchange-rate fluctuations are inevitably caused by the settlements of multiple currencies. Finally, due to the large overseas investment and overseas operations, the cross-border capital transactions and settlements will also be affected by exchange-rate fluctuations.

#### **Solutions**

a. Wellhope closely focuses on the dynamic international foreign exchange market, whilst enhances the awareness of foreign exchange risk, and improves the researching and forecasting capabilities of the foreign exchange market.

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

c. By making full use of foreign exchange forwards, swaps and options (portfolios) and other instruments to maintain the exchange-rate for foreign exchange exposure.

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

**F. Risks of food safety**

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

**Solutions**

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

a. Feed business- The Company has established a quality management mechanism and testing system managed at the head office, regional and subsidiary levels, adopted international standards such as ISO9001, ISO22000 and ISO-IEC17025, and thoroughly implemented a series of quality standards such as the Feed Quality and Safety Management Code, the Veterinary Drug Production Quality Management Code and other specifications, the Company has controlled the whole production process and established the traceability system. Meanwhile, it vigorously popularizes near-infrared detection technology, improves detection efficiency to timely share data and quickly realize risk early warning, and focuses on the detection of heavy metals, harmful microorganisms and mycotoxins, providing an important guarantee for the safety of feed products.

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

## Section IV Corporate Governance

### I. Overview of Corporate Governance

In accordance with the Corporation Law, the Securities Law, the Guidelines for Governance of Listed Company and other requirements, the Company has continuously strengthened and improved its corporate governance, standardized operation and other aspects of work. The Company's three committees have a clear division of labor, clear authority and responsibility, and the systems have been designed to constrain each other and work together to support each other, gradually establishing a set of scientific and efficient decision-making, implementation and supervision mechanisms. The independent directors, the supervisory board and the special committees of the board of directors all play key functions, perform their duties faithfully and diligently, and express objective and independent opinions on matters under consideration, so as to ensure that the Company operates legally, compliantly, fairly and transparently, improve the corporate governance structure, enhance the transparency of corporate governance and effectively safeguard the legitimate rights and interests of the Company and its shareholders.

During the reporting period, the Company revised several internal regulations in accordance with relevant laws and regulations, such as the Articles of Association, Rules of Procedure of the Shareholders' Meeting, Management Provision for Changes in Shareholdings of Directors, Supervisors and Senior Managers, Management Provision for Providing External Guarantees, Management Provision for Futures, Rules for the Work of Independent Directors, Management Provision for Information Disclosure, Management Provision for Investor Relations, Management Provision for Related Party Transactions, Rules for the Work of the Secretary of the Board of Directors, Rules for the Work of Specialized Committees of the Board of Directors, and other internal systems. Work Rules of Specialized Committees of the Board of Directors. In 2022, the Company held 2 shareholders' meetings, 5 board meetings, 4 supervisory meetings, 3 audit committee meetings, 1 meeting for compensation and appraisal committee and for nomination committee. The convening, holding and voting procedures of all meetings were standardized, legal and effective. During the reporting period, the Company continued to strengthen the management of information disclosure and investor relations to continuously enhance the transparency of the Company, ensure the investors' right to information and effectively safeguard the legitimate interests of the Company and all shareholders. The Company was awarded the highest level of A grade in the evaluation of information disclosure work of Shanghai Stock Exchange 2021-2022, and has received A grade evaluation for five consecutive years.

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

Meeting	Date	Query URLs of Resolution	Disclosing Date of Resolution
2021 Annual Shareholders' Meeting	May 20, 2022	<a href="http://www.sse.com.cn">www.sse.com.cn</a>	May 21, 2022
2022 First Extraordinary Shareholders' Meeting	August 31, 2022	<a href="http://www.sse.com.cn">www.sse.com.cn</a>	September 1, 2022

### III. Information about Directors, Supervisors and Senior Managers

#### 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 changes	Pre-tax remuneration paid by the Company (RMB 10k)	Whether obtain remuneration from related parties of the Company
Jin Weidong	Chairman	male	59	Feb. 3, 2015	Feb. 1, 2024	149,549,498	149,549,498			82.00	No
Qiu Jiahui	Director, President	male	51	Feb. 1, 2021	Feb. 1, 2024					76.00	No
Jacobus Johannes de Heus	Director	male	54	Feb. 3, 2015	Feb. 1, 2024						No
Shao Caimei	Director, Chief Technical Officer	female	57	Feb. 3, 2015	Feb. 1, 2024	49,773,878	49,773,878			71.51	No
Zhang Wenliang	Director, Chief Financial Officer	male	62	Feb. 3, 2015	Feb. 1, 2024	8,565,100	8,565,100			31.80	No
Zhao Xin	Director, Board Secretary, Chief HR Officer	female	51	Feb. 3, 2015	Feb. 1, 2024	4,420,160	4,420,160			75.00	No
ZUO XIAOLEI	Independent Director	female	69	Feb. 1, 2021	Feb. 1, 2024					10.14	No
Jiang Yan	Independent Director	female	49	Feb. 1, 2021	Feb. 1, 2024					10.14	No
Zhang Shuyi	Independent Director	male	58	Feb. 1, 2021	Feb. 1, 2024					10.14	No
Wang Fengjiu	Vice President	male	54	Feb. 3, 2015	Feb. 1, 2024	47,964,602	47,964,602			67.00	No
Wang Xueqiang	Vice President	male	56	Feb. 1, 2021	Feb. 1, 2024	9,355,000	9,355,000			75.00	No

Di Guo	Vice President	male	52	Feb. 1, 2021	Feb. 1, 2024	4,908,219	4,908,219			75.00	No
Chen Yu	Chief Financial Director	male	38	Aug. 12,2022	Feb. 1, 2024					60.90	No
Wang Zhongtao	Chairman of the Supervisory Board	male	59	Feb. 3, 2015	Feb. 1, 2024	46,625,229	46,625,229			50.00	No
Marcus Leonardus van der Kwaak	Supervisor	male	54	Feb. 3, 2015	Feb. 1, 2024						No
Li Jun	Supervisor	male	50	Apr. 27, 2016	Feb. 1, 2024					68.49	No
Ren Bingxin	Supervisor	male	59	Mar. 27,2019	Feb. 1, 2024	5,429,500	5,429,500			54.80	No
Yuan Minger	Supervisor	female	52	Feb. 3, 2015	Feb. 1, 2024					30.92	No
Total	/	/	/	/	/	326,591,186	326,591,186	/	/	848.84	/

Name	Work experience
Jin Weidong	Male, born in 1963, Chinese nationality, bachelor of veterinarian from Shenyang Agricultural University, master of physiology and biochemistry from Jilin University, doctoral advisor of Shenyang Agricultural University, winner of the first batch of National Natural Science Foundation of China, core founder of Wellhope, serving as the Chairman of Wellhope since 1995. After graduation, he worked in the university for two years. In 1991, he joined Continental Grain Company (the US), successively served as the sales manager of China's Northeast Region, national sales manager and assistant vice president of Asia Region. Currently he holds the posts of Vice President of China Feed Industry Association, Vice President of China Animal Husbandry Industry Association, President of Liaoning Feed Industry Association, also the MBA interviewer of Peking University and Tsinghua University, guest professor of Remin University of China, Ocean University of China and Northeast Agricultural University, etc. He has been awarded the honorary titles of "China's Outstanding Private Science and Technology Entrepreneur", "National Outstanding Builder of the Socialist Cause", "China's Top Ten Economic Figures in the 30 Years of Reform and Opening up of Feed Industry", "May 1st Labor Medal of Shenyang City", "Model Worker of Liaoning Province" and etc. In 2015, he was awarded as One of the Top Ten Models of Entrepreneurship for Agriculture, Rural Areas and Farmers. Meanwhile, he was awarded as Outstanding Entrepreneur of Liaoning Province in 2017, and awarded as Career-creating Talent regarding Science and Technology Innovation by China's Ministry of Science and Technology in 2018. In 2019, he was selected as the fourth batch of leading talents regarding technology entrepreneurship in the National Ten Thousand Talents Program, and in 2020 awarded as the National Model Worker.
Qiu Jiahui	Male, born in 1972, Chinese nationality, bachelor of veterinarian from Shenyang Agricultural University. After graduation from university, he worked in Dalian Broiler Breeder Farm, a state-owned core breeding enterprise, engaged in technical and on-site management. He joined Wellhope in 2000, served successively as General Manager of Haicheng Wellhope Feed Mill, Haicheng Xinzhongxin Feed Mill, Vice President of Former Huakang Feed Group, Marketing Director of Wellhope, President of Broiler Integration Business Division, Vice President of Wellhope. Due to his outstanding performance and diligence, he has been elected as the board director and President of Wellhope on February 1, 2021.

	Mr. Qiu Jiahui is the pioneer of Wellhope's broiler integration business. With more than 10 years of leadership, the broiler integration business has achieved rapid development.
Jacobus Johannes de Heus	Male, born in 1969, the Netherlands' nationality, master's degree, been working in Royal De Heus since 1992, now serves as the CEO of Royal De Heus, board director of Wellhope.
Shao Caimei	Female, born in 1966, Chinese nationality, at the age of 25, she received her PhD in animal physiology and biochemistry from Nanjing Agricultural University. She is one of the founders of Wellhope. She used to be a technician in a poultry breeding center of the Ministry of Agriculture and served as the formula manager at CONTINENTAL GRAIN COMPANY(the US). Since founding Wellhope, she has always taken charge of the technology of Wellhope, successively serving as the Technology Director and Vice President. Now she is the Board Director and CTO of Wellhope, also holds the posts of standing director of Animal Nutrition Branch of Chinese Association of Animal Science and Veterinary Medicine, member of Chinese Feed Industrial Standardization Technical Committee, leader of the Comprehensive Trial Farm for National Swine Raising Industry Technology System and etc. Meanwhile, she has been serving as the master supervisor of China Agricultural University and Shenyang Agricultural University. She has won a number of first and second prizes of provincial-level science and technology progress and applied nearly 30 technical invention patents.
Zhang Wenliang	Male, born in 1960, Chinese nationality, master of quality cost management from Northeastern University, senior auditor, the first batch of China's certified public accountant. He used to work for the Shenyang Office of National Audit Office, mainly engaged in auditing of finance, national tax, customs and large enterprises. He joined Wellhope in 1996 and served successively as Financial Manager of Shenyang Wellhope Feed Mill, Auditing Manager of Wellhope, Financial Manager of Beijing Sanyuan Wellhope Feed Mill, and Financial Director of Wellhope. He is currently the Board Director and CFO of Wellhope. Mr. Wenliang Zhang led and participated in some capital operation projects of Wellhope, such as the shareholding system transformation, IPO and non-public offering new shares.
Zhao Xin	Female, born in 1972, Chinese nationality, bachelor of economics from Shenyang Agricultural University. She joined Wellhope in 1995 after graduation, successively served as the Secretary to general manager, Director of Marketing Department, Director of HR Department, Human Resources Manager and Chief HR Director, Assistant to Chairman, etc. Now holds the posts of Board Director, Board Secretary and CHO of Wellhope. Ms. Xin Zhao has more than 20 years of experience in human resources and enterprise management, she is one of the managers who established Wellhope's human resources management system. In 2020 and 2021, she was awarded as "Outstanding Board Secretary" in the Selection of China's Valuable Public Companies.
ZUO XIAOLEI	Female, born in 1953, Singapore's nationality, famous economist, Ph.D. of International Finance and Econometrics from University of Illinois, USA. She used to be a lecturer in the School of Economic Statistics at the National University of Singapore, associate professor at the Asian Institute of Management in the Philippines, chief economist and chief president adviser of Galaxy Securities, independent director of Tongfang Co., Ltd. and Hubei Bank. Now she serves as the researcher at the Financial Center of Counsellors' Office of the State Council of China. Ms. Xiaolei Zuo is one of the most influential economists in China, who has published more than 50 papers in the fields of econometrics, international finance and securities market. She is the author of "Xiaolei's Perspective: My View on China's Economy" and other books.
Jiang Yan	Female, born in 1973, Chinese nationality, doctor of management from Institute of Fiscal Science of Ministry of Finance, certified public accountant, certified asset appraiser. She worked in the Stock Issuance Supervision Department at China Securities Regulatory Commission from 2002-2016, now holds the posts of core consultant of several investment banks such as Minsheng Securities Co., Ltd., and the independent director of Weichai Power Co., Ltd.
Zhang Shuyi	Male, born in 1964, Chinese nationality, doctor of ecology from Marie Curie University, France, doctoral advisor of Shenyang Agricultural University. Once he held the posts of researcher of the Institute of Zoology of Chinese Academy of Sciences, Dean of Interdisciplinary Institute of Science and Technology of East China Normal University, Dean of the School of Management of Zhejiang Ocean University. He currently takes charge of the subject of animal husbandry of Shenyang Agricultural University, and serves as the independent director of Wellhope. In addition to the scientific field, he used to serve as an independent director of Wellhope, vice president of Tiansanqi Group Co., Ltd. (Beijing), etc. Mr. Shuyi Zhang has made great achievements in the field of science. He has been funded by the National Natural Science Foundation of China for Distinguished Young Scholars, supported by the "Changjiang Rive Scholars" team project of the Ministry of Education, and been selected into the first and second levels of the National Millions of Talents Project, the "Hundred Talents Program" of the Chinese Academy of Sciences, and the Climbing Scholars Program of Universities in Liaoning Province. He has been awarded special government allowance of the State Council, second prize of national science and technology progress, first prize of natural science of Shanghai and other awards, etc.
Wang Fengjiu	Male, born in 1969, Chinese nationality, master of animal nutrition and feed science from Chinese Academy of Agricultural Sciences, one of the founders of Wellhope. He once

	worked in the office of academic affairs of Shenyang Agricultural University and served as the sales manager of China's Northeast Region at CONTINENTAL GRAIN COMPANY (the Us). After the establishment of Wellhope, he has successively acted as Business Manager, Deputy General Manager, General Manager of some subsidiaries, President of Wellhope. He is now the Vice President of Wellhope, who takes charge of Wellhope's food business. He is also a standing member of the 15th Shenyang Committee of CPPCC, Vice President of Liaoning Agricultural Integration Association and Shenyang Food Association.
Wang Xueqiang	Male, born in 1967, Chinese nationality, bachelor of animal husbandry from Shenyang Agricultural University. He once worked at Shenyang Institute of Applied Ecology of Chinese Academy of Sciences. He joined Wellhope in 1995 and served successively as Sales Manager and Deputy General Managers, General Managers of some subsidiaries and Vice President of Wellhope. He is now the Vice President of Wellhope. Mr. Xueqiang Wang is one of the important contributors to Wellhope's feed business management system. The Liaoning Region under his leadership is now the benchmark of Wellhope's "quality management", also the base camp of Wellhope's business development and talent growth.
Di Guo	Male, born in 1970, Chinese nationality, master of management from Shenyang Agricultural University. Joining Wellhope in 1996, he served successively as Salesman, Sales Manager, Deputy General Manager and General Manager of some subsidiaries, President of Huakang Group, Chief Director of feed business in Jilin and Heilongjiang regions, Secretary of the Board of Directors and Vice President of Wellhope. He is now the Vice President of Wellhope. Mr. Guo Di has rich experiences in marketing and enterprise management, who has been appointed to take on important responsibilities in times of crisis. He is an innovator of business development in Jilin and Heilongjiang regions.
Chen Yu	Male, born in 1984, Chinese nationality, master's degree from Shanghai University of Finance and Economics, certified public accountant. From September 2009 to January 2017, he worked at KPMG Huazhen LLP, holding the position of auditor and audit department manager. From January 2017 to May 2019, he worked at New Northeast Electric Group, responsible for financial management. From May 2019 to November 2021, he worked at Anhui Hetian Hospital Management Co., Ltd. as the chief financial officer. He has been appointed as the chief financial director of Wellhope in August 2022.
Wang Zhongtao	Male, born in 1964, Chinese nationality, Bachelor of Animal Husbandry in Shenyang Agricultural University, one of the founders of Wellhope. He once worked in Tianjin Huajin Company as a technical director, a large state-owned enterprise, and the sales manager of six provinces in North China at CONTINENTAL GRAIN COMPANY(the US). After founding Wellhope, he served successively as Purchasing Manager, Financial Manager, General Manager, etc, now holds the post of Chairman of the Supervisory Board. Mr. Wang Zhongtao is the most important contributor to the development and growth of Wellhope's trading business. Over the past 20 years, Wellhope's trading business has flourished and the business scale is among the top in China.
Marcus Leonardus van der Kwaak	Male, born in 1969, the Netherlands' nationality, master's degree, CFO of Royal De Heus, supervisor of Wellhope.
Li Jun	Male, born in 1972, Chinese nationality, master of Business Administration from Northeastern University. He used to be the export salesman of Shenyang Grain, Oil and Food Import and Export Company, and the sales manager of Shenyang Tongfeng Trading Company. He joined Wellhope in 2004 and successively served as General Manager of several trading subsidiaries. Now he is the Director of Wellhope trading business division, General Manager of Liaoning Expert Trading Company, and supervisor of Wellhope. Mr. Li Jun has been engaged in international trade for many years, who has rich experience in trading feed raw materials. He has made important contributions to the development of Wellhope's trading business.
Ren Bingxin	Male, born in 1963, Chinese nationality, PhD in cell engineering from Ocean University of China. He joined Wellhope in 1998 and has served as Production Manager, Technical Manager, ISO System Manager and Deputy General Manager. Now he holds the post of Technical Director of broiler feed line and Supervisor. Mr. Ren Bingxin is the chief expert of Wellhope's broiler feed products, with rich experience in feed production and technology research and development. He is an important participant and contributor to the rapid development of Wellhope's broiler integration business, and has obtained 2 authorized invention patents and 3 utility model patents during his tenure.
Yuan Minger	Female, born in 1970, Chinese nationality, bachelor's degree, senior auditor, joined Wellhope in 2004, served successively as Deputy Financial Manager of Liaoning Wellhope and Financial Manager of Wellhope Aquatic Feed Company, now holds the posts of Supervisor and Audit Manager of Wellhope.

**2. Post held by ongoing and outgoing Directors, Supervisors and senior managers in other entity****Post in other entities**

Name	Other entity	Post	Start of tenure	End of tenure
Zhang Shuyi	Shenyang Agricultural University	Taking charge of the subject of animal husbandry	2016	
Zhang Shuyi	Wuxi Kezhiqian Technology Company	Executive director	2012	
Zhang Shuyi	Liaoning Petmate Bio-tech Company	Board director	2016	
Jiang Yan	Weichai Power Co., Ltd.	Independent director	2020	
Jacobus Johannes de Heus	Royal De Heus	CEO	2002	
Marcus Leonardus van der Kwaak	Royal De Heus	CFO	2001	
Jin Weidong	Beijing Huikezhongda Information Consulting Company	Board director	2020	
Jin Weidong	Changzhou Sangdichuan Agricultural Development Company	Executive director	2021	
Jin Weidong	Liaoning Guowei Industrial Group Company	Board director	2021	

**3. Remuneration of Directors, Supervisors and Senior Management**

Decision-making procedure for remuneration	According to the Company's performance appraisal management, related regulations and the stipulations of the Remuneration and Performance Appraisal Committee of the Board of Directors.
Basis for determining remuneration	According to the remuneration level in the industry, the Company's business performance, job responsibilities, etc., and in accordance with the work plan made by the Board of Directors at the beginning of the year, in combination with individual's work performance and other qualitative and quantitative indicators.
Actual payment	Paying in accordance with the annual performance of the Company, the work performance of senior managers and management ability, etc.
Total remuneration during the reporting period	Totally paid RMB8.49 million to board directors, supervisory board directors and senior managers.

**4. Changes in directors, supervisors and senior management**

Name	Post	Change	Reason
Zhang Wenliang	CFO	Outgoing	Retirement
Chen Yu	Chief Financial Director	Appointment	Newly Appointed

**IV. Board Meetings Held in the Reporting Period**

Meeting	Date	Resolution
The tenth meeting of the seventh session of Board of Directors	April 27, 2022	No. 2022-020 public announcement --meeting resolution
The eleventh meeting of the seventh session of Board of Directors	May 24, 2022	No. 2022-040 public announcement --meeting resolution
The twelfth of the seventh session of Board of Directors	August 12, 2022	No. 2022-054 public announcement --meeting resolution
The thirteenth meeting of the seventh session of Board of Directors	October 24, 2022	No. 2022-070 public announcement --meeting resolution
The fourteenth meeting of the seventh session of Board of Directors	December 2, 2022	No. 2022-079 public announcement

**V. Performance of duties of directors****1. Circumstance of attending board meeting and shareholders' meeting**

Name	Independent director or not	Attendance of Board Meeting						Shareholders' Meeting
		Number of board meetings required to attend this year	Physical presence	Via Tele-communi	Via proxy	Number of absences	Whether continually fail to physically attend the meeting two times	Number of shareholders' meeting attended
Jin Weidong	no	5	5	4	0	0	no	2
Qiu Jiahui	no	5	5	2	0	0	no	2
Jacobus Johannes de Heus	no	5	5	5	0	0	no	0
Shao Caimei	no	5	5	4	0	0	no	2
Zhang Wenliang	no	5	5	4	0	0	no	2
Zhao Xin	no	5	5	2	0	0	no	1
ZUO XIAOLEI	yes	5	5	5	0	0	no	2
Jiang Yan	yes	5	5	5	0	0	no	2
Zhang Shuyi	yes	5	5	3	0	0	no	2

Number of board meetings held in this year	5
Including on-site meeting	0
Number of meetings held via telecommunication	2
Number of meetings held via on-site meeting and telecommunication	3

**VI. Circumstance of Special Committee of Board of Directors****1. Member of each committee**

Committee	Member
Audit committee	Jiang Yan(head), ZUO XIAOLEI, Zhang Wenliang
Nominating committee	ZUO XIAOLEI(head), Zhang Shuyi, Shao Caimei
Compensation and appraisal committee	Zhang Shuyi(head), Jiang Yan, Zhao Xin
Strategy committee	Jin Weidong(head), Jacobus Johannes de Heus, Qiu Jiahui, Zhang Wenliang, ZUO XIAOLEI

**2. Meetings held by the audit committee**

Date	Agenda	Important comments and suggestions	Other circumstance
April 22, 2022	To deliberate 2021 annual report, renewing contract with accounting firm, 2021 audit committee performance report, 2021 internal control evaluation report, and 2022 First Quarter Report	After full communication and discussion, all the proposals were unanimously approved	Non
August 10, 2022	To deliberate 2022 Interim Report, terminating and accepting the projects invested by funds raised from 2019 privately issuing shares, and permanently replenishing working capital with surplus proceeds, and a special report on the deposit and actual use of raised funds in the second half of 2022	After full communication and discussion, all the proposals were unanimously approved	Non
October 22, 2022	To deliberate 2022 Third Quarter Report	After full communication and discussion, all the proposals were unanimously approved	Non

**3. Meetings held by the nominating committee**

Date	Agenda	Important comments and suggestions	Other circumstance
August 10, 2022	Deliberating the proposal on the appointment of the Company's chief financial director	After full communication and discussion, all the proposals were unanimously approved	Non

**4. Meetings held by the compensation and appraisal committee**

Date	Agenda	Important comments and suggestions	Other circumstance
April 10, 2022	Deliberating the compensation plan for the board directors and senior executives, failing to achieve the conditions for unlocking restricted shares in the third lock-up period stated in 2018 Restricted Stock Incentive Plan, cancelling and writing off the shares	After full communication and discussion, all the proposals were unanimously approved	Non

**VII. Employees of the Parent Company and Major Subsidiaries****1. Headcount**

Full time employee of parent company	275
Full time employee of major subsidiaries	8,088
Total full-time employees	8,363

The number of retired employees whose expenses are borne by the parent company and major subsidiaries	8
<b>Functions</b>	
Line	Employees
Production	3,283
Sales	2,618
Technology	831
Finance	446
Administration	1,185
Total	8,363
<b>Educational backgrounds</b>	
Educational background	Employees
Master's degree and above	489
Bachelor's degree	2,821
Junior college	2,512
Below junior college	2,541
Total	8,363

## 2. Remuneration policy

The Company always follows the human resource policy of providing a fair, just and merit-based environment for rewarding employees, builds a comprehensive compensation and performance incentive system from salary policy, appointment management, long-term and short-term incentives to welfare protection and other aspects, continuously improves and innovates incentive mechanism, strongly correlates staff salary with performance to stimulate staff's internal drive, promoting staff to continuously achieve goals and realizing career development.

In 2022, the overall market environment was sluggish, the Company worked hard to operate and protect employee compensation and benefits. On this basis, the Company further promoted process performance management and applied process tracking to annual performance management, and determined key personnel awards, appointment, annual compensation and other incentive matters based on annual performance results. Meanwhile, the Company continuously promoted the implementation of compensation optimization projects in some business segments and regions to standardize basic compensation management. At the same time, the Company continued to optimize the Appointment Management Measures and revise the commendation program to select more outstanding managers with a scientific appointment system, to guide and stimulate employees' sense of honor, and to promote their career development and self-realization.

The Company provides employees with social insurance in accordance with the law, and on this basis provides commercial insurance, annual physical examination and other benefits; through the "employee shopping festival", "Wings of Love" charity foundation and other ways to enrich employee benefits, realize internal resource sharing and improve staff satisfaction.

## 3. Training plan

Led by strategic goals and human resource strategy, the Company's trainings focused more on

supporting business development and operation improvement, paid attention to the growth and cultivation of key talents.

1. The Company's training center closely followed the business needs, explored excellence, and created a training method that combined training and practice. By introducing the 5D training model, implemented more than 20 training programs covering different groups of staff such as front sales, operations and functional backbones, helping each business segments and functional line to enhance job skills and improve operational performance. More than 10 excellent benchmarking cases were explored to extract experiences and replicate in the group, covering more than 15,000 people.

2. Strengthening the construction of talent echelon and enhancing the training and cultivation of key talents in key positions. Based on the original training system, optimizing the three-in-one new employee training program to accelerate the integration, adaptation, stability and development of newcomers. Enhancing training management in functional lines to further support business development. Paying close attention to the management's ability improvement, organized live learning for the middle and senior management team of over 2,500 people to reach consensus and synergy interlock. Introduced a course rating system to establish a culture of independent learning, and increased the per capita learning rate of employees by 8% for the year.

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

##### **1. Cash dividend**

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

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

The Company's profit distribution proposal for 2022 is to distribute a cash dividend of RMB1.20 (tax included) for every 10 shares to all shareholders based on the total share capital of the Company registered on the date of registration of the implementation of the equity distribution (excluding the shares held in the Company's repurchase special account). As of December 31, 2022, the total share capital of the Company was 919,430,450 shares, excluding 20,956,579 shares held in the Company's repurchase special account, and the estimated cash dividend of RMB107,816,864.52 (tax included) was

calculated on the basis of 898,473,871 shares, representing 21% of the Company's net profit attributable to shareholders of the Company in 2022.

## 2. Profit distribution and capitalizing of common reserves in the reporting period

Unit: yuan Currency: RMB

Number of bonus shares per 10 shares (shares)	
Number of dividends per 10 shares (RMB) (tax included)	1.20
Amount of cash dividends (tax included)	107,816,864.52
Net profit attributable to ordinary shareholders of the Company in the consolidated statements for the year of dividend distribution	513,532,382.02
Percentage of net profit (%)	21.00
Total amount of dividends (tax included)	107,816,864.52
Percentage of net profit (%)	21.00

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

Overview	Query URLs
On April 27, 2022, the Company held the tenth meeting of the seventh session of board of directors and the eighth meeting of the seventh session of supervisory board, which approved the Proposal on Failing to Fulfill the Conditions for Unlocking the Restricted Shares of the Third Lock-up Period of 2018 Stock Incentive Plan and the Repurchasing and Cancellation of Part of Restricted Stock. The Company's performance in 2021 did not reach the assessment conditions stated in the 2018 Restricted Stock Incentive Plan (Draft), the Board of Directors agreed to repurchase and cancel the restricted shares granted to 364 incentive targets, which totally repurchased 5.742 million shares, accounting for 0.62% of the total share capital of the Company before this repurchase and cancellation.	Details can be obtained at <a href="http://www.sse.com.cn">www.sse.com.cn</a> , announcement disclosed on April 29, 2022, No. 2022-024
On June 20, 2022, the Company disclosed the announcement of the Implementation of Repurchasing and Writing off Part of Restricted Shares. 5.742 million shares held by 364 individuals had been repurchased and written off by the Company. On June 22, 2022, these shares were written off.	Details can be obtained at <a href="http://www.sse.com.cn">www.sse.com.cn</a> , announcement disclosed on June 20, 2022, No. 2022-046

## X. Internal Control System Construction and Implementation

The Company is going to disclose the evaluation report of internal control when discloses 2022 Annual Report. Details, please refer to the website of Shanghai Stock Exchange (<http://www.sse.com.cn>).

## XI. Management and Control of Subsidiaries during the Reporting Period

The Company implemented internal control management on its subsidiaries in strict accordance with relevant provisions of laws and regulations. By managing subsidiaries' operation, human resource, finance, internal audit, information disclosure, investment and financing, business assessment and other management measures, the Company controlled the risk of subsidiaries. Each subsidiary

uniformly implemented the standards and regulations issued by the Company, and established business plans and risk management procedures according to the Company's overall development strategic planning and annual business plan. Each subsidiary, in accordance with major event reporting regulations and review procedures, timely reported major business and financial events to the responsible person of the Company, and reported major events to the Company's board of directors or shareholders' meeting. During the reporting period, the subsidiaries operated stably, the Company has no major defects in the management and control of the subsidiaries, and the internal control of the subsidiaries have been effectively implemented.

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

Suyajincheng CPA LLP issued the Audit Report, put forward that Wellhope has maintained effective internal control over financial reports in all major aspects on December 31, 2022 in accordance with relevant regulations. Details, please refer to the website of Shanghai Stock Exchange (<http://www.sse.com.cn>).

**XIII. Circumstance of Rectification regarding Self-inspection on Corporate Governance**

Non

## Section V Environment and Social Responsibility

### I. Environment information

Whether establishing mechanisms related to environmental protection	Yes
Funds invested in environmental protection during the reporting period (unit: RMB 10K)	2,047.59

#### 1. Information of pollutant-discharging subsidiaries disclosed

Puyang Wellhope Food Company (hereinafter referred to as "Puyang Wellhope"), a subsidiary of Wellhope, has been listed as the company with pollution discharging of Puyang City. Dalian Zhongjia Wellhope Food Company (hereinafter referred to as "Zhongjia Food") and Dalian Huakang Xinxin Food Company (hereinafter referred to as "Dalian Huakang"), subsidiaries of Wellhope, have been listed as the company with pollution discharging of Dalian City. Shenyang Huakang Broiler Company (hereinafter referred to as "Shenyang Huakang"), a subsidiary of Wellhope, has been listed as the company with pollution discharging of Shenyang City. Pingyuan Wellhope Food Processing Company (hereinafter referred to as "Pingyuan Wellhope"), a subsidiary of Wellhope, has been listed as the company with pollution discharging of Handan City. Changchun Wellhope Food Company (hereinafter referred to as "Changchun Wellhope"), a subsidiary of Wellhope, has been listed as the company with pollution discharging of Changchun City. Chifeng Wellhope Fuxinyuan Food Company (hereinafter referred to as "Chifeng Wellhope"), a subsidiary of Wellhope, has been listed as the company with pollution discharging of Chifeng City. Shandong Heyuan Food Company (hereinafter referred to as "Shandong Heyuan"), a subsidiary of Wellhope, has been listed as the company with pollution discharging of Weihai City. Dunhua Fengda Agriculture and Animal Husbandry Development Company (hereinafter referred to as "Dunhua Fengda"), a subsidiary of Wellhope, has been listed as the company with pollution discharging of Dunhua City. Daqing Wellhope Food Company (hereinafter referred to as "Daqing Wellhope"), a subsidiary of Wellhope, has been listed as the company with pollution discharging of Daqing City.

Details are presented as follows.

Company	Primary pollutants	Way of discharge	Number of discharge outlet	Distribution of outlets	Emission concentration	Pollutant discharge standards	Total Emissions	Total approved emissions	Whether discharge excessive pollutants
Puyang Wellhope	Waste water (COD, ammonia nitrogen, total phosphorus, PH, suspended solids, biochemical oxygen demand, animal and plant oil, total coliform, total nitrogen). Waste gas (SO <sub>2</sub> , nitric oxide, particulate matter)	Waste gas—direct discharge after treatment, waste water--indirect discharge	1 outlet for waste gas, 1 for waste water	1 waste water emission outlet located in the southeast corner of the sewage monitoring station, 1 waste gas exhaust outlet distributed in the boiler room in the northeast corner of the factory	COD: 61.665mg/L Ammonia nitrogen: 3.576mg/L Total phosphorus: 0.433mg/L Total nitrogen: 17.832mg/L SO <sub>2</sub> : 0mg/ m <sup>3</sup> Nitrogen oxide: 25mg/ m <sup>3</sup> Particulate matter: 3.5mg/ m <sup>3</sup>	Discharge Standard of Water Pollutants for Meat Processing Industry (GB 13457-1992). Boiler Air Pollutant Emission Standard (GB 13271-2014)	COD: 24.825359t/a Ammonia nitrogen: 1.439776t/a	COD: 72.48t/a Ammonia nitrogen: 5.436t/a	No
Zhongjia Food	Waste water (COD, ammonia nitrogen, total phosphorus, PH, suspended solids, biochemical oxygen demand, total nitrogen). Waste gas (SO <sub>2</sub> , nitric oxide, particulate matter)	Waste gas—direct discharge after treatment, waste water--access to sewage works	1 outlet for waste gas, 1 for waste water	Waste water enters the sewage plant through the pump; the exhaust gas outlet is distributed in the boiler house on the north side of the company	COD: 41.35mg/L Ammonia nitrogen: 1.98mg/L Total nitrogen: 21.46mg/L Total phosphorus: 2.64mg/L PH value: 7.27 Particulate matter: 22.9mg/m <sup>3</sup> Sulfur dioxide: 209mg/m <sup>3</sup> Nitrogen oxides: 132mg/m <sup>3</sup>	Comprehensive Wastewater Discharge Standard of Liaoning Province (GB 21/1627-2008). Boiler Air Pollutant Emission Standard (GB 13271-2014)	Simplify management without emissions	Non	No
Dalian Huakang	Waste water (COD, ammonia nitrogen, total phosphorus, PH, suspended solids, total nitrogen). Waste gas (SO <sub>2</sub> , nitric oxide, particulate matter)	Waste water--put into the pipe network after treatment, waste gas—direct discharge	1 outlet for waste gas, 1 for waste water	Wastewater discharge outlet is distributed in the southeast corner of the company's sewage treatment	COD: 300mg/L Ammonia nitrogen: 30mg/L Total phosphorus: 5mg/L Total nitrogen: 50mg/L	Comprehensive Wastewater Discharge Standard of Liaoning Province (GB 21/1627-2008). Boiler Air Pollutant Emission Standard (GB 13271-2014)	Wastewater is unified into the pipe network, no emissions; exhaust gas is used in the biomass boiler, no exhaust gas emissions	Non	No

				workshop; exhaust gas outlet is located on the roof of the company's boiler house					
Shenyang Huakang	Waste water (coliform group, 5 days biochemical oxygen demand, suspended matter, animal and plant oil, ammonia nitrogen, PH, chemical oxygen demand, total phosphorus). Waste gas (particulate matter, sulfur dioxide, nitrogen oxides, smoke blackness, mercury and its compounds)	Waste gas—direct discharge after treatment, waste water--put into the municipal pipe network after treatment	1 outlet for waste gas, 1 for waste water	Wastewater discharge outlet is distributed in the southeast corner of the company's sewage monitoring base station. The exhaust gas outlet is located at the boiler house in the northeast corner of the company	COD: 22.68mg/ m <sup>3</sup> Suspended matter: 15mg/ m <sup>3</sup> Ammonia nitrogen: 1.331mg/ m <sup>3</sup> Five-day biochemical oxygen demand: 10.4mg/ m <sup>3</sup> Total phosphorus: 2.56mg/m <sup>3</sup> Animal and vegetable oil: 4.47mg/m <sup>3</sup> Total coliform: 16000/L Particulate matter: 24.2mg/m <sup>3</sup> Sulfur dioxide: 40mg/m <sup>3</sup> Nitrogen oxides: 185mg/m <sup>3</sup> Mercury and its compounds: <0.003ug/m <sup>3</sup> Ringerman blackness: <1 grade	Discharge Standard of Water Pollutants for Meat Processing Industry (GB 13457-1992). Comprehensive Wastewater Discharge Standard (GB 21/1627-2008). Boiler Air Pollutant Emission Standard (GB 13271-2014) Integrated Emission Standard of Air Pollutants (GB 16297-1996). Emission Standards for Odor Pollutants (GB 14554-92)	COD: 7.0846t/a Ammonia nitrogen: 0.419t/a Sulfur dioxide: 0.60415t/a Nitrogen oxides: 1.655t/a	COD: 118.27t/a Ammonia nitrogen: 32.76t/a Sulfur dioxide: 5.268t/a Nitrogen oxides: 5.506t/a	No
Pingyuan Wellhope	Waste water (COD, ammonia nitrogen, total phosphorus, PH, suspended matter, biochemical oxygen demand, animal and plant oil, total coliform group, total nitrogen). Waste gas (SO <sub>2</sub> , nitric oxide, particulate matter)	Waste gas—direct discharge via natural gas boiler, waste water—indirect discharge	6 outlets for waste gas, 1 for waste water	Wastewater discharge outlet is distributed in the north of the company sewage monitoring base station house, the exhaust gas outlets are distributed in the boiler house on the east side of	Ammonia nitrogen: 20mg/L COD: 100mg/L Biochemical oxygen demand: 60mg/L PH value: 6-9 Suspended matter: 200mg/L Animal and vegetable oil: 20mg/L SO <sub>2</sub> : 0mg/m <sup>3</sup> Nitrogen oxide: 21mg/m <sup>3</sup> Particulate matter: 2.8mg/m <sup>3</sup> Oil smoke: 2.0mg/m <sup>3</sup> Stench: 2000(dimensionless) Hydrogen sulfide: 0.06mg/m <sup>3</sup> Ammonia: 1.5mg/m <sup>3</sup>	Discharge Standard of Water Pollutants for Meat Processing Industry (GB 13457-1992) and inlet water quality requirements of Linzhang County. Boiler Air Pollutant Emission Standard (GB 13271-2014)	COD: 4.574t/a Ammonia nitrogen: 0.288t/a SO <sub>2</sub> : 0t/a Nitrogen oxide: 0.376t/a	COD: 74.488t/a Ammonia nitrogen: 9.732t/a SO <sub>2</sub> : 3.395t/a Nitrogen oxide: 3.789t/a	No

				the company					
Changchun Wellhope	Waste water (COD, ammonia nitrogen, total phosphorus, PH, suspended matter, biochemical oxygen demand, total nitrogen)	Waste water--discharge after entering the sewage treatment station	1 outlet for waste water	Wastewater discharge outlet is distributed in the company's sewage monitoring station	COD: 14mg/L Suspended matter: 8mg/L Coliform count: not detected PH value: 7.96 Ammonia nitrogen: 0.587mg/L Five-day biochemical oxygen demand: 2.7mg/L Animal and vegetable oil: 0.17mg/L	Level 2 standard of Discharge Standard of Water Pollutants for Meat Processing Industry (GB 13457-1992)	COD: 3.487t/a Ammonia nitrogen: 0.104t/a	COD: 12.619t/a Ammonia nitrogen: 2.524t/a	No
Chifeng Wellhope	Waste water (COD, ammonia nitrogen, total phosphorus, PH, suspended solids, biochemical oxygen demand, animal and plant oil, total coliform group, total nitrogen)	Waste water--indirect discharge	1 outlet for waste water	Wastewater outlet is distributed in the east side of the company's sewage monitoring base station	COD: 500mg/L Ammonia nitrogen: 65mg/L PH value: 6-9	Discharge Standard of Water Pollutants for Meat Processing Industry (GB 13457-1992). Integrated Emission Standard of Air Pollutants (GB 16297-1996). Emission Standards for Odor Pollutants (GB 14554-93). Boiler Air Pollutant Emission Standard (GB 13271-2014)	COD: 0.92t/a Ammonia nitrogen: 0.034t/a	COD: 40.6t/a Ammonia nitrogen: 6.28t/a	No
Shandong Heyuan	Waste water (chemical oxygen demand, suspended matter, coliform group, anionic surfactant, ammonia nitrogen, PH, total phosphorus, PH, 5 days biochemical oxygen demand). Waste gas (particulate matter, sulfur dioxide, nitrogen oxides)	Waste water—discharge after entering the sewage treatment plant	1 outlet for waste gas, 1 for waste water	Wastewater outlet is distributed in the southeast side of the sewage pool of the company's sewage treatment station, the exhaust gas outlet is distributed in the boiler house on the northwest side of the company	Anionic surfactant: 10mg/L PH value: 6.5-9.5 Ammonia nitrogen: 35mg/L COD: 500mg/L Total nitrogen: 45mg/L Animal and vegetable oil: 100mg/L Five-day biochemical oxygen demand: 200mg/L Suspended matter: 400mg/L Total phosphorus: 6mg/L Chromaticity: 64 Number of coliform bacteria: 10000/L	Comprehensive Discharge Standard for Water Pollutants in Peninsula Watershed of Shandong Province (DB37/676-2007). Emission Standard for Air Pollutants from Boilers (DB 37/2374-2018)	COD: 192.8t/a Ammonia nitrogen: 17.35t/a Total nitrogen: 27t/a	COD: 1485t/a Ammonia nitrogen: 103.95t/a Total nitrogen: 133.65t/a	No
Dunhua Fengda	Wastewater (COD, ammonia nitrogen, total phosphorus, total nitrogen, PH, suspended	Waste gas—direct discharge after treatment,	1 outlet for waste gas, 1 for waste water	The waste gas outlet is located at the boiler room on	COD: 100mg/L Ammonia nitrogen: 20mg/L PH value: 6-8.5	Discharge Standard of Water Pollutants for Meat Processing Industry (GB 13457-1992). Boiler Air Pollutant Emission Standard (GB 13271-2014).	COD: 37.8t/a Ammonia nitrogen: 7.56t/a	Non	No

	matter, biochemical oxygen demand, animal and vegetable oils, total coliform bacteria), waste gas (SO <sub>2</sub> , nitrogen oxide, particulate matter, smoke blackness)	waste water—discharge after entering the sewage treatment plant		the southeast side of the plant. The waste water outlet is located on the north side of the cesspool of the company's wastewater treatment station	Animal and vegetable oil: 20mg/L Five-day biochemical oxygen demand: 40mg/L Suspended matter: 100mg/L Number of coliform bacteria: 10000/L SO <sub>2</sub> : 300mg/m <sup>3</sup> Nitrogen oxide: 300mg/m <sup>3</sup> Particulate matter: 50mg/m <sup>3</sup>	Emission Standards for Odor Pollutants (GB 14554-93) Integrated Emission Standard of Air Pollutants (GB 16297-1996).			
Daqing Wellhope	Waste water (COD, ammonia nitrogen, PH, total soluble solids (salt), flow, biochemical oxygen demand for five days, suspended matter, total nitrogen, total phosphorus, animal and plant oil, fecal coliform count, anionic surfactant), waste gas (particles, SO <sub>2</sub> , NO <sub>x</sub> , smoke blackness, hydrogen sulfide, ammonia, odor concentration, lampblack, mercury and its compounds)	Waste gas—direct discharge after treatment, waste water—discharge after entering the sewage treatment plant	1 outlet for waste gas, 1 for waste water	The waste gas outlet and waste water outlet are located on the north side of the plant	COD: 80mg/L Five-day biochemical oxygen demand: 15mg/L Suspended matter: 50mg/L Ammonia nitrogen: 12mg/L Animal and vegetable oil: 5mg/L PH value: 6-8.5 Total phosphorus: 0.5mg/L Number of coliform bacteria: 10000/L Anionic surfactant: 3mg/L Total nitrogen: 16mg/L Particulate matter: 50mg/Nm <sup>3</sup> Nitrogen oxide: 300mg/Nm <sup>3</sup> Sulfur dioxide: 300mg/Nm <sup>3</sup> Mercury and its compounds: 0.05/Nm <sup>3</sup>	Discharge Standard of Water Pollutants for Meat Processing Industry (GB 13457-1992). Boiler Air Pollutant Emission Standard (GB 13271-2014). Emission Standards for Odor Pollutants (GB 14554-93)	Particulate matter: 0.51t/a SO <sub>2</sub> : 2.45t/a Nitrogen oxide: 3.06t/a COD: 56t/a Ammonia nitrogen: 8.4t/a	Non	No

## 2. Circumstance of building and operating pollution control facilities

### Puyang Wellhope

a. Sewage treatment: Puyang Wellhope has a 2,000-tons-per-day sewage treatment station, which adopts the treatment process of "pretreatment-oil separation-A2O-disinfection" to treat the wastewater. Its environmental protection facilities are running normally, and the pollutant emission indexes all meet the required standards.

b. Waste gas treatment: Gas generated by the waste water pool of the sewage treatment station is collected and purified by alkali washing tower and activated carbon adsorption and then discharged through the 25-meter-high chimney in accordance with related standard. The waste gas of the slaughtering shed and broiler suspension platform can be collected and treated by alkali washing tower and activated carbon adsorption and purification. After that, the waste gas can be discharged through the 15-meter-high chimney. The traditional coal-fired boilers are replaced by gas-fired boilers, and the company carried out low nitrogen upgrading, all kinds of pollutants meet the emission standards.

### Zhongjia Food

a. Sewage treatment: Zhongjia Food has a 1,200-tons-per-day sewage treatment station, which adopts the treatment process of "mechanical barrier-oil separator-regulation pool-hydrolysis pool- catalytic oxidation pool-sedimentation pool-sand filter" to treat the wastewater.

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

### Shenyang Huakang

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

b. Waste gas treatment: By equipping biomass boiler, the smoke was treated by the bag filter, pollutant emissions were in line with the coal-fired boiler emission concentration requirements, discharging gas by a 35-meter-high chimney to effectively met related standards.

### Dalian Huakang

a. Sewage treatment: Dalian Huakang has a 1,500-tons-per-day sewage treatment station that adopts the treatment process of "mechanical barrier-oil separator-regulation pool-air flotation-hydrolysis pool-A2O-sedimentation pool-advanced treatment pool-clean water pool", which can achieve required standards.

b. Waste gas treatment: Dedusting the smoke and dust by wet method and conducting desulfurization by magnesium oxide, then discharging gas by a 36-meter-high chimney. Gas emission meet all required standards.

#### Pingyuan Wellhope

- a. Sewage treatment: Pingyuan Wellhope has a 1,000-tons-per-day sewage treatment station, which adopts AO treatment process to dispose wastewater. Its environmental protection facilities are running normally, and the pollutant emission indexes have reached all required standards.
- b. Waste gas treatment: Gas generated by the waste water pool of the sewage treatment station is collected and purified by activated carbon adsorption and then discharged through the 15-meter-high chimney. The traditional coal-fired boilers are replaced by gas-fired boilers with low carbon, all kinds of pollutants meet the emission standards. Discharging gas by a 12-meter-high chimney.

#### Changchun Wellhope

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

#### Chifeng Wellhope

Wastewater treatment: Chifeng Wellhope has a 2,400-tons-per-day sewage treatment station, which adopts the treatment process of A<sup>2</sup>/O. The equipment and facilities are running normally, which can automatically monitor the COD, ammonia nitrogen, PH and flow of wastewater discharge, and it is networked with the Municipal Natural Environmental Protection Bureau. The company has also constructed a biogas project with a daily output of 8,000 m<sup>3</sup>, which can ferment waste water and manure, etc., marsh gas can be used for boiler production, biogas residue and slurry used as fertilizer to grain.

#### Shandong Heyuan

- a. Sewage treatment: Shandong Heyuan has a 2,000-tons-per-day sewage treatment station, which adopts AO treatment process to dispose wastewater. Its environmental protection facilities are running normally, and the pollutant emission indexes have reached all required standards.
- b. Waste gas treatment: Gas generated by the waste water pool of the sewage treatment station is collected and purified by activated carbon adsorption and then discharged through the 15-meter-high chimney. The traditional coal-fired boilers are replaced by gas-fired boilers, all kinds of pollutants meet the emission standards, which discharge gas by a 10-meter-high chimney.

#### Dunhua Fengda

- a. Sewage treatment: Dunhua Fengda has an 800-tons-per-day sewage treatment station, which adopts the treatment process of air flotation plus A2O to treat the wastewater produced by the company. Its environmental protection facilities are running normally, and the pollutant emission indexes have reached all required standards.
- b. Waste gas treatment: The gas produced by the boiler is discharged through a 20-meter-high chimney after dust removal by cloth bags. The traditional coal-fired boilers are replaced by gas-fired

boilers, all kinds of pollutants meet the emission standards, which discharge gas by a 20-meter-high chimney.

Daqing Wellhope

- a. Sewage treatment: Daqing Wellhope has a 500-tons-per-day sewage treatment station, which adopts the treatment process of A2O to treat the wastewater and discharge to the sewage treatment plant.
- b. Waste gas treatment: By equipping a biomass boiler, the waste gas was removed by cloth bag and multi-tube ceramic dust collector, then discharged by exhaust funnel. All kinds of pollutants meet the emission standards.

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

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

### **4. Emergency plan for environmental incident**

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

### **5. Self-monitoring program for environment**

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

### **6. Administrative penalties imposed for environmental issues in the reporting period**

Non

### **7. Description of environmental protection of other subsidiaries**

#### **A. Administrative penalties for environmental problems**

Linyi Wellhope Animal Husbandry Company received an administrative penalty decision letter from the Ju'nan County Branch of Linyi City Ecological Environment Bureau on May 12, 2022 for using non-road mobile machinery with substandard emissions, imposing a fine of RMB5,000.00 on this company.

Huai'an Feed Mill received an administrative penalty decision letter from Huai'an City Industrial Park Ecological Environment Bureau on June 1, 2022 for not running the exhaust gas treatment facilities during the special inspection, imposing a fine of RMB 10,000.00 on this company.

The above-mentioned companies started rectification and paid the fine at the first time. In the meantime, comprehensively reviewed and standardized the management related to environmental

protection. The Company will strictly implement environmental protection initiatives in accordance with relevant national policies to avoid the recurrence of such incidents.

**B. Information that is conducive to protecting the ecology, preventing pollution, and fulfilling environmental responsibility**

The Company strengthened environmental management in its daily operations, built new pollution prevention projects to effectively fulfill the responsibility of corporate entities to protect the environment. The Company and its holding subsidiaries have made efforts to protect the ecology and prevent pollution in the areas of animal raising, slaughtering and food processing. In terms of preventing water pollution, the sewage treatment station of the Company's broiler slaughtering plant's is designed to meet all the standards, which operated stably throughout the year to meet the discharge standards and ensure the water environment. In terms of preventing air pollution, the slaughtering plants use biomass boilers and natural gas boilers that produce significantly less carbon oxides and nitrogen oxides than other fuels and do not require desulfurization and denitrification technologies, which can fully guarantee the emission of standards. In terms of preventing the pollution of animal raising waste emission, the Company's broiler raising subsidiaries built the project of organic fertilizer making by aerobic fermentation of broiler manure in 2021, which can transform agricultural farming waste into efficient organic fertilizer quickly and conveniently through modern biotechnology, so that agricultural farming waste can be resourcefully utilized to realize the recycling, high efficiency and comprehensive utilization of farming waste.

**C. Measures taken to reduce carbon footprint and the result in the reporting period**

Whether taking carbon reduction measures	Yes
Types of carbon reduction measures (e.g., using clean energy to generate electricity, using carbon reduction technologies in the production process, developing and producing new products that contribute to carbon reduction, etc.)	Using carbon reduction technologies in the production process

During the reporting period, the Company focused on the source of carbon emissions and effectively reduce carbon footprint through practical measures. The Company and its holding companies use natural gas boilers, and the carbon generated by the combustion of natural gas are significantly lower than those of other fuels. At the same time, it adopts refrigeration heat recovery technology, which can recover the waste heat from the exhaust of refrigeration compressors and from oil temperature, and heat the water in the workshop and other equipment through heat exchangers, thus saving fuel, which can effectively reduce carbon footprint. In terms of equipment, the aeration fan of sewage station has been changed from Roots blower to air suspension to save 30% power and reduce the carbon generated by power generation. For pig farming, the Company strengthened the energy-saving design for pig house, pre-heated the air during winter ventilation, reduced the use of heating gas through heat exchange, and adopted environmental controllers to precisely control the start and stop of fans, which

reduced electricity consumption compared to the long running of fans, and reduced the carbon emissions generated by power generation. In the future, the Company will further save energy and reduce carbon emissions, and enhance the awareness of energy saving and consumption reduction among all employees.

## II. Social responsibilities

External donations, public welfare projects	Amount/Content	Explanation
Total investment (RMB 10k)	199.54	Scholarship, public welfare, poverty alleviation and other donations
Of which: funds (RMB 10k)	181.49	
Converted price of materials (RMB 10k)	18.05	

The upstream of agriculture and animal husbandry industries is connected with the planting industry, and the downstream serves the agricultural and food processing industry, which is related to the food supply and farmers' income and other national livelihood. As a key leading enterprise of agricultural integration, the Company wrote and announced the Declaration and Mission at the beginning of its establishment in 1995, indicating and warning all employees of the social responsibility and mission that the Company should shoulder while progressing and developing itself, and further clarifying the Company's core values of "integrity, responsibility and win-win" in 2018", once again emphasizing the importance of responsibility.

### 1. Practicing corporate mission, undertaking social responsibilities

#### A. Saving food resources and protecting the ecological environment

The largest amount of raw materials used in feed is corn and soybean meal, of which soybeans are mainly dependent on imports. In recent years, with the increase in consumption of meat, eggs and milk, the demand for feed grain continues to grow. Since 2018, China has vigorously promoted the reduction of the use of corn and soybean meal in feed to ensure national food security. With the aim of saving grain resources, the Company has been promoting low protein diets, adopting the net energy - low protein diet technology, adding lysine, threonine and other monomeric amino acids to further replace soybean meal, and actively building a diversified formulation technology system, doing a lot of research and development and promoting the application of corn substitution in wheat, brown rice corn mixture, sorghum flour and other grains to reduce the dependence of the diet on corn, soybean meal. As the livestock industry is polluting to the environment, the Company has always been rigorous in implementing national environmental protection standards, controlling the feed production process through technological innovation and equipment investment, while continuing to develop safe and environmentally friendly diets to reduce the emission of heavy metals, nitrogen and phosphorus. Regarding the farming and slaughtering projects, the Company's subsidiary enterprises have

comprehensively identified the environmental risks and formulated contingency plans for environmental emergencies, and the enterprises with pollution discharges have formulated complete self-monitoring programs to promptly repair and eliminate potential problems, promoting the healthy and sustainable development of the farming industry.

**B. Keeping corporate responsibility in mind to ensure food safety**

In 2018, the Company positioned its long-term development objective as "being committed to becoming the world's leading enterprise across agriculture, animal husbandry and food industries", unswervingly pursuing the quality and safety of feed processing and meat processing. For feed production, the Company has established a quality management mechanism and testing system with three-level management at headquarters, business region and subsidiary companies, and strictly implemented a series of quality standards such as Feed Quality and Safety Management Code, Veterinary Drug Production Quality Management Code and other internal standards to control raw materials and feed products at all levels and established a traceability system. The Company has always taken the responsibility to provide safe and high-quality products, and since 2013, has stockpiled a number of comprehensive programs to completely replace feed antibiotics. Before the official promulgation of the national feed ban, the Company has achieved a variety of feed products without antibiotics. In terms of farming and meat processing, the Company implements process management in the farming process with unified production standards and feeding programs, and constantly strengthens the quality management during the slaughtering and processing process, and effectively implement all-in and all-out inspection and quarantine as well as drug residue testing to ensure quality and safety. In terms of business mode, the Company's broiler integration business has formed an industrial chain, implemented strict control of the whole process starting from feed, day old chick to the production and sales process. Through standardized management and streamline operation, the Company, cooperating with its partners, consolidates the controls of bio-safety, drug residue and in-process hygiene to achieve traceable food safety. In the future, Wellhope is going to pay attention to food safety and provide safe and high-quality products with a global vision.

**C. Not forgetting the original intention of entrepreneurship, being enthusiastic about public welfare**

The corporate culture of Wellhope has always emphasized the mission of serving the society, insisting on doing good to people and giving back to the society. Since its establishment, the Company has always supported public welfare and charitable causes to the best of its ability. The Company and its subsidiaries have made many donations directly or through the Red Cross and other public welfare organizations to sudden disaster areas, assistance projects for the disabled and related educational institutions. The Company has also actively participated in education and public welfare, donating to 6 hope primary and secondary schools, providing education funds, scholarships and grants to nearly 30 colleges and universities nationwide, encouraging students of relevant colleges and universities to

conduct scientific research and innovation in their respective fields, and providing opportunities for students of colleges and universities to visit the Company and take internships during holidays. In the future, the Company will continue to promote the development of China's animal husbandry industry, support education and talent training, consolidate the local poverty alleviation achievements, and practice the responsibilities of corporate citizenship with down-to-earth actions.

**D. Continuously attracting talents, promoting social employment**

Talented person is the foremost asset and valued resource of Wellhope. According to the development needs, the Company conducts social and campus recruitment every year to create jobs for the society at the same time of its own development. 2022, the international situation was complicated and changeable, economic downward pressure and many other unfavorable factors increased pressures on social employment, the Company, on the basis of ensuring the employment of its own employees, provided recruitment positions through different channels such as social recruitment and campus recruitment to protect the employment of job seekers, also gave them systematic training to promote the career development of talents.

**2. Continuously absorbing talents and promoting social employment**

**-For shareholders**

**A. Improving corporate governance, comply with information disclosure**

In terms of internal governance, the Company has always adhered to honest management, continuously improved its governance structure, and gradually established a scientific and efficient decision-making, implementation and supervision mechanism, with a clear division of labor, authority and responsibility among the Shareholders Meeting, the Board of Directors, the Supervisory Board and the Management, to achieve standardized, orderly and efficient operation. The independent directors, the Supervisory Board and the special committees of the Board of Directors all play key functional roles and perform their duties scrupulously, faithfully and diligently, improving the transparency of corporate governance and effectively safeguarding the legitimate rights and interests of the Company and its shareholders. Meanwhile, the Company revised a number of internal management provisions during the reporting period to ensure compliance with the corporate governance system. In terms of information disclosure, the Company has formulated internal provisions and rules on the basis of the information disclosure affairs management system, and strictly fulfilled its information disclosure obligations from top to bottom. In 2022, the Company completed the disclosure of 81 interim announcements and 4 periodic reports on designated information disclosure media, and made timely, fair and accurate disclosure of information on material events that meet the disclosure requirements, which has protected the legitimate rights and interests of investors. For the fifth consecutive year, the Company's annual information disclosure work received an A-grade evaluation from the Shanghai Stock Exchange.

**B. Enhancing information sharing and making every effort to reward shareholders**

Based on the principle of "sharing results", the Company has been actively enhancing investors' returns and sharing the results of its operation through cash dividends and share repurchases on the basis of conscientiously implementing its development strategy and continuously improving management level. Since completing IPO in 2014, the Company has paid cash dividends of RMB 849 million, and all the funds raised from the initial public offering have been returned to investors in the form of cash dividends. In 2021, the Company repurchased 20.96 million shares, and the RMB 200 million spent on the implementation of share repurchase was regarded as cash dividends according to relevant regulations, accounting for 168.74% of the Company's net profit attributable to the parent company in 2021. At the same time, the Company held 3 performance briefing sessions during the reporting period to provide investors with a comprehensive introduction of the Company's operation, actively answered investors' questions, and popularized investor protection-related knowledge on the Company's official website and self-media platforms to increase information sharing with investors and strengthen investor protection.

**-For employees****A. Improving the compensation system, innovating incentive methods**

Following the human resources policy, the Company has built a comprehensive compensation and incentive system in terms of compensation policy, appointment management, long-term and short-term incentives, and welfare protection, etc. It also mobilizes employees' enthusiasm and ensures internal equity by continuously optimizing the compensation control mode and strengthening the salary research and result application of benchmark enterprises. At the same time, the Company pays great attention to the long-term incentive of high-performing employees, and the Restricted Stock Incentive Plan launched in 2018 has been completed, which fully mobilize the enthusiasm and sense of ownership of key talents and boost the Company's sustainable development during the downturn of the industry. The Company has also implemented various incentive models in different business segments to continuously tap the internal drive of employees and improve employee satisfaction.

**B. Upgrading training system for career development**

The Company constantly improves and perfects the training management system that matches overall strategy and the strategy of each business segment, provides courses and learning resources that are more up-to-date and better adapted to the practical needs of the positions, and leads the growth and value enhancement of employees. The Company has implemented a hierarchical training program in each business region, including senior management training series, middle management training camp, sales backbone training camp, and new employee seedling program, covering talent growth and learning development from senior management and general manager to middle and backbone employees, helping each employee to obtain all-round improvement in job skills, management ability and professional knowledge. At the same time, the Company has created a "H-type" dual-channel

development plan, in which each employee can choose a management route or a technical route according to his or her professional and future plans, and has the opportunity to switch between channels during the development process, in order to make the best use of his or her talents and promote the career development of employees.

### **C. Strengthening care and protection, building harmonious families together**

In accordance with the law, the company provides employees with five insurance and one pension, and on top of that, provides commercial insurance, annual physical examination and other benefits to benefit employees' families. In 2007, the company established the internal public welfare organization "Wings of Love" Foundation, which is used to provide relief, scholarship and care for employees. 16 years, the company insists on rewarding employees' children for entering national colleges and universities, encouraging employees to cultivate talents for the country and society; insists on subsidizing employees who encounter difficulties, helping employees' families to overcome difficulties. In addition, the company organizes and arranges different forms of corporate cultural activities every year to enrich the working life of the employees, and enriches the welfare of the employees through various ways such as "Employee's Shopping Festival" to build a harmonious family of Harvest with care and dedication.

#### **-For customers**

### **A. Providing high quality products close to customer needs**

The Company follows the concept of "constantly developing new products and never sticking to the old ways", strictly controls the quality of products. Through integrated operation, high-quality raw material procurement, optimized formula design, professional quality management and intelligent production, the Company provides the society with high-quality and stable products to meet customers' demand for safe and high-quality products. The R&D team always pays attention to market dynamics, constantly upgrades products according to customer needs, and continuously develops new products. All products are strictly tested for performance by experimental farms before being put on the market to provide customers with reliable assurance. For example, according to the changes of pig farming market, the Company has launched economic finisher feed, feed products with large percentage of premix, and in response to the sluggish market of dairy industry, the Company continues to carry out customized product development, and at the same time, help customers to carry out cost reduction programs to generate revenue and increase efficiency.

### **B. Innovating technology services to achieve win-win goals**

The Company upholds the concept of common development with customers and constantly innovates technical services to vigorously provide farmers with systematic services such as farming technology, feeding process, disease diagnosis and treatment and market information, as well as providing integrated comprehensive services and solutions such as farm management to help farmers improve their business philosophy and farming level in order to obtain the best economic benefits. The

Company actively innovates online and remote service mode, and provides customers with efficient and accurate services such as technical guidance and skills training through media tools such as live webcast and short video. In response to African swine fever, the Company actively forms professional teams and matches comprehensive resources to provide customers with disease prevention, and other related services. By using the Company's self-media service platform to push market analysis and farming tips to customers to help them continuously expand farming knowledge and keep abreast of the market situation. Through a professional and systematic service system, the Company can achieve a win-win situation with customers.

### III. Circumstance of promoting and expanding achievements in poverty alleviation and rural revitalization

Poverty alleviation and rural revitalization projects	Amount/Content	Explanation
Total investment (RMB 10k)	559.57	See specific instructions below
Of which: funds (RMB 10k)	559.57	/
Converted price of materials (RMB 10k)		/
Forms of assistance (such as poverty alleviation by developing industries, offering job opportunities and supporting education)	poverty alleviation by developing industry	/

China has achieved a comprehensive victory in the battle against poverty, realizing the first 100-year goal. However, there is still a long way to go to consolidate and expand the results of poverty eradication and effective connection with rural revitalization. The No. 1 document of the Central Government in 2022 clearly proposes to resolutely keep the bottom line of not returning to poverty on a large scale, promote the areas lifting out of poverty to rely more on development to consolidate and expand the results of poverty eradication, strengthen the leading role of industry leading companies to promote the upgrading of industry. As a key leading enterprise of agricultural integration, the Company has a positive driving effect on the country to consolidate the results of poverty eradication and promote the effective connection between comprehensive poverty eradication and rural revitalization, and actively participates in poverty alleviation by developing industries

During the reporting period, the Company gave full play to the demonstration and leading role of leading agricultural enterprises to actively promote rural development, increasing agricultural efficiency and farmers' income. The Company's subsidiaries, Pingyuan Wellhope Food Processing Company, Dalian Heyuan Animal Husbandry Company and Daqing Wellhope Food Company, cooperated with local government to help revitalize the countryside in the impoverished areas by developing industries, creating jobs for poor households, supporting poor families to participate in the Company's broiler raising, and helping farmers generate income through dividend, with a total expenditure of RMB 5.50 million.

The subsidiaries of the company, Heilongjiang Sanjiang Wellhope and Tangshan Wellhope Science and Technology Company, actively undertook the task of rural revitalization, respectively donated RMB50,000.00 to participate in the local villages' development for the rural environmental sanitation remediation and improvement of rural production and living conditions.

## Section VI Important Disclosures

## I. Execution of Commitment

Background of making commitment	Type of commitment	Commitment party	Content	Date of making commitment and validity	Whether there is a time limit	Whether performs strictly
Commitment relating to IPO	Handling horizontal competition	Nature person shareholders holding more than 5% of the shares	I warrant and commit that I will not directly or indirectly develop, operate or assist in the operation or participate in or engage in any activity that is competitive with the business of Wellhope, if Wellhope will increase any business scope after the date of signing this commitment, I promise to give up the business.	March 2, 2011, long-term valid	Yes	Yes
	Handling related party transaction	Legal person shareholders holding more than 5% of the shares-Heli Investment	Our company warrants and commits that our company will not directly or indirectly develop, operate or assist in the operation or participate in or engage in any activity that is competitive with the business of Wellhope, if Wellhope will increase any business scope after the date of signing this commitment, our company promises to give up the business.	March 2, 2011, long-term valid	Yes	Yes
	Other	Jin Weidong, Wang Fengjiu, Shao Caimei, Wang Zhongtao, Ding Yunfeng	The controlling shareholder Jin Weidong and persons acting in concert with him undertake that there are no false records, misleading statements or material omissions in the prospectus of IPO and its abstract, and shall bear individual and joint legal liabilities for its authenticity, accuracy and completeness.	Long-term valid	Yes	Yes
	Other	Wellhope	The Company undertakes that there are no false records, misleading statements or material omissions in the prospectus of IPO and its abstract, and it shall bear individual and joint legal liabilities for its authenticity, accuracy and completeness.	Long-term valid	Yes	Yes
Commitment relating to re-Financing	Other	The Company	Measures taken by the Company for filling dilution resulting from issuing bonds. 1.Strengthening the management of raised funds, supervising the risk of use of raised funds. 2.Promoting the core competitiveness of the company and internal control. 3.Continuously improving corporate governance for providing institutional guarantee for the company. Further improving profit distribution policy, ensuring the return to shareholders.	July 2, 2021, long-term valid	Yes	Yes
	Other	Controlling shareholder and actual controller	To ensure that the remedial measures for the dilution of immediate returns resulting from issuing bonds can be effectively implemented, the controlling shareholder and actual controller of the Company make the following commitments.	July 2, 2021, long-term valid	Yes	Yes

			<p>1.I will not interfere in the operation and management activities of the Company beyond its authority, and will not encroach upon the interests of the Company.</p> <p>2.If I violate or refuse to perform the above commitments, I agree to bear the corresponding legal liabilities in accordance with the relevant regulations and rules formulated or issued by CSRC, Shanghai Stock Exchange and other securities regulatory authorities.</p> <p>3.Prior to the completion of the bond, if the regulatory authorities make other detailed provisions on the remedial measures for diluted immediate returns and its undertakings, and when the above undertakings fail to meet the detailed requirements of the regulatory authorities, I will make supplementary undertakings in accordance with the relevant provisions.</p>			
Commitment relating to re-Financing	Other	All board directors, senior managers	<p>All board directors, senior managers made the following undertakings to ensure that the remedial measures for the dilution of immediate returns resulting from issuing bonds can be effectively implemented.</p> <p>1.I will not transfer any interests to other entities or individuals without consideration or with unfair conditions, nor otherwise damage the interests of the Company.</p> <p>2.I will impose constraints on position-related consumption behavior.</p> <p>3.I will not make any investment or consumption activity irrelevant to my performance of duties using the Company's assets.</p> <p>4. I will propel to link the remuneration policy formulated by the Board or the Remuneration Committee with the implementation of the Company's remedial measures for returns.</p> <p>5. In the case that any equity incentive scheme (if any) is introduced hereafter, I will actively support to link the vesting conditions of equity incentive with the implementation of the Company's remedial measures for returns.</p> <p>6. Prior to the completion of the Bond, if the regulatory authorities make other detailed provisions on the remedial measures for diluted immediate returns and its undertakings, and when the above undertakings fail to meet the detailed requirements of the regulatory authorities, I will make supplementary undertakings in accordance with the relevant provisions.</p> <p>7. I promise following the regulations of this commitment. If I fail following the regulations which lead to any financial loss to the company or stockholders, I will take responsibility of compensation.</p> <p>8.The above commitments are my true intentions. I voluntarily accept the supervision of securities regulatory authorities, self regulatory organizations and the public. If I fail to fulfill the above commitments, I will assume corresponding responsibilities in accordance with relevant laws and regulations and the requirements of regulatory authorities.</p>	July 2, 2021, long-term valid	Yes	Yes

Commitment relating to re-Financing	Other	Shareholders holding more than 5% of the shares of the Company, and directors, supervisors and senior management	<p>1.The company / I and the company or person acting in concert (if any) did not sell the shares of Wellhope from six months prior to the Board Meeting approving the resolution of issuing convertible bonds(June 30, 2021), to the date of making this commitment. As of the date of making this letter of commitment, the company / I and the company or person acting in concert (if any) have no plans or arrangements to sell the shares of Wellhope.</p> <p>2.If the company / I and the company or person acting in concert (if any) sell the shares of Wellhope within six months prior to the first day of officially issuing convertible bonds (the date of publicly disclosing the prospectus), the company / I and the company or person acting in concert (if any) promise that will not participate in the subscription of convertible bonds, and will not entrust any other entity to participate in the subscription of the convertible bonds.</p> <p>3.If the company / I and the company or person acting in concert (if any) will not sell the shares of Wellhope within six months prior to the first day of officially issuing convertible bonds (the date of publicly disclosing the prospectus), the company / I and the company or person acting in concert (if any) will decide whether to subscribe for the convertible bonds according to market conditions. If the company / I and the company or person acting in concert (if any) successfully subscribe for the convertible bonds, will promise to strictly abide by relevant provisions of short swing trading, i.e. will not sell the shares of Wellhope and its convertible bonds from the first day of officially issuing convertible bonds (the date of publicly disclosing the prospectus) until six months after the completion of issuing the bonds.</p> <p>4. If the Company /I and the company or person acting in concert (if any) sell the shares or convertible bonds of Wellhope in violation of above commitments, the earnings will be owned by Wellhope, and the company / I and the company or person acting in concert (if any) will bear the legal liabilities arising therefrom according to law.</p>	6 months before and after convertible bond subscription	Yes	Yes
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**II. Explanation of the Company's analysis of the causes and effects of changes in accounting policies, accounting estimates or corrections of significant accounting errors**

Non

**III. Accounting Firm Engaged by the Company**

Unit: 10k yuan Currency: RMB

Accounting Firm (Local)	Suya Jincheng CPA LLP
Payment	120
Length of Service	12 years
Name of Certified Public Accountant	Zhou Jiawen, Wang Lei
Number of consecutive years of audit services of the CPA	Zhou Jiawen has served for 5 consecutive years, and Wang Lei has served for 4 consecutive years

	Name	Payment
Accounting Firm of Internal Control	Suya Jincheng CPA LLP	40

--Major litigation and arbitration matters

Non

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

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

**V. Significant Related Party Transaction**

**1. Transactions related to daily operations**

Matters do not disclose in the Company's extraordinary announcement.

Unit: 10k yuan Currency: RMB

Related Party	Relationship	Transaction type	Transaction content	Pricing principle	Transaction amount	Settlement mode
Anshan Fengsheng Food Company	Associated company	Selling product	Live broiler	Comparable uncontrolled price	2,526.70	Transfer of account
Anshan Jiuguhe Food Company	Associated company	Selling product	Live broiler	Comparable uncontrolled price	7,394.88	Transfer of account
Dalian Chengsan Animal Husbandry Company	Associated company	Selling product	Feed raw material	Comparable uncontrolled price	737.57	Transfer of account
Dandong Wellhope Chengsan Agri-Tech Company	Associated company	Selling product	Feed raw material	Comparable uncontrolled price	1,064.52	Transfer of account
Huludao Jiuguhe Food Company	Associated company	Selling product	Feed	Comparable uncontrolled price	225.37	Transfer of account
Linghai Jiuguhe Feed Mill	Associated company	Selling product	Feed raw material	Comparable uncontrolled price	6,740.38	Transfer of account
Nepal Wellhope Agri-tech Pvt. Ltd.	Associated company	Selling product	Feed	Comparable uncontrolled price	344.98	Transfer of account
Qingdao Shenfeng Agri-Tech Company	Associated company	Selling product	Feed raw material	Comparable uncontrolled price	3,398.94	Transfer of account
Shihaipu (Beijing) Technology and Trade Company	Associated company	Selling product	Other products	Comparable uncontrolled price	269.70	Transfer of account
Tai'an Jiuguhe Agriculture Development Company	Associated company	Selling product	Feed raw material	Comparable uncontrolled price	12,767.68	Transfer of account
Dalian Sida Food Company	Associated company	Selling product	Live broiler	Comparable uncontrolled price	30,300.88	Transfer of account
Shangdong Fengkang Food Company	Associated company	Selling product	Live broiler	Comparable uncontrolled price	31,868.51	Transfer of account
Dunhua Fengda Broiler Breeding Company	Associated company	Selling product	Feed	Comparable uncontrolled price	46.05	Transfer of account
Harbin Weierhao Trading Company	Associated company	Selling product	Feed raw material	Comparable uncontrolled price	6,351.92	Transfer of account
Dazhou Wellhope Bio-Tech Company	Associated company	Selling product	Feed	Comparable uncontrolled price	6,211.01	Transfer of account
Anshan Jiuguhe Food Company	Associated company	Purchasing product	Broiler parts products	Comparable uncontrolled price	576.26	Transfer of account
Dalian Chengsan Animal Husbandry Company	Associated company	Purchasing products	Live broiler	Comparable uncontrolled price	3,872.59	Transfer of account
Gongzhuling Corn Purchasing and Storing	Associated	Purchasing	Feed raw material	Comparable uncontrolled price	480.21	Transfer of account

Company	company	product				
Jinzhou Jiufeng Food Company	Associated company	Purchasing product	Broiler parts products	Comparable uncontrolled price	1,269.02	Transfer of account
Linghai Jiuguhe Feed Mill	Associated company	Purchasing product	Other products	Comparable uncontrolled price	75.71	Transfer of account
Qingdao Shenfeng Agri-Tech Company	Associated company	Purchasing product	Feed	Comparable uncontrolled price	15.15	Transfer of account
Shihaipu (Beijing) Technology and Trade Company	Associated company	Purchasing product	Other products	Comparable uncontrolled price	257.04	Transfer of account
Tai'an Jiuguhe Agriculture Development Company	Associated company	Purchasing product	Feed	Comparable uncontrolled price	6,079.92	Transfer of account
Jilin Hengfeng Animal Health Products Company	Associated company	Purchasing product	Veterinary drug, vaccine	Comparable uncontrolled price	50.56	Transfer of account
Dunhua Fengda Broiler Breeding Company	Associated company	Purchasing product	Day old chick	Comparable uncontrolled price	164.38	Transfer of account
Harbin Weierhao Trading Company	Associated company	Purchasing product	Feed raw material	Comparable uncontrolled price	739.72	Transfer of account
Beipiao Hongfa Food Company	Associated company	Purchasing product	Broiler parts products	Comparable uncontrolled price	708.20	Transfer of account
Anshan Fengsheng Food Company	Associated company	Purchasing product	Feed raw material	Comparable uncontrolled price	5.32	Transfer of account
Total				/	124,543.17	/
Details of large sales returns				Non		
Description of related party transactions				Wellhope and its associated companies know each other better and have maintained long-term cooperation relationships, which can strengthen the trust of products produced by partners, reduce transaction cost, improve working efficiency and avoid trading disputes. Meanwhile, purchasing raw materials from related parties can ensure quality of products. Moreover, by participating in the management and exerting influence on related companies can help them to maintain a long-term and stable supply, also help them reduce the marketing pressure. The purpose of conducting related party transactions is to satisfy the needs of Wellhope's production and operation, the purchasing or selling price is determined according to the market price of similar products. Such transactions do not violate relevant laws, Company Constitution, etc., and do not damage the rights and interests of shareholders.		

**VI. The Circumstance of Providing Guarantee**

Unit: 10K Currency: RMB

The guarantee provided by the company and its subsidiaries to its subsidiaries	
Total amount of guarantees to subsidiaries incurred during the reporting period	87,001.49
Balance of guarantee provided to the subsidiaries at the end of the reporting period	46,905.76
Total amount of guarantee(including the amount for subsidiaries)	
Total amount of guarantee	46,905.76
Percentage of net assets %	6.48
including	
The amount of guarantee provided to shareholders, actual controller and their affiliates (C)	
The amount of debt guarantee provided directly or indirectly for the subsidiaries with gearing ratio over 70% (D)	15,121.16
The amount of total guarantees exceeding 50% of net assets(E)	
The sum of the above three type of guarantees(C,D,E)	15,121.16

## Section VII Changes in Common Shares and Shareholder Information

## I. Changes in Common Shares

## 1. Changes of common share

	Before changing		Increase or decrease in this year		After changing	
	Shares	Percentage %	Issuing new shares	Subtotal	Shares	Percentage %
1. Restricted shares	13,397,291	1.45	-13,397,291	-13,397,291		
A. Shares held by the state						
B. Shares held by state-owned corporation						
C. Shares held by other domestic investors	11,100,704	1.20	-11,100,704	-11,100,704		
including: Shares held by domestic non-state-owned corporation						
Shares held by domestic natural person	11,100,704	1.20	-11,100,704	-11,100,704		
D. Shares held by foreign investor	2,296,587	0.25	-2,296,587	-2,296,587		
including: shares held by foreign corporation	2,296,587	0.25	-2,296,587	-2,296,587		
Shares held by foreign natural person						
2. Non-restricted shares	908,562,905	98.55	10,867,545	10,867,545	919,430,450	100.00
A. RMB common shares	908,562,905	98.55	10,867,545	10,867,545	919,430,450	100.00
3. Total common shares	921,960,196	100.00	-2,529,746	-2,529,746	919,430,450	100.00

**Explanation of changes in shares:**

---Restricted shares repurchasing

The Company held the tenth meeting of the seventh session of board of directors on April 27, 2022, and held 2021 annual shareholders' meeting on May 20, 2022, which approved the Proposal on Failing to Fulfill the Conditions for Unlocking the Restricted Shares of the Third Lock-up Period of 2018 Stock Incentive Plan and Repurchasing and Cancelling Part of Restricted Stock. 5.742 million shares were written off by the Company on June 22, 2022, the total number of shares of the Company decreased from 921,960,196 to 916,218,196 shares.

## --- Convertible bond conversion

The Company issued RMB1.5 billion convertible corporate bonds (bond trading symbol 113647) on April 22, 2022. From October 28, 2022 to December 31, 2022, RMB32,959,000.00 of convertible bonds were converted into shares of the Company with 3,212,254 shares, and the total number of shares of the Company increased from 916,218,196 shares to 919,430,450 shares.

**2. Changes in restricted shares**

Name of shareholder	Restricted shares held in the beginning of the year	Number of unlocking shares in this year	Increase of restricted shares in this year	Restricted shares in the period end	Reason for lockup	Date of unlocking shares
Employees who were granted restricted shares(totaling)	5,742,000		-5,742,000	0	Equity incentive	Within 12, 24, 36 months after completing restricted stock registration
Jin Weidong	3,062,117	3,062,117		0	Privately issuing stock	April, 25, 2022
DE HEUS MAURITIUS	2,296,587	2,296,587		0	Privately issuing stock	April, 25, 2022
Ding Yunfeng	1,531,058	1,531,058		0	Privately issuing stock	April, 25, 2022
Wang Zhongtao	765,529	765,529		0	Privately issuing stock	April, 25, 2022
Total	13,397,291	7,655,291	-5,742,000	0	/	/

**II. Securities Issuance and Listing****1. Issuance of securities as of the reporting period**

Type of stocks and their derivatives securities	Issue date	Issue price (or interest rate)	Number of issues	Date of listing	Number of admissions to trading	Date of termination of trading
Convertible corporate bonds	April 22, 2022	RMB 100 per bond	15,000,000 bonds	May 18, 2022	15,000,000 bonds	April 21, 2028

Approved by China Securities Regulatory Commission, the Company publicly issued 15 million convertible bonds on April 22, 2022 at an issue price of RMB 100.00 per bond for a total issue amount of RMB 1.5 billion with a term of 6 years. The Company's convertible bonds were listed for trading on the Shanghai Stock Exchange on May 18, 2022, with the trading symbol of 113647. For details, please refer to "Section 9 Related Information about Bonds " of this report.

**2. Changes in the total number of shares and shareholder structure of the Company and changes in the structure of the Company's assets and liabilities**

During the reporting period, the Company implemented the repurchase and cancellation of restricted shares as well as the conversion of convertible bonds, the total share capital of the Company changed from 921,960,196 shares to 919,430,450 shares, and there was no change in the control of the Company. At the beginning of the reporting period, the Company had total assets of RMB12.972 billion and total liabilities of RMB5.459 billion, with a gearing ratio of 42.08%; at the end of the reporting period, the Company had total assets of RMB15.393 billion and total liabilities of RMB7.037 billion, with a gearing ratio of 45.71%.

### III. Shareholder and Actual Controller

#### 1. Total shareholders

Total number of shareholders as at December 31, 2022	22,998
Total number of shareholders at the end of February 2022	24,095

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

Unit: share

Shareholding of top ten shareholders							
Name of shareholder	Changes in this year	Total shares held at the period-end	%	Restricted shares held	Pledged or Frozen		Nature of shareholder
					Status	Shares	
Jin Weidong		149,549,498	16.27		Pledged	37,050,000	Domestic natural person
DE HEUS MAURITIUS		82,303,939	8.95				Foreign legal person
Ding Yunfeng		81,929,558	8.91				Domestic natural person
Shao Caimei		49,773,878	5.41				Domestic natural person
Zhang Tiesheng		48,360,000	5.26				Domestic natural person
Changzhou Heli Venture Capital Partnership (Limited Partnership)		48,360,000	5.26				Other
Wang Fengjiu		47,964,602	5.22		Pledged	7,950,000	Domestic natural person
Wang Zhongtao		46,625,229	5.07				Domestic natural person
Hong Kong Securities Clearing Company Limited	16,469,243	27,183,352	2.96				Other
Special account for repurchased shares of the Company		20,956,579	2.28				Other

Top ten shareholders holding unrestricted shares			
Name of shareholder	Unrestricted shares held	Shares by type	
		Type	Shares
Jin Weidong	149,549,498	RMB common stock	149,549,498
DE HEUS MAURITIUS	82,303,939	RMB common stock	82,303,939
Ding Yunfeng	81,929,558	RMB common stock	81,929,558
Shao Caimei	49,773,878	RMB common stock	49,773,878
Zhang Tiesheng	48,360,000	RMB common stock	48,360,000
Changzhou Heli Venture Capital Partnership (Limited Partnership)	48,360,000	RMB common stock	48,360,000
Wang Fengjiu	47,964,602	RMB common stock	47,964,602
Wang Zhongtao	46,625,229	RMB common stock	46,625,229
Hong Kong Securities Clearing Company Limited	27,183,352	RMB common stock	27,183,352
Special account for repurchased shares of the Company	20,956,579	RMB common stock	20,956,579
Explanation of the special account for repurchased shares of the Company	In 2021, the Company totally repurchased 20,956,579 shares through centralized competitive bidding transactions, accounting for 2.28% of the total share capital of the Company, with the highest trading price of RMB10.54 per share and the lowest price of RMB8.88 per share, and the Company totally paid RMB200,003,612.37 (excluding commission and other taxes).		
Relationship of above shareholders or statement made by the parties acting in concert	<ol style="list-style-type: none"> <li>Jin Weidong, Ding Yunfeng, Wang Fengjiu, Shao Caimei and Wang Zhongtao act in concert.</li> <li>Jin Weidong is the actual controller of Changzhou Huli Venture Capital Partnership (Limited Partnership).</li> <li>No relation or concerted action is found among other shareholders.</li> </ol>		

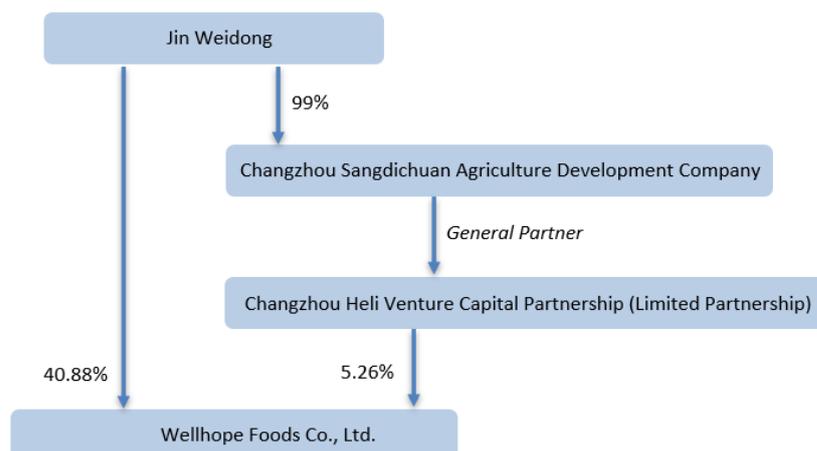
#### IV. Controlling Shareholder and Actual Controller

##### 1. Controlling shareholder

###### A. Natural person

Name	Jin Weidong
Nationality	China
Whether acquire the right of abode in other countries or regions	No
Major occupation and position	Chairman of Wellhope Foods Co., Ltd.

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



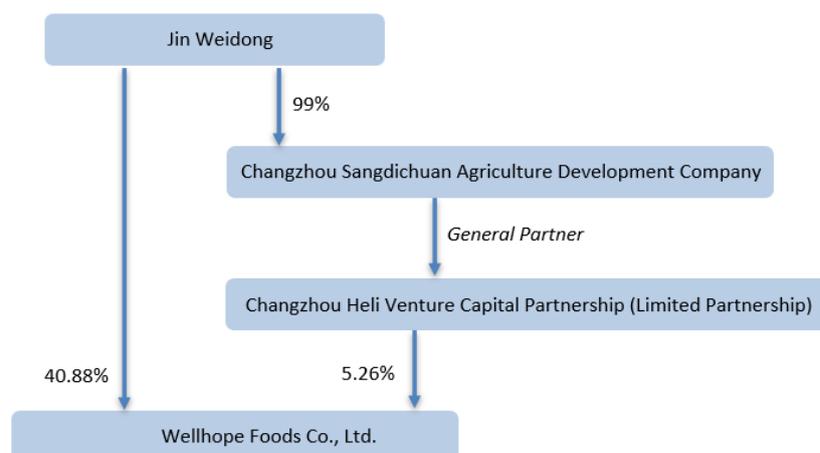
**Note:** As of December 31, 2022, Jin Weidong directly held 149,549,498 shares of the Company, accounting for 16.27% of the total share capital, indirectly controlled 5.26% of the voting rights of the Company through holding Changzhou Heli, and jointly controlled 24.61% of the voting rights of the Company through the Letter of Confirmation and Undertaking of Concerted Action with Ding Yunfeng (shareholding 8.91%), Wang Fengjiu (shareholding 5.22%), Shao Caimei (shareholding 5.41%) and Wang Zhongtao (shareholding 5.07%). In total, Jin Weidong controls 46.14% of the Company's voting rights, he is the controlling shareholder of the Company.

## 2. Actual controller

### A. Natural person

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

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



**Note:** As of December 31, 2022, Jin Weidong directly held 149,549,498 shares of the Company, accounting for 16.27% of the total share capital, indirectly controlled 5.26% of the voting rights of the Company through holding Changzhou Heli, and jointly controlled 24.61% of the voting rights of the Company through the Letter of Confirmation and Undertaking of Concerted Action with Ding Yunfeng (shareholding 8.91%), Wang Fengjiu (shareholding 5.22%), Shao Caimei (shareholding 5.41%) and Wang Zhongtao (shareholding 5.07%). In total, Jin Weidong controls 46.14% of the Company's voting rights, he is the actual controller of the Company.

**Section VIII Preference Share**

Not Applicable

## Section IX Corporate Bond

### I. Status of Convertible Bonds

#### 1. Issuance of bonds

Approved by China Securities Regulatory Commission, the Company publicly issued 15 million convertible bonds on April 22, 2022 at an issue price of RMB100.00 per bond for a total issue amount of RMB1.5 billion with a term of 6 years. The Company's convertible bonds were listed for trading on the Shanghai Stock Exchange on May 18, 2022, with the trading symbol of 113647. For details, please refer to "Section 9 Related Information about Bonds " of this report.

#### 2. Convertible bondholders and guarantors for the reporting period

Name of convertible bonds	Wellhope convertible bonds	
Number of convertible bondholders at the end of the period	14,883	
Guarantors of the Company's convertible bonds	Not applicable	
The top ten convertible bondholders are as follows:		
Name of bondholders	Number of bonds held at the end of the period (RMB yuan)	Percentage %
China Construction Bank Corporation- Efunda Enhanced Bond Investment Fund	69,913,000	4.77
Agricultural Bank of China Limited- Dacheng New Industry Combined Securities Investment Fund	51,929,000	3.54
Industrial Bank Co., Ltd.- Tianhong Multi-income Bond Investment Fund	48,441,000	3.30
Industrial and Commercial Bank of China Limited - Tianhong Adding Profit Bond Investment Fund (LOF)	28,845,000	1.97
Bank of China - Efunda Stable Income Bond Investment Fund	26,816,000	1.83
China Construction Bank Corporation- Dongfanghong Zhihua Three-year Holding Period of Combined Securities Investment Fund	23,745,000	1.62
Societe Generale	23,545,000	1.60
Bank of China Limited-Tianhong Enhanced Return Bond Investment Fund	23,000,000	1.57
UBS AG	22,261,000	1.52
Bank of Communications Co., Ltd.- Tianhong Hongfeng Enhanced Return Bond Investment Fund	21,785,000	1.48

#### 3. Changes in convertible bonds during the reporting period

Unit: yuan Currency: RMB

Bond name	Before changing	Changes (increase or decrease)			After changing
		Bonds converted to shares	Redemption	Repurchase	
Wellhope convertible bonds	1,500,000,000	32,959,000			1,467,041,000

**Conversion of convertible bonds during the reporting period**

Name of convertible bonds	Wellhope convertible bonds
Amount of bonds converted into shares during the reporting period (RMB yuan)	32,959,000
Number of bonds converted into shares during the reporting period (shares)	3,212,254
Cumulative number of shares converted (shares)	3,212,254
Percentage of converted shares to the total number of issued shares of the company before conversion (%)	0.35
Amount of shares yet to be converted (RMB yuan)	1,467,041,000
Proportion of unconverted convertible bonds to total number of convertible bonds issued (%)	97.80

**4. Adjustments of the conversion price**

Name of convertible bonds		Wellhope convertible bonds		
Conversion price adjustment date	Conversion price after adjustment (RMB yuan)	Disclosure time	Disclosure media	Explanation
June 23, 2022	10.26	June 20, 2022	Securities Journal, Shanghai Securities News, Securities Times and SSE website (www.sse.com.cn)	Adjustment of conversion price due to the repurchase and cancellation of 5.74 million restricted shares by the Company
Latest conversion price as of the end of this reporting period		10.26		

**5. The Company's indebtedness, changes in creditworthiness and cash arrangements for debt repayment in future years****---Liabilities of the Company**

At the end of the reporting period, the total liabilities of the Company were RMB7.037 billion, including current liabilities of RMB4.155 billion and non-current liabilities of RMB2.882 billion, with a gearing ratio of 45.71%.

**---Changes in creditworthiness**

During the reporting period, Union Credit Appraisal Co., Ltd. issued the 2022 Tracking Rating Report on Publicly Issued Convertible Bonds of Wellhope. There is no change in this rating result compared with the previous one.

**----Cash arrangement for debt repayment in future years**

The funds used to repay the principal and interest of the convertible bonds in the future mainly come from the cash flow generated from the production and operation activities of the Company. The Company has a good debt service situation and there is no overdue return of bank loans.

## Section X Financial Statements

### I. Audit Report

#### Audit Report

Suya Audit No. [2023]412

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

#### 1. Opinion

We have audited the financial statements of Wellhope Foods Co., Ltd. (hereinafter referred to as "the Company"), which comprise the statement of financial position as at December 31, 2022, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2022, 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. Confirmation and recognition of revenue</b>	
Please refer to the accounting policies described in Note 38 of Annotation 5, and Note 61 of Annotation 7, Notes to Consolidated Financial Statements.	
Key audit item	How our audit addressed the key audit item
In 2022, Wellhope's operating revenue recorded RMB 32.81 billion, increasing RMB 3.34 billion with a year-on-year growth rate of 11.34%, among which the sales revenue of broiler integration business rose RMB 1.03 billion with a year-on-year growth rate of 12.47%.	The audit procedures we performed consisted primarily of: 1: Understanding and evaluating the design of internal controls in the sales process of Wellhope and testing the effectiveness of the implementation of key controls. 2: Identifying contractual rights and obligations by examining a sample of sales contracts, evaluating the timing of performance obligations, and evaluating whether

<p>whilst feed raw materials increased by RMB 1.50 billion with a year-on-year growth rate of 40.89%. Since the operating income is one of the key performance indicators of Wellhope, we considered the recognition of operating revenue as a key audit matter.</p>	<p>the judgment of transfer of control related to revenue recognition is in accordance with the Company's accounting policies and the provisions of the Enterprise Accounting Standards.</p> <p>3: Performing analytical review procedures to identify whether there are significant or unusual fluctuations and to identify the causes of fluctuations; and judge the reasonableness of changes in operating revenue and gross profit.</p> <p>4: Performing the following procedures on operating revenue using a sample approach, mainly to confirm the occurrence and cut-off of operating income:</p> <p>(1) Examining supporting documents such as sales contracts, sales orders, invoices, and customer bills of lading related to revenue recognition;</p> <p>(2) Issuing external confirmations to recognize the balance of accounts receivable and the amount of operating revenues;</p> <p>(3) Carrying out cut-off tests on operating revenues recognized around the balance sheet date to evaluate whether revenues are recognized in the appropriate period.</p>
<p><b>B. Income from long-term equity investment recognized by the equity method.</b></p>	
<p>Please refer to the accounting policies described in Note 21 of Annotation 5, and Note 68 of Annotation 7, Notes to Consolidated Financial Statements.</p>	
<p><b>Key audit item</b></p>	<p><b>How our audit addressed the key audit item</b></p>
<p>The income from long-term equity investments accounted by the equity method amounted to RMB 162.30 million, which had a significant impact on the profit or loss for the current period, and we considered it as a key audit matter.</p>	<p>The audit procedures we performed consisted primarily of:</p> <p>1: To understand and assess the internal control of Wellhope related to the recognition of investment income under the equity method.</p> <p>2: Obtaining information about the investee's articles of incorporation and investment agreement to determine whether Wellhope has significant influence over it and whether the accounting method is correct.</p> <p>3: Obtaining the financial statements of the investee, and reviewing whether the adjustments of unrealized profits from related party transactions and the calculation of investment income are accurate, and whether the share of changes in net assets is correct.</p> <p>4: Asking management about the reasons for significant or abnormal fluctuations in investment income, and analyzing whether the judgment is reasonable.</p> <p>5: Performing analysis procedures on operating revenues and costs and inventories of the investees with significant investment income for the current period; obtaining and checking the schedules and related information provided by the investees.</p>

#### 4. Other Information

The management of the Company is responsible for the other information. The other information comprises information covered in the Company's 2022 Annual Report, but excludes the financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

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

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

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

A. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

B. Obtain an understanding of the internal control relevant to the audit in order to design audit

procedures that are appropriate in the circumstances.

C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

D. Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the obtained audit evidence, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required by the auditing standards to draw the statements users' attention in our auditor's report to the related disclosures in the financial statements, or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

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

SuyaJincheng CPA LLP

CPA: Zhou Jiawen (Project Partner)

CPA: Wang Lei

China

Nanjing

March 29, 2023

## II. Financial Statements

## Consolidated Balance Sheet

December 31, 2022

Wellhope Unit: yuan Currency: RMB

Item	Dec. 31, 2022	Dec. 31, 2021
<b>Current Assets</b>		
Monetary capital	1,688,741,603.60	1,233,577,781.76
Derivative financial assets	4,050,071.80	9,667,725.25
Notes receivable	5,778,682.68	11,846,863.22
Accounts receivable	1,035,056,761.74	681,517,885.70
Prepayments	762,467,440.93	479,830,550.25
Other receivables	97,791,911.95	107,988,266.97
including: Interest receivable		
Dividends receivable	27,535,293.35	39,067,761.79
Inventory	3,361,552,176.45	2,691,222,420.95
Contract assets	1,186,905.42	2,505,447.69
Other current assets	149,114,790.69	156,089,468.63
Total current assets	7,105,740,345.26	5,374,246,410.42
<b>Non-current assets</b>		
Long-term equity investment	2,487,150,109.37	2,332,825,972.00
Other equity instruments investment	17,325,896.26	20,082,215.15
Fixed assets	3,547,181,704.30	3,232,947,014.55
Construction in progress	601,125,529.45	602,237,560.51
Biological assets	186,579,922.68	170,216,684.34
Right-of-use asset	328,428,097.10	199,981,121.45
Intangible assets	362,988,059.95	317,230,922.27
Goodwill	290,425.67	2,135,421.24
Long-term prepaid expenses	64,133,625.16	53,309,950.44
Deferred income tax assets	53,630,302.69	47,639,921.10
Other non-current assets	638,741,381.87	618,652,966.25
Total non-current assets	8,287,575,054.50	7,597,259,749.30
Total Assets	15,393,315,399.76	12,971,506,159.72

## Consolidated Balance Sheet(continue)

Unit: yuan Currency: RMB

Item	Dec. 31, 2022	Dec. 31, 2021
<b>Current Liabilities</b>		
Short-term borrowings	933,785,791.96	1,546,199,813.26
Notes payable	600,000.00	3,900,000.00
Accounts payable	1,691,652,639.28	1,296,159,112.55
Advance receipt	17,873,252.23	10,500,434.76
Contract liabilities	336,134,719.84	350,642,122.84
Payroll	182,394,434.59	108,059,107.18
Taxes and surcharges	55,010,343.51	54,470,519.79
Other payables	460,870,503.46	408,226,372.67
including: Interest payable	3,105,236.78	170,000.00
Dividends payable	14,943,072.75	8,409,125.87
Non-current liabilities due within one year	471,328,595.34	191,145,065.59
Other current liabilities	5,334,961.22	9,681,957.60
Total current liabilities	4,154,985,241.43	3,978,984,506.24
<b>Non-current Liabilities</b>		
Long-term borrowings	1,312,757,309.28	1,245,618,946.13
Bonds payable	1,257,828,066.86	
Lease liabilities	223,002,370.80	123,468,375.46
Long-term payables	7,685,803.59	47,702,610.06
Deferred income	78,011,407.06	60,335,083.33
Deferred income tax liabilities	2,323,523.78	2,792,995.02
Total non-current liabilities	2,881,608,481.37	1,479,918,010.00
Total liabilities	7,036,593,722.80	5,458,902,516.24
<b>Owners' equity (or shareholders' equity)</b>		
Paid-up capital (or share capital)	919,430,450.00	921,960,196.00
Other equity instruments	233,677,472.64	
Capital reserves	880,746,284.55	877,984,810.18
deduct: Treasury stock	200,003,612.37	224,292,272.37
Other comprehensive income	-20,147,742.90	-17,064,013.38
Surplus reserves	454,175,320.97	432,238,223.06
Undistributed profits	4,968,687,250.39	4,473,531,926.28
Total owners' equity attributable to the parent company	7,236,565,423.28	6,464,358,869.77

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Non-controlling interests	1,120,156,253.68	1,048,244,773.71
Total owners' equity (or shareholders' equity)	8,356,721,676.96	7,512,603,643.48
Total liabilities and owners' equity (or shareholders' equity)	15,393,315,399.76	12,971,506,159.72

## Consolidated Balance Sheet of Parent Company

December 31, 2022

Unit: yuan Currency :RMB

Item	Dec. 31, 2022	Dec. 31, 2021
<b>Current assets</b>		
Monetary capital	1,515,847,680.25	946,702,509.14
Derivative financial assets	558,832.00	6,701,641.25
Accounts receivable	44,246,791.88	33,295,472.77
Prepayments	2,251,482.92	3,338,458.40
Other receivables	2,228,913,499.76	1,766,869,119.49
including: Interest receivable		
Dividends receivable	53,759,486.59	61,417,020.78
Inventory	67,625,995.98	75,729,603.79
Other current assets		5,988,458.80
Total current assets	3,859,444,282.79	2,838,625,263.64
<b>Non-current assets</b>		
Long-term equity investment	5,986,733,076.32	5,348,772,385.71
Other equity instruments investment	14,849,769.15	17,908,947.03
Fixed assets	136,435,774.98	143,032,038.42
Construction in progress	4,569,791.00	7,830,000.00
Intangible assets	16,321,332.79	15,394,193.33
Long-term prepaid expenses	2,967,008.45	2,963,050.73
Deferred income tax assets	11,001,578.31	10,095,907.58
Other non-current assets	5,454,000.00	14,104,000.00
Total non-current assets	6,178,332,331.00	5,560,100,522.80
Total assets	10,037,776,613.79	8,398,725,786.44
<b>Current liabilities:</b>		
Short-term borrowings	500,513,888.89	1,151,248,923.61
Accounts payable	48,315,158.17	35,484,572.18
Advance receipts	1,147,870.00	
Contract liabilities	4,307,771.41	4,957,638.59
Payroll	11,269,322.85	7,140,406.48
Taxes and surcharges	1,001,650.34	940,950.15
Other payables	1,752,347,820.38	1,450,924,895.65
including: Interest payable		
Dividends payable		
Non-current liabilities due within one year	421,600,000.00	132,500,000.00
Total current liabilities	2,740,503,482.04	2,783,197,386.66
<b>Non-current liabilities</b>		
Long-term borrowings	1,011,998,911.11	1,089,170,833.32
Bonds payable	1,257,828,066.86	
Deferred income	44,214,300.00	25,673,000.00
Deferred income tax liabilities	33,390.82	227,703.08
Total non-current liabilities	2,314,074,668.79	1,115,071,536.40
Total liabilities	5,054,578,150.83	3,898,268,923.06
<b>Owners' equity (or shareholders' equity)</b>		
Paid-up capital (or share capital)	919,430,450.00	921,960,196.00
Other equity instruments	233,677,472.64	
Capital reserves	878,256,358.18	870,193,796.83
deduct: Treasury stock	200,003,612.37	224,292,272.37

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Other Comprehensive income	-18,697,307.25	-15,008,939.79
Surplus reserves	454,175,320.97	432,238,223.06
Undistributed profits	2,716,359,780.79	2,515,365,859.65
Total owners' equity	4,983,198,462.96	4,500,456,863.38
Total liabilities and owners' equity (or shareholders' equity)	10,037,776,613.79	8,398,725,786.44

**Consolidated Income Statement**  
**January-December, 2022**

Wellhope	Unit: yuan    Currency: RMB	
Item	2022	2021
<b>1. Total operating revenue</b>	32,811,758,209.54	29,468,925,899.60
including: Operating revenue	32,811,758,209.54	29,468,925,899.60
<b>2. Total operating costs</b>	32,296,894,302.27	29,128,053,212.11
including: Operating costs	30,839,271,196.05	27,900,298,516.35
Taxes and surtaxes	47,329,082.31	41,474,310.80
Selling expenses	622,444,761.15	570,137,322.67
Administrative expenses	537,063,858.72	418,116,582.79
R&D expenses	90,105,075.01	97,360,753.44
Financial expenses	160,680,329.03	100,665,726.06
including: Interest expenses	167,066,021.40	103,590,360.22
Interest income	13,023,769.68	8,487,862.34
add: Other income	31,616,130.11	29,156,319.92
Income from investment	157,467,033.43	-80,450,448.13
including: Income from investments in associated companies and joint ventures	162,299,491.42	-84,457,885.45
Gain or loss from changes in fair value	-1,700,554.55	1,555,420.50
Credit impairment loss	-11,686,265.27	-44,732,527.34
Assets impairment loss	-30,098,736.85	-27,296,568.01
Gain or loss from assets disposal	-3,862,500.50	-11,438,798.91
<b>3. Operating profit</b>	656,599,013.64	207,666,085.52
add: Non-operating income	18,003,001.35	17,260,320.37
deduct: Non-operating expenditure	46,266,509.67	48,881,098.80
<b>4. Pretax profit</b>	628,335,505.32	176,045,307.09
deduct: Income tax expense	91,252,227.58	151,503,439.25
<b>5. Net profit</b>	537,083,277.74	24,541,867.84
Net Profit from continuing operations	537,083,277.74	24,541,867.84
Net profit attributable to the shareholders of parent company	513,532,382.02	118,530,518.15
Non-controlling interests income	23,550,895.72	-93,988,650.31
<b>6. Other comprehensive income, net of tax</b>	-2,613,281.46	-15,130,398.50
Attributable to owners of parent company	-3,083,729.52	-14,906,510.77
a. Other comprehensive income that can't be reclassified into gains or losses	-3,076,318.89	-4,648,551.75
(a) Changes in fair value of investments in other equity instruments	-3,076,318.89	-4,648,551.75
b. Other comprehensive income that will be reclassified into the gains or losses	-7,410.63	-10,257,959.02

(a) Other comprehensive income that can be transferred in gains or losses under the equity method	-587,636.80	-10,039,513.91
(b) Exchange differences on translation of foreign currency financial statements	580,226.17	-218,445.11
Attributable to non-controlling interests	470,448.06	-223,887.73
<b>7. Total comprehensive income</b>	534,469,996.28	9,411,469.34
Attributable to the owners of parent company	510,448,652.50	103,624,007.38
Attributable to non-controlling interests	24,021,343.78	-94,212,538.04
<b>8. EPS</b>		
(1) Basic earnings per share (yuan per share)	0.58	0.13
(2) Diluted earnings per share (yuan per share)	0.55	0.13

**Consolidated Income Statement of Parent Company**  
**January-December, 2022**

Unit: yuan Currency: RMB

Item	2022	2021
<b>1. Total operating revenue</b>	806,587,568.60	968,799,306.97
deduct: Operating cost	620,778,240.03	694,849,254.04
Taxes and surtaxes	2,482,446.75	1,864,808.04
Selling expenses	14,045,030.28	12,844,816.42
Administrative expenses	42,519,575.17	38,814,534.47
R&D expenses	26,442,399.08	30,092,284.47
Financial expenses	75,870,816.26	37,671,780.85
including: Interest expenses	123,813,480.25	74,814,532.68
Interest income	48,021,158.62	37,320,299.18
add: Other income	7,185,222.37	5,954,763.44
Income from Investment	179,711,930.36	18,201,280.28
including: Income from investments in associated companies and joint ventures	174,704,407.03	-76,100,518.29
Gain or loss from changes in fair value	222,605.45	1,518,020.50
Credit impairment loss	9,686,576.26	-12,384,310.43
Assets impairment loss		
Gain or loss from assets disposal		432,908.21
<b>2. Operating profit</b>	221,255,395.47	166,384,490.68
add: Non-operating income	1,700.00	1,286,184.30
deduct: Non-operating expenditure	797,232.25	499,567.36
<b>3. Pretax profit</b>	220,459,863.22	167,171,107.62
deduct: Income tax expense	1,088,884.17	18,493,940.30
<b>4. Net profit</b>	219,370,979.05	148,677,167.32
Net profit from continuing operations	219,370,979.05	148,677,167.32
<b>5. Other comprehensive income, net of tax</b>	-3,688,367.46	-14,671,746.77
a. Other comprehensive income that can't be reclassified into gains or losses	-3,059,177.88	-4,642,760.41
(a) Changes in fair value of investments in other equity instruments	-3,059,177.88	-4,642,760.41
b. Other comprehensive income that will be reclassified into gains or losses	-629,189.58	-10,028,986.36
(a) Other comprehensive income that can be transferred in gains or losses under the equity method	-629,189.58	-10,028,986.36
<b>6. Total comprehensive income</b>	215,682,611.59	134,005,420.55

**Consolidated Statement of Cash Flow**  
**January-December, 2022**

Wellhope

Unit: yuan Currency: RMB

Item	2022	2021
<b>1. Cash flow from operating activities</b>		
Cash received by selling products, providing labor services	33,699,345,225.81	29,966,232,708.34
Tax refunds	47,599,364.44	31,250,910.84
Cash received from other activities related to operating	196,572,108.74	165,276,095.86
Sub-total of cash inflow of operating activities	33,943,516,698.99	30,162,759,715.04
Cash paid for goods purchase and labor services	31,966,060,633.58	28,110,569,320.03
Cash paid to and for employee	1,104,906,823.52	980,734,697.19
Tax payments	162,294,011.40	219,496,991.43
Cash paid to other activities related to operating	513,988,720.15	552,798,484.03
Sub-total of cash outflow of operating activities	33,747,250,188.65	29,863,599,492.68
Net cash flow from operating activities	196,266,510.34	299,160,222.36
<b>2. Cash flow from investing activities</b>		
Cash received from disinvestment	915,200.00	56,873,659.92
Cash received from return on investment	27,243,680.56	38,621,461.03
Net cash received from disposal of fixed assets, intangible assets and other long-lived assets	100,849,426.02	98,276,338.40
Net cash received from disposal of subsidiaries and other business units	1,594,899.44	3,496,498.08
Cash received from other activities related to investment	5,685,477.01	973,716.92
Sub-total of cash inflow of investing activities	136,288,683.03	198,241,674.35
Cash paid for acquiring and building fixed assets, intangible assets and other long-lived assets	842,818,657.41	1,184,900,722.79
Cash paid for investments	26,247,136.90	29,577,482.00
Net cash paid for acquiring subsidiaries and other business units	321,545.94	1,877,800.30
Cash paid to other activities related to investment	10,041,254.22	32,913,146.13
Sub-total of cash outflow of investing activities	879,428,594.47	1,249,269,151.22
Net cash flow from investing activities	-743,139,911.44	-1,051,027,476.87
<b>3. Cash flow from financing activities</b>		
Cash received by absorbing investments	76,449,000.00	118,110,000.00
including: Capital contributed by non-controlling interests to subsidiaries	76,449,000.00	118,110,000.00
Cash received from borrowings	2,056,945,703.41	3,109,591,138.44
Cash received from issuing bonds	1,492,100,000.00	
Cash received from other activities related to financing	52,488,976.77	98,020,000.00
Sub-total of cash inflow of financing activities	3,677,983,680.18	3,325,721,138.44
Repayments of borrowings	2,390,674,821.29	1,927,897,631.73
Cash paid for dividends, profits, or paid for interests	139,539,838.45	338,300,252.69
including: Dividends or profits paid by subsidiaries	24,240,402.26	41,267,853.87

to non-controlling interests		
Cash paid to other activities related to financing activities	152,276,562.43	294,763,092.95
Sub-total of cash outflow of financing activities	2,682,491,222.17	2,560,960,977.37
Net cash flow from financing activities	995,492,458.01	764,760,161.07
<b>4. Effect of foreign exchange rate fluctuations on cash and cash equivalents</b>	2,087,604.00	-816,987.69
<b>5. Net increase in cash and cash equivalents</b>	450,706,660.91	12,075,918.87
add: Opening balance of cash and cash equivalents	1,198,273,561.91	1,186,197,643.04
<b>6. Closing balance of cash and cash equivalents</b>	1,648,980,222.82	1,198,273,561.91

**Consolidated Statement of Cash Flow of Parent Company**  
**January-December, 2022**

Unit: yuan Currency: RMB

Item	2022	2021
<b>1. Cash flow from operating activities</b>		
Cash received by selling products, providing labor services	794,579,846.42	954,038,873.96
Tax refunds		
Cash received from other activities related to operating	92,780,893.47	52,089,796.38
Sub-total of cash inflow of operating activities	887,360,739.89	1,006,128,670.34
Cash paid for goods purchase and labor services	582,929,002.90	712,117,728.85
Cash paid to and for employee	47,803,787.13	43,731,530.38
Tax payments	4,581,203.25	31,214,046.61
Cash paid to other activities related to operating	33,968,355.04	29,785,831.88
Sub-total of cash outflow of operating activities	669,282,348.32	816,849,137.72
Net cash flow from operating activities	218,078,391.57	189,279,532.62
<b>2. Cash flow from investing activities</b>		
Cash received from disinvestment	5,980,621.31	77,776,343.01
Cash received from return on investment	31,262,648.33	106,552,607.61
Net cash received from disposal of fixed assets, intangible assets and other long-lived assets	123,907.06	494,213.58
Net cash received from disposal of subsidiaries and other business units		
Cash received from other activities related to investment		
Sub-total of cash inflow of investing activities	37,367,176.70	184,823,164.20
Cash paid for acquiring and building fixed assets, intangible assets and other long-lived assets	5,007,634.51	43,607,901.60
Cash paid for investments	353,955,584.30	445,171,729.61
Net cash paid for acquiring subsidiaries and other business units		
Cash paid to other activities related to investing	532,635,932.02	473,103,570.26
Sub-total of cash outflow of investing activities	891,599,150.83	961,883,201.47
Net cash flow from investing activities	-854,231,974.13	-777,060,037.27
<b>3. Cash flow from financing activities</b>		
Cash received from borrowings	894,000,000.00	2,100,000,000.00
Cash received from issuing bonds	1,492,100,000.00	
Cash received from other activities related to financing	275,464,363.91	
Sub-total of cash inflow of financing activities	2,661,564,363.91	2,100,000,000.00
Repayments of borrowings	1,332,500,000.00	982,000,000.00
Cash paid for dividends, profits, or paid for interests	85,884,532.93	276,529,164.72
Cash paid to other activities related to financing	26,505,160.00	200,447,277.37
Sub-total of cash outflow of financing activities	1,444,889,692.93	1,458,976,442.09
Net cash flow from financing activities	1,216,674,670.98	641,023,557.91
<b>4. Effect of foreign exchange rate fluctuations on cash and cash equivalents</b>	344.66	64,399.65
<b>5. Net increase in cash and cash equivalents</b>	580,521,433.08	53,307,452.91
add: Opening balance of cash and cash equivalents	925,056,554.62	871,749,101.71
<b>6. Closing balance of cash and cash equivalents</b>	1,505,577,987.70	925,056,554.62

**Change Statement of Owner's Equity**  
**January-December, 2022**

Unit: yuan Currency: RMB

Item	2022											
	Equity Attributable to the Owners of Parent Company									Non-controlling interests	Total owners' equity	
	Share capital	Other equity instruments			Capital reserve	Deduct: Treasury stock	Other comprehensive income	Surplus reserve	Undistributed profits			Subtotal
	preferred stock	perpetual bond	Other									
1. Closing balance of prior period	921,960,196.00				877,984,810.18	224,292,272.37	-17,064,013.38	432,238,223.06	4,473,531,926.28	6,464,358,869.77	1,048,244,773.71	7,512,603,643.48
add: Changes in accounting policies												
Other												
2. Opening balance of current period	921,960,196.00				877,984,810.18	224,292,272.37	-17,064,013.38	432,238,223.06	4,473,531,926.28	6,464,358,869.77	1,048,244,773.71	7,512,603,643.48
3. Changes of current period	-2,529,746.00			233,677,472.64	2,761,474.37	-24,288,660.00	-3,083,729.52	21,937,097.91	495,155,324.11	772,206,553.51	71,911,479.97	844,118,033.48
A. Total comprehensive income							-3,083,729.52		513,532,382.02	510,448,652.50	24,021,343.78	534,469,996.28
B. Capital contributed and reduced by owners	-2,529,746.00			233,677,472.64	2,761,474.37	-24,288,660.00				258,197,861.01	78,664,485.33	336,862,346.34
a. Common stock invested by owners											83,367,623.25	83,367,623.25
b. Capital invested by holders of other equity instruments	3,212,254.00			233,677,472.64	30,296,373.97					267,186,100.61		267,186,100.61
c. Amount of share-based payment recorded in owner's equity	-5,742,000.00				-22,106,700.00	-24,288,660.00				-3,560,040.00		-3,560,040.00
d. Other					-5,428,199.60					-5,428,199.60	-4,703,137.92	-10,131,337.52

C. Profit distribution								21,937,097.91	-18,377,057.91	3,560,040.00	-30,774,349.14	-27,214,309.14
a. Appropriation of surplus reserves								21,937,097.91	-21,937,097.91			
b. Extraction of general risk provisions												
c. Dividend to owners (or shareholders)									3,560,040.00	3,560,040.00	-30,774,349.14	-27,214,309.14
d. Other												
D. Internal carry-over of owners' equity												
a. Carry-over of other comprehensive income to retained earnings												
4. Closing balance of current period	919,430,450.00			233,677,472.64	880,746,284.55	200,003,612.37	-20,147,742.90	454,175,320.97	4,968,687,250.39	7,236,565,423.28	1,120,156,253.68	8,356,721,676.96

Item	2021								
	Equity Attributable to the Owners of Parent Company							Non-controlling interests	Total owners' equity
	Share capital	Capital reserve	Deduct: Treasury stock	Other comprehensive income	Surplus reserve	Undistributed profits	Subtotal		
1. Closing balance of prior period	922,059,896.00	888,159,916.65	45,695,815.00	-2,157,502.61	417,370,506.33	4,572,660,487.98	6,752,397,489.35	1,149,304,061.85	7,901,701,551.20
add: Changes in accounting policies									
Other									
2. Opening balance of current period	922,059,896.00	888,159,916.65	45,695,815.00	-2,157,502.61	417,370,506.33	4,572,660,487.98	6,752,397,489.35	1,149,304,061.85	7,901,701,551.20
3. Changes of current period	-99,700.00	-10,175,106.47	178,596,457.37	-14,906,510.77	14,867,716.73	-99,128,561.70	-288,038,619.58	-101,059,288.14	-389,097,907.72
A. Total comprehensive income				-14,906,510.77		118,530,518.15	103,624,007.38	-94,212,538.04	9,411,469.34
B. Capital contributed and reduced by owners	-99,700.00	-10,175,106.47	178,596,457.37				-188,871,263.84	45,733,125.20	-143,138,138.64
a. Common stock invested by owners	-99,700.00	-383,845.00					-483,545.00	45,733,125.20	45,249,580.20
b. Capital invested by holders of other equity instruments									
c. Amount of share-based payment recorded in		-10,029,622.03	-21,407,155.00				11,377,532.97		11,377,532.97

owner's equity									
d. Other		238,360.56	200,003,612.37				-199,765,251.81		-199,765,251.81
C. Profit distribution					14,867,716.73	-217,659,079.85	-202,791,363.12	-52,579,875.30	-255,371,238.42
a. Appropriation of surplus reserves					14,867,716.73	-14,867,716.73			
b. Extraction of general risk provisions									
c. Dividend to owners (or shareholders)						-202,791,363.12	-202,791,363.12	-48,176,979.74	-250,968,342.86
d. Other								-4,402,895.56	-4,402,895.56
D. Internal carry-over of owners' equity									
a. Carry-over of other comprehensive income to retained earnings									
4. Closing balance of current period	921,960,196.00	877,984,810.18	224,292,272.37	-17,064,013.38	432,238,223.06	4,473,531,926.28	6,464,358,869.77	1,048,244,773.71	7,512,603,643.48

**Change Statement of Owner's Equity of Parent Company  
January-December, 2022**

Unit: yuan Currency: RMB

Item	2022									
	Share capital	Other equity instruments			Capital reserve	Deduct: Treasury stock	Other comprehensive income	Surplus reserve	Undistributed profits	Total owners' equity
		preferred stock	perpetual bond	Other						
1. Closing balance of prior period	921,960,196.00				870,193,796.83	224,292,272.37	-15,008,939.79	432,238,223.06	2,515,365,859.65	4,500,456,863.38
add: Changes in accounting policies										
Other										
2. Opening balance of current period	921,960,196.00				870,193,796.83	224,292,272.37	-15,008,939.79	432,238,223.06	2,515,365,859.65	4,500,456,863.38
3. Changes of current period	-2,529,746.00			233,677,472.64	8,062,561.35	-24,288,660.00	-3,688,367.46	21,937,097.91	200,993,921.14	482,741,599.58
A. Total comprehensive income							-3,688,367.46		219,370,979.05	215,682,611.59
B. Capital contributed and reduced by owners	-2,529,746.00			233,677,472.64	8,062,561.35	-24,288,660.00				263,498,947.99
a. Common stock invested by owners										
b. Capital invested by holders of other equity instruments	3,212,254.00			233,677,472.64	30,296,373.97					267,186,100.61
c. Amount of share-based payment recorded in owner's equity	-5,742,000.00				-22,106,700.00	-24,288,660.00				-3,560,040.00
d. Other					-127,112.62					-127,112.62
C. Profit distribution								21,937,097.91	-18,377,057.91	3,560,040.00

a. Appropriation of surplus reserves								21,937,097.91	-21,937,097.91	
b. Dividend to owners (or shareholders)									3,560,040.00	3,560,040.00
c. Other										
D. Internal carry-over of owners' equity										
a. Carry-over of other comprehensive income to retained earnings										
4. Closing balance of current period	919,430,450.00			233,677,472.64	878,256,358.18	200,003,612.37	-18,697,307.25	454,175,320.97	2,716,359,780.79	4,983,198,462.96

Item	2021									
	Share capital	Other equity instruments			Capital reserve	Deduct: Treasury stock	Other comprehensive income	Surplus reserve	Undistributed profits	Total owners' equity
		preferred stock	perpetual bond	Other						
1. Closing balance of prior period	922,059,896.00				885,579,203.34	45,695,815.00	-337,193.02	417,370,506.33	2,584,347,772.18	4,763,324,369.83
add: Changes in accounting policies										
Other										
2. Opening balance of current period	922,059,896.00				885,579,203.34	45,695,815.00	-337,193.02	417,370,506.33	2,584,347,772.18	4,763,324,369.83
3. Changes of current period	-99,700.00				-15,385,406.51	178,596,457.37	-14,671,746.77	14,867,716.73	-68,981,912.53	-262,867,506.45
A. Total comprehensive income							-14,671,746.77		148,677,167.32	134,005,420.55
B. Capital contributed	-99,700.00				-15,385,406.51	178,596,457.37				-194,081,563.88

and reduced by owners										
a. Common stock invested by owners						200,047,596.37				-200,047,596.37
b. Capital invested by holders of other equity instruments										
c. Amount of share-based payment recorded in owner's equity	-99,700.00				-11,885,622.38	-21,451,139.00				9,465,816.62
d. Other					-3,499,784.13					-3,499,784.13
C. Profit distribution								14,867,716.73	-217,659,079.85	-202,791,363.12
a. Appropriation of surplus reserves								14,867,716.73	-14,867,716.73	
b. Dividend to owners (or shareholders)									-202,791,363.12	-202,791,363.12
c. Other										
D. Internal carry-over of owners' equity										
a. Carry-over of other comprehensive income to retained earnings										
4. Closing balance of current period	921,960,196.00				870,193,796.83	224,292,272.37	-15,008,939.79	432,238,223.06	2,515,365,859.65	4,500,456,863.38

### III. Basic Information of the Company

#### 1. Overview of the Company

Wellhope Foods Co., Ltd. (formerly known as Liaoning Wellhope Agri-Tech Co., Ltd., hereinafter referred to as the Company) is a joint-stock company established by 23 natural persons, including Jin Weidong and Ding Yunfeng, etc., with the approval of Liaoning Provincial People's Government (Liaozheng [2003] No. 40). The Company was incorporated on March 27, 2003 with a registered capital of RMB 53 million, of which: Jin Weidong contributed RMB 12.19 million, accounting for 23.00% of the share capital; Ding Yunfeng contributed RMB 7.68 million, accounting for 14.50% of the share capital; Wang Fengjiu, Zhang Tiesheng, Shao Caimei and Wang Zhongtao each contributed RMB 4.50 million, accounting for 8.50% of the share capital respectively, other 17 shareholders contributed RMB 15.11 million, accounting for 28.50% of the share capital.

On August 22, 2006, the Company issued 5.89 million new shares to De Heus (China) with the approval of the Ministry of Commerce of the People's Republic of China, and the total share capital was changed to 58.89 million shares. After the approval of Liaoning Foreign Trade and Economic Cooperation Department, the Company issued 3.46 million shares to De Heus (China) on November 15, 2007, and the total share capital was increased to 62.35 million shares.

In 2010, with the approval of the second extraordinary shareholders meeting, the Company issued 50 bonus shares for every 10 shares based on the total share capital as of December 31, 2009, after which the total share capital of the Company was increased to 374.12 million shares. Moreover, the third extraordinary shareholders meeting of the Company in 2010 approved to use capital reserves for converting 100 million shares into capital, after which the total share capital of the Company was increased to 474.12 million shares.

Approved by China Securities Regulatory Commission (CSRC License [2014] No. 675), the Company issued 80 million new shares at a price of RMB 5.88 per share on August 4, 2014, and the total share capital of the Company after the initial public offering was increased to 554.12 million shares.

The second extraordinary shareholders meeting of the Company in 2015 approved to convert capital reserve into share capital by issuing 5 bonus shares for every 10 shares, the total share capital of the Company increased to 831.18 million shares.

The second extraordinary shareholders meeting of the Company in 2018 approved to issue 14.575 million restricted shares to 372 natural persons at RMB 4.85 per share on December 29, 2018, and the total share capital of the Company was increased to 845.75 million shares.

Approved by China Securities Regulatory Commission (CSRC License [2018] No. 1742), the Company privately issued 76.55 million common shares on April 18, 2019, with the total share capital of 922.30 million shares after the change.

On March 27, 2020, the Company repurchased and written off 244,500 restricted shares, and the total share capital was changed to 922.06 million shares.

On March 24, 2021, the name of the Company was changed to Wellhope Foods Co., Ltd.

On May 19, 2021, the Company repurchased and written off 99,700 restricted shares, and the total share capital was changed to 921.96 million shares.

On June 22, 2022, the Company repurchased and written off 5.74 million restricted shares, and the total share capital was changed to 916.22 million shares.

In 2022, the Company increased its shareholding by 3.21 million shares due to issuing convertible bonds, and the total share capital was changed to 919.43 million shares.

Social credit code: 9121000074712989XU

Type of company: Joint stock limited company (sino-foreign joint venture, listed)

Legal representative: Jin Weidong

Primary business of the Company and its subsidiaries: feed and feed additives production and sales, feed raw materials trading, broiler farming, slaughtering and processing, livestock farming, frozen food processing, packaging, refrigeration, sales, agricultural and local specialties processing, etc.

Registered address (head office address): No. 169, Huishan Street, Shenbei New District, Shenyang, Liaoning Province.

These financial statements were approved for external reporting by the Company at the 15th meeting of the 7th Board of Directors on March 29, 2023.

## 2. Scope of the consolidated financial statements

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

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

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

Company	Way of obtaining
Lankao Skyland Feed Co.	Combination under different control
Linyi Wellhope Animal Husbandry Co.	Invested
Jilin Dalong Wellhope Animal Husbandry Co.	Invested
Huairan Dazhuang Farming Co.	Invested
Fuxin Wellhope Agricultural and Animal Husbandry Technology Co.	Invested
Harbin Wellhope Agricultural and Animal Husbandry Technology Co.	Invested
Jiyuan Helai Feed Co.	Invested
Daqing Wellhope Animal Husbandry Co.	Invested
Lixin Rongfeng Agriculture and Animal Husbandry Co.	Invested
Wan'an Wellhope Feed Co.	Invested
Baotou Hechen Animal Husbandry Co.	Invested
Qiqihar Wellhope Animal Husbandry Co.	Invested
Haicheng New Hongzunda Animal Husbandry Co.	Combination under different control

Hebei Linfeng Shengyi Trading Co.	Invested
Chifeng Wellhope Animal Husbandry Co.	Invested
Suihua Wellhope Animal Husbandry Co.	Invested
Neihuang County Wellhope Animal Husbandry Co.	Invested

**B. The subsidiaries excluded from the consolidated statements in the reporting period**

Company	Reason of excluding from the consolidation scope
Henan Hejiang Agricultural Development Co.	Transferred
Zhengning Wellhope Zhaosheng Cattle Feed Processing Co.	Transferred
Tongxu Wellhope Agriculture and Animal Husbandry Co.	Cancelled
Hengyang Wellhope Agricultural Technology Co.	Cancelled
Dahongda Construction Engineering Chongqing Co.	Transferred
Jinzhai Wellhope Agricultural and Animal Husbandry Co.	Cancelled

**IV. Basis of Preparing Financial Statements**

**1. Basis of preparing**

The Company prepares financial statements on a going concern basis.

**2. Going concern**

The Company's management believes that the Company is a going concern for at least 12 months from the reporting period.

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

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

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

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

**2. Accounting period**

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

**3. Operating cycle**

The Company takes a 12-month operating cycle.

**4. Bookkeeping base currency**

RMB

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

### (1). Accounting arrangement methods for business combination under the same control

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

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

### (2). Accounting arrangement methods for business combination under the different control

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

② The commission and service fee paid by the Company for issuing debt securities for the merger of

enterprise shall be included in the initial measurement amount of debt securities.

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

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

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

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

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

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

### (1) Uniform accounting policy and accounting period

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

### (2) Preparation methods for consolidated financial statements

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

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

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

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

#### ① Disposal of increased number of subsidiaries during the report period

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

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

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

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

② Disposal of subsidiary during the report period

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

#### **7. Recognition standard of cash and cash equivalents**

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

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

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

(1) Accounting methods of foreign currency transactions

① Initial recognition of foreign currency transaction

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

② Adjustment or settlement of balance sheet date or settlement date

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

(A) Accounting arrangement principle for foreign currency monetary item

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

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

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

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

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

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

(2) Accounting arrangement methods for foreign currency statement translation

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

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

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

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

② The 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.

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

## 9. Financial instrument

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

### (1) Classification of financial instruments

#### ① Classification of financial assets

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

#### ② Classification of financial liabilities

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

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

#### ① Recognition basis of financial instruments

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

#### ② Measurement method of financial instruments

##### (A) Financial assets

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

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

exceed one year, shall take the amount of consideration to which it is expected to be entitled as the initially recognized amount.

(a) Financial assets measured at amortized cost

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

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

After the initial recognition, such financial assets shall be subsequently measured at fair value. The impairment loss or gain, exchange gain or loss and the interest calculated by the real interest method shall be recorded into current gains or losses, other gains or losses shall be booked into other comprehensive income. When the recognition is terminated, the accumulated gains or losses booked into other comprehensive income before shall be transferred out from other comprehensive income and booked into current gains or losses.

Where the Company designates part of non-trading equity instrument investments as the financial assets that measured at fair value and the changes included in other comprehensive income, relevant dividend income of such financial assets shall be included in current gains or losses, and changes in fair value shall be included in other comprehensive income. When the recognition is terminated, the accumulated gains or losses recorded in other comprehensive income shall be transferred to retained income, and not recorded in current gains or losses.

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

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

In addition, in the initial recognition, in order to eliminate or significantly reduce accounting mismatches, the Company designates some financial assets as the financial assets measured at fair value and the changes recorded into current gains or losses. For such financial assets, the Company adopts fair value for follow-up measurement, and the changes in fair value are recorded into current gains or losses.

(B) Financial liabilities

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

Trading financial liabilities (including derivative instruments belonging to financial liabilities) shall be subsequently measured in accordance with the fair value, and the changes in fair value shall be recorded into current gains or losses except for those related to hedge accounting. For the financial liabilities that are designated to be measured at fair value and the changes included in current gains or

losses, in case the changes in the fair value of liabilities are caused by the changes in the Company's own credit risk shall be included in other comprehensive income, and when terminates such liabilities, the accumulated changes in fair value shall be transferred to retained earnings. Other changes in fair value shall be booked into current gains or losses.

(b) Financial liabilities measured at amortized cost

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

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

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

- ① If it does not retain control of the financial asset, the recognition of the financial asset shall be terminated, and the rights and obligations generated or retained in the transfer shall be separately recognize as assets or liabilities;
- ② If the control of the financial asset is retained, the relevant financial asset shall be recognized according to the phases of transferred financial asset, and relevant liabilities shall be recognized accordingly.

(4) Terminating the recognition of financial liabilities

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

(5) Offsetting financial assets and financial liabilities

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

- ① The Company has the legal right to offset recognized amount, and such legal right is currently enforceable.
- ② The Company plans to implement net settlement, or simultaneously sell off the financial assets and liquidate such financial liabilities.

(6) Equity instrument

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

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

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

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

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

(8) Impairment of financial assets

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

① Recognition method of impairment provision

(A) General method

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

(B) Simplified method

For accounts receivable and revenue-related notes receivable that do not contain a significant financing component or do not consider the financing component of contracts that do not exceed one year, the

Company measures the loss provision in accordance with the expected credit loss for the entire duration.

② Criteria for determining whether credit risk has increased significantly since the initial recognition  
If the probability of default of the financial asset recognized on the balance sheet date is significantly higher than the probability of default at the time of initial recognition, the credit risk of the financial asset is proved to be significantly increased.

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

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

③ The combination method and determination basis of credit risk assessment based on combination  
The Company respectively evaluates the credit risks of notes receivable, accounts receivable and other receivables with the following characteristics. Such as: the receivables in dispute with the other party or involving litigation or arbitration; receivables with a clear indication that the debtor is likely to be unable to repay.

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

Portfolio	Accrual method
Bank's acceptance bill, commercial acceptance bill	For the notes receivable divided into portfolios, the expected credit loss shall be calculated based on the default risk exposure and the expected credit loss rate of the entire duration by referring to the experience of past credit losses and combining the current situation and the forecast of future economic conditions. It will not accrue the allowance for doubtful accounts of bank's acceptance bill
Aging	For the accounts receivable divided into aging portfolios, the Company shall, by referring to the experience of past credit loss and combining with the current situation and the prediction of future economic situation, prepare a table comparing the aging of accounts receivable with the expected credit loss rate of the whole period to calculate the expected credit loss.
Other	For receivables that shall be paid by the subsidiary included in the scope of consolidation, the Company shall, by referring to the experience of past credit loss and combining with the current situation and the prediction of future economic situation, prepare a table comparing the aging of accounts receivable with the expected credit loss rate of the whole period to calculate the expected credit loss.

## 10. Notes receivable

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

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

**11. Accounts receivable**

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

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

**12. Other receivables**

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

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

**13. Inventory****(1) Classification of inventory**

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

**(2) Valuation method for delivery of inventory**

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

**(3) Recognition basis of net realizable value of inventory and the accrual method for inventory falling price reserves****① Recognition basis of net realizable value of inventory**

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

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

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

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

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

② Accrual method of inventory falling price reserves

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

(4) Inventory system

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

(5) The amortization method for revolving materials

① The amortization method of low-value consumption goods

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

② Amortization method of packing material

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

**14. Contract assets**

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

**15. Long-term equity investment**

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

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

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

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

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

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

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

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

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

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

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

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

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

dividends or profits declared by the invested units.

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

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

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

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

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

When net deficiency of the invested entity that recognized to be borne, it shall be disposed as the following orders: The book value of the long-term equity investment shall be offset at first. If the book

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

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

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

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

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

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

## 16. Fixed assets

(1). Recognition conditions

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

① The economic interests related to the fixed assets are likely to flow into the Company;

② The costs of the fixed assets can be calculated reliably.

(2). Method of depreciation

Item	Method of depreciation	Period of depreciation (year)	RM value rate %	Yearly depreciation %
Office and buildings	straight-line	10-40	3	2.43-9.70

	depreciation			
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

## 17. Construction in progress

### (1) Category of construction in process

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

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

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

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

## 18. Borrowing costs

### (1) Range of the borrowing costs

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

### (2) Recognition principle of borrowing costs

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

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

### (3) Recognition of the time period for capitalization of the borrowing cost

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 19. Biological assets

(1) Classification of biological assets

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

(2) Conformation conditions of biological assets

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

① The Company possesses or controls the biological asset as a result of past transaction or matter.

② The economic benefits or service potential concerning this biological asset are likely to flow into the Company.

③ The cost of the biological asset can be measured reliably.

(3) Depreciation of productive biological assets

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

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

Type	Service life	Anticipated net residual value	Depreciation method
Pig breeder	36 months	20.00%	Straight-line service life
Broiler breeder	30 weeks	RMB22.50 per broiler	Workload
Laying duck	10 months	RMB30.00 per duck	Straight-line service life
Layer	14 months	RMB21.00 per layer	Straight-line service life
Cattle breeder	6 years	30.00%	Straight-line service life

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

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

## 20. Right-of-use asset

A right-of-use asset is the right of the lessee to use the leased asset during the period of leasing. At the commencement date of the lease term, the Company recognizes a right-of-use asset and a lease liability for the lease as a lessee, except for short-term leases and leases of low-value assets that are subject to simplified treatment.

The categories of right-of-use assets, service life and annual depreciation rate are listed below.

Categories of right-of-use assets	Depreciable life	Annual depreciation rate%
Houses and buildings	5-20	5.00-20.00
Equipment	2-20	5.00-50.00
Land	5-40	2.50-20.00

## 21. Intangible assets

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

① Initial measurement of intangible assets

(A) Initial measurement of outsourcing intangible assets

The cost of outsourcing intangible assets, including acquisition price, relevant taxes and dues as well as

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

(B) Initial calculation for independently developed intangible assets

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

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

② Subsequent measurement of intangible assets

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

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

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

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

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

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

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

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

## ③ Estimate the service life of intangible assets

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

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

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

## ④ Arrangement of land use right

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

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

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

## (2). Accounting policies of internal R&amp;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 recognized as the intangible assets when meeting the following conditions simultaneously:

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

## **22. Impairment of long-lived assets**

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

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

When the Company conducts the impairment test on business reputation, as for the book value of goodwill formed due to the business combination, it shall be amortized to related assets groups from the acquisition date according to the reasonable methods; The part that is hard to be allocated to related assets groups shall be amortized to related combined assets groups. When apportioning the book value of the goodwill to the relevant asset groups or combinations of asset groups, it shall be apportioned on the basis of the proportion of the fair value of each asset group or combination of asset groups to the total fair value of the relevant asset groups or combinations of asset groups. Where it is difficult to measure the fair value reliably, it shall be apportioned on the basis of the proportion of the carrying value of each asset group or combination of asset groups to the total carrying value of the relevant asset groups or combinations of asset groups. When making an impairment test on the

relevant asset groups or combinations of asset groups including goodwill, if any evidence shows that the impairment of asset groups or combinations of asset groups is possible, the Company first makes an impairment test on the asset groups or combinations of asset groups not including goodwill, calculate the recoverable amount, compare it with the relevant carrying value and confirm the corresponding impairment losses. The Company makes an impairment test of the asset groups or combinations of asset groups containing business reputation, and compares the book value of these relevant asset groups or combinations of asset groups (including the book value of goodwill amortized thereto) and their recoverable amount. Where the recoverable amount of relevant assets or combinations of the asset groups is lower than the book value thereof, the depreciation of the goodwill losses shall be recognized.

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

### **23. Long-term prepaid expenses**

#### **(1) Scope of long-term prepaid expense**

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

#### **(2) Initial calculation for long-term prepaid expense**

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

#### **(3) Amortization of long-term prepaid expense**

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

### **24. Contract liabilities**

#### **Recognition method of contract liabilities**

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

### **25. Employee remuneration**

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

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

the remuneration given for labor relation removing with the employee.

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

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

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

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

(3). Accounting arrangement method of dismissal welfare

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

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

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

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

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

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

**26. Lease liabilities**

The lease liability is initially measured at the present value of the lease payments outstanding at the commencement date of the lease term.

At the commencement date of the lease term, the Company recognizes a right-of-use asset and a lease liability for the lease as a lessee, except for short-term leases and leases of low-value assets that are subject to simplified treatment.

**27. Estimated liabilities****(1) Recognition principles of estimated liabilities**

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

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

**(2) Calculated method for estimated liabilities**

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

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

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

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

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

**28. Share-based payment**

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

**(1) Accounting arrangement on the grant date**

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

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

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

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

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

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

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

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

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

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

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

## 29. Revenue

The revenues mainly consist of the income of selling goods, providing labor services, and transferring

the right to use assets. And the principles of income recognition shall be driven as below:

(1) Confirming principle of the revenue for selling products

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

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

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

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

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

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

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

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

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

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

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

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

shall be recognized.

### **30. Contract costs**

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

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

- (1) Such costs are directly related to a current or anticipated contract
- (2) Such costs increase the Company's resources that will be used in the future to meet performance obligations.
- (3) Such costs are expected to be recovered

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

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

- (1) The remaining consideration that is expected to be obtained as a result of transferring the commodities or services related to such assets.
- (2) The estimated costs that will be incurred due to transfer such commodities or services.

### **31. Government grant**

- (1) Category of government grant

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

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

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

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

Recognition principle of government grant

- ① The Company can meet all attached conditions for governmental grant.
- ② The Company is able to receive governmental grant.

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

- (3) Measurement for government grant

- ① If the government grants belong to monetary assets, shall be calculated according to the received or receivable amount.
- ② Non-monetary assets of government grants shall be measured by the fair value; if the fair value

cannot be obtained reliably, it shall be measured according to the nominal amount (the nominal amount is RMB 1.00).

(4) Accounting arrangement method for government grants

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

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

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

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

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

④ Government grants related to the day-to-day operation of the Company shall be accounted for as other benefits or deducted with relevant costs in accordance with the nature of its economic operations. Government grants unrelated to the daily activities of enterprise are included in the income and expenditure of non-business activities. If the finance allocates the discount funds directly to the Company, the Company will deduct the relevant borrowing costs from the corresponding discount.

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

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

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

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

**32. Deferred income tax assets or deferred income tax liabilities**

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

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

① When the Company obtains the assets or liabilities, it shall determine its tax basis. On the balance sheet date, the Company analyses and compares the book value of assets and liabilities with their tax basis, and the book value of assets and liabilities with their tax basis. If there is temporary balance between the book value of assets and liabilities and their tax basis, the Company shall recognize

deferred income tax liabilities or deferred income tax assets respectively for taxable temporary balance or deductible temporary balance if the relevant temporary balance occurs in the current period and meets the recognition conditions. Tax assets.

② Recognition basis of deferred income tax assets

(A) The Company shall confirm the deferred income tax assets arising from a deductible temporary balance to the extent of the amount of the taxable income which it is likely to obtain and which can be deducted from the deductible temporary balance. The amount of taxable income likely to be obtained in the future period includes the amount of taxable income realized in normal production and operation activities in the future period, and the amount of taxable income increased due to the return of temporary balance of taxable income during the period of deductible temporary balance.

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

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

③ Recognition basis of the deferred income tax liabilities

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

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

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

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

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

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

### 33. Lease

#### (1) Accounting arrangement method of operating lease

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

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

#### (2) Accounting arrangement methods of financial lease

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

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

## VI. Tax

### 1. Categories of taxes and tax rate

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

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

Fengda Agriculture and Animal Husbandry Development Company, Shenyang Xiaohu Agriculture and Animal Husbandry Company, Shenyang Wellhope Swine Breeding Company, Shenyang Wellhope Agriculture and Animal Husbandry Technology Company, Lingyuan Wellhope Agriculture and Animal Husbandry Company, Fuyang Wellhope Agriculture and Animal Husbandry Technology Company, Dehui Fengyuan Agriculture and Animal Husbandry Company, Kaifeng Jiufeng Agriculture and Animal Husbandry Company, Jinzhai Wellhope Agriculture and Animal Husbandry Company, Fuyu Wellhope Layer Company, Anhui Wellhope Food Company, Lixin Rongfeng Farming & Animal Husbandry Company, Fuxin Wellhope Farming & Animal Husbandry Science & Technology Company, Huaren Dajiang Farming Company, Suihua Wellhope Farming Company,	
Russia Wellhope Agri-Tech Company	20
Other companies	25

## 2. Tax preference

### A. Value-added tax

In accordance with the Notice on the Exemption of Value-added Tax on Feed Products and other documents, the sales of feed products of the Company and related subsidiaries are exempted from value-added tax.

According to the regulation issued by the Ministry of Finance and Taxation of China, from April 1, 2019, taxpayers occurred taxable sales of VAT, where the tax rates of 16% and 10% were originally applicable, the tax rates shall be adjusted to 13% and 9% respectively.

According to the announcement issued by the General Tax Bureau of the Ministry of Finance, VAT shall be levied at a rate of 1% for small-scale taxpayers.

Pursuant to the Announcement on VAT Exemption for Small-Scale Taxpayers of VAT (Announcement No. 15 of 2022 of the Ministry of Finance and State Administration of Taxation), from April 1, 2022 to December 31, 2022, small-scale taxpayers of VAT shall be exempted from VAT on their taxable sales revenues to which the taxable rate of 3% applies; and the prepayment of VAT on prepaid VAT items to which the prepayment rate of 3% applies shall be suspended.

### B. Income tax

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

## VII. Notes to the Items of Consolidated Financial Statements

### 1. Monetary capital

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Cash on hand	695,108.20	446,403.52
Cash at bank	1,648,285,114.62	1,197,827,158.39
Other monetary capital	39,761,380.78	35,304,219.85
Total	1,688,741,603.60	1,233,577,781.76

including: total amount of funds deposited abroad	1,992,589.38	773,934.10
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Other explanation:

At the end of the period, other monetary funds included RMB10,480,765.63 for letter of credit deposits, RMB29,160,615.15 for futures deposits and RMB120,000.00 for bank acceptances.

## 2. Derivative financial assets

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Futures	4,050,071.80	9,667,725.25
Total	4,050,071.80	9,667,725.25

Explanation: The accounting method of futures refer to fair value disclosure.

## 3. Notes receivable

### A. Classification

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Bank's acceptance bill	5,778,682.68	11,846,863.22
Total	5,778,682.68	11,846,863.22

## 4. Accounts receivable

### A. Categorized by aging

Unit: yuan Currency: RMB

Aging	Closing book balance
Within 1 year	975,504,766.68
1-2 years	92,727,459.46
2-3 years	19,276,853.32
Over 3 years	130,520,511.25
Total	1,218,029,590.71

**B. Categorized by bad debt accrual method**

Unit: yuan Currency: RMB

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Percentage %	Amount	Accrual percentage %		Amount	Percentage %	Amount	Accrual percentage %	
Accruing bad debt provision individually	46,975,455.73	3.86	45,145,551.28	96.10	1,829,904.45	38,449,931.04	4.58	38,449,931.04	100.00	
Accruing bad debt provision by portfolio	1,171,054,134.98	96.14	137,827,277.69	11.77	1,033,226,857.29	801,603,643.95	95.42	120,085,758.25	14.98	681,517,885.70
										including
Aging portfolio	1,171,054,134.98	96.14	137,827,277.69	11.77	1,033,226,857.29	801,603,643.95	95.42	120,085,758.25	14.98	681,517,885.70
Total	1,218,029,590.71	/	182,972,828.97	/	1,035,056,761.74	840,053,574.99	/	158,535,689.29	/	681,517,885.70

## ➤ Accruing bad debt provision individually

Unit: yuan Currency: RMB

Name	Closing balance			
	Book balance	Bad debt provision	Accruing percentage %	Reason
Customer 1	23,998,355.83	23,998,355.83	100.00	Expected uncollectible
Customer 2	4,734,285.00	4,734,285.00	100.00	Expected uncollectible
Customer 3	2,348,413.70	2,348,413.70	100.00	Expected uncollectible
Customer 4	1,631,640.00	1,631,640.00	100.00	Expected uncollectible
Customer 5	1,395,549.91	1,395,549.91	100.00	Expected uncollectible
Other bad debt provision accrued individually	12,867,211.29	11,037,306.84	85.78	Expected uncollectible
Total	46,975,455.73	45,145,551.28	96.10	/

## ➤ Accruing bad debt provision according to aging

Unit: yuan Currency: RMB

Aging	Closing balance		
	Account receivable	Bad debt provision	Accruing percentage %
Within 1 year	970,107,421.82	24,751,334.23	2.55
1-2 years	92,727,459.46	13,909,118.92	15.00
2-3 years	18,104,858.32	9,052,429.16	50.00
Over 3 years	90,114,395.38	90,114,395.38	100.00
Total	1,171,054,134.98	137,827,277.69	11.77

**C. Bad debt provision**

Unit: yuan Currency: RMB

Category	Opening balance	Changes in 2022			Closing balance
		Accruing	Charged off or written off	Other changes	
Accounts receivable	158,535,689.29	24,687,984.19	1,000,556.80	749,712.29	182,972,828.97
Total	158,535,689.29	24,687,984.19	1,000,556.80	749,712.29	182,972,828.97

**D. Accounts receivables that were actually written off in current period**

Unit: yuan Currency: RMB

Item	Write-off amount
Actual write-off of accounts receivable	1,000,556.80

Circumstances of other important accounts receivable that were written off

Unit: yuan Currency: RMB

Name	Nature	Written off amount	Reason	Whether generated by related party transactions
Customer 1	Payment for products	200,000.00	uncollectible after filing of a lawsuit	No
Customer 2	Payment for products	183,899.57	uncollectible after filing of a lawsuit	No
Customer 3	Payment for products	128,000.00	uncollectible	No

Customer 4	Payment for products	100,000.00	uncollectible	No
Customer 5	Payment for products	87,250.00	uncollectible	No
Total	/	699,149.57	/	/

**E. Top 5 accounts receivable at the end of the reporting period**

Unit: yuan Currency: RMB

Debtor	Closing balance	Percentage of the closing balance of total accounts receivable %	Closing balance of bad debt provision
1	67,894,560.19	5.57	1,357,891.20
2	31,391,484.65	2.58	627,829.69
3	27,112,815.51	2.23	908,116.57
4	25,777,657.55	2.12	515,553.15
5	23,998,355.83	1.97	23,998,355.83
Total	176,174,873.73	14.47	27,407,746.44

**5. Prepayments****A. Presenting by aging**

Unit: yuan Currency: RMB

Aging	Closing balance		Opening balance	
	Amount	Percentage %	Amount	Percentage %
Within 1 year	760,310,068.40	99.72	478,437,536.73	99.71
Over 1 year	2,157,372.53	0.28	1,393,013.52	0.29
Total	762,467,440.93	100.00	479,830,550.25	100.00

**B. Top 5 prepayments at the end of the reporting period**

Unit: yuan Currency: RMB

Company	Closing balance	Percentage of the closing balance of total prepayments %
1	88,259,546.73	11.58
2	71,595,754.88	9.39
3	71,901,957.76	9.43
4	28,803,194.89	3.78
5	28,734,031.34	3.77
Total	289,294,485.60	37.95

**6. Other receivables**

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Interest receivable		
Dividends receivable	27,535,293.35	39,067,761.79
Other receivables	70,256,618.60	68,920,505.18
Total	97,791,911.95	107,988,266.97

**A. Dividends receivable**

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Dividends from long-term investment under the equity method	27,535,293.35	39,067,761.79
Total	27,535,293.35	39,067,761.79

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

Unit: yuan Currency: RMB

Aging	Closing book balance
Within 1 year	44,686,949.41
1-2 years	9,835,874.78
2-3 years	1,120,189.00
Over 3 years	28,041,960.29
Total	83,684,973.48

**b. Presenting by nature**

Unit: yuan Currency: RMB

Nature	Closing book balance	Opening book balance
General operating receivables	38,356,333.90	26,443,343.39
Guarantee deposit	38,978,639.58	36,964,811.02
Disposal of investment receivables	2,000,000.00	2,764,218.95
Other	4,350,000.00	31,438,968.38
Total	83,684,973.48	97,611,341.74

**c. Accruing bad debt provision**

Unit: yuan Currency: RMB

Bad debt provision	First stage	Second stage	Third stage	Total
	Expected credit losses over the next 12 months	Expected credit loss for the entire duration (no credit impairment)	Expected credit loss for the entire duration (credit impairment occurred)	
Balance on January 1, 2022	19,983,512.68		8,707,323.88	28,690,836.56
-recorded in the second stage				
- recorded in the third stage	-1,224,576.91		1,224,576.91	
-recovered in the second stage				
- recovered in the first stage				
Accrued in the reporting period	705,813.52		2,326,214.06	3,032,027.58
Reversing	16,033,746.50			16,033,746.50
Write-off			3,025,954.27	3,025,954.27
Other changes	765,191.51			765,191.51

Balance on December 31, 2022	4,196,194.30		9,232,160.58	13,428,354.88
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**d. Bad debt provision**

Unit: yuan Currency: RMB

Category	Opening balance	Changes in 2022				Closing balance
		Accruing	Recovery or reversal	Charged off or written off	Other changes	
Other receivables	28,690,836.56	3,032,027.58	16,033,746.50	3,025,954.27	765,191.51	13,428,354.88
total	28,690,836.56	3,032,027.58	16,033,746.50	3,025,954.27	765,191.51	13,428,354.88

**e. Top 5 other receivables at the end of the reporting period**

Unit: yuan Currency: RMB

Company	Nature	Closing balance	Aging	Percentage of closing balance of other receivables %	Closing balance of bad debt provision
1	Guarantee deposit	12,000,000.00	less than 1 year	14.34	240,000.00
2	Guarantee deposit	5,820,000.00	less than 1 year	6.95	582,000.00
3	Temporary loan	4,350,000.00	1-2 year	5.20	652,500.00
4	Security deposit	3,290,177.00	less than 1 year	3.93	65,803.54
5	Guarantee deposit	2,955,000.00	less than 1 year	3.53	56,100.00
Total	/	28,415,177.00	/	33.95	1,596,403.54

**7. Inventory****A. Category of inventory**

Unit: yuan Currency: RMB

Item	Closing balance			Opening balance		
	Book balance	Falling price reserve or provision for impairment of contract performance costs	Book value	Book balance	Falling price reserve or provision for impairment of contract performance costs	Book value
Raw materials	1,375,671,622.26	2,068,802.37	1,373,602,819.89	1,201,310,756.99	1,783,484.21	1,199,527,272.78
In-production products	70,241,872.06	2,467.69	70,239,404.37	81,084,071.92	420,356.13	80,663,715.79
Inventory products	1,129,292,339.70	5,663,491.75	1,123,628,847.95	792,423,259.27	1,434,137.22	790,989,122.05
Expendable biological assets	750,801,994.48	12,755,035.13	738,046,959.35	573,760,700.47	2,313,510.86	571,447,189.61
Low-value consumables	30,261,679.70		30,261,679.70	23,320,387.54		23,320,387.54
Packaging	25,772,465.19		25,772,465.19	22,959,063.70		22,959,063.70

Engineering construction				2,315,669.48		2,315,669.48
Total	3,382,041,973.39	20,489,796.94	3,361,552,176.45	2,697,173,909.37	5,951,488.42	2,691,222,420.95

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

Unit: yuan Currency: RMB

Item	Opening balance	Increased amount	Decreased amount	Closing balance
		Accrued	Recovered or charged off	
Raw materials	1,783,484.21	3,704,043.93	3,418,725.77	2,068,802.37
In-production products	420,356.13		417,888.44	2,467.69
Inventory products	1,434,137.22	10,531,187.07	6,301,832.54	5,663,491.75
Expendable biological assets	2,313,510.86	13,192,295.25	2,750,770.98	12,755,035.13
Total	5,951,488.42	27,427,526.25	12,889,217.73	20,489,796.94

## 8. Contract assets

### A. Circumstance of contract assets

Unit: yuan Currency: RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Guarantee deposit	1,256,805.00	69,899.58	1,186,905.42	2,677,247.54	171,799.85	2,505,447.69
Total	1,256,805.00	69,899.58	1,186,905.42	2,677,247.54	171,799.85	2,505,447.69

### B. Accruing provision for impairment of contract assets in 2022

Unit: yuan Currency: RMB

Item	Accrued in current period	Recovered in current period	Charged off or written off	Other change
Guarantee deposit		76,029.36		25,870.91
Total		76,029.36		25,870.91

## 9. Other current assets

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Available for deducting VAT and prepaid tax	149,114,790.69	156,089,468.63
Total	149,114,790.69	156,089,468.63

**10. 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	Reducing investment	Gains or losses on investments recognized under the equity method	Adjustment of other comprehensive income	Declaration of cash dividends or profits	Other		
<b>1. Joint Venture</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	17,900,000.00							17,900,000.00	17,900,000.00
Subtotal	29,569,191.54							29,569,191.54	17,900,000.00
<b>2. Associated Company</b>									
Qingdao Shenfeng Agri-Tech Company	12,767,002.96			1,179,279.24		1,845,000.00		12,101,282.20	
Anshan Jiuguhe Food Company	205,321,279.08			23,391,706.01		6,232,950.00		222,480,035.09	
Tai'an Jiuguhe Agriculture Development Company	55,495,593.32			14,022,023.03				69,517,616.35	
Linghai Jiuguhe Feed Mill	42,241,727.23			9,966,620.27				52,208,347.50	
Huludao Jiuguhe Food Company	68,828,874.29			4,605,651.97				73,434,526.26	
Dandong Wellhope Chengsan Food Company	79,403,327.22			13,154,756.33				92,558,083.55	
Dandong Wellhope Chengsan Agri-Tech Company	116,098,861.48			3,813,192.30				119,912,053.78	
Haicheng New Hongzunda Agri-Tech Company	15,853,051.94			386,989.19			-16,240,041.13		
Beipiao Hongfa Food	493,149,090.03			70,925,071.50		5,390,000.00		558,684,161.53	

Company								
Beijing Dahong Hengfeng Agri-Tech Company	26,321,552.40			-3,212,231.58				23,109,320.82
Tai'an Jiufeng Agri-Tech Company				-				-
Shihaipu (Beijing) Technology and Trade Co., Ltd.	1,905,245.10			113,944.42				2,019,189.52
Shenyang Wenjie Bio-Tech Company	13,538,951.01			354,037.25				13,892,988.26
Huludao Jiuguhe Feed Mill	1,640,940.34			1,446,050.82				3,086,991.16
Jinzhou Jiufeng Food Company	90,831,509.42			8,392,237.69				99,223,747.11
Zhangjiakou Jiahe Agriculture and Animal Husbandry Company	90,394,700.76			-4,853,505.27				85,541,195.49
Tai'an Fengjiu Agri-Tech Company	55,361,191.33			8,713,129.49		243,262.12		63,831,058.70
Anshan Fengsheng Food Company	54,871,812.33			7,340,968.23				62,212,780.56
Dalian Chengsan Animal Husbandry Company	350,422,338.11			30,302,986.98				380,725,325.09
Tailai Jiahe Agriculture and Animal Husbandry Company	63,751,596.83			-24,392,489.15			-1,559,644.35	37,799,463.33
Gongzhuling Corn Purchasing and Storing Company	58,782,533.14			2,685,883.18				61,468,416.32
Lankao Skyland Duck Company	31,735,288.77			1,994,577.20			1,306,877.90	35,036,743.87
Hainan Nongken Wenfeng Wenchang Chicken Industry(Group)Company	1,090,183.46			561.49				1,090,744.95
PT SEKAR GOLDEN HARVESTA INDONESIA	36,360,437.54			-1,302,462.63	-269,639.16		125,653.83	34,913,989.58
GOLDEN HARVESTA INC.	98,958,392.92			5,105,258.75	1,845.88			104,065,497.55

PT. Mulia Harvest Agritech	47,923,891.82			7,511,736.32	-361,396.30			55,074,231.84	
Shulan Fengtai Organic Fertilizer Company	2,055,159.27			-211,753.66				1,843,405.61	
Shenyang Zhongwenjia Bio-Tech Company	6,394,995.20			1,431,102.26				7,826,097.46	
Liaoning Mubang Animal Husbandry Equipment Manufacturing Company	15,197,637.58			2,007,890.41				17,205,527.99	
Liaoning Yufeng Bio-tech Company	6,345,273.41	3,800,000.00		-8,780,780.49				1,364,492.92	
Weifang Wellhope Xinhesheng Feed Mill	5,780,417.23			252,934.56				6,033,351.79	
Dunhua Fengda Broiler Breeding Company	5,794,221.03			30,221.45				5,824,442.48	
Tai'an Huijun Biomass Energy Company	2,242,570.99	3,723,200.00		-1,719,990.55				4,245,780.44	
Dazhou Wellhope Bio-Tech Company	6,934,535.85	7,500,000.00		-1,757,787.42				12,676,748.43	
Anshan Jiujianhe Paper Packaging Company	4,257,931.65			823,159.73				5,081,091.38	
Anshan Antai Plastic Products Company	2,835,740.23			777,655.29				3,613,395.52	
Bei'an Nongken Shengda Pasture Specialized cooperative	11,472,828.85			1,630,152.02				13,102,980.87	
Heilongjiang Province North an agricultural reclamation Zhongwang Cow Breeding Professional Cooperative	474,403.89			290,410.14				764,814.03	
Jiyuan Sunshine rabbit Industry Technology Co., LTD	5,282,607.40	7,800,000.00		-907,734.01				12,174,873.39	
Dalian Wellhope Fishery Company	9,614,154.88			1,286,076.11				10,900,230.99	
Liaoning Petmate Bio-Tech Company	8,485,207.09			-785,553.31				7,699,653.78	

Guangzhou Yikun Trading Company	133,018.65		915,200.00	782,181.35					
Jilin Hengfeng Animal Health Products Company	4,170,752.87			1,849,488.09				6,020,240.96	
Harbin Weierhao Trading Company	7,576,285.27			3,077,176.97				10,653,462.24	
Shenyang Yihe Enterprise Management Partnership (Limited partnership)	1,855,106.00			-43.71				1,855,062.29	
Shenyang Wanlitan Agriculture and Animal Husbandry Company	7,127,748.77			3,231,445.64		2,000,000.00		8,359,194.41	
Daqing Supply and Marketing Agri-Tech Company	5,695,862.23			547,919.26				6,243,781.49	
Indonesia Max Animal Husbandry Technology Company	1,389,973.56				74,201.40			1,464,174.96	
Dalian Sida Food Company	43,531,779.06			2,408,318.95				45,940,098.01	
Shandong Fengkang Food Company	43,459,196.67			-25,282,768.62				18,176,428.05	
Shenyang Wellhope Huaifu Food Technology Company		350,000.00		-67,847.92				282,152.08	
Dahongda Construction Engineering Chongqing Company		2,400,000.00		-258,354.15				2,141,645.85	
Subtotal	2,321,156,780.46	25,573,200.00	915,200.00	162,299,491.42	-554,988.18	15,711,212.12	-16,367,153.75	2,475,480,917.83	
Total	2,350,725,972.00	25,573,200.00	915,200.00	162,299,491.42	-554,988.18	15,711,212.12	-16,367,153.75	2,505,050,109.37	17,900,000.00

1. The investment of Unphung Joint Venture Company, Nepal Wellhope Agri-tech Pvt. Ltd. and NEXUS WELL-HOPE AGRITECH INTERNATIONAL LIMITED adopts cost method due to the particularity of local market and regulatory environment as well as the effects that the Company can exert on these three companies.
2. At the end of the period, the net assets of Tai'an Jiufeng Animal Husbandry Company recorded RMB -2,910,701.44, the book value of the long-term investment was written down to RMB 0, and unrecognized investment loss recorded RMB -967,629.28 at the end of the period.

**11. Other equity instruments Investment****A. Other equity instruments Investment**

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
China-Russia Friendship Association of Liaoning Province	10,000.00	10,000.00
Hengshui Hejia Agriculture and Animal Husbandry Company	813,621.88	151,379.65
Xinji Jiayu Agriculture and Animal Husbandry Company	1,915,770.37	1,828,273.88
Shenze Jiahe Agriculture and Animal Husbandry Company	1,868,551.23	2,813,479.85
Dalian Xuelong Heniu Import and Export Company	10,241,825.67	13,105,813.65
Henan Shanghui Feed Development Company	156,127.11	146,214.43
Gansu Judinghe Agriculture and Animal Husbandry Company		2,027,053.69
Guizhou Pumeixin Agricultural Technology Company	2,320,000.00	
Total	17,325,896.26	20,082,215.15

**B. Non-transactional equity instrument investment**

Unit: yuan Currency: RMB

Item	Dividend income recognized in the current period	Cumulative gains	Cumulative losses	Amount of other comprehensive income transferred into retained earnings
China-Russia Friendship Association of Liaoning Province				
Hengshui Hejia Agriculture and Animal Husbandry Company			786,378.12	
Xi'an Micro Monkey E-commerce Company			340,000.00	
Xinji Jiayu Agriculture and Animal Husbandry Company		115,770.37		
Shenze Jiahe Agriculture and Animal Husbandry Company			1,131,448.77	
Dalian Xuelong Heniu Import and Export Company			4,758,174.33	
Henan Shanghui Feed Development Company			343,872.89	
Total		115,770.37	7,359,874.11	

**12. Fixed assets**

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Fixed assets	3,547,181,704.30	3,232,947,014.55
Disposal of fixed assets		
Total	3,547,181,704.30	3,232,947,014.55

**Circumstance of fixed assets**

Unit: yuan Currency: RMB

Item	Buildings and structures	Machinery equipment	Transportation vehicle	Other equipment	Total
1. Original value					
A. Opening balance	2,644,041,797.43	1,943,783,885.53	128,168,613.14	128,816,422.79	4,844,810,718.89
B. Increased amount	375,546,671.02	295,745,320.04	8,776,124.09	19,707,790.79	699,775,905.94
a. Purchased	44,071,561.30	85,922,095.12	6,739,057.29	16,946,198.56	153,678,912.27
b. Construction in progress transferred in	286,752,105.98	174,381,343.68	377,539.83	1,923,320.12	463,434,309.61
c. Increased by business combination	44,723,003.74	35,441,881.24	1,659,526.97	838,272.11	82,662,684.06
C. Decreased amount	50,957,084.32	32,915,079.23	6,891,468.99	3,796,565.92	94,560,198.46
a. Disposed or scrapped	28,634,050.56	28,241,220.42	6,891,468.99	3,576,394.04	67,343,134.01
b. Decreased by business combination	5,541,000.00	1,634,500.00		220,171.88	7,395,671.88
c. Transferred in construction in progress	16,782,033.76	3,039,358.81			19,821,392.57
D. Closing balance	2,968,631,384.13	2,206,614,126.34	130,053,268.24	144,727,647.66	5,450,026,426.37
2. Accumulated depreciation					
A. Opening balance	589,168,805.08	767,624,504.44	84,002,095.35	73,436,727.98	1,514,232,132.85
B. Increased amount	116,741,252.20	190,247,925.91	15,822,280.02	15,137,604.67	337,949,062.80
a. Accruing	112,094,811.79	182,002,783.97	14,387,515.65	14,658,898.48	323,144,009.89
b. Increased by business combination	4,646,440.41	8,245,141.94	1,434,764.37	478,706.19	14,805,052.91
C. Decreased amount	16,290,520.40	14,476,887.93	5,993,743.54	2,537,168.61	39,298,320.48
a. Disposed or scrapped	12,424,327.12	14,261,643.33	5,993,743.54	2,478,811.70	35,158,525.69
b. Decreased by	65,799.39	40,119.27		15,255.47	121,174.13

business combination					
c. Transferred in construction in progress	3,800,393.89	175,125.33		43,101.44	4,018,620.66
D. Closing balance	689,619,536.88	943,395,542.42	93,830,631.83	86,037,164.04	1,812,882,875.17
3. Impairment provision					
A. Opening balance	56,042,409.76	40,870,315.06	91,498.28	627,348.39	97,631,571.49
B. Increased amount	981,289.51	126,954.88			1,108,244.39
a. Accruing	981,289.51	126,954.88			1,108,244.39
C. Decreased amount	5,542,605.93	3,231,767.66		3,595.39	8,777,968.98
a. Disposed or scrapped	5,542,605.93	3,231,767.66		3,595.39	8,777,968.98
D. Closing balance	51,481,093.34	37,765,502.28	91,498.28	623,753.00	89,961,846.90
4. Book value					
A. Closing book value	2,227,530,753.91	1,225,453,081.64	36,131,138.13	58,066,730.62	3,547,181,704.30
B. Opening book value	1,998,830,582.59	1,135,289,066.03	44,075,019.51	54,752,346.42	3,232,947,014.55

### 13. Construction in progress

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Construction in progress	601,125,529.45	602,237,560.51
Engineering material		
Total	601,125,529.45	602,237,560.51

#### A. Circumstance of construction in progress

Unit: yuan Currency: RMB

Item	Closing balance		Opening balance	
	Book balance	Book value	Book balance	Book value
Hebei Taihang Wellhope-broiler slaughtering and processing	360,243,376.35	360,243,376.35	208,406,557.28	208,406,557.28
Hainan Wellhope-feed production line with 200,000 tons per year	543,876.00	543,876.00	1,621,699.60	1,621,699.60
Lingyuan Wellhope-pig farm construction	2,002,418.44	2,002,418.44	2,774,796.14	2,774,796.14
Dalian Zhongjia-phase II chicken processing and slaughtering project	7,050,377.03	7,050,377.03	10,512,513.85	10,512,513.85
Qingyuan Wellhope-feed production line with 400,000 tons per year	829,817.00	829,817.00	78,918,778.10	78,918,778.10

Changchun Wellhope Food-factory renovation	7,814,693.83	7,814,693.83	18,042,252.26	18,042,252.26
Fushun Agriculture and Animal Husbandry-pig farm construction	67,419.00	67,419.00	82,600.00	82,600.00
Shenyang Nongda- phase II plant construction and renovation	83,291,607.80	83,291,607.80	23,206,381.97	23,206,381.97
Lixin Xiangfeng-pig farm construction	1,888,058.82	1,888,058.82	22,895,026.25	22,895,026.25
Heilongjiang Wellhope-creep feed and nursery feed workshop	4,755,981.00	4,755,981.00	7,638,039.00	7,638,039.00
Gongzhuling Ruminant-Production line renovation			5,405,758.00	5,405,758.00
Fuxin Wellhope Agriculture and Animal Husbandry Company-pig breeding integration project			79,445,055.99	79,445,055.99
Anhui Wellhope-pig integration project with the capacity of slaughtering 1 million heads of pig per year	25,328,546.45	25,328,546.45	85,763,150.43	85,763,150.43
Neihuang County Wellhope-workshop equipment replacement and upgrading project	17,476,767.29	17,476,767.29		
Fuzhou Wellhope - feed production line with 200,000 tons per year	15,690,619.74	15,690,619.74		
Daqing Wellhope Food-Phase II plant upgrading	7,335,512.62	7,335,512.62		
Other piecemeal projects	66,806,458.08	66,806,458.08	57,524,951.64	57,524,951.64
Total	601,125,529.45	601,125,529.45	602,237,560.51	602,237,560.51

**B. Changes of important constructions in progress**

Unit: yuan Currency: RMB

Project	Budget	Opening balance	Increased Amount in the reporting period	Amount transferred in fixed assets in the reporting period	Closing balance	Percentage of accumulated input accounting for the budget %	Construction progress	Source of funds
Hebei Taihang Wellhope-broiler slaughtering and processing	400,000,000.00	208,406,557.28	151,836,819.07		360,243,376.35	90.06	83%	Self-financing
Hainan Wellhope-feed production line with 200,000 tons per year	72,000,000.00	1,621,699.60		1,077,823.60	543,876.00	82.00	95%	Self-financing
Lingyuan Wellhope-pig farm construction	85,000,000.00	2,774,796.14	10,290,202.41	11,062,580.11	2,002,418.44	100.00	100%	Self-financing, and raised funds from capital markets
Dalian Zhongjia-Phase II chicken processing and slaughtering project	250,000,000.00	10,512,513.85	1,185,684.20	4,647,821.02	7,050,377.03	13.07	10%	Self-financing
Qingyuan Wellhope-feed production line with 400,000 tons per year	100,000,000.00	78,918,778.10	22,725,629.77	100,814,590.87	829,817.00	100.00	100%	Self-financing
Changchun Wellhope Food-factory renovation	97,300,000.00	18,042,252.26	6,789,020.18	17,016,578.61	7,814,693.83	25.52	15%	Self-financing
Fushun Agriculture and Animal Husbandry-pig farm construction	380,300,000.00	82,600.00	13,910,583.39	13,925,764.39	67,419.00	100.00	100%	Raised funds from capital markets
Shenyang Nongda- phase II plant construction and renovation	103,000,000.00	23,206,381.97	65,309,134.72	5,223,908.89	83,291,607.80	90.00	95%	Self-financing, and raised funds from capital markets
Liaoning Wellhope Egg Industry- Renovation of production line and related equipment	46,685,000.00	22,895,026.25	18,744,759.00	39,751,726.43	1,888,058.82	89.19	90%	Self-financing

Heilongjiang Wellhope-creep feed and nursery feed workshop	50,000,000.00	7,638,039.00	1,844,425.00	4,726,483.00	4,755,981.00	31.00	15%	Self-financing, and raised funds from capital markets
Gongzhuling Ruminant-Production line renovation	6,300,000.00	5,405,758.00	916,246.00	6,322,004.00		100.00	100%	Self-financing
Fuxin Wellhope Agriculture and Animal Husbandry Company-pig breeding integration project	88,000,000.00	79,445,055.99	11,878,850.03	91,323,906.02		100.00	100%	Self-financing, and raised funds from capital markets
Anhui Wellhope-pig integration project with the capacity of slaughtering 1 million heads of pig per year	162,000,000.00	85,763,150.43	20,429,496.02	80,864,100.00	25,328,546.45	90.00	90%	Self-financing, and raised funds from capital markets
Neihuang County Wellhope- workshop equipment replacement and upgrading project	23,930,262.41		17,526,767.29	50,000.00	17,476,767.29	91.00	91%	Self-financing
Fuzhou Wellhope - feed production line with 200,000 tons per year	80,000,000.00		15,690,619.74		15,690,619.74	41.30	41.30%	Self-financing
Daqing Wellhope Food-Phase II plant upgrading	23,000,000.00		7,435,512.62	100,000.00	7,335,512.62	54.00	70%	Self-financing
Total	1,967,515,262.41	544,712,608.87	366,513,749.44	376,907,286.94	534,319,071.37	/	/	/

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

Unit: yuan Currency: RMB

Item	Animal husbandry					Total
	Broiler breeder	Pig breeder	Laying duck	Laying hen	Cattle breeder	
1. Original value						
A. Opening balance	75,295,258.91	132,936,563.79	2,894,820.05	5,467,046.96		216,593,689.71
B. Increased amount	56,312,211.72	178,894,234.37	4,768,788.34	32,492,686.37	1,957,036.79	274,424,957.59
a. Externally purchased	16,984,596.82	78,173,324.55	1,658,100.00	9,559,029.36	1,271,856.00	107,646,906.73
b. Breeding by own farm	39,327,614.90	100,720,909.82	3,110,688.34	22,933,657.01	685,180.79	166,778,050.86
C. Decreased amount	71,410,602.46	164,412,901.52	4,585,170.72	15,674,812.24		256,083,486.94
a. Disposed	52,760,457.92	114,421,089.39	4,585,170.72	15,674,812.24		187,441,530.27
b. Other	18,650,144.54	49,991,812.13				68,641,956.67
D. Closing balance	60,196,868.17	147,417,896.64	3,078,437.67	22,284,921.09	1,957,036.79	234,935,160.36
2. Accumulated depreciation						
A. Opening balance	16,777,634.29	27,191,816.83	916,720.01	1,490,834.24		46,377,005.37
B. Increased amount	44,220,924.44	23,024,589.84	1,067,897.62	8,577,575.03	14,010.21	76,904,997.14
a. Accruing	44,220,924.44	23,024,589.84	1,067,897.62	8,577,575.03	14,010.21	76,904,997.14
C. Decreased amount	41,481,483.09	30,316,446.33	1,377,393.06	1,751,442.35		74,926,764.83
a. Disposed	39,802,970.00	21,588,905.45	1,377,393.06	1,751,442.35		64,520,710.86
b. Other	1,678,513.09	8,727,540.88				10,406,053.97
D. Closing balance	19,517,075.64	19,899,960.34	607,224.57	8,316,966.92	14,010.21	48,355,237.68
3. Impairment provision						
4. Book value						
A. Closing book value	40,679,792.53	127,517,936.30	2,471,213.10	13,967,954.17	1,943,026.58	186,579,922.68
B. Opening book value	58,517,624.62	105,744,746.96	1,978,100.04	3,976,212.72		170,216,684.34

**15. Right-of-use asset**

Unit: yuan Currency: RMB

Item	Buildings and structures	Machinery equipment	Land	Total
1. Original value				
A. Opening balance	108,995,738.16	27,382,221.38	84,315,919.73	220,693,879.27
B. Increased amount	129,001,527.83	33,290,953.08	2,491,222.86	164,783,703.77
a. New lease	129,001,527.83	33,290,953.08	2,491,222.86	164,783,703.77
C. Decreased amount			561,813.15	561,813.15
a. Expiry of lease			561,813.15	561,813.15
D. Closing balance	237,997,265.99	60,673,174.46	86,245,329.44	384,915,769.89
2. Accumulated amortization				

A. Opening balance	8,818,386.53	2,658,305.01	9,236,066.28	20,712,757.82
B. Increased amount	19,555,273.12	6,579,380.32	9,683,477.89	35,818,131.33
a. Accruing	19,555,273.12	6,579,380.32	9,683,477.89	35,818,131.33
C. Decreased amount			43,216.36	43,216.36
a. Expiry of lease			43,216.36	43,216.36
D. Closing balance	28,373,659.65	9,237,685.33	18,876,327.81	56,487,672.79
3. Impairment provision				
4. Book value				
A. Closing book value	209,623,606.34	51,435,489.13	67,369,001.63	328,428,097.10
B. Opening book value	100,177,351.63	24,723,916.37	75,079,853.45	199,981,121.45

## 16. Intangible assets

Unit: yuan Currency: RMB

Item	Land use rights	Computer software and other	Total
1. Original value			
A. Opening balance	371,887,831.37	15,060,026.77	386,947,858.14
B. Increased amount	53,996,558.31	3,289,770.88	57,286,329.19
a. Purchased	44,989,000.02	3,269,770.88	48,258,770.90
b. Increased by business combination	9,007,558.29	20,000.00	9,027,558.29
C. Decreased amount		24,161.48	24,161.48
a. Disposed		24,161.48	24,161.48
b. Decreased by business combination			
D. Closing balance	425,884,389.68	18,325,636.17	444,210,025.85
2. Accumulated amortization			
A. Opening balance	61,717,231.94	7,999,703.93	69,716,935.87
B. Increased amount	9,527,694.39	2,001,497.12	11,529,191.51
a. Accruing	8,844,108.85	1,990,385.93	10,834,494.78
b. Increased by business combination	683,585.54	11,111.19	694,696.73
C. Decreased amount		24,161.48	24,161.48
a. Disposed		24,161.48	24,161.48
b. Decreased by business combination			
D. Closing balance	71,244,926.33	9,977,039.57	81,221,965.90
3. Impairment provision			
4. Book value			
A. Closing book value	354,639,463.35	8,348,596.60	362,988,059.95
B. Opening book value	310,170,599.43	7,060,322.84	317,230,922.27

## 17. Goodwill

### A. Original value of goodwill

Unit: yuan Currency: RMB

Name of investee or matters forming goodwill	Opening balance	Increased amount	Decreased amount	Closing balance
		Formed by business combination	Disposal	
Dalian Zhongjia Food Company	290,425.67			290,425.67
Tianyi Chuwei (Beijing)	1,844,995.57			1,844,995.57

Technology Company			
Total	2,135,421.24		2,135,421.24

## B. Provision for goodwill impairment

Name of investee or matters forming goodwill	Opening balance	Increased amount	Decreased amount	Closing balance
		Accruing	Disposal	
Tianyi Chuwei (Beijing) Technology Company		1,844,995.57		1,844,995.57
Total		1,844,995.57		1,844,995.57

## 18. Long-term prepaid expenses

Unit: yuan Currency: RMB

Item	Opening balance	Increased amount	Amortized amount	Closing balance
Land leveling fee	16,664,049.90	6,090,605.08	7,275,486.67	15,479,168.31
Fixed assets betterment	29,213,626.38	23,372,765.07	9,949,125.40	42,637,266.05
Other	7,432,274.16	6,093,507.39	7,508,590.75	6,017,190.80
Total	53,309,950.44	35,556,877.54	24,733,202.82	64,133,625.16

## 19. Deferred income tax assets or deferred income tax liabilities

## A. Deferred income tax assets that have not been offset

Unit: yuan Currency: RMB

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for the impairment of assets	199,498,451.76	43,947,379.75	166,894,781.86	39,742,636.56
Unrealized profit on internal transactions	34,592,551.69	4,505,312.11	35,467,433.36	6,168,376.86
Carry forward of future years' expenses			77,727.40	19,431.85
Deferred income	29,693,799.99	4,678,903.33	8,845,833.32	1,681,458.33
Fair value changes	1,994,830.00	498,707.50	112,070.00	28,017.50
Total	265,779,633.44	53,630,302.69	211,397,845.94	47,639,921.10

## B. Deferred income tax liabilities that have not been offset

Unit: yuan Currency: RMB

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Book value of assets greater than the tax basis	11,248,696.96	2,323,523.78	13,664,000.45	2,792,995.02
Total	11,248,696.96	2,323,523.78	13,664,000.45	2,792,995.02

## C. Details of unrecognized deferred income tax asset

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Deductible temporary difference	51,089,203.08	77,871,091.24
Deductible losses	333,855,709.70	224,786,186.38
Total	384,944,912.78	302,657,277.62

**D. The Deductible losses on unrecognized deferred income tax assets will expire in the following years**

Unit: yuan Currency: RMB

Year	Closing balance	Opening balance
2023	24,164,167.70	27,857,702.87
2024	51,516,234.05	62,542,627.15
2025	38,711,534.19	45,699,786.83
2026	63,889,215.61	67,356,270.20
2027	135,382,865.67	4,420,084.90
2028	8,255,571.42	8,255,571.42
2029	4,278,584.71	4,278,584.70
2030	75,655.03	75,655.03
2031	4,299,903.28	4,299,903.28
2032	3,281,978.04	
Total	333,855,709.70	224,786,186.38

**20. Other non-current assets**

Unit: yuan Currency: RMB

Item	Closing balance		Opening balance	
	Book balance	Book value	Book balance	Book value
Prepayments of long-lived assets	85,901,907.05	85,901,907.05	130,937,088.17	130,937,088.17
Prepayments of fees to contract farms	549,839,474.82	549,839,474.82	479,715,878.08	479,715,878.08
Prepayments of house rent	3,000,000.00	3,000,000.00	8,000,000.00	8,000,000.00
Total	638,741,381.87	638,741,381.87	618,652,966.25	618,652,966.25

**21. Short-term borrowing**

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Guaranteed loan	232,845,975.15	222,076,291.24
Credit loan	699,146,360.00	1,322,240,000.00
Accrued interest	1,793,456.81	1,883,522.02
Total	933,785,791.96	1,546,199,813.26

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

**22. Notes payable**

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Bank acceptance	600,000.00	3,900,000.00
Total	600,000.00	3,900,000.00

**23. Accounts payable**

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Accounts payable related to purchasing and expenses	1,607,441,382.04	1,173,223,100.50
Accounts payable related to long-lived assets	84,211,257.24	122,936,012.05
Total	1,691,652,639.28	1,296,159,112.55

**24. Advance receipt**

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Proceeds from sale	17,873,252.23	10,500,434.76
Total	17,873,252.23	10,500,434.76

**25. Contract Liabilities**

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Proceeds from sale	336,134,719.84	350,642,122.84
Total	336,134,719.84	350,642,122.84

**26. Payroll****A. Payroll payable**

Unit: yuan Currency: RMB

Item	Opening balance	Increased amount	Decreased amount	Change in scope of consolidation	Closing balance
1. Short-term benefits	106,671,033.53	1,097,839,754.05	1,025,830,448.67	966,775.29	179,647,114.20
2. Post-employment benefits- defined contribution plan	1,388,073.65	82,979,839.98	81,634,072.52	13,479.28	2,747,320.39
3. Dismissal welfare		2,342,821.00	2,342,821.00		
4. Other benefits due within one year					
Total	108,059,107.18	1,183,162,415.03	1,109,807,342.19	980,254.57	182,394,434.59

**B. Short-term benefits**

Unit: yuan Currency: RMB

Item	Opening balance	Increased amount	Decreased amount	Change in scope of consolidation	Closing balance
1. Wages, bonuses, allowances and subsidies	104,537,629.84	961,733,525.79	890,008,865.77	956,296.61	177,218,586.47
2. Staff benefits expenses		63,120,219.01	63,120,219.01		
3. Social insurance charges	967,327.11	47,687,960.35	47,583,901.19	11,020.21	1,082,406.48
including: Medical insurance premiums	854,043.66	42,184,664.12	42,095,829.28	9,707.68	952,586.18
Occupational injury insurance premium	51,184.57	4,002,926.15	3,947,498.48	963.63	107,575.87
Birth insurance premium	62,098.88	1,500,370.08	1,540,573.43	348.9	22,244.43
4. Housing provident fund	215,527.00	17,879,221.53	17,930,081.77	-3,280.00	161,386.76

5. Employee labor union dues, employee education expense	950,549.58	7,418,827.37	7,187,380.93	2,738.47	1,184,734.49
Total	106,671,033.53	1,097,839,754.05	1,025,830,448.67	966,775.29	179,647,114.20

**C. Defined contribution plan**

Unit: yuan Currency: RMB

Item	Opening balance	Increased amount	Decreased amount	Change in scope of consolidation	Closing balance
Basic endowment insurance	1,327,168.92	78,872,486.90	77,553,741.80	12,677.36	2,658,591.38
Unemployment insurance expense	60,904.73	2,716,330.45	2,689,308.09	801.92	88,729.01
Enterprise annuity		5,007.05	5,007.05		
Other post-employment benefits		1,386,015.58	1,386,015.58		
Total	1,388,073.65	82,979,839.98	81,634,072.52	13,479.28	2,747,320.39

**27. Tax payable**

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Value-added tax	2,410,807.08	1,447,164.11
Corporate income tax	39,651,968.46	45,909,366.61
Individual income tax	5,167,196.20	1,904,128.68
City maintenance and construction tax	215,239.13	151,023.81
Extra charges of education funds	164,093.37	115,710.52
House property tax	1,452,755.25	1,070,552.52
City and town land use tax	1,743,036.67	1,543,358.19
Stamp tax	3,823,586.78	1,784,763.84
Other	381,660.57	544,451.51
Total	55,010,343.51	54,470,519.79

**28. Other payables**

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Interest payable	3,105,236.78	170,000.00
Dividends payable	14,943,072.75	8,409,125.87
Other payables	442,822,193.93	399,647,246.80
Total	460,870,503.46	408,226,372.67

**A. Dividends payable**

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Common stock dividends	14,943,072.75	8,409,125.87
Total	14,943,072.75	8,409,125.87

**B. Other payables****Other payables presented by nature**

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Operational payables related to expenses and transactions	340,661,315.53	272,908,586.80
Investment related payables	4,885,578.40	6,300,000.00

Transactions with external companies	97,275,300.00	96,150,000.00
Repurchasing obligations of non-restricted stock		24,288,660.00
Total	442,822,193.93	399,647,246.80

**29. Non-current liability due within 1 year**

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Long-term borrowings due within 1 year	429,600,000.00	141,500,000.00
Long-term payables due within 1 year	18,656,882.06	40,575,280.50
Lease liabilities due within 1 year	23,071,713.28	9,069,785.09
Total	471,328,595.34	191,145,065.59

**30. Other non-current liability**

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Unamortized output VAT	5,334,961.22	9,681,957.60
Total	5,334,961.22	9,681,957.60

**31. Long-term borrowings**

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Guaranteed loan	178,291,600.00	69,791,600.00
Credit loan	1,132,564,210.00	1,174,564,210.00
Interest payable	1,901,499.28	1,263,136.13
Total	1,312,757,309.28	1,245,618,946.13

The guaranteed loans at the end of the period were bank loans guaranteed by the Company for its subsidiaries Anhui Wellhope Food Company, Daqing Wellhope Food Company, Dalian Heyuan Animal Husbandry Company and Dalian Zhongjia Food Company.

Other notes, including interest rate range:

The borrowing rate for the Company's long-term loans is 3.00%-7.74%.

**32. Bonds Payable****A. Bonds payable**

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Wellhope convertible bond	1,257,828,066.86	
Total	1,257,828,066.86	

**B. Changes of bonds payable**

Unit: yuan Currency: RMB

Bond name	Par value	Issuing date	Bond duration	Total issuing amount	Opening balance	Issuing in the reporting period	Interest accrued at par value	Amortization of premium and discount	Current period Reimbursement	Closing balance
Wellhope convertible bond	100	Apr. 22, 2022	6 years	1,500,000,000.00		1,500,000,000.00	3,175,000.00	212,387,933.14	32,959,000.00	1,257,828,066.86
Total	/	/	/	1,500,000,000.00		1,500,000,000.00	3,175,000.00	212,387,933.14	32,959,000.00	1,257,828,066.86

**33. Lease liabilities**

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Lease liabilities	246,074,084.08	132,538,160.55
Lease liabilities due within 1 year	-23,071,713.28	-9,069,785.09
Total	223,002,370.80	123,468,375.46

**34. Long-term payables**

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Long-term payable	7,685,803.59	47,702,610.06
Special payable		
Total	7,685,803.59	47,702,610.06

**Long-term payable presented by nature**

Unit: yuan Currency: RMB

Item	Opening balance	Closing balance
Non-bank long-term borrowings	7,685,803.59	47,702,610.06

**35. Deferred income**

Unit: yuan Currency: RMB

Item	Opening balance	Increased amount	Decreased amount	Closing balance	Reason
Government grants	60,335,083.33	30,754,800.00	13,078,476.27	78,011,407.06	
Total	60,335,083.33	30,754,800.00	13,078,476.27	78,011,407.06	/

**Projects receiving government grants**

Unit: yuan Currency: RMB

Liability item	Opening balance	Amount of newly increased grant	Amount recorded in other income	Closing balance	Related to assets or related to income
Lingyuan Wellhope ruminant feed project with 100,000 tons capacity	2,500,000.00		500,000.00	2,000,000.00	related to asset
Lingyuan Wellhope corn purchasing and storage barn	1,800,000.00		300,000.00	1,500,000.00	related to asset
Shenyang city central industrial transformation and upgrading funds	7,255,250.00		2,664,000.00	4,591,250.00	related to asset
Lingyuan Wellhope 50,000 tons of organic fertilizer construction	2,100,000.00		300,000.00	1,800,000.00	related to asset
Agricultural policy project funds	3,448,000.00		431,000.00	3,017,000.00	related to asset
2019 Central Government's development funds for high-quality development of manufacturing industry (green manufacturing)	6,480,000.00	21,724,800.00	1,552,500.00	26,652,300.00	related to asset

2020 Liaoning province industrial internet innovation and development special project funds	5,000,000.00			5,000,000.00	related to asset
Provincial scientific research funds for collaborators with corn major special project	1,000,000.00			1,000,000.00	related to asset
Broiler green platform construction project	336,000.00		336,000.00	-	related to asset
Funds for the Hebao pig project	13,300,000.00		1,400,000.00	11,900,000.00	related to asset
Key technology for livestock and poultry breeding and whole industry chain production in Liaoning province	5,845,833.33		1,850,000.00	3,995,833.33	related to asset
Shenyang science and technology plan project in 2021	3,000,000.00			3,000,000.00	related to asset
Cold chain logistics grant from the Development and Reform Commission	5,770,000.00			5,770,000.00	related to asset
Support funds for the conversion of new and old dynamic energy	2,500,000.00	2,000,000.00	2,107,142.94	2,392,857.06	related to asset
2020 large-scale pig farm construction grant		3,300,000.00	990,000.00	2,310,000.00	related to asset
Grant for modern agricultural industry in 2018		850,000.00	297,500.00	552,500.00	related to asset
Provincial special funds for high-quality development of manufacturing		1,870,000.00	249,333.33	1,620,666.67	related to asset
Funds for the service industry in 2022		1,010,000.00	101,000.00	909,000.00	related to asset
Total	60,335,083.33	30,754,800.00	13,078,476.27	78,011,407.06	

**36. Share capital**

Unit: yuan Currency: RMB

	Opening balance	Changes (increase or decrease)			Closing balance
		Bonds converted to shares	Other	Subtotal	
Total shares	921,960,196.00	3,212,254.00	-5,742,000.00	-2,529,746.00	919,430,450.00

Explanation:

As the conditions for unlocking restricted shares in the third lock-up period of the 2018 Restricted Share Incentive Plan had not been achieved, the Company repurchased and cancelled 5,742,000 restricted shares that had been granted and not yet unlocked.

As of December 31, 2022, a total of RMB32,959,000 Wellhope Convertible Bonds have been converted into shares of the Company. The conversion price was RMB 10.26 per share, and the number of shares formed by the conversion was 3,212,254 shares, accounting for 0.35% of the total issued shares of the Company before the conversion.

**37. Other equity instrument****A. Basic information of other financial instruments such as preferred shares and perpetual bonds at the end of the period**

Approved by China Securities Regulatory Commission, the Company publicly issued 15 million convertible bonds on April 22, 2022 at an issuing price of RMB100.00 per bond, with a total issue amount of RMB1.5 billion and a term of 6 years. With the consent of Shanghai Stock Exchange, the Company's convertible bonds were listed for trading on SSE from May 18, 2022, with the trading symbol of 113647.

**B. Table of changes in financial instruments such as preferred shares and perpetual bonds at the end of the period**

Unit: yuan Currency: RMB

Financial instruments issued	Opening balance		Increased amount		Decrease amount		Closing balance	
	Numbers	Book value	Numbers	Book value	Numbers	Book value	Numbers	Book value
Wellhope convertible bond			15,000,000	238,927,343.52	329,590	5,249,870.88	14,670,410	233,677,472.64
Total			15,000,000	238,927,343.52	329,590	5,249,870.88	14,670,410	233,677,472.64

**38. Capital reserve**

Unit: yuan Currency: RMB

Item	Opening balance	Increased amount	Decreased amount	Closing balance
Capital premium (share capital premium)	877,110,758.45	30,296,373.97	26,614,806.68	880,792,325.74
Other capital reserves	874,051.73		920,092.92	-46,041.19
Total	877,984,810.18	30,296,373.97	27,534,899.60	880,746,284.55

Explanation--The change in capital premium was due to the conversion of bonds to the Company's shares that increased RMB30,296,373.97, repurchasing and cancelling restricted shares that did not meet the unlocking conditions, which decreased RMB22,106,700.00, as well as the change in the Company's share of interests in subsidiaries that decreased RMB4,508,106.68

### 39. Treasury stock

Unit: yuan Currency: RMB

Item	Opening balance	Increased amount	Decreased amount	Closing balance
Restricted stock	24,288,660.00		24,288,660.00	
Repurchase of stock of the Company	200,003,612.37			200,003,612.37
Total	224,292,272.37		24,288,660.00	200,003,612.37

Explanation: The Company granted restricted shares to 372 managers in December 2018 and recognized the treasury shares of restricted stock with repurchase obligation. Those restricted shares that did not meet unlocking conditions in the third lock-up period reduced treasury shares by RMB24,288,660.00. Further information on share-based payments, please see "Share-based Payments" in Note.

### 40. Other comprehensive income

Unit: yuan Currency: RMB

Item	Opening balance	2022			Closing balance
		Pre-tax	After-tax, attributable to parent company	After-tax, attributable to non-controlling interest	
1. Other comprehensive income that can't be reclassified into gains or losses	-4,167,784.85	-3,113,249.95	-3,076,318.89	-36,931.06	-7,244,103.74
Changes in the fair value of other equity instruments investment	-4,167,784.85	-3,113,249.95	-3,076,318.89	-36,931.06	-7,244,103.74
2. Other comprehensive income that will be reclassified into gains or losses	-12,896,228.53	499,968.49	-7,410.63	507,379.12	-12,903,639.16
including: Other comprehensive income that can be transferred in gains or losses under the equity method	-11,207,368.16	-554,988.18	-587,636.80	32,648.62	-11,795,004.96
Translation balance of foreign currency financial statements	-1,688,860.37	1,054,956.68	580,226.17	474,730.51	-1,108,634.20
Total other comprehensive income	-17,064,013.38	-2,613,281.46	-3,083,729.52	470,448.06	-20,147,742.90

**41. Surplus reserve**

Unit: yuan Currency: RMB

Item	Opening balance	Increased amount	Decrease amount	Closing balance
Statutory surplus reserve	432,238,223.06	21,937,097.91		454,175,320.97
Total	432,238,223.06	21,937,097.91		454,175,320.97

**42. Undistributed profit**

Unit: yuan Currency: RMB

Item	2022	2021
Undistributed profit at the end of prior period before adjustment	4,473,531,926.28	4,572,660,487.98
Adjusting total undistributed profit at the beginning of current period		
Undistributed profit at the beginning of current period after adjustment	4,473,531,926.28	4,572,660,487.98
add: Net profit attributable to the owners of the parent company in current period	513,532,382.02	118,530,518.15
deduct: Extraction of statutory surplus reserve	21,937,097.91	14,867,716.73
Dividends payable on common shares	-3,560,040.00	202,791,363.12
Undistributed profit at the end of current period	4,968,687,250.39	4,473,531,926.28

**43. Operating revenue and cost**

Unit: yuan Currency: RMB

Item	2022		2021	
	Revenue	Cost	Revenue	Cost
Primary businesses	32,779,235,244.83	30,794,818,901.75	29,452,990,772.26	27,892,391,512.38
Other businesses	32,522,964.71	44,452,294.30	15,935,127.34	7,907,003.97
Total	32,811,758,209.54	30,839,271,196.05	29,468,925,899.60	27,900,298,516.35

**44. Taxes and surtaxes**

Unit: yuan Currency: RMB

Item	2022	2021
City maintenance and construction tax	1,211,228.52	1,197,512.60
Extra charges of education funds	903,575.64	1,168,918.84
House property tax	12,202,473.48	10,212,345.55
Land use tax	13,964,383.42	13,020,111.37
Stamp tax	14,921,643.21	11,595,193.43
Other	4,125,778.04	4,280,229.01
Total	47,329,082.31	41,474,310.80

**45. Sales expenses**

Unit: yuan Currency: RMB

Item	2022	2021
Payroll	370,582,343.28	300,225,142.79
Travelling expense	123,986,949.75	130,024,839.18
Transportation and handling expense and vehicle expense	16,911,259.03	12,371,169.60
Service fee	19,630,978.25	19,251,413.24
Business entertainment expense	21,269,353.99	23,345,224.32
Business advertising expense	8,973,524.39	19,049,863.42
Lease expense	7,214,334.31	7,414,709.11
Meeting expenditure	2,261,324.49	5,791,658.40

Sales service charge	9,487,078.17	12,794,816.40
Office and communication fee	9,387,087.31	8,913,887.87
Subtotal of other items	32,740,528.18	30,954,598.34
Total	622,444,761.15	570,137,322.67

**46. Administration expense**

Unit: yuan Currency: RMB

Item	2022	2021
Payroll	296,418,682.64	215,614,679.11
Depreciation	55,468,193.25	44,935,753.84
Office and communication fee	27,190,260.46	22,077,192.12
Travelling expense	13,367,047.99	12,677,974.95
Repair charge	17,031,777.04	18,612,603.22
Lease expense	7,718,800.87	7,506,239.77
Amortization of intangible assets	11,708,435.13	10,096,886.20
Business entertainment expense	14,974,999.77	11,635,461.94
Water and electricity	8,920,820.19	6,478,509.91
Service fee	19,336,571.21	22,583,604.92
Heating fee	7,804,942.76	5,779,868.34
Vehicle costs	8,088,330.87	8,412,103.93
Other	49,034,996.54	31,705,704.54
Total	537,063,858.72	418,116,582.79

**47. R&D expenditure**

Unit: yuan Currency: RMB

Item	2022	2021
Payroll	32,577,171.30	27,272,470.29
Design and experiment fee	25,734,570.75	34,736,166.24
Material and appliance charge	22,218,959.19	27,837,304.88
Travel expense	3,570,012.37	2,321,084.86
Depreciation and amortization expense	4,317,828.49	4,046,591.46
Subtotal of other items	1,686,532.91	1,147,135.71
Total	90,105,075.01	97,360,753.44

**48. Financial expense**

Unit: yuan Currency: RMB

Item	2022	2021
Interest expenditure	167,066,021.40	103,590,360.22
Interest income	-13,023,769.68	-8,487,862.34
Exchange loss	1,003,506.14	-466,206.65
Service charge	5,634,571.17	6,029,434.83
Total	160,680,329.03	100,665,726.06

**49. Other income**

Unit: yuan Currency: RMB

Item	2022	2021
Government grant recorded in	31,462,128.67	28,971,966.52
Income tax return	154,001.44	184,353.40
Total	31,616,130.11	29,156,319.92

**50. Income from investment**

Item	Unit: yuan Currency: RMB	
	2022	2021
Income from long-term equity investment measured by the equity method	162,299,491.42	-84,457,885.45
Income from disposal of long-term equity investment	-161,422.19	-2,539,583.92
Investment income from financial assets held for trading		819,282.27
Investment income from disposal of derivative financial instruments,	-4,671,035.80	177,738.97
Investment income earned during the period of holding investments in other equity instruments		5,550,000.00
Total	157,467,033.43	-80,450,448.13

**51. Income from changes in fair value**

Source of income from changes in fair value	Unit: yuan Currency: RMB	
	2022	2021
Gain on fair value changes arising from derivative financial instruments	-1,700,554.55	1,555,420.50
Total	-1,700,554.55	1,555,420.50

**52. Credit impairment loss**

Item	Unit: yuan Currency: RMB	
	2022	2021
Bad debt loss on notes receivable		32,632.65
Bad debt loss on accounts receivable	-24,687,984.19	-32,471,871.78
Bad debt loss on other receivables	13,001,718.92	-12,293,288.21
Total	-11,686,265.27	-44,732,527.34

**53. Asset impairment loss**

Item	Unit: yuan Currency: RMB	
	2022	2021
Loss on decline in value of inventories and impairment loss on contract performance costs	-27,221,526.25	-27,212,552.20
Impairment loss on fixed assets	-1,108,244.39	
Impairment loss on goodwill	-1,844,995.57	
Other	76,029.36	-84,015.81
Total	-30,098,736.85	-27,296,568.01

**54. Income from assets disposal**

Item	Unit: yuan Currency: RMB	
	2022	2021
Gain or loss from disposal of fixed assets	-1,300,520.53	-337,539.13
Gain or loss from disposal of productive biological asset	-2,561,979.97	-11,101,259.78
Total	-3,862,500.50	-11,438,798.91

**55. Non-operating Income**

Item	Unit: yuan Currency: RMB		
	2022	2021	Amount included in current extraordinary items
Total gains or losses from disposal of non-current assets	128,153.63	334,121.56	128,153.63
Government grants	8,612,756.40	11,104,684.70	8,612,756.40
Other	9,262,091.32	5,821,514.11	9,262,091.32
Total	18,003,001.35	17,260,320.37	18,003,001.35

--Government grants recorded in current gains and losses

Unit: yuan Currency: RMB

Item	2022	2021	Related to assets or related to income
State meat storage grant	2,300,000.00		related to income
2021 green cycle development incentive funds	1,000,000.00		related to income
Special incentives for high-quality development	983,236.20		related to income
Enterprise accelerated growth support program incentives	800,000.00		related to income
Tax refund	533,628.47		related to income
Subtotal of other projects under RMB 500,000	2,995,891.73	2,460,003.48	related to income

**56. Non-operating expenditure**

Unit: yuan Currency: RMB

Item	2022	2021	Amount included in current extraordinary items
Total losses from disposal of non-current assets	20,395,373.87	28,430,512.03	20,395,373.87
External donations	1,995,398.27	934,994.50	1,995,398.27
Extraordinary losses	12,532,661.32	16,110,599.82	12,532,661.32
Penalty expenses	8,625,688.37	2,460,681.97	8,625,688.37
Other	2,717,387.84	944,310.48	2,717,387.84
Total	46,266,509.67	48,881,098.80	46,266,509.67

**57. Income tax expense**

Unit: yuan Currency: RMB

Item	2022	2021
Current income tax expense	97,531,345.19	159,615,020.59
Deferred income tax expense	-6,279,117.61	-8,111,581.34
Total	91,252,227.58	151,503,439.25

**Adjustment procedure for accounting profit and income tax expense**

Unit: yuan Currency: RMB

Item	2022
Total profit	628,335,505.32
Income tax expenses calculated at statutory or applicable tax rates	94,250,325.80
Effect of different tax rates applied to subsidiaries	23,902,404.81
Effects of adjusting the income tax of prior periods	-1,496,837.99
Effects of non-taxable income	-42,184,349.71
Effects of non-deductible costs, expenses and losses	3,031,582.05
Effects of using deductible losses of deferred income tax assets that have not been recognized in previous period	-4,518,748.31
Effects of deductible temporary differences or deductible losses on deferred income tax assets that have not been recognized in current period	35,969,547.42

Calculation and deduction of R&D expenditure	-11,189,105.16
Other	-6,512,591.33
Income tax expense	91,252,227.58

**58. Other comprehensive income**

See note.

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

Unit: yuan Currency: RMB

Item	2022	2021
Government grants	61,676,108.80	63,508,984.55
Interest income	9,098,869.68	8,151,739.59
Subtotal of transactions and other	125,797,130.26	93,615,371.72
Total	196,572,108.74	165,276,095.86

**B. Cash paid for other activities related to operating**

Unit: yuan Currency: RMB

Item	2022	2021
Travelling expense	140,924,010.10	145,023,898.99
Transportation and handling expense	12,647,746.63	12,371,169.60
R&D expenditure	47,953,529.94	62,573,471.12
Business entertainment expense	36,244,353.76	34,980,686.26
Office and communication fee	36,577,347.77	30,991,079.99
Service fee	38,967,549.46	41,835,018.16
Other operating expenses paid	127,414,649.52	130,968,209.77
Transactions and other paid	73,259,532.97	94,054,950.14
Total	513,988,720.15	552,798,484.03

**C. Cash received from other activities related to investment**

Unit: yuan Currency: RMB

Item	2022	2021
Futures margin decreased	4,772,457.53	
Net cash received from acquiring subsidiaries	913,019.48	740,956.92
Cash received from interest on funds recovered		232,760.00
Total	5,685,477.01	973,716.92

**D. Cash paid for other activities related to investment**

Unit: yuan Currency: RMB

Item	2022	2021
Futures margin increased		22,410,208.30
Increase of letter of credit margin	9,889,618.46	588,855.43
Net cash paid for disposal of subsidiaries	151,635.76	9,914,082.40
Total	10,041,254.22	32,913,146.13

**E. Cash received from other activities related to financing**

Unit: yuan Currency: RMB

Item	2022	2021
Receiving borrowings of other companies	43,590,224.96	96,150,000.00

Decrease in banker's acceptances margin	660,000.00	
Capital increase received in advance from minority shareholders of subsidiaries	1,320,128.56	
Cash received from disposal of part of equity interest in subsidiaries	6,918,623.25	1,870,000.00
Total	52,488,976.77	98,020,000.00

#### F. Cash paid for other activities related to financing

Unit: yuan Currency: RMB

Item	2022	2021
Parent company repurchased shares that did not meet the unlocking conditions	24,288,660.00	443,665.00
Finance lease commission	530,868.88	1,437,369.51
Cash paid for buying non-controlling interests of subsidiaries	24,183,999.00	68,987,441.16
Increase in deposit for bank acceptance bills		780,000.00
Cash paid for repurchasing shares		200,003,612.37
Convertible bond issuance costs	1,766,500.00	
Paying borrowings for external companies	46,864,924.96	
Payment of rent and interest on right-to-use assets	54,641,609.59	23,111,004.91
Total	152,276,562.43	294,763,092.95

### 60. Supplementary information of cash flow statement

#### A. Supplementary information

Unit: yuan Currency: RMB

Further information	2022	2021
1. Adjusting net profit to cash flow from operating activities		
Net profit	537,083,277.74	24,541,867.84
add: Assets impairment provision	30,098,736.85	27,296,568.01
Credit impairment losses	11,686,265.27	44,732,527.34
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	435,669,568.47	393,657,905.30
Amortization of intangible assets	10,655,309.84	8,822,917.48
Amortization of long-term unamortized expense	24,710,907.16	52,140,944.08
Losses on disposal of fixed assets, intangible assets and other long-lived assets	3,862,500.50	11,438,798.91
Loss on scrapping of fixed assets	20,267,220.24	28,096,390.47
Losses due to changes in fair value	1,700,554.55	-1,555,420.50
Financial expense	165,747,270.18	106,024,355.94
Investment losses	-157,467,033.43	80,450,448.13
Decrease of deferred income tax assets	-5,990,381.59	-8,848,289.73
Increase of deferred income tax liabilities	-469,471.24	856,141.79
Decrease of inventory	-817,339,137.15	-298,142,113.68
Decrease of operating receivables	-666,578,755.01	-387,285,788.19
Increase of operating payables	550,156,440.68	295,024,579.03
Other	52,473,237.28	-78,091,609.86
Net cash flow from operating activities	196,266,510.34	299,160,222.36
2. Net changes in cash and cash equivalents		
Closing balance of cash	1,648,980,222.82	1,198,273,561.91
deduct: Opening balance of cash	1,198,273,561.91	1,186,197,643.04

add: Closing balance of cash equivalent		
deduct: Opening balance of cash equivalent		
Net increase in cash and cash equivalents	450,706,660.91	12,075,918.87

**B. Net cash paid for acquiring subsidiaries**

Unit: yuan Currency: RMB

	Amount
Cash or cash equivalents paid for business combinations occurred in current period	662,800.00
including: Haicheng New Hongzunda Animal Husbandry Company	662,800.00
Lankao Skyland Feed Company	
deduct: Cash and cash equivalents held by the subsidiary on the acquiring date	1,254,273.54
including: Haicheng New Hongzunda Animal Husbandry Company	341,254.06
Lankao Skyland Feed Company	913,019.48
add: Cash or cash equivalents paid in the current period for business combinations that occurred in prior periods	
Net cash paid for acquiring subsidiaries	-591,473.54

**C. Net cash received from disposal of subsidiaries during current period**

Unit: yuan Currency: RMB

	Amount
Cash or cash equivalents received during current period for the disposal of subsidiaries	8,897,750.56
including: Henan Hejiang Agricultural Development Company	5,980,609.00
Zhengning Wellhope Zaosheng Cattle Feed Processing Company	
Dahongda Construction Engineering Chongqing Company	2,917,141.56
deduct: Cash and cash equivalents held by the subsidiary on the date of loss of control	7,454,486.88
including: Henan Hejiang Agricultural Development Company	6,058,338.74
Zhengning Wellhope Zaosheng Cattle Feed Processing Company	73,906.02
Dahongda Construction Engineering Chongqing Company	1,322,242.12
add: Cash or cash equivalents received in current period by disposing subsidiaries in prior periods	
Net cash received from disposal of subsidiaries	1,443,263.68

**D. Cash and cash equivalents**

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
1. Cash	1,648,980,222.82	1,198,273,561.91
including: Cash on hand	695,108.20	446,403.52
Bank deposits readily available for disbursement	1,648,285,114.62	1,197,827,158.39
2. Cash equivalent		
3. Closing balance of cash and cash equivalents	1,648,980,222.82	1,198,273,561.91

**61. Assets with restricted ownership or use rights**

Unit: yuan Currency: RMB

Item	Closing book value	Reason for restriction
Monetary capital	29,160,615.15	Futures margin
Monetary capital	10,480,765.63	L/C guarantee deposit
Monetary capital	120,000.00	Bank acceptance deposit
Total	39,761,380.78	/

**62. Foreign currency monetary items****A. Foreign currency monetary items**

Unit: yuan

Item	Closing balance of foreign currency	Translating exchange rate	Closing balance translated into RMB
Monetary capital	-	-	29,132,916.18
including: US dollar	953,640.73	6.9646	6,641,726.23
Euro	82.87	7.4229	615.14
HK dollar	23,068,778.42	0.89327	20,606,647.70
Ruble	20,005,597.40	0.09417	1,883,927.11
Accounts receivable	-	-	23,312,021.38
US dollar	2,284,781.59	6.9646	15,912,589.86
HK dollar	8,283,533.00	0.89327	7,399,431.52
Short-term borrowing	-	-	56,638,379.83
including: US dollar	8,132,323.44	6.9646	56,638,379.83
Accounts payable	-	-	120,055.63
including: Ruble	1,274,881.89	0.09417	120,055.63
Prepayment	-	-	248,473.20
including: Ruble	2,638,560.05	0.09417	248,473.20
Other payables	-	-	3,308,116.93
including: Ruble	35,129,201.80	0.09417	3,308,116.93

**B. Explanation of overseas business entity**

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

**63. Government grants**

Unit: yuan Currency: RMB

Category	Amount	Presented item	Amount recorded in current gains or losses
Job stabilization subsidy	3,217,045.83	Other income	3,217,045.83
Special funds for enterprise listing development	3,000,000.00	Other income	3,000,000.00
Subsidy for national meat storage and investment	2,300,000.00	Non-operating income	2,300,000.00
Subsidy for production performance determination and feed conversion rate determination	1,420,000.00	Other income	1,420,000.00
2021 green cycle development incentive funds	1,000,000.00	Non-operating income	1,000,000.00
Special incentive for high-quality development	983,236.20	Non-operating income	983,236.20
Subsidy for processing of agricultural and livestock products in Weihai in 2020	900,000.00	Other income	900,000.00
Training subsidy	874,500.00	Other income	874,500.00
Funds for technical transformation of small and medium-sized enterprises in Shanxi Province 2021	870,000.00	Other income	870,000.00
2020 high enterprise recognition incentive	800,000.00	Other income	800,000.00
Anhui Science and Technology Department	800,000.00	Other income	800,000.00

2022 innovation environment fund			
Enterprise accelerated growth support program incentives	800,000.00	Non-operating income	800,000.00
The third batch of financial special funds in 2022	600,000.00	Other income	600,000.00
Tax and fee rebate	533,628.47	Non-operating income	533,628.47
Subtotal of other projects under RMB 500,000	5,902,106.57	Other income	5,902,106.57
Subtotal of other projects below RMB 500,000	2,995,891.73	Non-operating income	2,995,891.73
Financial interest discount	3,924,900.00	Finance cost	3,924,900.00
Transfer of deferred income for the reporting period	13,078,476.27	Other income	13,078,476.27
Total	43,999,785.07	/	43,999,785.07

### VIII. Change of Consolidation Scope

#### 1. Business combination under different control

##### A. Business combination under different control occurred in current period

Unit: yuan Currency: RMB

Investee	Time of acquiring equity	Acquisition cost	Shareholding %	Way of acquisition	Acquisition date	Basis for determining acquisition date	Investee's income from acquisition date to the period end	Investee's net profit from acquisition date to the period end
Lankao Skyland Feed Company	Jan. 22, 2022	16,069,798.90	100.00	Debt to Equity	Jan. 22, 2022	Control transfer	249,825,405.47	1,538,624.64
Haicheng New Hongzunda Animal Husbandry Company	May 25, 2022	16,902,841.13	51.00	Cash	May 25, 2022	Control transfer	349,920,164.09	2,451,799.25

##### B. Combined cost and goodwill

Unit: yuan Currency: RMB

Combined cost	Lankao Skyland Feed Company	Haicheng New Hongzunda Animal Husbandry Company
Cash		662,800.00
Fair value of equity interests held prior to the date of purchase at the acquisition date		16,240,041.13
Other	16,069,798.90	
Total cost of consolidation	16,069,798.90	16,902,841.13
Less: Share of fair value of identifiable net assets acquired	16,069,798.90	16,902,899.95
Amount by which goodwill/consolidation cost is less than the share of fair value of identifiable net assets acquired		-58.82

In January 2022, the Company purchased 100.00% equity interest in Lankao Skyland Feed Company, a subsidiary of Lankao Skyland Duck Industry Company.

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

Unit: yuan Currency: RMB

	Lankao Skyland Feed Company		Haicheng New Hongzunda Animal Husbandry Company	
	Fair value on acquisition date	Book value on acquisition date	Fair value on acquisition date	Book value on acquisition date
Assets:	95,377,316.71	82,713,800.86	164,618,105.27	164,618,105.27
Monetary capital	913,019.48	913,019.48	341,254.06	341,254.06
Account receivable	2,616,955.30	2,616,955.30	40,325,857.56	40,325,857.56
Prepayment	19,432,073.67	19,432,073.67	78,371,441.92	78,371,441.92
Other receivables	9,529,251.24	9,529,251.24	27,320.08	27,320.08
Inventory	13,435,532.09	13,435,532.09	12,672,548.98	12,672,548.98
Long-term equity investments	3,000,000.00	3,000,000.00		
Fixed assets	37,321,228.00	28,723,686.62	30,536,403.15	30,536,403.15
Construction in progress			1,858,585.03	1,858,585.03
Intangible assets	8,332,861.56	4,266,887.09		
Long-term deferred expenses	785,165.87	785,165.87	66,827.11	66,827.11
Deferred income tax assets	11,229.50	11,229.50	417,867.38	417,867.38
Liabilities:	79,307,517.81	79,307,517.81	131,475,164.19	131,475,164.19
Borrowings	10,000,000.00	10,000,000.00		
Accounts payable	16,326,005.94	16,326,005.94	93,768,908.39	93,768,908.39
Contract liabilities	10,861,846.00	10,861,846.00	37,237,567.49	37,237,567.49
Payroll	1,183,938.94	1,183,938.94	194,504.71	194,504.71
Taxes and surcharges	119,105.17	119,105.17	274,183.60	274,183.60
Other payables	40,816,621.76	40,816,621.76		
Net assets	16,069,798.90	3,406,283.05	33,142,941.08	33,142,941.08
Less: Non-controlling interests			16,240,041.13	16,240,041.13
Net assets acquired	16,069,798.90	3,406,283.05	16,902,899.95	16,902,899.95

## 2. Disposal of subsidiary

Unit: yuan Currency: RMB

Subsidiary	Disposal price	Percentage of disposed shareholding %	Disposal way	Date of losing control	Basis for determining the date of losing control	Difference between the share of the net assets of the subsidiary in the consolidated financial statement, which caused by the disposal of price and the disposal of the investment	Remaining equity interest at the date of losing control %	Carrying value of the remaining equity interest at the date of losing control	Fair value of the remaining equity interest at the date of losing control	Gain or loss from remeasurement of remaining equity interest at fair value
Henan Hejiang Agricultural Development Company	5,980,609.00	51	Transfer	Mar. 31, 2022	Losing control	12,460.70				
Zhengning Wellhope Zaosheng Cattle Feed Processing Company		43	Transfer	Jan. 1, 2022	Losing control	135,412.66	12	-37,789.58		37,789.58
Dahongda Construction Engineering Chongqing Company	2,917,141.56	60	Transfer	Dec. 30, 2022	Losing control		40	2,400,000.00	1,944,761.04	-455,238.96

## 3. Change of consolidation scope caused by other reasons

During the year, 15 subsidiaries were newly established; 2 subsidiaries were cancelled and decreased. See Note 3-2 for information on new and cancelled subsidiaries.

## IX. Equity in other Entities

### 1. Equity in subsidiaries

#### A. Composition of the Company

Subsidiary	Business site	Registered site	Business type	Shareholding %		Way of acquisition
				Direct	Indirect	
Haicheng Xinzhongxin Wellhope Feed Mill	Haicheng city	Haicheng city	production	51.00		investment
Dalian Huakang Xinxin Food Company	Dalian city	Dalian city	production	65.00	11.00	investment
Changchun Hengfeng Agriculture and Animal Husbandry Company	Changchun city	Changchun city	trading		49.47	investment
Jinan Xinweita Trading Company	Jinan city	Jinan city	trading		62.00	investment
Henan Wellhope Agri-Tech Company	Kaifeng city	Kaifeng city	production	100.00		investment
Zhengzhou Wellhope Agri-Tech Company	Zhengzhou city	Zhengzhou city	production	100.00		investment
Zhumadian Wellhope Agri-Tech Company	Zhumadian city	Zhumadian city	production	90.00		investment
Jiaozuo Wellhope Feed Mill	Jiaozuo city	Jiaozuo city	production	99.70		investment
Nanyang Wellhope Feed Mill	Nanyang city	Nanyang city	production	100.00		investment
Zhangwu Wellhope Agriculture Development Company	Zhangwu county	Zhangwu county	production	60.00		investment
Sanjiang Wellhope Agri-Tech Company	Jixian county	Jixian county	production	61.00		investment
Jixian Expert Trading Company	Jixian county	Jixian county	trading		65.00	investment
Gongzhuling Wellhope Agri-Tech Company	Gongzhuling city	Gongzhuling city	production	100.00		investment
Shenyang Expert Trading Company	Shenyang city	Shenyang city	trading	100.00		investment
Liaoning Skyland Livestock Equipment Company	Shenyang city	Shenyang city	production	100.00		investment
Shenyang Wellhope Ruminant Feed Mill	Shenyang city	Shenyang city	production	100.00		investment
Shenyang Wellhope Extruded Feed Mill	Shenyang city	Shenyang city	production	100.00		investment
Shenyang Wellhope Aquatic Feed Mill	Shenyang city	Shenyang city	production	100.00		investment
Shenyang Jiahe Tianfeng Commerce and Trade Company	Shenyang city	Shenyang city	trading	100.00		investment
Liaoning Wellhope Food Company	Beipiao city	Beipiao city	production	60.00		investment
Haicheng Wellhope Agri-Tech Feed Mill	Haicheng city	Haicheng city	production	100.00		investment
Tai'an Wellhope Feed Mill	Tai'an county	Tai'an county	production	100.00		investment
Lingyuan Wellhope Agri-Tech Company	Lingyuan city	Lingyuan city	production	90.50		investment
Beijing Helai Sci-Tech Company	Beijing	Beijing	production	100.00		investment

Beijing Wellhope Agri-Tech Company	Beijing	Beijing	trading	100.00		investment
Beijing Sanyuan Wellhope Agri-Tech Company	Beijing	Beijing	production	70.00		investment
Jilin Wellhope Agri-Tech Company	Jilin city	Jilin city	production	100.00		investment
Jilin Hefeng Swine Breeding Company	Gongzhuling city	Gongzhuling city	production	100.00		investment
Daqing Wellhope Bayi Nongda Animal Sci-Tech Company	Daqing city	Daqing city	production	70.00		investment
Mudanjiang Wellhope Agri-Tech Company	Mudanjiang city	Mudanjiang city	production	100.00		investment
Jinzhou Wellhope Agri-Tech Company	Jinzhou city	Jinzhou city	production	100.00		investment
Gongzhuling Wellhope Ruminant Feed Mill	Gongzhuling city	Gongzhuling city	production	100.00		investment
Heilongjiang Wellhope Agri-Tech Company	Harbin city	Harbin city	production	100.00		investment
Tangshan Wellhope Feed Mill	Tangshan city	Tangshan city	production	85.00		investment
Cangzhou Helai Sci-Tech Company	Cangzhou city	Cangzhou city	production	70.00		investment
Xi'an Wellhope Feed Sci-Tech Company	Xi'an city	Xi'an city	production	80.00		investment
Gansu Wellhope Agri-Tech Company	Wuwei city	Wuwei city	production	100.00		investment
Jining Wellhope Agri-Tech Company	Jining city	Jining city	production	70.00		investment
Shanghai Wellhope Feed Mill	Shanghai city	Shanghai city	production	65.00		investment
Shanghai Hehong Trading Company	Shanghai city	Shanghai city	trading		70.00	investment
Zhejiang Pinghu Wellhope Agri-Tech Company	Pinghu city	Pinghu city	production	85.00		investment
Huai'an Wellhope Feed Mill	Huai'an city	Huai'an city	production	100.00		investment
Qingdao Wellhope Agri-Tech Company	Pingdu city	Pingdu city	production	95.00		investment
Guangzhou Xiangshun Livestock Equipment Company	Guangzhou city	Guangzhou city	production	56.00		investment
Hainan Wellhope Agri-Tech Company	Chengmai county	Chengmai county	production	60.00		investment
Fuyu Wellhope Agri-Tech Company	Fuyu city	Fuyu city	production	97.00		investment
Fuyu Wellhope Taolaizhao Poultry Raising Company	Fuyu city	Fuyu city	production	98.19		investment
Changchun Wellhope Feed Mill	Nong'an county	Nong'an county	production	98.00		investment
Lankao Wellhope Agri-Tech Company	Lankao county	Lankao county	production	100.00		investment
Tongliao Wellhope Tianyi Prataculture Company	Tongliao city	Tongliao city	production	51.00		investment
Liaoning Wellhope Purchasing and Trading Company	Shenyang city	Shenyang city	trading	100.00		investment

Shenyang Wellhope Agri-Tech Company	Shenyang city	Shenyang city	production	100.00		investment
Liaoning Expert Trading Company	Shenyang city	Shenyang city	trading	100.00		combined under the same control
Shenyang Fame Bio-Tech Company	Shenyang city	Shenyang city	production	100.00		combined under the same control
Shenyang Pufeng Commerce and Trade Company	Shenyang city	Shenyang city	trading	100.00		combined under the same control
Shenyang Huawei Pharmaceutical Company	Shenyang city	Shenyang city	production		51.00	combined under the same control
Liaoning Wellhope Agriculture and Animal Husbandry Development	Shenyang city	Shenyang city	production	100.00		combined under different control
Puyang Wellhope Food Company	Puyang city	Puyang city	production	49.81		combined under different control
Jingzhou Wellhope Agricultural Sci-Tech Company	Jingzhou city	Jingzhou city	production	86.00		investment
Dalian Heyuan Agri-Tech Company	Dalian city	Dalian city	production	57.00		investment
Shenyang Nongda Wellhope Feed Mill	Shenyang city	Shenyang city	production	100.00		investment
Dalian Wellhope Feed Mill	Dalian city	Dalian city	production	100.00		investment
Xingcheng Wellhope Feed Mill	Xingcheng city	Xingcheng city	production	100.00		investment
Yunnan Wellhope Feed Mill	Kunming city	Kunming city	production	97.00		investment
Liaoning Godaji E-commerce Company	Shenyang city	Shenyang city	trading	100.00		investment
Anhui Wellhope Agri-Tech Company	Haozhou city	Haozhou city	production	70.00		investment
Shanxi Wellhope Agri-Tech Company	Yuanping city	Yuanping city	production	100.00		investment
Pingyuan Wellhope Food Processing Company	Handan city	Handan city	production	100.00		investment
Shenyang Huaweida Animal Health Products Company	Shenyang city	Shenyang city	trading		100.00	investment
Dalian Zhongjia Food Company	Dalian city	Dalian city	production		100.00	combined under different control
Wellhope Food(Shenyang) Company	Shenyang city	Shenyang city	production	100.00		investment
Changchun Wellhope Food Company	Changchun city	Changchun city	production	85.00		investment
Pingyuan Wellhope Agri-Tech Company	Handan city	Handan city	production		100.00	investment
Puyang Wellhope Agri-Tech Company	Puyang city	Puyang city	production		100.00	investment
Chongqing Dahong Agriculture and Animal Husbandry Equipment Company	Chongqing city	Chongqing city	production		50.00	combined under different control
Beijing Brilliant Dragon Commerce and Trade Company	Beijing	Beijing	trading		51.00	investment
Tangshan Hejia Agriculture and Animal Husbandry	Tangshan city	Tangshan city	production	65.00		investment

Company						
Tangshan Wellhope Sci-Tech Company	Tangshan city	Tangshan city	production	70.00		combined under different control
Shenyang Huakang Xinxin Food Company	Shenyang city	Shenyang city	production	85.00		investment
Kaifeng Wellhope Meat Products Company	Kaifeng city	Kaifeng city	production	100.00		investment
Shenyang Huakang Broiler Company	Shenyang city	Shenyang city	production	95.00		investment
Kaifeng Wellhope Agriculture and Animal Husbandry Company	Kaifeng city	Kaifeng city	production		100.00	investment
Fushun Wellhope Agriculture and Animal Husbandry Company	Fushun city	Fushun city	production		100.00	investment
Shenyang Wellhope Poultry Industry Company	Shenyang city	Shenyang city	production		100.00	investment
Shenyang Huakang Agriculture and Animal Husbandry Company	Shenyang city	Shenyang city	production		100.00	investment
Dehui Wellhope Agri-Tech Company	Dehui city	Dehui city	production		100.00	investment
Chongqing Wellhope Agri-Tech Company	Chongqing city	Chongqing city	production	65.00		investment
Dahong Agriculture and Animal Husbandry Technology Research Institute Chongqing Branch	Chongqing city	Chongqing city	production		100.00	investment
Russia Wellhope Agri-Tech Company	Overseas	Overseas	production	55.00		investment
Suizhong Renhe Fishery Company	Suizhong county	Suizhong county	production		90.00	combined under different control
Shulan Fengtai Agriculture and Animal Husbandry Company	Shulan city	Shulan city	production	80.00		investment
Shulan Fengtai Farming Company	Shulan city	Shulan city	production	51.00		combined under different control
Linxi Helai Agri-Tech Company	Linxi city	Linxi city	production	100.00		combined under different control
Nanchang Wellhope Agri-Tech Company	Nanchang city	Nanchang city	production	65.00		investment
Anhui Wellhope Haoxiang Agricultural Development Company	Lixin county	Lixin county	production		100.00	investment
Lixin Xiangfeng Agriculture and Animal Husbandry Company	Lixin county	Lixin county	production		100.00	investment
Lixin Hongfeng Agriculture and Animal Husbandry Company	Lixin county	Lixin county	production		100.00	investment
Guangzhou Dashang Trading Company	Guangzhou city	Guangzhou city	trading		51.00	investment
Shandong Heyuan Food Company	Weihai city	Weihai city	production		100.00	investment
Wafangdian Yifeng Agri-Tech	Wafangdian	Wafangdian	production		51.00	investment

Company	city	city				
Hebei Deheng Farming Company	Handan city	Handan city	production		100.00	combined under different control
Yangling Wellhope Agriculture and Animal Husbandry Company	Xianyang city	Xianyang city	production		100.00	combined under different control
Yixian Dingli Hesheng Livestock and Poultry Feeding Company	Yixian county	Yixian county	production		100.00	combined under different control
Yixian Weijing Livestock and Poultry Feeding Company	Yixian county	Yixian county	production		100.00	combined under different control
Hebei Hetai Livestock and Poultry Farming Company	Yuanshi county	Yuanshi county	production		100.00	combined under different control
Yixian Hekang Agri-Tech Company	Yixian county	Yixian county	production		100.00	combined under different control
Dunhua Wellhope Agri-Tech Company	Dunhua city	Dunhua city	production	51.00		combined under different control
Dunhua Fengda Agriculture and Animal Husbandry Development Company	Dunhua city	Dunhua city	production	51.00		combined under different control
Anhui Wellhope Haoxiang Swine Breeding Company	Lixin county	Lixin county	production		100.00	investment
Anhui Wellhope Food Company	Lixin county	Lixin county	production		100.00	investment
Anyang Wellhope Agriculture and Animal Husbandry Company	Anyang city	Anyang city	production	100.00		investment
Hebei Taihang Wellhope Food Company	Baoding city	Baoding city	production	90.00		investment
Hebei Taihang Wellhope Agri-Tech Company	Baoding city	Baoding city	production	62.00		investment
Shenyang Xiangmai Electronic Commerce Company	Shenyang city	Shenyang city	trading	65.00		investment
Chifeng Wellhope Fuxinyuan Food Company	Chifeng city	Chifeng city	production	70.00		investment
Hongkong Expert Trading Company	Hongkong	Hongkong	trading		100.00	investment
Hainan Expert Trading Company	Chengmai county	Chengmai county	trading		71.00	investment
Liaoning Qingyuan Wellhope Agriculture and Animal Husbandry Company	Fushun city	Fushun city	production	95.00		investment
Nanyang Jinwan Animal Husbandry Company	Nanyang city	Nanyang city	production	100.00		investment
Fuzhou Wellhope Xingyuan Animal Husbandry Development Company	Fuzhou city	Fuzhou city	production	70.00		investment
Tianjin Fullyond Supply Chain Company	Tianjin city	Tianjin city	other	100.00		investment
Daqing Wellhope Food Company	Daqing city	Daqing city	production	51.00		investment
Zhumadian Wellhope Agricultural Development Company	Zhumadian city	Zhumadian city	production	94.01		investment

Datong Hejia Agriculture and Animal Husbandry Company	Datong city	Datong city	production	65.00		investment
Shijiazhuang Hejia Agriculture and Animal Husbandry Company	Shijiazhuang city	Shijiazhuang city	production	65.00		investment
Fuxin Wellhope Agriculture and Animal Husbandry Company	Fuxin city	Fuxin city	production	100.00		investment
Dalian Hongtu Agri-tech Company	Dalian city	Dalian city	production		51.00	investment
Shandong Heyuan Agri-tech Company	Weihai city	Weihai city	production		100.00	investment
Wafangdian Huinong Poultry Industry Company	Wafangdian city	Wafangdian city	production		52.94	investment
Luoyang Wellhope Agriculture and Animal Husbandry Company	Luoyang city	Luoyang city	production	100.00		investment
Gongzhuling Wellhope Swine Farming Company	Gongzhuling city	Gongzhuling city	production		68.50	investment
Lishu Wellhope Ecological Farming Company	Siping city	Siping city	production		68.50	investment
Kaifeng Jiufeng Agriculture and Animal Husbandry Company	Kaifeng city	Kaifeng city	production		94.00	investment
Tianjin Expert Trading Company	Tianjin city	Tianjin city	trading		100.00	investment
Fuyang Wellhope Agriculture and Animal Husbandry Technology Company	Fuyang city	Fuyang city	production		75.00	investment
Liaoning Wellhope Egg Industry Company	Anshan city	Anshan city	production		75.15	investment
Shenyang Wellhope Agriculture and Animal Husbandry Technology Company	Shenyang city	Shenyang city	production		100.00	investment
Lingyuan Wellhope Agriculture and Animal Husbandry Company	Lingyuan city	Lingyuan city	production	100.00		investment
Shenyang Wellhope Swine Farming Company	Shenyang city	Shenyang city	production		100.00	investment
Shenyang Xiaohe Agriculture and Animal Husbandry Company	Shenyang city	Shenyang city	production		100.00	investment
Qingdao Haifeng Animal Husbandry Company	Qingdao city	Qingdao city	production		100.00	combined under different control
Xi'an Linfeng Shengyi Trading Company	Xi'an city	Xi'an city	trading		100.00	combined under different control
Beijing Linfeng Shengyi Trading Company	Beijing	Beijing	trading		60.00	investment
Tianyi First Taste (Beijing) Technology Company	Beijing	Beijing			70.00	combined under different control
Inner Mongolia Bifeng Animal Husbandry Technology Development Company	Tongliao city	Tongliao city	production	48.30		investment

Dehui Fengyuan Agriculture and Animal Husbandry Company	Dehui city	Dehui city	production	51.00		investment
Fame (Shenyang) Biological High-tech Industry Research Institute Company	Shenyang city	Shenyang city	other	100.00		investment
Changsha Wellhope Animal Husbandry Company	Changsha city	Changsha city	production	83.00		investment
Fuyu Wellhope Layer Company	Fuyu city	Fuyu city	production	52.00		investment
Harbin Linfeng Shengyi Trading Company	Harbin city	Harbin city	trading		51.00	investment
Yixian Hekang Biotechnology Company	Yixian county	Yixian county	production		100.00	investment
Lixin Rongfeng Agriculture and Animal Husbandry Company	Haozhou city	Haozhou city	production		100.00	investment
Fuxin Wellhope Agricultural and Animal Husbandry Technology Company	Fuxin city	Fuxin city	production		100.00	investment
Hebei Linfeng Shengyi Trading Company	Tangshan city	Tangshan city	trading		100.00	investment
Huairan Dazhuang Farming Company	Shuozhou city	Shuozhou city	production		70.00	investment
Harbin Wellhope Agricultural and Animal Husbandry Development Company	Harbin city	Harbin city	production		51.00	investment
Suihua Wellhope Agri-tech Company	Suihua city	Suihua city	production		50.00	investment
Jilin Dalong Wellhope Agri-tech Company	Jilin city	Jilin city	production		59.00	investment
Daqing Wellhope Agri-tech Company	Daqing city	Daqing city	production	51.00		investment
Qiqihar Wellhope Agri-tech Company	Qiqihar city	Qiqihar city	production	51.00		investment
Lankao Skyland Feed Company	Lankao county	Lankao county	production	100.00		combined under different control
Linyi Wellhope Agri-tech Company	Linyi city	Linyi city	production	100.00		investment
Jiyuan Helai Feed Company	Jiyuan city	Jiyuan city	production	100.00		investment
Wan'an Wellhope Feed Company	Ji'an city	Ji'an city	production	52.00		investment
Baotou Hechen Agri-tech Company	Baotou city	Baotou city	production	50.60		investment
Haicheng New Hongzunda Animal Husbandry Company	Haicheng city	Haicheng city	production	51.00		combined under different control
Chifeng Wellhope Agri-tech Company	Chifeng city	Chifeng city	production	85.00		investment
Neihuang County Wellhope Agri-tech Company	Anyang city	Anyang city	production	75.00	20.00	investment

**B. Important non-wholly owned subsidiary**

Unit: yuan Currency: RMB

Subsidiary	Shareholding of non-controlling interests %	Gain or loss attributable to non-controlling interests	Declared dividends to non-controlling interests	Closing balance of non-controlling interests
Dalian Heyuan Agri-Tech Company	43.00	18,008,159.95		385,787,870.19
Xi'an Wellhope Feed Sci-Tech Company	20.00	4,124,913.30		47,933,497.78
Beijing Sanyuan Wellhope Agri-Tech Company	30.00	7,082,924.20		68,139,172.27
Tangshan Wellhope Feed Mill	15.00	-388,086.87		10,652,554.02

**C. Financial figures of important non-wholly owned subsidiary**

Unit: yuan Currency: RMB

Subsidiary	Closing balance						Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Dalian Heyuan Agri-Tech Company	738,742,888.64	946,569,429.72	1,685,312,318.36	725,201,733.40	120,911,992.99	846,113,726.39	506,204,642.74	1,020,407,305.82	1,526,611,948.56	646,421,786.77	48,251,638.87	694,673,425.64
Xi'an Wellhope Feed Sci-Tech Company	210,940,240.84	94,843,830.53	305,784,071.37	65,416,997.60	699,584.87	66,116,582.47	170,751,836.24	107,927,796.70	278,679,632.94	59,064,004.39	714,417.06	59,778,421.45
Beijing Sanyuan Wellhope Agri-Tech Company	279,148,717.73	18,468,034.94	297,616,752.67	70,486,178.44		70,486,178.44	228,188,485.88	20,493,495.10	248,681,980.98	45,161,154.08		45,161,154.08
Tangshan Wellhope Feed Mill	45,122,640.07	63,815,230.87	108,937,870.94	37,920,844.17		37,920,844.17	53,926,763.26	65,757,298.80	119,684,062.06	46,079,789.51		46,079,789.51

Subsidiary	2022				2021			
	Operating revenue	Net profit	Total comprehensive income	Cash flow from operating activities	Operation revenue	Net profit	Total comprehensive income	Cash flow from operating activities
Dalian Heyuan Agri-Tech Company	3,229,796,473.64	7,260,069.05	7,260,069.05	31,462,527.18	3,032,629,405.81	-34,669,277.94	-34,669,277.94	107,366,509.77
Xi'an Wellhope Feed Sci-Tech Company	771,733,668.09	20,624,566.49	20,624,566.49	31,021,085.82	1,069,721,308.15	50,634,863.64	50,634,863.64	37,195,437.04
Beijing Sanyuan Wellhope Agri-Tech Company	871,228,954.22	23,609,747.33	23,609,747.33	20,606,664.14	738,731,297.16	36,808,285.75	36,808,285.75	15,284,842.29
Tangshan Wellhope Feed Mill	211,823,047.29	-2,587,245.78	-2,587,245.78	3,153,153.76	288,439,869.54	1,620,754.14	1,620,754.14	14,539,409.42

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

### **A. Circumstance of the change of owner's equity**

During the period, the Company transferred shares held in some subsidiaries, including transferring 35% equity interest in Fuyu Wellhope Layer Company, 39% in Sanjiang Wellhope Agri-Tech Company, 14% in Jinan Xinweita Trading Company, 5% in Suizhong Renhe Fishery Company, and 1.53% in Changchun Hengfeng Agriculture and Animal Husbandry Company.

During the period, the Company purchased shares of some subsidiaries, including purchasing 17.15% equity interest in Liaoning Wellhope Egg Industry Company, 10% in Shenyang Huakang Broiler Company, 35% in Shandong Heyuan Food Company, 30% in Zhengzhou Wellhope Agri-Tech Company, 1.40% in Jiaozuo Wellhope Feed Mill, 10% in Fuzhou Wellhope Xingyuan Animal Husbandry Development Company, 9% in Hebei Taihang Wellhope Food Company, 1.19% in Fuyu Wellhope Taolaizhao Poultry Raising Company, and 11% in Dalian Huakang Xinxin Food Company.

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

Unit: yuan Currency: RMB

	Fuyu Wellhope Layer Company	Sanjiang Wellhope Agri-Tech Company	Jinan Xinweita Trading Company	Suizhong Renhe Fishery Company	Changchun Hengfeng Agriculture and Animal Husbandry Company	Liaoning Wellhope Egg Industry Company	Shenyang Huakang Broiler Company
Cost of acquisition/disposal considerations							
-Cash		4,900,000.00	853,623.25	400,000.00	765,000.00	30,870,000.00	9,400,000.00
-Fair value of non-cash assets							
Total cost of acquisition or disposal considerations		4,900,000.00	853,623.25	400,000.00	765,000.00	30,870,000.00	9,400,000.00
Less: Share of net assets of subsidiaries based on percentage of equity acquired/disposed shareholdings	-795,793.04	2,485,721.47	891,361.07	424,493.58	741,705.98	30,273,902.40	6,703,317.52
Difference	795,793.04	2,414,278.53	-37,737.82	-24,493.58	23,294.02	596,097.60	2,696,682.48
including: Adjusting capital reserve	795,793.04	2,414,278.53	-37,737.82	-24,493.58	23,294.02	-596,097.60	-2,696,682.48
Adjusting surplus reserve							
Adjusting undistributed profits							

	Zhengzhou Wellhope Agri-Tech Company	Jiaozuo Wellhope Feed Mill	Liaoning Qingyuan Wellhope Agriculture and Animal Husbandry Company	Fuzhou Wellhope Xingyuan Animal Husbandry Development Company	Hebei Taihang Wellhope Food Company	Fuyu Wellhope Taolaizhao Poultry Raising Company	Dalian Huakang Xinxin Food Company
Cost of acquisition/disposal considerations							
-Cash	2,853,799.00	1,230,200.00		6,500,000.00	36,765,000.00	312,000.00	7,965,449.84
-Fair value of non-cash assets			47,250,721.44				
Total cost of acquisition or disposal considerations	2,853,799.00	1,230,200.00	47,250,721.44	6,500,000.00	36,765,000.00	312,000.00	7,965,449.84
Less: Share of net assets in the subsidiary calculated by the percentage of equity	1,534,830.22	585,596.26	42,525,649.30	6,318,456.70	36,765,000.00	115,175.69	10,646,001.32

acquired or disposed shareholdings							
Difference	1,318,968.78	644,603.74	4,725,072.14	181,543.30		196,824.31	-2,680,551.48
including: Adjusting capital reserve	-1,318,968.78	-644,603.74	-4,725,072.14	-181,543.30		-196,824.31	2,680,551.48
Adjusting surplus reserve							
Adjusting undistributed profits							

**3. Equity in joint ventures or associated companies****A. Important joint ventures or associated companies**

Unit: yuan Currency: RMB

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

**B. Financial figures of important joint ventures or associated companies**

Unit: yuan Currency: RMB

	2022				2021			
	Beipiao Hongfa Food Company	Anshan Jiuguhe Food Company	Tai'an Jiuguhe Agriculture Development Company	Dalian Chengsan Animal Husbandry Company	Beipiao Hongfa Food Company	Anshan Jiuguhe Food Company	Tai'an Jiuguhe Agriculture Development Company	Dalian Chengsan Animal Husbandry Company
Current assets	1,221,903,313.61	787,915,184.91	677,252,697.26	1,786,787,135.76	1,024,543,972.13	755,377,943.00	535,153,741.55	1,918,572,679.73
Non-current assets	1,313,933,212.77	155,926,134.02	86,748,298.65	674,735,944.68	1,218,785,629.10	125,800,128.70	59,430,294.90	644,908,489.88
Total assets	2,535,836,526.38	943,841,318.93	764,000,995.91	2,461,523,080.44	2,243,329,601.23	881,178,071.70	594,584,036.45	2,563,481,169.61
Current liabilities	740,031,823.24	397,167,516.02	595,169,902.34	799,092,034.01	694,332,201.13	376,651,134.90	457,883,678.79	1,139,336,663.82
Non-current liabilities	199,564,241.61	11,221,371.88	13,500.00	41,452,025.80	140,000,000.00	10,372,233.84	94,500.00	5,171,428.12
Total liabilities	939,596,064.85	408,388,887.90	595,183,402.34	840,544,059.81	834,332,201.13	387,023,368.74	457,978,178.79	1,144,508,091.94
Non-controlling interests				300,197,953.25				249,706,945.20
Equity attributable to shareholders of parent company	1,596,240,461.53	535,452,431.03	168,817,593.57	1,320,781,067.38	1,408,997,400.10	494,154,702.96	136,605,857.66	1,169,266,132.47
Share of net assets calculated by shareholdings	558,684,161.53	222,480,485.09	70,143,710.13	264,156,213.47	493,149,090.03	205,321,279.08	56,759,733.86	233,853,226.49
Adjustment		-450.00	-626,093.78	116,569,111.62			-1,264,140.54	116,569,111.62
--Goodwill				116,569,111.62				116,569,111.62
--Unrealized profit of internal transaction			-626,093.78				-1,264,140.54	
Other		-450.00						
Book value of equity investment in associated companies	558,684,161.53	222,480,035.09	69,517,616.35	380,725,325.09	493,149,090.03	205,321,279.08	55,495,593.32	350,422,338.11

Operating revenue	3,406,895,331.57	1,871,840,202.95	2,515,337,879.70	5,142,391,071.08	3,071,583,370.65	1,980,851,480.62	2,295,821,884.37	4,449,826,190.22
Net profit	202,643,061.43	56,297,728.07	32,211,735.91	151,514,934.91	-6,556,579.30	59,869,422.39	-89,180,792.22	-127,809,745.66
Total comprehensive income	202,643,061.43	56,297,728.07	32,211,735.91	151,514,934.91	-6,556,579.30	59,869,422.39	-89,180,792.22	-127,809,745.66
Dividends received from associated companies	5,390,000.00	6,232,950.00			10,780,000.00			

**C. Financial information of unimportant joint ventures and associated companies**

Unit: yuan Currency: RMB

	2022	2021
Joint venture:		
Book value of investment	11,669,191.54	11,669,191.54
The following items were calculated according to the shareholdings		
--Net profit	4,632,218.03	5,057,870.18
--Other comprehensive income	-105,632.51	-1,151,957.84
--Total comprehensive income	4,526,585.52	3,905,912.34
Associated company:		
Book value of investment	1,244,073,779.77	1,216,768,479.92
The following items were calculated according to the shareholdings		
--Net profit	23,657,703.90	-43,919,377.45
--Other comprehensive income	-554,988.18	-13,547,569.69
--Total comprehensive income	23,102,715.72	-57,466,947.14

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 major financial instruments include equity investments, borrowings, accounts receivable and accounts payable. A detailed description of each financial instrument is provided in the related item in Note V of this document. The Company's management manages and monitors these exposures to ensure that the aforementioned risks are kept within the limits.

The Company engages in risk management with the goal of striking an appropriate balance between risk and return, minimizing the negative impact of risk on the Company's operating performance, and maximizing the interests of shareholders and other equity investors. Based on such risk management objective, the Company's basic strategy for risk management is to identify and analyze various risks to which the Company is exposed, establish appropriate risk tolerance and conduct risk management, and monitor various risks in a timely and reliable manner in order to control the risks within the limits.

**1. Market risks****A. Interest rate risk**

The Company's risk of cash flow changes in financial instruments due to the changes in interest rates mainly related to floating-rate bank loans. The Company's policy is to maintain the floating-rate of these loans.

**B. Foreign exchange risks**

Foreign exchange risk refers to the risk of loss caused by exchange rate movement. The Company's main business activities are settled in RMB, with a small amount of import and export business, changes in exchange rate have little impact on the Company.

## 2. Credit risk

The maximum credit risk exposure that may cause financial losses to the Company mainly comes from financial assets loss caused by the other party of contract failed to perform duty.

In order to reduce credit risk, the Company constantly strengthens the risk management awareness of accounts receivable, and only deals with recognized and reputable third parties. In accordance with the Company's policies, it is necessary to conduct credit audit and approval, carefully confirm the credit limit, implement other monitoring procedures and take necessary measures to recover overdue claims.

## 3. Liquidity risk

In regard of managing liquidity risk, the Company monitors cash and cash equivalents, to satisfy its operation demand, and to reduce the influence caused by cash flow fluctuation. The management of the Company supervises the usage circumstances of bank loans and ensures the Company complying with the agreement of loan.

# XI. Disclosure of fair value

## 1. Fair value of assets and liabilities in the end of period

Unit: yuan Currency: RMB

Item	Closing fair value			
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
Continuous fair value measurement				
1. Financial assets held for trading				
2. Derivative financial assets	4,050,071.80			4,050,071.80
3. Other equity instrument investment			17,325,896.26	17,325,896.26
Total assets continuously measured at fair value	4,050,071.80		17,325,896.26	21,375,968.06

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

The derivative financial assets of the Company are futures that are measured at unadjusted quoted prices in active markets for identical assets or liabilities at the balance sheet date.

# XII. Related Party and Transaction

## 1. Snapshot of joint ventures and associated companies

Circumstance of the joint ventures and associated companies, which had related transactions with the Company in the period.

Company	Relationship
Unphung Joint Venture Company	joint venture
Nepal Wellhope Agri-tech Pvt. Ltd.	joint venture
Anshan Fengsheng Food Company	associated company
Anshan Jiuguhe Food Company	associated company
Beipiao Hongfa Food Company	associated company
Dalian Chengsan Animal Husbandry Company	associated company
Dalian Wellhope Fish Meal Company	associated company
Daqing Supply and Marketing Agri-Tech Company	associated company
Dandong Wellhope Chengsan Agri-Tech Company	associated company

Gongzhuling Corn Purchasing and Storing Company	associated company
Haicheng New Hongzunda Agri-Tech Company	associated company
Huluodao Jiuguhe Food Company	associated company
Huluodao Jiuguhe Feed Mill	associated company
Jinzhou Jiufeng Food Company	associated company
Lankao Skyland Duck Company	associated company
Linghai Jiuguhe Feed Mill	associated company
Qingdao Shenfeng Agri-Tech Company	associated company
Shenyang Wenjie Bio-Tech Company	associated company
Shihaipu (Beijing) Technology and Trade Company	associated company
Tai'an Fengjiu Agri-Tech Company	associated company
Tai'an Jiufeng Agri-Tech Company	associated company
Tai'an Jiuguhe Agriculture Development Company	associated company
Tailai Jiahe Agriculture and Animal Husbandry	associated company
Zhangjiakou Jiahe Agriculture and Animal Husbandry Company	associated company
Shenyang Zhongwenjie Bio-Tech Company	associated company
Liaoning Mubang Animal Husbandry Equipment Manufacturing Company	associated company
Dalian Sida Food Company	associated company
Bei'an Nongken Shengda Pasture Specialized Cooperative	associated company
Shangdong Fengkang Food Company	associated company
Anshan Jiuguhe Paper Packaging Company	associated company
Anshan Antai Plastic Products Company	associated company
Harbin Weierhao Trading Company	associated company
Jiyuan City Sunshine Rabbit Technology Company	associated company
Heilongjiang Province Bei'an Nongken Zhongwang Dairy Farming Professional Cooperative	associated company

Other explanation:

In April 2022, the Company purchased 2.00% shares of the minority shareholder of Haicheng New Hongzunda, and its shareholding in Haicheng New Hongzunda reached 51.00% after the purchase, which changed this company from an associate to a subsidiary within the scope of consolidation.

## 2. Snapshot of other related parties

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

## 3. Snapshot of related party transaction

### A. Purchasing products, accepting labor service

Unit: yuan Currency: RMB

Relate party	Transaction	2022	2021
Dalian Wellhope Fish Meal Company	Feed raw material	102,266,988.92	76,585,284.15
Anshan Jiuguhe Food Company	Broiler product	5,762,586.00	11,265,582.23
Dalian Chengsan Animal Husbandry Company	Live broiler	38,725,935.09	126,096,323.21
Huludao Jiuguhe Food	Broiler product		304,992.66
Shihaipu (Beijing) Technology and Trade Company	Other	2,570,408.93	1,009,951.97
Tai'an Fengjiu Agri-Tech Company	Day old chick	19,257,125.96	24,165,720.65
Zhangjiakou Jiahe Agriculture and Animal Husbandry Company	Piglet	22,035,499.40	22,409,819.60
Tai'an Jiuguhe Agriculture Development Company	Feed, live broiler	60,799,179.98	258,438,420.36
Haicheng New Hongzunda Agri-Tech Company	Feed		5,604,675.04
Shenyang Wenjie Bio-Tech Company	Other	3,135,329.56	3,883,333.36
Jinzhou Jiufeng Food Company	Broiler product	12,690,178.50	9,133,688.00
Daqing Supply and Marketing Agri-Tech Company	Feed raw material	26,596,127.86	27,913,007.76
Linghai Jiuguhe Feed Mill	Feed, live broiler	757,085.00	142,764,456.73
Gongzhuling Corn Purchasing and Storing Company	Feed raw material	4,802,114.70	2,160,838.20
Qingdao Shenfeng Agri-Tech Company	Feed	151,514.24	14,412,823.18
Liaoning Yufeng Bio-tech Company	Feed raw material	19,194,394.95	33,330,654.62
Anshan Jiuguhe Paper Packaging Company	Other	3,114,856.43	3,788,562.19
Anshan Antai Plastic Products Company	Other	585,052.50	783,214.95
Dunhua Fengda Broiler Breeding Company	Day old chick	1,643,845.00	253,485.00
Jilin Hengfeng Animal Health Products Company	Animal medicine, vaccine	505,577.94	874,388.93
Shenyang Wanlitan Agriculture and Animal Husbandry Company	Animal medicine, vaccine	2,874,247.91	2,917,056.53
Beipiao Hongfa Food Company	Broiler product	7,081,994.06	11,857,558.25
Tailai Jiahe Agriculture and Animal Husbandry Company	Piglet		7,922,976.80
Harbin Weierhao Trading Company	Feed raw material	7,397,188.88	766,308.23
Anshan Fengsheng Food Company	Feed raw material	53,211.01	
Total		342,000,442.82	788,643,122.60

**Selling products or providing labor service**

Unit: yuan Currency: RMB

Relate party	Transaction	2022	2021
Linghai Jiuguhe Feed Mill	Feed raw material, feed	67,403,844.03	85,163,159.42
Tai'an Jiuguhe Agriculture Development Company	Feed raw material, feed	127,676,845.57	87,770,479.99
Anshan Jiuguhe Food Company	Live broiler	73,948,755.57	63,190,247.94
Qingdao Shenfeng Agri-Tech Company	Feed raw material, feed	33,989,357.61	33,791,134.36
Beipiao Hongfa Food Company	Feed raw material		3,833,240.00

Huludao Jiuguhe Food Company	Broiler product	2,253,666.06	12,229,432.11
Haicheng New Hongzunda Agri-Tech Company	Feed raw material	5,978,442.02	70,419,925.40
Dandong Wellhope Chengsan Agri-Tech Company	Feed raw material, feed	10,645,214.70	8,988,156.71
Tai'an Jiufeng Agri-Tech Company	Feed raw material	80,570.10	1,501,685.99
Huludao Jiuguhe Feed Mill	Feed raw material, broiler product	45,685,168.02	39,938,908.32
Shihaipu (Beijing) Technology and Trade Company	Other	2,696,970.22	2,235,850.87
Zhangjiakou Jiahe Agriculture and Animal Husbandry Company	Feed	25,437,678.39	35,983,740.54
Dalian Wellhope Fish Meal Company	Feed raw material	233,628.32	233,716.81
Anshan Fengsheng Food Company	Live broiler	25,267,017.27	105,439,436.48
Dalian Chengsan Animal Husbandry Company	Feed raw material, feed	7,375,666.19	14,201,134.36
Tailai Jiahe Agriculture and Animal Husbandry Company	Feed raw material, feed	57,067,001.08	71,340,667.33
Daqing Supply and Marketing Agri-Tech Company	Feed raw material, feed	92,831,460.07	91,892,742.18
Lankao Skyland Duck Company	Feed raw material		1,482,911.17
Liaoning Yufeng Bio-tech Company	Broiler product	19,102,682.44	384,229.05
Dunhua Fengda Broiler Breeding Company	Feed	460,500.16	3,696,607.22
Shangdong Fengkang Food Company	Live broiler	318,685,102.91	168,063,355.14
Dalian Sida Food Company	Live broiler	303,008,793.95	264,394,474.66
Liaoning Mubang Animal Husbandry Equipment Manufacturing Company	Equipment, steel		264,016.08
Dazhou Wellhope Bio-tech Company	Feed raw material, feed	62,110,129.84	128,532,271.72
Harbin Weierhao Trading Company	Feed raw material	63,519,205.04	18,269,598.93
Bei'an Nongken Shengda Pasture Specialized Cooperative	Feed	1,284,072.43	
Jiyuan City Sunshine Rabbit Technology Company	Other	535,981.69	
Heilongjiang Province Bei'an Nongken Zhongwang Dairy Farming Professional Cooperative	Feed raw material	214,960.00	
Nepal Wellhope Agri-tech Pvt. Ltd.	Feed	6,258,226.96	
Total		1,353,750,940.64	1,313,241,122.78

## B. Related party guarantee

The Company acted as the guarantor

Unit: yuan Currency: RMB

Guaranteed party	Amount of guarantee	Guarantee date	Guarantee maturity date	Whether the guarantee has been completed
Liaoning Expert Trading Company	23,750,020.69	Feb. 23, 2022	Feb. 22, 2023	No
Liaoning Expert Trading Company	24,083,386.80	Dec. 12, 2022	Oct. 26, 2023	No
Liaoning Expert Trading Company	9,012,567.66	May 23, 2022	Apr. 30, 2023	No
Lixin Xiangfeng Agriculture and Animal Husbandry Company	25,000,000.00	May 30, 2022	May 29, 2023	No

Lixin Xiangfeng Agriculture and Animal Husbandry Company	10,000,000.00	Mar. 30, 2022	Mar. 29, 2023	No
Lixin Hongfeng Agriculture and Animal Husbandry Company	20,000,000.00	Nov. 17, 2022	Nov. 16, 2023	No
Puyang Wellhope Food Company	50,000,000.00	Mar. 31, 2022	Mar. 31, 2023	No
Chongqing Dahong Agriculture and Animal Husbandry Equipment Company	11,000,000.00	Oct. 8, 2019	Oct. 7, 2022	No
Lingyuan Wellhope Agri-Tech Company	10,000,000.00	Jun. 10, 2022	Jun. 9, 2025	No
Lingyuan Wellhope Agri-Tech Company	20,000,000.00	Jun. 10, 2022	Jun. 9, 2025	No
Daqing Wellhope Agri-Tech Company	30,000,000.00	Sep. 7, 2022	Sep. 7, 2023	No
Anhui Wellhope Food Company	70,291,600.00	Mar. 6, 2021	Mar. 5, 2026	No
Dalian Zhongjia Food Company	50,000,000.00	Oct. 28, 2022	Oct. 27, 2025	No
Dalian Heyuan Agri-Tech Company	50,000,000.00	May 31, 2022	May 30, 2025	No
Daqing Wellhope Food Company	9,000,000.00	Sep. 30, 2021	Sep. 29, 2024	No
Daqing Wellhope Food Company	21,920,000.00	Jul. 27, 2022	2027.07.27 Jul. 27, 2027	No

### C. Borrowings to related party

Unit: yuan Currency: RMB

Related party	Borrowings	Starting date	Due date	Note
Bei'an Nongken Shengda Pasture Specialized Cooperative				Bei'an Nongken Shengda Pasture Specialized Cooperative is an associated company of Wellhope. Each member of the cooperative provides funds to the cooperative according to the proportion of shares held in accordance with the agreement.

### D. Remuneration for key management

Unit: 10k yuan Currency: RMB

Item	2022	2021
Remuneration for key management	848.84	826.74

#### 4. Related party receivables and payables

##### A. Receivables

Unit: yuan Currency: RMB

Item	Related party	Closing balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivable	Linghai Jiuguhe Feed Mill	8,139,479.10	162,789.58	7,628,380.00	152,567.60
Accounts receivable	Tai'an Jiuguhe Agriculture Development Company	13,081,701.90	261,634.04	11,453,320.00	229,066.40
Accounts receivable	Anshan Jiuguhe Food Company	31,391,484.65	627,829.69	20,021,748.90	400,434.98
Accounts receivable	Zhangjiakou Jiahe Agriculture and Animal Husbandry Company	11,418,541.47	228,370.83	5,584,963.70	81,973.52
Accounts receivable	Huludao Jiuguhe Feed Mill	4,786,800.00	95,736.00	5,049,300.00	100,986.00
Accounts receivable	Dalian Chengsan Animal Husbandry Company	845,840.00	16,916.80	2,109,601.80	42,192.04
Accounts receivable	Tailai Jiahe Agriculture and Animal Husbandry Company	12,827,310.23	256,546.20	18,373,436.11	367,468.72
Accounts receivable	Nepal Wellhope Agri-tech Pvt. Ltd.			287,730.02	5,754.60
Accounts receivable	Daqing Supply and Marketing Agri-Tech Company	10,165,125.79	203,302.52		
Accounts receivable	Dalian Sida Food Company	15,391,105.00	307,822.10		
Accounts receivable	Shenyang Wenjie Bio-Tech Company			378,530.00	7,570.60
Accounts receivable	Bei'an Nongken Shengda Pasture Specialized Cooperative	6,745,785.43	134,915.71	6,168,138.00	123,362.76
Accounts receivable	Dunhua Fengda Broiler Breeding Company			8,387.16	167.74
Accounts receivable	Heilongjiang Bei'an Nongken Zhongwang Dairy Breeding Professional Cooperative	1,333,862.00	26,677.24	1,333,862.00	26,677.24
Accounts receivable	Shandong Fengkang Food Company	67,894,560.19	1,357,891.20	6,914,947.14	138,298.94
Accounts receivable	Dandong Wellhope Chengsan Agri-Tech Company	783,860.00	15,677.20		
Accounts receivable	Dazhou Wellhope Bio-tech Company	3,872,726.06	77,454.52		
Accounts receivable	Harbin Weierhao Trading Company	306,557.00	6,131.14		
Other receivables	Lankao Skyland Duck Company			27,067,493.00	16,033,746.50
Other receivables	Bei'an Nongken Shengda Pasture Specialized Cooperative	4,350,000.00	652,500.00	4,350,000.00	435,000.00
Prepayment	Zhangjiakou Jiahe Agriculture and Animal Husbandry Company	71,250.00			
Prepayment	Harbin Weierhao Trading Company	185,600.00			

Prepayment	Dalian Wellhope Fish Meal Company		4,743,296.00	
Prepayment	Beipiao Hongfa Food Company		18,042.78	

**B. Payables**

Unit: yuan Currency: RMB

Item	Related party	Closing book balance	Opening book balance
Accounts payable	Tai'an Jiuguhe Agriculture Development Company	2,041,726.20	31,695,862.49
Accounts payable	Qingdao Shenfeng Agri-Tech Company	5,100,000.00	5,300,000.00
Accounts payable	Zhangjiakou Jiahe Agriculture and Animal Husbandry Company	15,200,000.00	15,200,000.00
Accounts payable	Shenyang Wenjie Bio-Tech Company	2,057,790.00	2,177,580.00
Accounts payable	Dalian Chengsan Animal Husbandry Company		2,051,433.95
Accounts payable	Anshan Jiuguhe Paper Packaging Company	197,950.36	599,868.30
Accounts payable	Anshan Antai Plastic Products Company	14,161.00	
Accounts payable	Dalian Wellhope Fish Meal Company	5,366,854.28	949,440.00
Accounts payable	Jilin Hengfeng Animal Health Products Company	315,120.00	
Accounts payable	Shenyang Wanlitan Agriculture and Animal Husbandry Company	621,656.00	338,120.00
Accounts payable	Daqing Supply and Marketing Agri-Tech Company	136,900.40	
Accounts payable	Linghai Jiuguhe Feed Mill		1,632,332.73
Accounts payable	Liaoning Yufeng Bio-tech Company	5,151,573.00	4,270,798.00
Accounts payable	Dunhua Fengda Broiler Breeding Company		2,500.00
Accounts payable	Harbin Weierhao Trading Company		39,562.50
Accounts payable	Anshan Jiuguhe Food Company	5,000,000.00	
Accounts payable	Jinzhou Jiufeng Food Company	3,000,000.00	
Accounts payable	Tai'an Fengjiu Agri-Tech Company	423,697.23	
Advance receipt	Nepal Wellhope Agri-tech Pvt. Ltd.	38,700.00	38,700.00
Advance receipt	Liaoning Mubang Animal Husbandry Equipment Manufacturing Company		42,261.50
Advance receipt	Harbin Weierhao Trading Company		585,750.00
Advance receipt	Tai'an Jiuguhe Agriculture Development Company	725,000.00	
Advance receipt	Huludao Jiuguhe Feed Mill	46,000.00	
Advance receipt	Liaoning Yufeng Bio-tech Company	47,048.40	
Contract liability	Linghai Jiuguhe Feed Mill	2,907,700.00	
Contract liability	Tai'an Jiuguhe Agriculture Development Company	3,807,600.00	
Contract liability	Huludao Jiuguhe Feed Mill	1,903,800.00	
Contract liability	Dazhou Wellhope Bio-Tech Company		1,142.95
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

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

Unit: share Currency: RMB

Total amount of each equity instrument lapsed during the period	5,742,000
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Note:

In accordance with the approved resolutions--Wellhope 2018 Restricted Stock Incentive Plan and Its Abstract (draft), Adjusting Related Items regarding to 2018 Restricted Stock Incentive Plan, the Company issued 14.575 million restricted shares to 372 key managers at the price of 4.85 yuan per share in 2018, increased RMB 14.575 million of the registered capital.

This incentive plan should be valid from the date of granting restricted shares to the date when all restricted shares could be unlocked or repurchased and written off by the Company, with a maximum period of no more than 48 months. The restricted shares should not be transferred, used for guarantee or repaying debts before removing the trading restrictions, and the shares and dividends obtained from the restricted shares due to the Company conducting capital reserve converted to share capital, paying dividends, etc., should be simultaneously locked according to the incentive plan. After the expiration of restricted period, the Company shall cope with related matters, such as removing trading restrictions, whilst the restricted shares held by the managers who could not meet the conditions of unlocking shares, should be repurchased and written off by the Company, relevant equity could not be deferred to the next period.

Arrangement of restricted shares

Arrangement of unlocking restricted shares	Time of unlocking shares	Percentage of unlocking shares
The first lockup period	The first trading day after 12 months from the date of finishing the registration of granted shares to the last trading day within 24 months from the date of finishing the registration of granted shares	30.00%
The second lockup period	The first trading day after 24 months from the date of finishing the registration of granted shares to the last trading day within 36 months from the date of finishing the registration of granted shares	30.00%
The third lockup period	The first trading day after 36 months from the date of finishing the registration of granted shares to the last trading day within 48 months from the date of finishing the registration of granted shares	40.00%

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

On March 29, 2021, the Board of Directors and Supervisory Board approved the proposal of unlocking restricted shares after achieving the performance objective stated in the second lockup period of 2018

Restricted Stock Incentive Plan, 364 managers could totally unlock 4.256 million shares. On April 9, 2021, these 4.256 million shares could be traded in the capital market.

On April 27, 2022, the Board of Directors and Supervisory Board approved the proposal of repurchasing and cancelling restricted shares in the third lockup period of 2018 Restricted Stock Incentive Plan due to failing to meet the unlocking conditions. On June 22, 2022, the Company repurchase and cancelled 5.742 million restricted shares.

## 2. Equity-settled share-based payment

Unit: yuan Currency: RMB

Recognition 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 in case the conditions of unlocking restricted shares can be met, each individual can exercise the equity
Accumulated amount of equity-settled share-based payment that recorded into capital reserve	23,278,454.68
Total expenses recognized by equity-settled share-based payment in current period	

## XIV. Post Balance Sheet Events

### 1. Circumstance of paying profit

Unit: yuan Currency: RMB

Profit or dividend planned to be paid	107,816,864.52
Declared profit or dividend after receiving internal approval	107,816,864.52

## XV. Other important matters

### Lease

Item	Amount(RMB yuan)
Short-term lease expense included in current gain or loss	12,988,488.82
Lease fees of low value asset	1,944,646.36
Total cash outflows related to leases	43,807,439.51

## XVI. Notes to major Items of the Parent Company's Financial Statements

### 1. Accounts receivable

#### A. Categorized by aging

Unit: yuan Currency: RMB

Aging	Closing book balance
Within 1 year	41,640,129.64
1-2 years	1,297,508.00
2-3 years	4,191,691.30
Over 3 years	27,370,009.30
Total	74,499,338.24

**B. Categorized by bad debt provision method**

Unit: yuan Currency: RMB

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Percentage%	Amount	Accruing %		Amount	Percentage%	Amount	Accruing %	
Accruing bad debt provision on an individual basis	686,300.00	0.92	686,300.00	100.00		686,300.00	1.11	686,300.00	100.00	
Accruing bad debt provision by portfolio	73,813,038.24	99.08	29,566,246.36	40.06	44,246,791.88	61,197,217.60	98.89	27,901,744.83	45.59	33,295,472.77
including:										
Aging portfolio	60,483,943.90	81.19	29,566,246.36	48.88	30,917,697.54	61,197,217.60	98.89	27,901,744.83	45.59	33,295,472.77
Other portfolios	13,329,094.34	17.89			13,329,094.34					
Total	74,499,338.24	/	30,252,546.36	/	44,246,791.88	61,883,517.60	/	28,588,044.83	/	33,295,472.77

Accruing bad debt provision on an individual basis

Unit: yuan Currency: RMB

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

Accruing bad debt provision by grouping

Unit: yuan Currency: RMB

Aging	Closing balance		
	Accounts receivable	Bad debt provision	Accruing percentage %
Within 1 year	28,311,035.30	592,065.21	2.09
1 -2 year	1,297,508.00	194,626.20	15.00
2-3 years	4,191,691.30	2,095,845.65	50.00
Over 3 years	26,683,709.30	26,683,709.30	100.00
Total	60,483,943.90	29,566,246.36	48.88

**C. Bad debt provision**

Unit: yuan Currency: RMB

Category	Opening balance	Changes in current period	Closing balance
		Accruing	
Aging	28,588,044.83	1,664,501.53	30,252,546.36
Total	28,588,044.83	1,664,501.53	30,252,546.36

**D. Top 5 accounts receivable**

Unit: yuan Currency: RMB

Debtor	Closing balance	Percentage of total accounts receivable %	Closing balance of bad debt provision
1	9,065,670.00	12.17	181,313.40
2	7,628,380.00	10.24	152,567.60
3	7,350,077.71	9.87	7,350,077.71
4	7,053,335.00	9.47	7,053,335.00
5	6,651,961.00	8.93	5,064,611.20
Total	37,749,423.71	50.68	19,801,904.91

**2. Other receivables**

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Interests receivable		
Dividends receivable	53,759,486.59	61,417,020.78
Other receivables	2,175,154,013.17	1,705,452,098.71
Total	2,228,913,499.76	1,766,869,119.49

**A. Dividends receivable**

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Dividends from long-term investment under cost method	26,224,193.24	25,611,477.43
Dividends from long-term investment under equity method	27,535,293.35	35,805,543.35
Total	53,759,486.59	61,417,020.78

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

Unit: yuan Currency: RMB

Aging	Closing book balance
Within 1 year	2,163,550,850.93
1-2 years	8,043,183.50
2-3 years	198,700.00
Over 3 years	4,395,000.00
Total	2,176,187,734.43

**b. Categorized by nature**

Unit: yuan Currency: RMB

Nature	Closing book balance	Opening book balance
Operating receivables	1,293,062.89	470,234.69
Cash pledge and guarantee deposit	257,900.00	472,286.62
Related party- transactions	2,170,286,771.54	1,687,513,083.45
Disposal of investment receivables		2,764,218.95
Other	4,350,000.00	31,417,493.00
Total	2,176,187,734.43	1,722,637,316.71

**c. Bad debt provision accruing**

Unit: yuan Currency: RMB

Bad debt provision	Phase 1	Phase 2	Phase 3	Total
	Expected credit losses over the next 12 months	Expected credit loss for the entire duration (no credit impairment occurred)	Expected credit loss for the entire duration (credit impairment occurred)	
Balance on January 1, 2022	16,863,110.00		322,108.00	17,185,218.00
-charged to phase 2				
- charged to phase 3	-414,632.84		414,632.84	
-recovered in phase 2				
- recovered in phase 1				
Accrued in the reporting period	434,490.60		4,248,178.11	4,682,668.71
Recovered in the reporting period	16,033,746.50			16,033,746.50
Written off in the reporting period			4,800,418.95	4,800,418.95

Balance on December 31, 2022	849,221.26		184,500.00	1,033,721.26
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**d. Bad debt provision**

Unit: yuan Currency: RMB

Category	Opening balance	Changes in current period			Closing balance
		Accruing	Collected or recovered	Charged off or written off	
Other receivables	17,185,218.00	4,682,668.71	16,033,746.50	4,800,418.95	1,033,721.26
Total	17,185,218.00	4,682,668.71	16,033,746.50	4,800,418.95	1,033,721.26

**e. Top 5 other receivables**

Unit: yuan Currency: RMB

Company	Type	Closing balance	Aging	% of closing balance of total other receivables	Closing balance of bad debt provision
1	current payments	351,292,811.73	within 1 year	15.76	
2	current payments	135,184,028.01	within 1 year	6.07	
3	current payments	126,145,869.38	within 1 year	5.66	
4	current payments	113,601,936.00	within 1 year	5.10	
5	current payments	113,556,500.00	within 1 year	5.09	
Total	/	839,781,145.12	/	37.68	

**3. Long-term equity investment**

Unit: yuan Currency: RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investment in subsidiaries	3,628,321,267.36		3,628,321,267.36	3,157,180,628.33		3,157,180,628.33
Investment in associates and joint ventures	2,376,311,808.96	17,900,000.00	2,358,411,808.96	2,209,491,757.38	17,900,000.00	2,191,591,757.38
Total	6,004,633,076.32	17,900,000.00	5,986,733,076.32	5,366,672,385.71	17,900,000.00	5,348,772,385.71

**A. Investment in subsidiaries**

Unit: yuan Currency: RMB

Company	Jan. 1, 2023	Increase in 2022	Decrease in 2022	Dec. 31, 2022
Haicheng Wellhope Feed Mill	12,614,789.85			12,614,789.85
Tai'an Wellhope Feed Mill	33,055,140.93			33,055,140.93
Shenyang Wellhope Ruminant Feed Mill	6,038,738.05			6,038,738.05
Liaoning Wellhope Agriculture and Animal Husbandry Company	97,604,896.30			97,604,896.30
Shenyang Nongda Wellhope Feed Mill	44,562,397.18			44,562,397.18

Xingcheng Wellhope Feed Mill	82,794,584.59			82,794,584.59
Dalian Wellhope Feed Mill	42,386,167.87			42,386,167.87
Jinzhou Wellhope Agri-Tech Company	17,260,917.78			17,260,917.78
Shenyang Wellhope Extruded Feed Mill	33,042,083.51			33,042,083.51
Shenyang Wellhope Aquatic Feed Mill	15,286,167.88			15,286,167.88
Shenyang Wellhope Agri-Tech Company	82,988,342.49			82,988,342.49
Shenyang Wellhope Poultry Industry Company	60,565.62			60,565.62
Gongzhuling Wellhope Agri-Tech Company	35,514,907.90			35,514,907.90
Jilin Wellhope Agri-Tech Company	16,241,715.94			16,241,715.94
Gongzhuling Wellhope Ruminant Feed Mill	5,084,167.03			5,084,167.03
Sanjiang Wellhope Agri-Tech Company	13,022,410.76			13,022,410.76
Mudanjiang Wellhope Agri-Tech Company	23,286,048.10			23,286,048.10
Heilongjiang Wellhope Agri-Tech Company	120,848,465.45			120,848,465.45
Beijing Helai Sci-Tech Company	25,472,592.05			25,472,592.05
Beijing Wellhope Agri-Tech Company	5,071,980.16			5,071,980.16
Huai'an Wellhope Feed Mill	30,230,704.60			30,230,704.60
Gansu Wellhope Agri-Tech Company	40,108,690.76			40,108,690.76
Henan Wellhope Agri-Tech Company	52,769,238.99			52,769,238.99
Lankao Wellhope Agri-Tech Company	43,084,167.03			43,084,167.03
Henan Wellhope Agri-Tech Company Kaifeng Branch	302,615.65			302,615.65
Shenyang Huaweida Animal Health Product Company	36,032.42			36,032.42
Jilin Hefeng Swine Breeding Company	15,000,000.00			15,000,000.00
Shenyang Expert Trading Company	30,010,648.28			30,010,648.28
Shenyang Jiahe Tianfeng Commerce and Trade Company	10,143,614.30			10,143,614.30
Liaoning Expert Trading Company	73,771,350.84			73,771,350.84

Shenyang Pufeng Commerce and Trade Company	1,999,788.72			1,999,788.72
Liaoning Wellhope Purchasing & Trading Company	30,278,344.48			30,278,344.48
Liaoning Skyland Livestock Equipment Company	28,667,982.56			28,667,982.56
Shenyang Fame Bio-Tech Company	20,494,308.42			20,494,308.42
Pingyuan Wellhope Food Processing Company	210,203,167.88			210,203,167.88
Pingyuan Wellhope Agri-Tech Company	264,258.47			264,258.47
Kaifeng Wellhope Meat Product Company	100,000,000.00			100,000,000.00
Wellhope Food (Shenyang) Company	5,160,191.67			5,160,191.67
Liaoning Godaji E-commerce Company	20,496,378.16			20,496,378.16
Linxi Helai Agri-Tech Company	33,038,762.97			33,038,762.97
Luoyang Wellhope Agriculture and Animal Husbandry Company	75,000,000.00			75,000,000.00
Anyang Wellhope Agriculture and Animal Husbandry Company	55,000,000.00			55,000,000.00
Hainan Expert Trading Company	9,151.86			9,151.86
Tianjin Fullyond Supply Chain Company	10,000,000.00			10,000,000.00
Zhumadian Wellhope Agriculture and Animal Husbandry Development Company	30,000,000.00			30,000,000.00
Linyi Wellhope Agri-tech Company		15,000,000.00		15,000,000.00
Jiyuan Helai Feed Company		23,000,000.00		23,000,000.00
Lankao Skyland Feed Company		46,069,798.90		46,069,798.90
Fuxin Wellhope Agriculture and Animal Husbandry Company		30,000,000.00		30,000,000.00
Lingyuan Wellhope Agriculture and Animal Husbandry Company		5,000,000.00		5,000,000.00
Fame (Shenyang) Biological High-tech Industry Research	10,000,000.00			10,000,000.00

Institute Company				
Lingyuan Wellhope Agri-Tech Company	16,910,917.77			16,910,917.77
Haicheng Xinzhongxin Feed Mill	6,002,315.70			6,002,315.70
Fuyu Wellhope Agri-Tech Company	46,602,083.51			46,602,083.51
Changchun Wellhope Feed Mill	84,597,782.33			84,597,782.33
Daqing Wellhope Bayi Nongda Animal Sci-Tech Company	30,694,098.94			30,694,098.94
Beijing Sanyuan Wellhope Agri-Tech Company	8,719,369.88			8,719,369.88
Tangshan Wellhope Feed Mill	43,434,466.04			43,434,466.04
Cangzhou Helai Sci-Tech Company	3,531,614.46			3,531,614.46
Shanxi Wellhope Agri-Tech Company	40,042,083.51	8,000,000.00		48,042,083.51
Tangshan Hejia Agriculture and Animal Husbandry Company	19,634,667.24			19,634,667.24
Tangshan Wellhope Sci-Tech Company	21,033,666.81			21,033,666.81
Shanghai Wellhope Feed Mill	2,295,632.60			2,295,632.60
Pinghu Wellhope Agri-Tech Company	1,026,750.75			1,026,750.75
Anhui Wellhope Agri-Tech Company	112,148,987.28			112,148,987.28
Xi'an Wellhope Feed Sci-Tech Company	4,688,849.43			4,688,849.43
Zhengzhou Wellhope Agri-Tech Company	4,044,206.82	2,853,799.00		6,898,005.82
Zhumadian Wellhope Agri-Tech Company	9,052,956.04			9,052,956.04
Nanyang Wellhope Feed Mill	17,925,324.47			17,925,324.47
Jiaozuo Wellhope Feed Mill	49,210,804.92	1,230,200.00		50,441,004.92
Jingzhou Wellhope Agri-Sci-Tech Company	21,432,261.58			21,432,261.58
Qingdao Wellhope Agri-Tech Company	28,887,168.30			28,887,168.30
Jining Wellhope Agri-Tech Company	19,726,723.27			19,726,723.27
Yunnan Wellhope Feed Mill	24,294,994.77			24,294,994.77
Fuyu Wellhope Taolaizhao Poultry Raising Company	5,657,551.60	20,100,000.00		25,757,551.60
Changchun Hengfeng	235,667.66			235,667.66

Agriculture and Animal Husbandry Company				
Beijing Brilliant Dragon Commerce and Trade Company	205,085.39			205,085.39
Shanghai Hehong Trading Company	203,454.84			203,454.84
Jinan Xinweita Trading Company	157,757.98			157,757.98
Zhangwu Wellhope Agriculture Development Company	1,800,000.00			1,800,000.00
Tongliao Wellhope Tianyi Prataculture Company	10,200,000.00			10,200,000.00
Chongqing Dahong Agriculture and Animal Husbandry Equipment Company	117,833.83			117,833.83
Guangzhou Xiangshun Livestock Equipment Company	3,000,500.21			3,000,500.21
Dalian Huakang Xinxin Food Company	11,662,375.47			11,662,375.47
Dalian Heyuan Agri-Tech Company	103,890,054.28			103,890,054.28
Dalian Zhongjia Food Company	155,824.28			155,824.28
Shenyang Huakang Broiler Company	2,158,404.83	66,400,000.00		68,558,404.83
Shenyang Huakang Xinxin Food Company	1,969,334.47			1,969,334.47
Shenyang Huakang Agriculture and Animal Husbandry Company	694,899.21			694,899.21
Changchun Wellhope Food Company	8,668,334.04			8,668,334.04
Dehui Wellhope Agri-Tech Company	45,424.21			45,424.21
Puyang Wellhope Food Company	20,210,417.54			20,210,417.54
Puyang Wellhope Agri-Tech Company	45,424.21			45,424.21
Kaifeng Wellhope Agriculture and Animal Husbandry Company	40,348.21			40,348.21
Liaoning Wellhope Food Company	30,041,809.18			30,041,809.18
Chongqing Wellhope Agri-Tech Company	2,230,000.00			2,230,000.00
Nanchang Wellhope Agri-Tech Company	6,500,000.00			6,500,000.00
Hengyang Wellhope	4,600,000.00	1,167,000.00	5,767,000.00	

Agri-Sci-Tech Company				
Shulan Fengtai Agriculture and Animal Husbandry Company	63,394,541.16			63,394,541.16
Shulan Fengtai Farming Company	5,100,000.00			5,100,000.00
Hainan Agri-Tech Company	68,155,732.34			68,155,732.34
Russia Wellhope Agri-Tech Company	11,700,000.00			11,700,000.00
Chifeng Wellhope Fuxinyuan Food Company	125,000,000.00			125,000,000.00
Shenyang Xiangmai E-commerce Company	650,000.00			650,000.00
Hebei Taihang Wellhope Food Company	162,000,000.00	72,150,000.00		234,150,000.00
Dunhua Wellhope Agri-Tech Company	7,652,794.97			7,652,794.97
Dunhua Fengda Agriculture and Animal Husbandry Development Company	13,095,094.63			13,095,094.63
Hebei Taihang Agri-Tech Company	74,400,000.00			74,400,000.00
Nanyang Jinwan Agri-Tech Company	10,000,000.00			10,000,000.00
Liaoning Qingyuan Wellhope Agriculture and Animal Husbandry Company	95,000,000.00	19,000,000.00		114,000,000.00
Fuzhou Wellhope Xingyuan Agri-Tech Development Company	3,600,000.00	39,500,000.00		43,100,000.00
Daqing Wellhope Food Company	7,650,000.00			7,650,000.00
Shandong Heyuan Food Company	37,759.87			37,759.87
Shijiazhuang Hejia Agriculture and Animal Husbandry Company	13,000,000.00			13,000,000.00
Inner Mongolia Bifeng Animal Husbandry Technology Development Company	9,660,000.00			9,660,000.00
Changsha Wellhope Animal Husbandry Company	8,300,000.00			8,300,000.00
Dehui Fengyuan Agriculture and Animal Husbandry Company	2,550,000.00			2,550,000.00
Henan Hejiang Agricultural Development	5,100,000.00		5,100,000.00	

Company				
Fuzhou Wellhope Xingyuan Animal Husbandry Development Company	2,400,000.00			2,400,000.00
Wan'an Wellhope Feed Company		7,800,000.00		7,800,000.00
Fuyu Wellhope Layer Company		5,200,000.00		5,200,000.00
Chifeng Wellhope Agri-tech Company		6,800,000.00		6,800,000.00
Baotou Hechen Agri-tech Company		4,554,000.00		4,554,000.00
Qiqihar Wellhope Agri-tech Company		7,650,000.00		7,650,000.00
Neihuang County Wellhope Agri-tech Company		37,500,000.00		37,500,000.00
Jilin Dalong Wellhope Agri-tech Company		4,130,000.00		4,130,000.00
Haicheng New Hongzunda Animal Husbandry Company		16,902,841.13		16,902,841.13
Kaifeng Jiufeng Agriculture and Animal Husbandry Company		42,000,000.00		42,000,000.00
Total	3,157,180,628.33	482,007,639.03	10,867,000.00	3,628,321,267.36

**B. Investment in associated companies and joint ventures**

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	Other changes in equity	Declaration of cash dividends or profits	Other		
<b>1. Joint Venture</b>									
Unphung Joint Venture Company	7,501,575.10							7,501,575.10	
Nepal Wellhope Agri-tech Pvt. Ltd.	4,167,616.44							4,167,616.44	
NEXUS WELL-HOPE AGRITECH INTERNATIONAL LIMITED	17,900,000.00							17,900,000.00	17,900,000.00
Subtotal	29,569,191.54							29,569,191.54	17,900,000.00
<b>2. Associated Company</b>									
Qingdao Shenfeng Agri-Tech Company	12,859,981.63		1,086,300.57			1,845,000.00		12,101,282.20	
Anshan Jiuguhe Food Company	205,321,279.08		23,391,706.01			6,232,950.00		222,480,035.09	
Tai'an Jiuguhe Agriculture Development Company	56,759,733.86		13,383,976.27					70,143,710.13	
Linghai Jiuguhe Feed Mill	42,624,662.98		9,890,599.97					52,515,262.95	
Huludao Jiuguhe Food Company	68,828,874.29		4,605,651.97					73,434,526.26	
Dandong Wellhope Chengsan Food Company	79,403,327.22		13,154,756.33					92,558,083.55	
Dandong Wellhope Chengsan Agri-Tech Company	116,098,861.48		3,813,192.30					119,912,053.78	
Haicheng New Hongzunda Agri-Tech Company	15,853,051.94		386,989.19				-16,240,041.13		
Beipiao Hongfa Food	493,149,090.03		70,925,071.50			5,390,000.00		558,684,161.53	

Company								
Beijing Dahong Hengfeng Agri-Tech Company	26,321,552.40		-3,212,231.58				23,109,320.82	
Shihaipu (Beijing) Technology and Trade Co., Ltd.	1,905,245.10		113,944.42				2,019,189.52	
Shenyang Wenjie Bio-Tech Company	13,538,951.01		354,037.25				13,892,988.26	
Huludao Jiuguhe Feed Mill	1,640,940.34		1,446,050.82				3,086,991.16	
Jinzhou Jiufeng Food Company	90,831,509.42		8,392,237.69				99,223,747.11	
Zhangjiakou Jiahe Agriculture and Animal Husbandry Company	90,394,700.76		-4,853,505.27				85,541,195.49	
Tai'an Fengjiu Agri-Tech Company	55,361,191.33		8,713,129.49		243,262.12		63,831,058.70	
Anshan Fengsheng Food Company	54,871,812.33		7,340,968.23				62,212,780.56	
Dalian Chengsan Animal Husbandry Company	350,422,338.11		30,302,986.98				380,725,325.09	
Tailai Jiahe Agriculture and Animal Husbandry Company	63,751,596.83		-24,392,489.15		-1,559,644.35		37,799,463.33	
Gongzhuling Corn Purchasing and Storing Company	46,890,849.17		2,685,883.18				49,576,732.35	
Lankao Skyland Duck Company	34,512,166.48		1,994,577.20		1,306,877.90		37,813,621.58	
Hainan Nongken Wenfeng Wenchang Chicken Industry(Group)Company	1,090,183.46		561.49				1,090,744.95	
PT SEKAR GOLDEN HARVESTA INDONESIA	36,360,437.54		-1,302,462.63	-269,639.16	125,653.83		34,913,989.58	
GOLDEN HARVESTA INC.	98,958,392.92		5,105,258.75	1,845.88			104,065,497.55	
PT. Mulia Harvest Agritech	47,923,891.82		7,511,736.32	-361,396.30			55,074,231.84	

Shulan Fengtai Organic Fertilizer Company	2,055,159.27		-211,753.66					1,843,405.61	
Shenyang Zhongwenjia Bio-Tech Company	6,394,995.20		1,431,102.26					7,826,097.46	
Liaoning Mubang Animal Husbandry Equipment Manufacturing Company	15,197,637.58		2,007,890.41					17,205,527.99	
Liaoning Yufeng Bio-tech Company	6,345,273.41	3,800,000.00	-8,780,780.49					1,364,492.92	
Weifang Wellhope Xinhesheng Feed Mill	4,960,038.96		252,934.56					5,212,973.52	
Dunhua Fengda Broiler Breeding Company	5,794,221.03		30,221.45					5,824,442.48	
Tai'an Huijun Biomass Energy Company	2,242,570.99	3,723,200.00	-1,719,990.55					4,245,780.44	
Dazhou Wellhope Bio-Tech Company	6,934,535.85	7,500,000.00	-1,757,787.42					12,676,748.43	
Anshan Jiujianhe Paper Packaging Company	4,257,931.65		823,159.73					5,081,091.38	
Anshan Antai Plastic Products Company	2,835,740.23		777,655.29					3,613,395.52	
Bei'an Nongken Shengda Pasture Specialized cooperative	11,472,828.85		1,630,152.02					13,102,980.87	
Jiyuan Sunshine Rabbit Industry Technology Company	5,282,607.40	7,800,000.00	-907,734.01					12,174,873.39	
Heilongjiang Province Bei'an Nongken Zhongwang Dairy Farming Professional Cooperative	474,403.89		290,410.14					764,814.03	
Subtotal	2,179,922,565.84	22,823,200.00	174,704,407.03	-629,189.58	-127,112.62	13,711,212.12	-16,240,041.13	2,346,742,617.42	
Total	2,209,491,757.38	22,823,200.00	174,704,407.03	-629,189.58	-127,112.62	13,711,212.12	-16,240,041.13	2,376,311,808.96	17,900,000.00

**4. Operating revenue and cost**

Unit: yuan Currency: RMB

Item	2022		2021	
	Revenue	Cost	Revenue	Cost
Revenue from primary businesses	804,332,359.69	620,243,627.16	964,938,328.77	694,318,200.64
Revenue from other businesses	2,255,208.91	534,612.87	3,860,978.20	531,053.40
Total	806,587,568.60	620,778,240.03	968,799,306.97	694,849,254.04

**5. Income from investment**

Unit: yuan Currency: RMB

Item	2022	2021
Income from long-term equity investments under cost method	14,340,353.00	86,063,136.77
Income from long-term equity investments under equity method	174,704,407.03	-76,100,518.29
Income from disposal of long-term equity investments	-4,886,391.00	362,065.72
Income from disposal of derivative financial assets	-4,446,438.67	1,507,313.81
Income from holding period of financial assets for trading		819,282.27
Income from disposal of investments in other equity instruments		5,550,000.00
Total	179,711,930.36	18,201,280.28

**XVII. Supplementary Information****1. Extraordinary items in 2022**

Unit: yuan Currency: RMB

Item	Amount	Note
Gains or losses from disposal of non-current assets	-4,023,922.69	
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)	43,999,785.07	
Income generated from the investment costs for acquiring subsidiaries, associated companies and joint ventures being lower than the fair value of the investee's net identifiable assets acquired by the Company	58.82	
Gains or losses on fair-value changes in trading financial assets and liabilities, derivative financial assets and liabilities, and the income from disposal of trading financial assets and liabilities, derivative financial assets and liabilities as well as other debt investment (excl. the effective portion of hedges that arise in the Company's ordinary course of business)	-6,371,590.35	
Non-operating income and expense other than those described above	-36,876,323.54	

Other items that meet the definition of extraordinary items	154,001.44	
Less: Income tax effects	4,291,726.21	
Non-controlling interests effects	-1,308,553.68	
Total	-6,101,163.78	

## 2. Return on equity and earnings per share

Profit in 2022	Weighted average ROE %	Earnings per share	
		Basic EPS	Diluted EPS
Net profit attributable to shareholders who hold common stock	7.48	0.58	0.55
Net profit attributable to common shareholders deducting extraordinary items	7.57	0.58	0.56

Chairman Jin Weidong

Date of approval of Board of Directors—March 31, 2022