

## Zhejiang NHU Company Ltd. Annual Report 2020 (Abstract)

### I. Important Notes

This Abstract is extracted from 2020 Annual Report of Zhejiang NHU Company., Ltd. (“the Company”). In order to have a full understanding of the operating results, financial status and future development planning of the Company, investors are suggested to read the full report carefully on the media designated by the China Securities Regulatory Commission (the “CSRC”). The Company’s 2020 Annual Report is prepared and published in Chinese version, and the English version is for reference only. Should there be any inconsistency between the Chinese version and English version, the Chinese version shall prevail.

All directors attended the Board Meeting for reviewing of this Report.

Indicate by check mark if independent auditor issues non-standard unqualified opinion

Applicable Not applicable

Indicate by check mark if there is a pre-arranged plan of profit distribution or transferring capital reserve into common stock for the report period which has been reviewed and approved by the Board of Directors

Applicable Not applicable

Indicate by check mark if transferring capital reserve into common stock

Applicable Not applicable

The common stock profit distribution plan of the Company was considered and passed by the Board of Directors as follows: with 2,148,662,300 shares as the base, distribute 7 Yuan cash dividends per 10 common stocks (tax inclusive), send bonus of 0 share (tax inclusive), and 2 stock dividend per 10 common stocks through capital reserve to all shareholders.

Indicate by check mark if preplan for preferred stocks profit distribution to shareholders for the report period which has been reviewed and approved by the Board of Directors

Applicable Not applicable

## II. Company Profile

### 1. Stock profile

Stock abbr.	NHU	Stock code	002001
Stock exchange	Shenzhen Stock Exchange		
Contact information	Board Secretary	Securities Representative	
Name	Guanqun Shi	Shuying Zeng	
Office add.	No.418 Xinchang Dadao West Road, Xinchang, Zhejiang , P.R.China	No.418 Xinchang Dadao West Road, Xinchang, Zhejiang , P.R.China	
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### 2. Brief introduction to main business or products in report period

NHU is a national high-tech enterprise that mainly engaged in the production and sales of nutritional products, aroma chemicals, new polymer materials. NHU focuses on the fine chemicals, adheres to the concept of customer orientation, creates value for customers. NHU is providing solutions for customers in more than 100 countries and regions, continuously improving the quality of human life with high-quality, health and green products, and creating sustainable value through win-win development. With leading technology, scientific management and creditable service, NHU is now one of the four largest vitamin manufacturers in the world, a large national aroma chemicals manufacturer and a well-known special engineering plastic manufacturer.

Nutrition: As a messenger of nutrition health, NHU has successfully developed a variety of healthy and efficient feed and food additives. It not only improves animal nutrition health and breeding profits, but also promotes the development of human health care. In addition, thanks to the continuous nutrition research, applied technology research and technical services, we are able to provide improved products and solutions in the field of nutrition. Vitamin, the main business of NHU, has a high market share, a prominent industrial position and an obvious brand advantage over others, making NHU in a leading stage in China and also a well-known position worldwide. The main products include Vitamin E, Vitamin A, Vitamin C, DL-Methionine, Vitamin D3, D-Biotin, Coenzyme Q10, Carotenoids, etc. NHU actively implements the serialization and differentiation development of nutritional products, at the same time promotes a significant increase in product competitiveness by optimizing process routes and tackling key projects. In addition, NHU is fully open to internal linkage and external cooperation, actively deploys cutting-edge biotechnology, and builds a "bio + " platform. During the reporting period, the first phase of DL-Methionine with capacity 50,000 tons achieved full capacity operation, significantly reduced the annual cost and effectively enhanced the competitiveness of the product. In the project of second phase with capacity 250,000 tons per year, among which the 100,000 tons have been put into use as scheduled and are running normally, and the last 150,000 tons were designed as planned, the overall process was

controllable; the biological fermentation project (phase I) successfully completed the acceptance of production and realized full load production.

**Aroma chemicals:** As a global aroma chemicals enterprise, relying on the two technology platforms of chemical synthesis and biological fermentation, NHU continuously enriches the varieties of fragrances to meet the ever-changing market needs. The main products include Linalool series, Citral series, Leaf Alcohol series, Methyl Dihydro Jasmonate, Raspberry Ketone, Ligustral, etc., covering various fields such as daily chemicals, food and medicine. At present, the main aroma chemicals are targeting the global market with strong product competitiveness and high market share, the market pattern is relatively stable. During the reporting period, NHU continuously improved the competitiveness of existing products, accelerated the research, development and industrialization of new products through internal potential exploration. In the future, the endogenous potential of our products will continue to grow steadily.

**New polymer materials:** Based on the high-performance resin polymerization technology, the downstream application research and development, NHU provides more comfortable, more environmentally friendly and healthier materials for human life through high-efficiency, stable, energy-saving, and environmentally-friendly professional production. New polymer materials is one of the seven national strategic emerging industries and its future development will be supported by national policies, economic environment and market environment, etc. In particular, new polymer materials and special engineering materials have broad development prospects. During the reporting period, NHU timely resumed work and production while preventing and controlling the COVID-19. The annual operating rate was close to 100%. After the market demand picked up in the second half of the year, the sales recovered quickly.

### 3. Selected Financial Data

#### (1) Key accounting data and financial ratios for the past three years

Indicate by check mark if there is any retrospectively restated accounting data of previous years.

Yes No

Reasons for retrospective adjustment or restatement

Merger of Enterprises under Common Control

Unit: Yuan

	2020	2019		Increase/decrease of current year over prior year	2018	
		Before Adjustment	After Adjustment		Before Adjustment	After Adjustment
Operating income	10,314,084,354.21	7,620,982,935.87	7,660,412,519.26	34.64%	8,683,381,746.84	8,731,706,336.53

Net profit attributable to shareholders	3,563,759,939.48	2,168,616,205.89	2,165,282,489.11	64.59%	3,078,884,552.84	3,075,141,222.50
Net profit attributable to shareholders excluding non-recurring gains and losses	3,410,367,513.01	1,934,679,280.23	1,934,679,280.23	76.28%	2,889,118,351.12	2,889,118,351.12
Net cash flows from operating activities	3,122,807,363.21	2,102,315,194.76	2,106,765,618.26	48.23%	3,660,322,312.11	3,657,708,623.87
Basic EPS (RMB Yuan / share)	1.66	1.01	1.01	64.36%	1.43	1.43
Diluted EPS (RMB Yuan / share)	1.66	1.01	1.01	64.36%	1.43	1.43
Weighted average ROE	19.63%	13.24%	13.20%	Increase by 6.43 pts	20.54%	20.48%
	As of Dec.31, 2020	As of Dec.31, 2019		Increase/decrease of current year over prior year	As of Dec.31, 2018	
		Before Adjustment	After Adjustment		After Adjustment	Before Adjustment
Total assets	30,897,007,799.54	28,501,522,704.89	28,723,817,186.44	7.57%	21,934,888,570.86	22,044,674,253.85
Net assets attributable to shareholders	19,336,254,922.95	16,848,122,324.18	17,010,913,336.77	13.67%	16,170,396,082.67	16,194,814,428.04

Notes: Zhejiang NHU Special Materials Co., Ltd, a subsidiary, has acquired the equity of Shaoxing Qinjin New Material Co., Ltd. and Shaoxing Rossence material technology Co., Ltd.; Shandong NHU Holding Co., Ltd., a subsidiary, has acquired equity of Weifang Jinhe Real Estate Co., Ltd.. The Company made retrospective adjustment to relevant financial statement data.

**(2) Key accounting data by quarter**

Unit: Yuan

	Q1	Q2	Q3	Q4
Operating income	2,624,605,161.78	2,678,560,340.47	2,170,163,165.68	2,840,755,686.28
Net profit attributable to shareholders	899,742,390.12	1,309,187,887.08	726,592,641.58	628,237,020.70
Net profit attributable to shareholders excluding non-recurring gains and losses	879,433,307.00	1,235,403,798.23	686,225,513.80	609,304,893.98
Net cash flows from operating activities	258,196,301.24	869,363,918.87	917,120,965.75	1,078,126,177.35

Indicate by check mark if any material difference between the above financial indicators or their summations and those which have been disclosed in the Company's Quarterly or Interim report.

Yes  No

**4. Capital and Shareholders****(1) Top 10 shareholders of common stock and preferred stock with resumed voting rights**

Unit: Share

Total number of shareholders of common stocks at the end of the reporting period	61,126	Total number of shareholders of common stocks at previous month-end of this report's disclosure	56,951	Total number of shareholders of preferred stock with resumed voting right at the end of the reporting period	0	Total number of shareholders of preferred stock with resumed voting rights at previous month-end of this report's disclosure	0
Top 10 shareholders							
Name	Nature	Ownership	Quantity of stocks	Quantity of restricted stocks held	Pledged or frozen stocks		
					Status	Quantity	
NHU Holding Group Co., Ltd.	Domestic non-state-owned corporate	48.55%	1,043,253,037	0			
Hong Kong Securities Clearing	Foreign corporate	2.68%	57,551,815	0			
Shanghai Chongyang Strategic Investment Co., Ltd.- Chongyang Strategic	Other	1.61%	34,579,938	0			

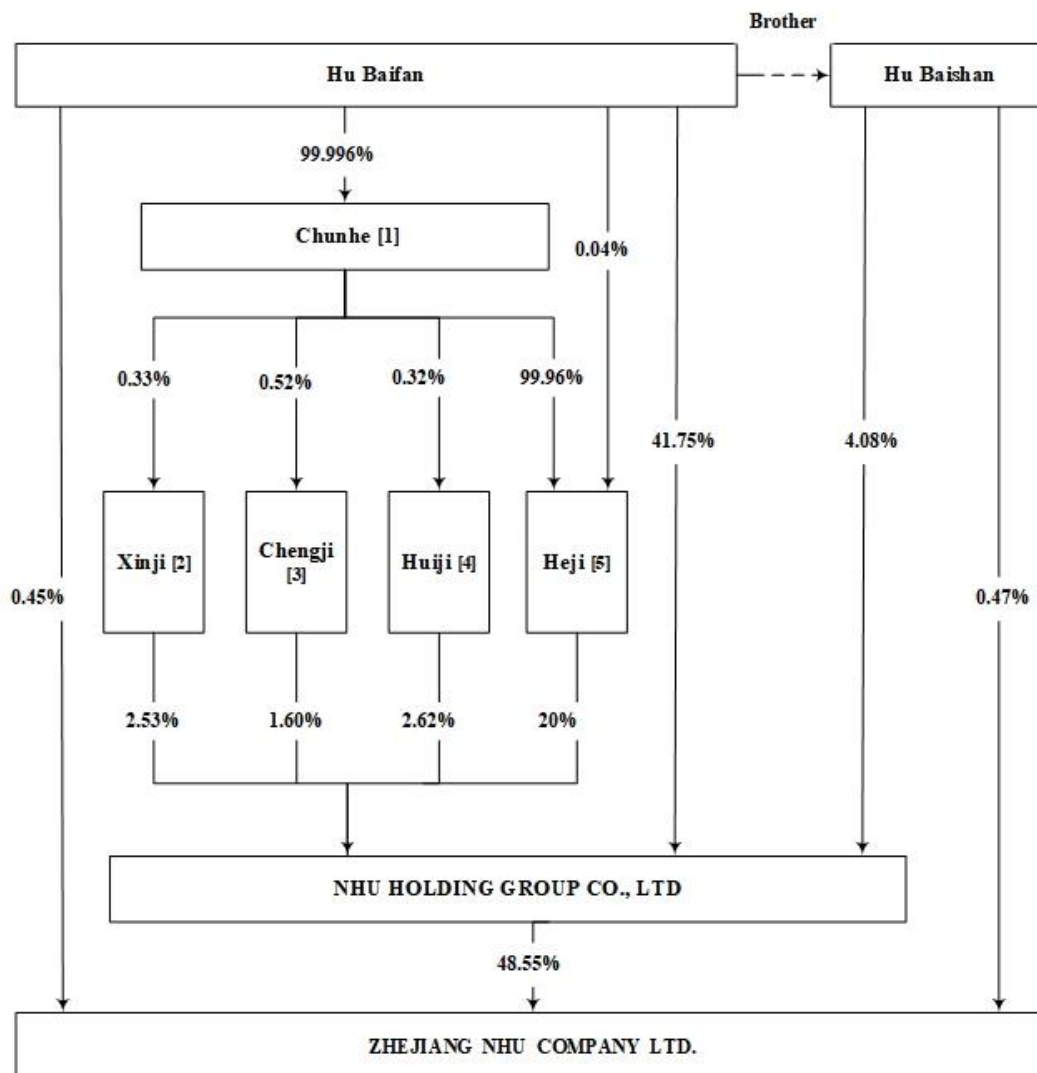
Huizhi Fund						
Beijing Panfeng Investment Management Partnership (Limited Partnership) - Panpeng Value Private Securities Investment Fund	Other	0.88%	18,989,821	0		
NSSF 503 Portfolio	Domestic state-owned corporate	0.79%	17,000,014	0		
Industrial Fund - Industrial Bank - Organic Growth No.1 Special Multi-client Asset Management Plan	Other	0.73%	15,680,349	0		
Central Huijin Ltd.	Domestic state-owned corporate	0.59%	12,680,980	0		
NSSF 112 Portfolio	Domestic state-owned corporate	0.47%	10,189,099	0		
Baishan Hu	Domestic natural person	0.47%	10,136,062	7,602,046		
Chongyang Group Co., Ltd.	Domestic non-state-owned corporate	0.45%	9,695,966	0		
Explanation on the above-mentioned shareholders' affiliated relationship or concerted action	Among the above-mentioned shareholders, Baishan Hu is a director of NHU Holding Group Co., Ltd.. The Company is not made aware whether there is any affiliated relationship between the other shareholders or whether they are persons acting in concert as defined in <i>Administrative Measures for the Acquisition of Listed Companies</i> .					
Explanation on the above-mentioned shareholders that are engaged in margin trading business	Shanghai Chongyang Strategic Investment Co., Ltd. -Chongyang Strategic Huizhi Fund holds 34,579,838 shares through the client credit transaction guarantee securities account of Guotai Junan Securities Co., Ltd.; Beijing Panfeng Investment Management Partnership (Limited Partnership) - Panfeng Value Private Securities Investment Fund holds 2,649,097 shares through the client credit transaction guarantee securities account of Huatai Securities Co., Ltd.; Chongyang Group Co., Ltd. holds 9,695,796 shares through the client credit transaction guarantee securities account of China Merchants Securities Co., Ltd..					

**(2) Total number of and top 10 shareholders of preferred stocks**

Applicable Not applicable

No shareholders holding preferred stocks noted in the reporting period.

**(3) The ownership and controlling relationship between the Company and its actual controller in form of diagram**



- [1] Chunhe: County Chunhe Investment Management Partnership (Limited Liability)
- [2] Xinji: Xinchang County Xinji Investment Management Partnership (Limited Liability)
- [3] Chengji: Xinchang County Chengji Investment Management Partnership (Limited Liability)
- [4] Heji: Xinchang County Heji Investment Management Partnership (Limited Liability)

**5. Bonds**

Does the Company have any corporate bond that is publicly issued and listed on the stock exchange and that are immature or not fully redeemed as of the approved issuance date of the Annual Report?

None

### III. Management Discussion and Analysis

#### 1. Business review for the reporting period

In 2020, NHU comprehensively implemented epidemic prevention and control measures, and made every effort to implement the “13th Five-Year Strategic Plan” by focusing on the operating guiding ideology of “strategic breakthrough, consolidate management, implement the plan, and improve quality and efficiency”. All employees strengthened the problem consciousness and adhered to bottom-line thinking. The company effectively responded to changes in the external environment, coordinated the promotion of epidemic prevention and control and business development, and also accurately grasped market opportunities. During the reporting period, NHU achieved operating income of 10,314.08 million, a year-on-year increase of 34.64%; the total profits was 4,109.89 million, a year-on-year increase of 60.21%; net profit attributable to shareholders was 3,563.76 million, a year-on-year increase of 64.59%.

During the reporting period, the Company's main operations are as follows:

(1) NHU adhered to the overall planning of epidemic prevention and control and business development. We made every effort to ensure the resumption of work and production while doing a good job in epidemic prevention and control. We strengthened production and sales linkage management, actively met customer needs, optimized production plans, and coordinated transportation resources actively. The annual operating indicators achieved steady growth and the performance reached a record high. The market share of DL-Methionine and other major products have increased significantly, the market for Vitamin C has been developed smoothly, and the production and sales scale of Leaf Alcohol series products has been further released. In order to make the sales of new products increasing steadily, we established a “many-to-one” customer service model for R&D, production, application, and quality assurance to enhance customer stickiness and satisfaction, and also enriched the sales model.

(2) NHU pursued both independent research and development and open cooperation, promoted the implementation of innovative achievements. Guided by demand, we focused on key technologies and successfully built a molecular biology platform. The company continued to increase its investment in innovative R&D and more than 5% of operating income was invested for R&D for seven consecutive years. NHU obtained 102 authorized patents throughout the year. "Development and Application of Nitrogen-doped Carbon Supported Hydrogenation Catalyst" project won the only technical invention special award of 2020 China Petroleum and Chemical Industry Federation, NHU also ranked the 16th among the top 100 innovative high-tech enterprises in Zhejiang Province.

(3) NHU persisted in business development and project construction go hand in hand, and speeded up the high-quality development pace. The company has always been guided by strategic goals to promote transformation and upgrading and enhance core competitiveness. We continuously improved the comprehensive competitiveness of old products by exploring the potential and reforming, improving quality and efficiency; we also deployed new businesses and expanded the product library. In the project of second phase with capacity 250,000 tons per year, among which the 100,000 tons have been put into use as scheduled and are running normally, and the last 150,000



tons were designed as planned, the progress was controllable; the biological fermentation project (Phase I) was officially put into operation; other projects are proceeded as planned.

(4) NHU adhered to the concept of safety and green development first, and built a sustainable development pattern. We always implement the "safety first" development concept, further deepened the construction of the HSE management system. We also carried out special operations for the investigation and management of equipment safety hazards, and formulated comprehensive emergency plans. NHU always implement the "green development" business philosophy, carried out a number of clean production projects, promoted the construction of an environmental management system, and further promoted the utilization of hazardous waste resources. Therefore, the energy consumption per 10,000 RMB of output value was reduced.

(5) NHU adhered to the two-pronged approach of system reform and cultural construction, improved the efficiency of operation and management. We created a highland of talents by introducing all kinds of talents, optimizing training and performance systems, and publishing a customized work manual; we also improved the risk management and control system as well as the legal work management mechanism, promoted the construction of a confidential system, established a cash flow risk dynamic evaluation system, and introduced network security management consulting to ensure the network and information security of the company; meanwhile, the construction of the process information system was deepened, the company's overall plan for digital transformation was compiled, the digital transformation pilot was launched, and the construction of the intelligent manufacturing system and the optimization of key processes such as ISC was promoted. In the meantime, NHU took multiple measures to promote the implementation of culture and improved the incorrupt management system.

## 2. Significant changes in main business in the reporting period

Applicable Not applicable

## 3. Products contributing to over 10% of the Company's main business revenue or profit

Applicable Not applicable

Unit:Yuan

Product	Operating income	Profit	Gross profit margin(%)	Revenue: +/-% over last year	Profit: +/-% over last year	Gross profit margin +/-% over last year
Nutritional products	7,152,084,881.08	4,132,789,171.83	57.78%	51.93%	78.68%	+8.65pts
Aroma chemicals	1,955,729,401.52	1,084,882,007.87	55.47%	9.06%	7.25%	-0.94pts

## 4. Seasonal or periodic characteristics in operating performance that needs special attention

Applicable Not applicable

## 5. Significant changes in revenues, costs and net profit attributable to shareholders with common shares or their composition comparing to prior reporting period

Applicable Not applicable

## 6. Listing suspension or termination

Applicable Not applicable

## 7. Matters related to financial statements

### (1) Explanation on changes in accounting policy, accounting estimations and accounting methods comparing to prior year financial statement

Applicable Not applicable

On March 27, 2020, the Company implemented the *Accounting Standards for Business Enterprises No.14 – Revenue* (C.K.[2017] No.22) (hereinafter referred to as the “New Revenue Standards”) issued by the Ministry of Finance in July 2017. According to the provisions on the connection between the old and new standards, the information during the comparative period shall not be adjusted. Accumulated impact of the implementation of the new standards on the date of first time adoption shall be retroactively adjusted the retained earnings and other relevant items in the financial statements at the beginning of this reporting period. The details are set out in the relevant announcement on March 27, 2020 of the Company (Announcement No.: 202-011).

### (2) Explanation on retrospective restatement due to significant accounting error correction in the reporting period

Applicable Not applicable

No correction of material accounting error required to be retrospectively restated in the Company’s reporting period.

### (3) Explanation on changes of consolidation scope comparing to prior year’s financial statement

Applicable Not applicable

Increased scope of consolidation

Company	Method of Acquisition
Shaoxing Rossence material technology Co.,Ltd	takeover
Shaoxing Qinjin New Material Co.,Ltd	takeover
Weifang Jinhe Real Estate Co., Ltd.	takeover

Zhejiang NHU Company Ltd.

March 31 2021