Company Code: 600299 Company Abbreviation: Adisseo

Bluestar Adisseo Company
2017 Annual Report

Important Notice

I. The Company's Board of Directors, Board of Supervisors, directors, supervisors, and senior management guarantee that, the content of the annual report is authentic, accurate and complete, and contains no false statement, misleading presentation or material omissions, and they assume individual and several & joint legal liabilities for the annual report.

II. All of the Company's directors have attended the meeting of the Board of Directors.

III. KPMG Huazhen LLP issued an unqualified audit opinion.

IV. Jean-Marc Dublanc, the Company's principal, Jean-Marc Dublanc, the person in charge of the accounting function, and Yun Cai, the person in charge of the accounting department (the personnel in charge of accounting) state that, they ensure the authenticity, accuracy and completeness of the financial statements in the annual report.

V. The Board of Directors has reviewed the profit distribution plan and the plan to use the statutory reserve to perform a capital increase in the reporting period.

As audited by KPMG Huazhen LLP, the net profit attributable to the shareholders of the Company at the consolidated level for the year ended December 31, 2017 amounted to RMB 1,323,315,773 and the accumulated profits available for distribution at parent company level as at December 31, 2017 amounted to RMB 871,027,986.
Therefore, in order to share the Company's operation achievements with all shareholders, as well as enabling the Company for further development in consideration of the Company's actual operation situations, the Company proposes that: based on the Company's total share capital of 2,681,901,273 shares dated December 31, 2017, the Company will distribute to all shareholders, cash dividend of RMB 1.73 yuan per 10 shares (inclusive of tax). The total amount of the cash dividends to be distributed is RMB 463,968,920.23 yuan.
The above proposal is still subject to the approval of 2017 Annual General Shareholders' Meeting.

VI. Statement on the risks of forward-looking information

√ Applicable ☐ Not applicable

The forward-looking information such as future plans and development strategy, etc. described in the report do not constitute, in any manner whatsoever the Company's substantial commitment to investors. Investors should pay special attention to assessing investment risks.

VII. Has the capital held by the controlling shareholder and its related parties been used for purposes other than for transaction purposes?

No.

VIII. Has the guarantee been granted externally in violation of regulated decision-making procedures?

No.

IX. Risk factors

√ Applicable ☐ Not applicable

During the reporting period, no material risks have been identified that will have a substantial impact on the operations of the Company. The Company has disclosed the relevant kinds of business and production risks as well as their corresponding solutions. For more information, please refer to Section 4, Discussion and Analysis of the Operation, part III.4 “Possible risks in the future”.

X. Other information

√ Applicable ☐ Not applicable

Chinese version of this report

This is an English translation of the Annual Report of Bluestar Adisseo Company. If there is any conflict between the Chinese version and its English translation, the Chinese version will prevail.

CONTENTS

Section 1 Interpretations

I. Interpretations

Unless otherwise specified, the following terms in the report shall have the meanings shown below:

Interpretations of the terms in common use		
a. General terms		
Company, the Company	Indicate	Bluestar Adisseo Company
BNCM	Indicates	Bluestar New Chemical Material Co., Ltd
Group, the Group, or Adisseo	Indicate	Bluestar Adisseo Company and its subsidiaries
ChemChina	Indicates	China National Chemical Corporation
China Bluestar	Indicates	China National Bluestar (Group) Co., Ltd.
BANG	Indicates	Bluestar Adisseo Nutrition Group Ltd
Board of Directors	Indicates	The Board of Directors of Bluestar Adisseo Company
Board of Supervisors	Indicates	The Board of Supervisors of Bluestar Adisseo Company
Shareholders' General Meeting	Indicates	The Shareholders' General Meeting of Bluestar Adisseo Company
Articles of association ("AOA")	Indicate	The Articles of Association of Bluestar Adisseo Company
CSRC	Indicates	China Securities Regulatory Commission
SSE	Indicates	Shanghai Stock Exchange
SASAC	Indicates	State Assets Supervision and Administration Commission of China
Yuan, 10 thousand Yuan, 100 million Yuan	Indicate	RMB Yuan, RMB ten thousand Yuan, RMB one hundred million Yuan
Reporting period	Indicates	Jan 1, 2017 ~ Dec. 31, 2017
The transaction, the restructuring	Indicate	In 2015, the Company acquired 85% of the ordinary shares of BANG as well as disposed of all previous businesses of the Company through major asset exchange, cash and share issuance in consideration of the asset acquisition, private placement in connection with the asset acquisition and affiliated transaction.
Company Law	Indicates	Company Law of the People's Republic of China
Securities Law	Indicates	Securities Law of the People's Republic of China
Listing Rules	Indicates	Listing Rules of the Shanghai Stock Exchange
b. Technical terms		
Feed additives for animal nutrition	Indicates	Feed additives are food supplements for farm animals that cannot get enough nutrients from regular feeds and have to be added to the feed for nutritional purpose; which could promote the growth, development and wellbeing of animals.

Interpretations of the terms in common use		
Methionine / Methionine product	Indicate	One of the naturally occurring, sulfur-containing essential amino acid, which cannot be synthetized by animals and need to be added to the feed. Methionine product refers to those contain methionine itself or chemicals that can be bio-transformed to methionine in animals.
Liquid methionine ("HMTBA")	Indicates	A methionine hydroxyl analogue, which can be naturally transformed to methionine in animals and is in a liquid state at ambient temperature.
Powder methionine	Indicates	Methionine in a powdery state at ambient temperature.
Ammonium sulfate	Indicates	A colorless crystalline salt, which is a by-product during the liquid methionine production process, and mainly be used as a fertilizer.
Sodium sulfate	Indicates	A white crystalline compound, which is a by-product during the powder methionine production process, and used especially in detergents as well as the production of paper, glass, fuel and pharmaceutical products.
Enzyme	Indicates	A protein molecule function as a biological catalyst and effectively promote certain biological reactions in animals, and also can be used to accelerate the reaction processes in chemical industrial production. Enzymes can be added to feed to ameliorate the feed utilization and nutrition, health and immune status of animals.
Ruminants	Indicate	Refers to animals whose stomach usually divided into four compartments, namely rumen, reticulum, omasum, and abomasum, and chew a cud consisting of regurgitated, particularly digested food. Ruminants include cattle, sheep, goats, deer, giraffes, camels, etc.
Rumen	Indicates	The first stomach of a ruminant, which receives food or cud from the esophagus, particularly digests it with the aid of bacteria and passes it to the reticulum.
Performance products*	Indicate	The following products: methionine, methionine hydroxyl analogue, vitamins, ammonium sulfate and sodium sulfate.
Specialty products	Indicate	The following products: enzymes preparation, rumen-protected methionine, organic selenium additives and probiotics additives.
Other products	Indicates	The following products: carbon disulfide, sulfuric acid and services of processing powder.
MMP	Indicates	3-(Methylthio) propionaldehyde. This substance is the first intermediate in the synthesis of methionine. It is generated by the chemical reaction between methane thiol and propylene.
KT	Indicates	Kilo ton

**Note: The definition here is only for internal financial reporting purpose as we consolidate the result of main products together with its by-products, which is different from the definition used in animal nutrition industry (i.e. technically, ammonium sulfate should not belong to Performance products if considering from the point of view of animal nutrition industry).*

Section 2 Company Profile and Financial highlights

I. Company profile

The Company's Chinese name	蓝星安迪苏股份有限公司
The Company's Chinese abbreviation	安迪苏
The Company's English name	Bluestar Adisseo Company
The Company's English abbreviation	Adisseo
The Company's legal representative	Jean-Marc Dublanc

II. Contact Person and Contact Methods

	Secretary to the Board of Directors
Name	Mrs. Liang Qinan
Contact address	9 West Beitucheng Road, Chaoyang District, Beijing
Tel	010-61958799
Fax	010-61958805
E-mail	investor-service@bluestar-adisseo.com

On January 19, 2018, Mr. Wang Peng resigned from his job position due to his job change. The related announcement has been made to the market accordingly. In March 2018, Mrs. Liang Qinan has been appointed as the new company secretary by the Board of Directors.

III. Brief Information

The Company's registered address	Room 6518, Garden Hotel, 30 East Garden Road, Haidian District, Beijing
Zip code of the Company's registered address	100083
The Company's office address	9 West Beitucheng Road, Chaoyang District, Beijing
Zip code of the Company's office address	100029
The Company's website	www.bluestar-adisseo.com
E-mail	Investor-service@bluestar-adisseo.com

IV. Information Disclosure and Preparation Site

The name of newspapers selected by the Company for information disclosure	Shanghai Securities News, China Securities Journal
The website specified by CSRC for publishing the annual report	www.sse.com.cn
Preparation site of the Company's annual report	Board Secretary Office

V. Brief Information on the Company's Shares

Brief information on the Company's stock				
Type of security	Stock exchange on which the securities are listed	Share abbreviation	Share code	Share abbreviation before modification
Ordinary Shares	Shanghai Stock Exchange	Adisseo	600299	BNCM

VI. Other Related Information

Accounting firm (domestic) employed by the Company	Name	KPMG Huazhen LLP
	Office address	8th Floor, KPMG Tower, Oriental Plaza, 1 East Chang An Avenue, Dongcheng District, Beijing
	Name of signing Certified Public Accountant	CHEN Yuhong, SU Xing

VII. Main financial data for the latest three reporting periods

Main financial data

Unit: Yuan Currency: RMB

Main accounting data	2017	2016	Changes in comparison with the same period of last year (%)	2015
Operating revenue	10,397,823,108	10,688,263,140	-3%	15,173,331,658
Net profit attributable to the shareholders of the Company	1,323,315,773	1,865,346,347	-29%	1,528,651,062
Net profit attributable to the shareholders of the Company after deduction of non-recurring profit or losses	1,290,183,564	1,866,719,988	-31%	259,638,678
Net cash flow arising from operating activities	2,513,085,624	3,053,923,615	-18%	3,555,802,311
	The end of 2017	**The end of 2016**	**Changes in comparison with the end of last year (%)**	**The end of 2015**
Net assets attributable to the shareholders of the Company	13,164,279,736	12,075,838,659	9%	10,189,335,115
Total assets	21,329,082,225	19,943,821,352	7%	17,913,081,071

Main financial ratios

Main financial ratios	2017	2016	Change of the present period over the same period of last year (%)	2015
Basic earnings per share (Yuan/ share)	0.49	0.70	-30%	0.58
Diluted earnings per share (Yuan/ share)	0.49	0.70	-30%	0.58
Basic earnings per share after deduction of non-recurring profit or loss (Yuan/ share)	0.48	0.70	-31%	0.16
Weighted average return on net asset (%)	10.51	16.79	decrease of 6.28	17.60
Weighted average return on net assets after deduction of non-recurring profit or loss (%)	10.26	16.80	decrease of 6.54	5.19

Explanations of main financial data and financial ratios:
√ Applicable ☐ Not applicable

Financial data and ratios presented above correspond to:
- 2017 and 2016: financial data and ratios of Adisseo business only;
- 2015: the combination of 2015 financial figures of BANG and its subsidiaries and financial figures of all exchanged-out businesses of the Company for the 1st Half of 2015.

VIII. Differences of Accounting Data under Domestic and Overseas Accounting Standards

1. Differences of net profit and net assets attributable to listed company's shareholders in the financial reports which are disclosed according to international accounting standards and Chinese accounting standards simultaneously

☐ Applicable √ Not applicable

2. Differences of net profit and net assets belonging to listed company's shareholders in the financial reports which are disclosed according to foreign accounting standards and Chinese accounting standards simultaneously

☐ Applicable √ Not applicable

3. Explanation for the difference between the Chinese and overseas accounting policy

☐ Applicable √ Not applicable

IX. Main financial data on a quarterly basis for the reporting period

Unit: Yuan Currency: RMB

	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Operating revenue	2,469,115,491	2,463,004,742	2,685,499,272	2,780,203,603
Net profit attributable to the shareholders of the Company	316,552,800	260,817,921	334,299,969	411,645,083
Net profit attributable to the shareholders of the Company after deduction of non-recurring profits and losses	311,750,717	261,312,320	327,549,649	389,570,878
Net cash flow from operating activities	609,215,893	598,075,982	378,138,972	927,654,777

Explanation of the data difference between the above quarterly financial data with the data published in previous quarterly reports:
☐ Applicable √ Not applicable

X. Non-recurring Profit or Loss Items

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Non-recurring profit or loss items	Amount in 2017	Description (if applicable)	Amount in 2016	Amount in 2015
Net profit or loss on disposal of non-current assets	(1,598,472)	Scrapping of outdated equipment	(10,005,611)	(10,422,606)
Gain on disposal of subsidiary companies and business investments				
Government grants recognized in profit or loss, other than grants which are closely related to the Company's business and are either in fixed amounts or determined under quantitative methods in accordance with the national standard	15,392,842	Mainly grants for land use right and industrial structure adjustment in Nanjing plant	13,351,265	16,472,021
Liabilities waived				
Net profit or loss of subsidiaries from the beginning of the period up to the business combination date recognized as a result of business combination of enterprises under common control				1,548,467,983
Reversal of provision for other receivables that are tested for impairment losses individually	10,080,647			
Other non-operating income or expenses other than the above	31,641,797	Mainly insurance benefit (related to the scrapping of equipment and operating losses occurring in 2015)	(5,570,646)	5,468,433

Non-recurring profit or loss items	**Amount in 2017**	**Description (if applicable)**	**Amount in 2016**	**Amount in 2015**
Other profit or loss that meets the definition of non-recurring profit or loss				
Impacts attributable to minority interests (after tax)	(5,846,861)		242,407	(287,172,798)
Impact of income tax	(16,537,744)		608,944	(3,800,649)
Total	**33,132,209**		**(1,373,641)**	**1,269,012,384**

XI. Items measured using fair value

Currency: RMB Unit: Yuan

Item Name	Beginning Balance	Closing Balance	Change in current period	Impact on profit or loss for current period
Financial assets at fair value through profit and loss				
Financial liabilities at fair value through profit and loss				
Derivative financial instruments assets	11,471,676	19,287,286	7,815,610	2,356,218
Derivative financial instruments liabilities	(68,508,557)	(9,495,399)	59,013,158	49,633,077
Derivatives instruments (net assets/(liabilities))	(57,036,881)	9,791,887	66,828,768	51,989,295
Available-for-sale financial assets				
Total	**(57,036,881)**	**9,791,887**	**66,828,768**	**51,989,295**

For further detail on derivatives instruments, please refer to the part 49 Hedging in VII Notes to the items in the consolidated financial statements of the Section 11 of this report.

XII. Others

☐ Applicable √ Not applicable

Section 3 Basic overview of the Company

I. Main businesses, Operating Methods and Industry explanation of the company during the reporting period

The primary businesses of the Group are as follows: research, development, production and sale of feed additives for animal nutrition.

Adisseo is a global leader in nutrition and health feed solutions including research and development, production and sales with over 75 years' experience. Adisseo supplies three types of products: Performance products (including methionine, vitamins, ammonium sulfate and sodium sulfate), Specialty products (including enzymes, rumen-protected methionine, organic selenium and probiotics additives) and Other products (including carbon disulfide, sulfuric acid and services of processing powder). By relying on its rich product mix, expansive sales, distribution platforms and strong technical support team, the Company provides innovative feed additives solutions to around 2,600 customers located in over 130 countries globally.

The Group owes its success to a strategy in which innovation is the driving force. As such, Adisseo has around 200 people dedicated to research, in a commitment to continuously bringing new, ever more effective products to market. The Company has actively implemented its "two-business-pillar" strategy in recent years, i.e. continuous consolidating its leadership in methionine industry, while at the same time accelerating its development in Specialty business.

Adisseo's mission is to provide the world with healthy, sustainable, affordable, high quality food without compromising the principles of sustainability.

By 2050, the world's population will have risen to more than nine billion. Providing food and nutrition security is becoming more complex with respect to the long-term environmental sustainability. The combination of natural resources scarcity, climate change and population growth further aggravate this complexity.
The feed-food chain face a dual challenge: producing larger quantities of high quality and affordable meat, milk, and eggs in response to an increasing global demand, while doing so through production systems that are environmentally sound, socially responsible and economically viable. Today it is acknowledged that Animal nutrition plays an important role to improve end-product quality and safety, increase livestock production efficiency, reduce/minimize its environmental impact, and keep animal healthy and feeling well.

From this perspective, Adisseo contribute effectively in developing and providing innovative products and services to the feed and food industry contributing to the sustainable growth of the planet. Especially, Adisseo currently provides animal nutrition additives for essential nourishment and digestibility improvement, stabilization of gut flora, helping specifically animal health by strengthening the animals' intestinal tract and therefore increase their resistance to harmful micro-organisms. As such, we contribute to the prudent use of antibiotics, reducing the risk of Antimicrobial resistance (AMR).

As well Adisseo feed ingredients contribute to support sustainable production and environmental protection by the reduction of effluent (e.g. methane, nitrogen, and phosphorus), the increase of resource efficiency and the balance of animal productivity and welfare.

Adisseo is a global leader in its main product lines:
- Adisseo is a world leader in methionine market and the world's second largest producer of methionine in 2017 by market share. Adisseo is one of the few global methionine producers capable of producing methionine in both powder and liquid forms. Adisseo is also one actor with a complete offer of methionine products;
- Adisseo is the world-leading producer of rumen-protected methionine;
- Adisseo is a world-leading and the most recognized supplier of Non-Starch Polysaccharide enzymes;
- Adisseo is well positioned in the vitamin business in the feed industry, who endeavors to provide a packaged offer of vitamin solutions with high quality and complete traceability of the products.

Its global leadership in the methionine market and deep scientific know-how in feed nutrition have enabled Adisseo to establish long-term and stable relationships with its customers. Taking full advantage of its unparalleled global sales network, Adisseo provides its customers with a comprehensive and diverse product mix that includes methionine, vitamins and specialties to satisfy the customers' demand for multiple products, and consistently provides high-quality products and after-sales service in all product lines.

Furthermore, Adisseo has a powerful team of technical experts to offer professional consultation on additive application technologies and feed formulation and finished products analysis, strengthening its position as the go-to supplier for and its long-term and productive relationships with its customers.

Adisseo is present worldwide and operates on all continents with two manufacture platforms and seven R&D centers based in Europe and China together with sales force organized in five business areas: Europe/Africa/Middle East, North & Central America, South America, Asia Pacific and China.

The two manufacture platforms enable Adisseo manage the majority of its production internally, some vitamins are traded and Adisseo works with industrial partnerships for the production of specialties.

The seven R&D centers represent true engines of its development. In order to ensure sustainable growth, Specialty products will become a second business-pillar and thus Adisseo allocates financial resources on R&D for new products.

The main performance-driven factors for Adisseo are the following:

- Worldwide meat, consumption. The animal feed additives market is driven by the worldwide consumption of meat on which the poultry industry is the main one. This market grows sustainably each year due to the growth of the world population, the increase of meat consumption worldwide and to the industrialization of the feed industry;
- Currency exchange rates. Adisseo sells its products in different countries, mainly in US dollar, partly in Euro and partly in RMB. Regarding cost, its plants are mainly in Europe and China, it purchases a significant portion of its raw material in Euro, US dollar and RMB;
- Brent oil. Adisseo uses raw materials that are partly derivatives of Brent oil.

II. Major changes to the main assets of the company

☐ Applicable √ Not applicable

III. Core competitiveness analysis in the reporting period

During the reporting period, there had been no significant change in the Group's core competitiveness.

1. Global Industry Leader

Adisseo awareness is improving all over the word. Adisseo is seen as expert company in animal nutrition thanks to its highly qualified teams and R&D research centers.

- **Performance products**

Performance products include mainly methionine and vitamins. Consolidating its leadership on methionine market is the first business-pillar of Adisseo.

Methionine

Methionine is one of the Adisseo's main product categories. The complicated production processes of chemical synthesis of methionine require significant expertise and initial capital investment. The whole production process is regulated and supervised strictly from the prospective of environmental protection and production safety. Therefore, only a few producers in the world are capable of producing methionine safely, sustainably and in large scale. Adisseo is also one of the few global methionine producers capable of producing methionine in both powder and liquid forms.

Adisseo has currently two platforms (Europe and Nanjing) and has decided in January 2018 to launch the construction of a third one in Nanjing (next to the existing platform):

- European platform

It is the historic platform, which is structured around four main plants: Les Roches plants is the upstream unit where the first intermediate in the synthesis of methionine, MMP, is produced before being supplied then converted to powder methionine in Roussillon and Commentry plants (France) and to liquid methionine in Burgos plant (Spain).

To increase its liquid methionine production in Europe by 50 KT, Adisseo announced in 2016 the European platform expansion project. This project, planned to be completed by the end of 2018, requires several investments representing a total of EUR 110 million: a new complete production line in downstream unit (Burgos) and in upstream unit (Les Roches), and some adjustments in existing intermediate products units.

In parallel, Adisseo undertook a sustainable development project, "Liquid furnace for MMPS1" approved mid-2017, by launching the construction in Les Roches plant of a new MMP off-gases furnace enabling to:

- Recover our fatal steam and valorize it into energy; and
- Decrease by 25 to 50% our atmospheric environmental emissions (NOx, SOx, dust) in the considered MMP unit.

The commissioning of this new furnace is planned for the second quarter 2019.

Furthermore, in 2017, Adisseo finalized the development of a truly innovative product - Rhodimet® A-Dry+. This product is expected to be commercialized in the current of year 2018. It is a brand new powder methionine product, based on the liquid methionine ("HMTBA") technology offering the benefits of this molecule to customers whose manufacturing process does not allow the use of liquid form of methionine. With this new source, Adisseo supports its position as a leading methionine supplier, offering the full-range of methionine sources valuable for feed producers and meeting their needs.

The new A-Dry+ production unit is under construction at the Burgos plant, consolidating the long-term future of the site. Designed to incorporate many aspects of sustainability, it optimizes energy consumption (by recycling waste steam), reduces CO_2 emissions and imposes the minimum possible level of environmental impact.

- Nanjing platform

In 2013, Adisseo established the Nanjing plant to firstly supply China market, which has one of the world's largest methionine consumption market. Adisseo is one of the first global company to establish major production facilities to produce methionine in China. With its integrated production process and world-class manufacturing capability, the Adisseo Nanjing plant has become a worldwide leader in liquid methionine production both in production scale as well as in low production cost. The gradual increase of investment and production including debottlenecking, enable Adisseo to seize the opportunities afforded by China's rapidly-growing methionine demand, swiftly respond to the changes in the market and further enhance its competitiveness and market position.

- New third platform (at Nanjing)

To meet the continuously growing demand of customers and thus consolidate its leadership role, the Board of Directors of Bluestar Adisseo Company has approved the construction of a new liquid methionine plant with a capacity of 180 KT per year, on January 16, 2018. The new facility will be located in the Nanjing Liuhe Chemical Park, adjacent to the existing Adisseo plant in Nanjing. It is expected to start about mid-2021 and will require an investment estimated at USD 490 million. Adisseo is expecting huge benefits to be derived from the new platform thanks to the important scale economy effect arising from the synergy with the existing Nanjing plant.

Thanks notably to the second platform, although there were new capacity from both existing players and new comers, Adisseo managed to increase market share from 24% to 27% from 2012 to 2017. Adisseo expects to keep its leading position in the coming years, with projects such as the European platform expansion and the new platform.

Adisseo markets methionine under Rhodimet®. Adisseo is considered as the best at the "global picture and global supply" for methionine in liquid form by key customers.

Adisseo is a key participant for every regional market worldwide. In North America, Novus has the highest market share; Evonik and Adisseo are also participants in that market. In China and Asia-Pacific, the key market participants are Evonik, Adisseo and Sumitomo, while Novus' market share is relatively low. In other regions, Evonik, Adisseo and Novus are all major players.

Vitamins

Adisseo is also a key player in vitamins with full range of products, including A, B, D3, E and H. Adisseo markets the vitamin portfolio under Microvit® which is recognized as a reliable and qualitative range of vitamins by our customers as Adisseo select and guarantee through the Microvit Certification System.

Adisseo holds 21% of Vitamin A market shares. Adisseo is operating a Vitamin A plant. Adisseo buys raw materials from different sources, including large chemical companies to produce Vitamins A.

Following an accidental shutdown of the unit of our n°1 intermediate supplier at the beginning of November this year, Adisseo managed to deal with the global Vitamin A crisis. It is estimated that the production of Vitamin A will restart progressively from Q2 2018.

On customer's side, Adisseo sales team is already informed and is taking all measure to limit the impact on our customers. The current customer orders will be delivered. Nevertheless, the volumes available will be highly limited.

On market side Adisseo is anticipating a reduction of more than 50% of the normal worldwide Vitamin A production capacity. Therefore, there will be a deficit of Vitamin A on the market in the coming months. Consequently, Market prices for Vitamin A are increasing quickly. Prices have been multiplied by six between November and the end of the year. Prices of Vitamin E have also been impacted, multiplied by four on the same period but the major impacts are expected on 2018.

The increase of sales volume on other vitamins, combined with margin growth (from 11% in 2015 to 18% in 2017) lets Adisseo reinforce its position on this product line.

➢ **Specialty products**

Specialty products includes enzymes, rumen-protected methionine, organic selenium and probiotics additives. Accelerating the development of Specialty products is the second business-pillar of the Group. Adisseo has the ambition to become one of the worldwide leader of specialty additives in animal nutrition thanks to the development of its existing product range, the launch of new products and external acquisitions.

Enzymes

Adisseo developed a leading position in the feed enzymes market. Enzymes improve digestibility and efficiency of feed, which in turn reduces feed costs, waste, and water consumption. Animal feed enzymes fall into two categories:

- Non-starch polysaccharide enzymes are digestive enzymes used in poultry and swine diets; Rovabio® is a leading brand in the NSPases segment for more than 20 years, supported with the Precise Nutrition Evaluation (PNEby Adisseo), a prediction services to evaluate feedstuff quality and help our customers to formulate the feed in line with the animal needs;
- Phytase enzymes are used to break down phytate in poultry, swine and aqua diets to release bound phosphorus.

Rovabio Advance®, a new Non-Starch Polysaccharide enzyme launched in 2015 continues its growth thanks to new registrations in Turkey, Bangladesh and Philippines in 2017. It represents around 40% of total Rovabio sales, in line with budget.

In 2018, Adisseo plans to launch an innovative enzyme product covering the needs of the two above mentioned categories. There is a significant growth potential for enzymes in all regions, especially in swine and aqua segments, and Adisseo want to reinforce its leadership on this market thanks to this product.

Rumen-protected methionine

Based on the world's leading methionine technology, Adisseo has actively developed two rumen-protected methionine: Smartamine® and Metasmart®, which are recognized as the best protected methionine for ruminants with excellent performance. These products improve milk composition as well as overall production and health of cows.

Adisseo confirms its unique market positioning and leadership by:

- Increasing production capacities;
- Reinforcing its sales network;
- Continuously investing in R&D to develop new products for rumen-protected methionine.

Organic selenium

Since the launch in 2014 of Selisseo® (organic selenium), Adisseo is becoming a major player in this segment thanks to an innovative and patented product, supported by extensive R&D and technical work.

Organic selenium helps to enhance reproduction of poultry and swine, improve livability in shrimp, improve meat quality (poultry and swine) and support production performance and health in challenging conditions (poultry, swine and aqua). Usage of organic selenium increases steadily in all geographies and species.

Adisseo has already gained a significant market share in the reproduction segment, e.g. in Brazil, Selisseo® has gained about 50% market shares in poultry breeders segment, and will grow further Selisseo® sales thanks to registration in untapped markets (including China planned in 2018) and penetration of new segments. Selisseo® sales are expected to grow by about 40% in 2018.

Probiotics additives

Since 2016, Adisseo has successfully launched Alterion® probiotic in a couple of countries (including South

America, Middle-East countries and Vietnam in Asia).

This product, co-developed with Novozymes, is an efficient alternative to Antibiotic Growth Promoters in poultry. It enables Adisseo to penetrate the promising 'Gut Health' segment which will grow tremendously in the coming years as antibiotic usage will be gradually reduced.

Alterion® sales will grow further, they are expected to almost triple in 2018 as the product will be registered in more countries. R&D work is ongoing to develop probiotic products for other species as well.

New acquisition enhancing Adisseo Specialty products

In December 2017, Adisseo announced the acquisition of Nutriad, a manufacturer of feed additives for more than 50 years, with a solid product range in palatability, mycotoxin management and digestive performance.

Adisseo is convinced that a combination between Nutriad and Adisseo represents a highly attractive opportunity for both companies to build a strong worldwide franchise leveraging on complementary strengths.

Nutriad's product range, the species addressed, and its target markets are highly complementary to Adisseo's and will allow to implement integrated solutions to offer even more value to customers.

See section 5 - XV Major Contracts for further details on this acquisition.

2. Global Production and Sales Network

Adisseo has set up local supply chain systems operating in an efficient and highly-responsive way based on the distribution of its regional customers. Its manufacturing network includes seven plants: five in France, one in Spain and one in China. From those plants, it delivers its finished products directly or indirectly to its customers in the world. It either ships direct to its customers or regional warehouses.
On the Chinese market, for example, in order to ensure the products safely delivered to customers all over the country on time, Adisseo has established a transit center for the Asia Pacific supply chain in the China (Shanghai) Free Trade Pilot Zone and ten distribution warehousing centers national-wide according to where and how much the customers are concentrated.
Adisseo also has a dedicated warehouse in Shanghai for traded products that are sourced in China, grouped in this warehouse and shipped worldwide either to customers or to its regional warehouses.

The Adisseo sales team has regularly opened distribution subsidiaries or offices globally. Adisseo will gradually establish and perfect the local sales organizations according to the development of the emerging economies. For example, Adisseo has set up sales subsidiaries in India in 2016, in Malaysia in 2017 and in 2018, will set up a new one in Dubai where the Group has already opened offices in 2016. In addition to Adisseo's own sales force, Adisseo has set up close long-term relationships with sales agents and distributors around the world in order to better serve the local market and customers.

At the end of 2017, Adisseo has begun developing e-commerce through the e-platform of Chemchina. This first step in digital sales will help Adisseo reach medium or small sized customers in China.

Specialized and Comprehensive Feed Solutions

Because of Adisseo's brand awareness, consistent product quality, competitive prices and rich product portfolio, most of its main customers purchase more than one kind of product. Adisseo has a long and distinguished history in animal feed nutrition, an outstanding market position, technological innovation and powerful R&D capabilities that allows to develop scientific programs related to customer pain point. Recently, Adisseo has develop a solution to control necrotic enteritis in poultry production by combining probiotics, anti-coccidiosis and better feed formulation with methionine and enzymes. Services are also part

of the solution with test to identify pathogens and ensure the right product application.
Adisseo has been recognized for its products and the quality of its service and will pursue the development of such solution in the future to serve better its customers.

Unparalleled Market Explorer and Pioneer

Adisseo has continuously expanded its business to successfully seize the opportunities presented by the growth in demand for protein and animal feed additives in emerging economies. With population growth, growth in income per capita and changes in diet in emerging economies, a greater demand for animal proteins exists. Adisseo's products help increase the metabolism and health of the animals and increase the efficiency in animal husbandry. The growth in population and per capita income and the need for higher efficiency in using land and water resources have created bright prospects for Adisseo's core products.

To fulfill its mission which consists in feeding the planet in a qualitative, affordable, safe and sustainable way, Adisseo strives to keep a leading position on methionine market (first business-pillar of Adisseo's strategy) and to bring new solutions by accelerating the development of Specialty products (second business-pillar).

Methionine

Adisseo is actively preparing future development by combining extensions and debottleneckings of existing production facilities, while, at the same time, improving their reliability, performance and environmental compliance:

- Adisseo secures sourcing for strategic raw materials. In 2016, Adisseo integrates sulfur melting activity of Sobegi in European platform;
- Adisseo increases its production capacities in both Europe and China plants with above-mentioned projects (debottlenecking projects in China, European platform expansion, and A-Dry+ project);
- Every year, Adisseo conducts new surveys and initiates new projects to reduce the environmental impact of its activities: for example, in 2016, suspended matter discharges have been reduced by 40% while the wastewater discharges have been reduced by 14% in Commentry plant (France) and by more than 25% in Nanjing plant despite an increase of the production output by more 30%.

The project of construction of a new liquid methionine plant in Nanjing is a key step to implement the "two-business-pillar" strategy and important action to consolidate leadership role in methionine industry.

Specialties

Adisseo ensures reliable and cost effective sourcing or production of all specialty products.
Adisseo reinforces its core businesses and diversify its portfolio in high growth segments by developing strategic partnerships:

- Feed specialties representing for Adisseo an attractive field to extend its business; and
- Animal health capturing accelerated growth, especially in dynamic and emerging businesses, that will enable Adisseo to expand its product portfolio.

Furthermore, Adisseo is reinforcing its Specialty products segment with the acquisition of Nutriad, a global manufacturer of feed additives for more than 50 years, announced in December 2017.

Strong Research and Development Capabilities

Adisseo has 7 labs in both France and China which represent true engines of its development. In order to ensure sustainable growth, Specialty products is become a second business-pillar and thus Adisseo allocates financial resources on R&D for new products.

Adisseo's R&D teams work closely with the strategic marketing, Methionine, Specialties and Vitamins

SBUs, Incubator Innov’L@b, production and engineering departments to align the objectives of product/service development with its general business objectives.

Adisseo currently has a chemistry process lab, a biochemistry process lab, a formulation & process lab, a nutrition lab, a nutrition experimental farm, engineering experts and other R&D departments, with around 200 employees globally.

In line with the strategic roadmap, the Innov’L@b (created during 2017) seeks, selects and develops innovative solutions based on the needs, developments and challenges of Adisseo’s customers, markets and internal partners. Originate from internal and external sources, Proof Of Concepts (“POC”) applicable to the feed sector are pre-screened by the Innov’L@b team and presented to an Advisory Board comprised of technical and scientific experts, whose role is to evaluate the relevance of the POCs in terms of market needs.

Furthermore, Adisseo cooperates with a number of international laboratories, universities and research institutions, strengthens its bonds with the scientific community, encourages the passion for innovation, and attracts technical talents by sponsoring R&D projects of methionine and related technologies. A new Nutrition R&D cooperation just started in December 2017 with Sichuan University in Chengdu.

Adisseo remains an industry pioneer through its own prominent research and development capability since the release of powder methionine in 1945. Adisseo is one of the first companies in the world to synthesize methionine and vertically integrate its upstream and downstream production processes, one of the first companies to develop rumen-protected methionine for the ruminant market and is one of the first companies to develop the coated Vitamin A product. Adisseo was the first company to launch a high concentrated Vitamin A (1 million unit/g), which became the new market standard.

There are currently several major research projects under development, concerning all of Adisseo’s major products: methionine, vitamins, enzymes, and also rumen-protected products as well as other new specialty products.

From 2014 onwards, Adisseo launched one new product every year: Selisseo®, a specialty product based on selenium in 2014, and Rovabio Advance®, a new Non-Starch Polysaccharide enzyme, in 2015 and Alterion®, a new probiotic, in 2016. In 2017, Adisseo developed Rhodimet® A-Dry+, a new powder methionine, its commercialization will start during the first semester 2018.

Scientific and Reasonable Cost Control Measures

Adisseo has vertically integrated its upstream and downstream production processes. Its methionine production extends to the production of propylene, sulfur and other such basic materials, ensuring a stable and reliable supply for the hazardous intermediates in methionine production. The dangerous intermediates mainly include methanol, MMP, hydrogen sulfide, hydrogen cyanide, among others. These materials have limited suppliers in the public market and the production is not integrated. Through the production of these intermediates, Adisseo is able to monitor the product quality at each production step, and appropriately lower the production costs and become even more competitive at the same time.

Experienced Management Team with Rich Industry Knowledge

The Adisseo management team in average has over 10 years of industry and management experience in animal feed additives. Adisseo’s management team has focused on effectively integrating and allocating Adisseo’s global business and resources. Additionally, at Adisseo, the commitment of its people is a key performance indicator alongside safety and financial results. Adisseo has built employee development and incentive programs, which provides internal drive for sustainable growth.

Section 4 Discussion and Analysis of the Operation

I. Discussion and Analysis of the Operation

Adisseo's businesses focus on research, development, production and sale of feed additives for animal nutrition. Its main products are classified within 3 categories of products: Performance products, Specialty products, and Other Products for other animal feed additives.

Its performance, financial position and future are affected by the global macro economy. Although the global macro economy has demonstrated signs of slow recovery, significant disparity exists among the recovery process for each competitor. Debt crisis, trade imbalances and exchange rate fluctuations also increase the uncertainty of such recovery. Thanks to that fact that Adisseo is a key important player in the food value chain, Adisseo has high resilience in facing with those uncertainties, which can be proved by the stable profit generation in the past 10 years.

Adisseo faces competition from large and well-known companies with strong financial positions as well as competition from smaller companies in the regional or local markets. Chinese New Comers (CUC / NHU) have started their new units during the years 2016-2017. All Historical players have communicated about new facilities to come during the period 2018-2021 (Sumitomo, Evonik, Novus and Adisseo). CJ is advancing with their objective to diversify towards more competitive raw material sources, as its production process is partially independent from petroleum based raw materials.

Adisseo has taken steps to improve its competitiveness, including tightening cost control, improving production technologies, increasing its production capacity, providing value-added services and enriching product portfolio:

- European platform expansion project: it should add 50 KT of production capacity on the European plants by adding a new complete production line in downstream unit (Burgos) and in upstream unit (Les Roches), and some adjustments in existing intermediate products units. It is progressing within budget and on the schedule. It is expected to be completed by the end of 2018;
- Launch of Rhodimet® A-Dry+: in 2017 Adisseo also finalized the development of this truly innovative product. It is a brand new powder methionine product, based on the liquid methionine ("HMTBA") technology in order to offer the advantages of this molecule to customers whose manufacturing process does not allow the use of liquid form. This innovative product is expected to be commercialized during 2018. The new A-Dry+ production unit, about 9 KT capacity, is under construction at the Burgos plant, consolidating the long-term future of the site;
- Approval of the construction of a new platform: to meet the continuously growing demand of customers and thus consolidate its leadership role, the construction project of a new liquid methionine plant with a capacity of 180 KT per year was approved in January 2018. The new facility will be located in the Nanjing Liuhe Chemical Park, adjacent to the existing Adisseo plant in Nanjing. The commissioning of this new platform is expected for mid-2021;
- Specialty products are under active development as a second business-pillar to enhance animal performance and health. The Company sees great growth potential in Specialty products and actively explores innovative products. Adisseo also acquired Nutriad in December 2017: Nutriad's product range, the species addressed, and its target markets are highly complementary to Adisseo's and will allow to implement integrated solutions to offer even more value to customers.

2017 results

In (100 million) Yuan	2017	2016	Change (%)
Operating revenue	104.0	106.9	-3%
Net cash flow arising from operating activities	25.1	30.5	-18%
Net profit attributable to shareholders	13.2	18.7	-29%
Net profit attributable to the shareholders of the Company after deduction of non-recurring profit or losses	12.9	18.7	-31%
Basic earnings per share (Yuan/ share)	0.49	0.70	-30%

Adisseo outdated its safety objectives in 2017 with a accident with or without lost time injury frequency rate of 0.37, compared to a goal of 0.48 (TRIR or Total Recordable Injuries Rate – number of accidents per 200,000 hours worked). This result is one of the best in the industry. It is the consequence of the Safety action plans continuously reinforced to reach our objective: zero accident.

2017 business trends are above expectations and reflect the combined impacts of:
- All product lines has obtained steady volume growth in 2017;
- Unfavorable economic environment with weaker US$ and higher energy & raw material costs;
- In Methionine business, a less favorable market environment as expected with a significant decrease in the selling price. The Company’s revenue remains flat thanks to a high sales volume growth of methionine by 11% on average, of which liquid methionine’s growth rate is even higher, versus a global methionine demand growing by 6% already;
- A rigorous cost control and plant’s management that ensure a good level of profit margin in a context of a decreasing pricing on methionine;
- Rigorous cost management, pricing tactic, proactive purchasing management, including management of a global Vitamin A short supply, initiated by the accidental shutdown of the unit of our n°1 intermediate supplier that enable Vitamin business also achieve very good results in 2017;
- Innovation and marketing efforts launched years ago in Specialty business that let Adisseo record another year of strong growth 27% in 2017 compared with 2016;
- New specialty products launches at a space of one per year over the last 4 years. The increase in operating revenue in Specialty products reflects Adisseo’s constant innovation and the success of new products. During 2017, Adisseo pursued the development of the last products launched Selisseo® in 2014, Rovabio Advance® in 2015 and Alterion® in 2016, mainly thanks to registration in untapped markets.

Due to these factors, 2017 net profit attributable to shareholders is above budget.

2018 outlook

- Safety is Adisseo first priority. In 2018, it will pursue its zero accident objective and further improve its safety performance;
- Adisseo will also focus on environmental impacts. The development and implementation of action plans for each entity of the Group will contribute to reduce environmental impacts (notably waste discharge, water consumption and air quality);
- Demand for methionine will continue to grow on a global basis at a rate of around 6.0% per year. Adisseo objective is to maintain its global leadership and market share by better capturing growth from the methionine market (liquid and powder forms) and remaining flexible at serving customers’ needs. The leadership of Adisseo in the methionine industry is expected to be further strengthened with the launch of Rhodimet® A-Dry+ as well as the completion of capacity expansion on the

European sites in 2018 with European platform expansion project. The newly announced investment of a 180 KT liquid methionine plant in Nanjing will enable Adisseo to meet ever-increasing customer needs and to achieve cost efficiency in the near future. It is also a key step to consolidate the Company's leadership;

- Proactive price management of Performance products will be key to achieve Adisseo's performance;
- On Specialties development, after the launch of Selisseo®, a Specialty product based on selenium in 2014, Advance®, a new enzyme product in 2015 and Alterion®, a new probiotic in 2016, Adisseo will continue to invest to develop with an objective to launch one new product on the market every year with a leverage effect thanks to the incubator Innov'L@b launched in 2017;
- The recent acquisition of Nutriad, a global feed additives producer, is part of Adisseo' strategy to become one of the worldwide leaders of feed specialty additives. Nutriad products range, the animal species addressed (poultry, swine, aquaculture, dairy and cattle), and its customers are highly complementary to Adisseo's and will allow the combined businesses to implement integrated solutions and to offer even more value to customers;
- Adisseo will continue to manage its Selling and General & Administrative (SG&A) expenses in all entities endeavoring to achieve better-than-expected results;
- US Dollar and raw material cost will still be key factors.
- Leveraging on the dynamic of the last quarters in 2017 and its strategic initiatives, growth momentum in Q1 2018 sales is expected to remain strong.

II. Analysis of results of operations of main businesses in the reporting period

1. Analysis of main business

Analysis of main changes in items of profit & loss statement and cash flow statement

Unit: Yuan Currency: RMB

Items	Amount of current period	Amount in the same period of last year	Change (%)
Operating revenue	10,397,823,108	10,688,263,140	-3%
Cost of sales	6,350,759,160	5,618,473,986	13%
Selling and distribution expenses	1,005,421,123	900,475,273	12%
General and administrative expenses	721,033,442	849,592,390	-15%
Financial expenses	(57,062,707)	(32,392,590)	-76%
Net cash flow from operating activities	2,513,085,624	3,053,923,615	-18%
Net cash flow from investing activities	(900,548,429)	(609,768,378)	-48%
Net cash flow from financing activities	(880,068,583)	(751,646,313)	-17%
Research and development expenditure	300,228,195	245,649,340	22%

(1) Income & Cost Analysis

√ Applicable ☐ Not applicable

a. Analysis by industry, by product and by region

Main operations by industry						
By industry	Operating revenue	Cost of sales	Gross profit ratio (%)	Increase/de-crease in operating revenue on the same period of last year (%)	Increase/decrease in operating cost on the same period of last year (%)	Variation in GP ratio on the same period of last year
Health and Nutrition	10,397,823,108	6,350,759,160	39%	-3%	13%	-8%

Main operations by product						
By product	Operating revenue	Cost of sales	Gross profit ratio (%)	Increase/decrease in operating revenue on the same period of last year (%)	Increase/decrease in operating cost on the same period of last year (%)	Variation in GP ratio on the same period of last year
Performance products	8,101,555,708	5,290,143,748	35%	-7%	16%	-13%
Specialty products	1,729,578,118	757,693,985	56%	27%	11%	6%
Other products	566,689,282	302,921,427	47%	-5%	-17%	8%
Total	**10,397,823,108**	**6,350,759,160**	**39%**	**-3%**	**13%**	**-8%**

Main operations by region						
By region	Operating revenue	Cost of sales (*)	Gross profit ratio (%)	Increase/decrease in operating revenue on the same period of last year (%)	Increase/decrease in operating cost on the same period of last year (%)	Variation in GP ratio on the same period of last year
Europe / Africa/MO	3,305,841,954			-3%		
North & Central America	2,312,659,756			10%		
Asia / Pacific (excluded China)	1,709,651,123			-3%		
South America	1,642,983,410			-5%		
China	1,154,068,435			-18%		
Other	272,618,430			-10%		
Total	**10,397,823,108**			**-3%**		

Explanation on main business by industry, by product and by regions
√ Applicable ☐ Not applicable

(*) The Company discloses only operating revenue by region due to the fact that neither operating cost, nor gross margin are monitored by region.

Performance products are mainly driven by the methionine business. The decrease in operating revenue by 7% is due to the sharp decrease in methionine prices in 2017 compared to 2016. The negative price impact on methionine has been partly balanced by a very significant volume growth of 11%, especially on liquid methionine. Adding a negative US$/€ and raw material purchasing price impact, gross profit ratio decreased but still maintained at a quite solid level.

Operating revenue in Specialty products is significantly increasing with 27% annual growth rate. Adisseo confirms its leadership in the Ruminants segment with 2017 volumes recovery after 2016 milk crisis especially with 50% of volume increase is Smartamine®. Enzymes also delivered a double digit growth thanks to the successful innovation in a fierce competitive environment. Selisseo® and Alterion®, products launched in recent years, more than almost double their operating revenue compared to last year, confirming Adisseo ability to successfully leverage on its innovation investments. This revenue increase allowed a gross profit improvement.

Cost of sales suffered from raw material prices increase partly balanced by rigorous cost management.

Analysis of the factors impacting the income from sale of products

In comparison with 2016	Change in Volume	Change in sales price	Exchange rate impact
Performance products	819,262,312	(1,854,230,666)	402,366,152
Specialty products	367,581,202	(16,787,551)	21,774,781

Adisseo's operating revenue in 2017 totaled RMB 10,397,823,108 and decreased by 6% at constant EUR/CNY rate (i.e. -3% at current EUR/CNY rate), compared to 2016.

b. Production, Sales and Inventory Quantity analysis

√ Applicable ☐ Not applicable

Units of volume by category of products comprising are not homogeneous. Therefore, no disclosure have been provided.

c. Cost analysis table

Unit: Yuan

By industry							
By industry	Cost composition items	Amount of current period	Proportion to the total cost of current period (%)	Amount of the same period of last year	Proportion to the total cost of the same period of last year (%)	Proportion of change in the amount of current period over the same period of last year (%)	Explanation
Health and Nutrition		6,350,759,160	100%	5,618,473,986	100%	13%	Unfavorable impact of increasing volume of sales and high raw material cost

By product							
By product	Cost composition items	Amount of current period	Proportion to the total cost of current period (%)	Amount of the same period of last year	Proportion to the total cost of the same period of last year (%)	Proportion of change in the amount of current period over the same period of last year (%)	Explanation
Performance products	Raw materials, purchased equipment and consumables used (71%), Depreciation and amortization (11%), Other (18%)	5,290,143,748	83%	4,568,963,128	81%	16%	Unfavorable impact of increasing volume of sales and high raw material cost
Specialty products	Raw materials, purchased equipment and consumables used (81%), Depreciation and amortization (4%), Other (15%)	757,693,985	12%	684,284,187	12%	11%	Unfavorable impact of increasing volume of sales
Other products	Raw materials, purchased equipment and consumables used (43%), Depreciation and amortization (17%), Other (40%)	302,921,427	5%	365,226,671	7%	-17%	Favorable impact of decreasing volume of sales

Other explanations related to cost analysis
☐ Applicable √ Not applicable

d. Main customers and main suppliers

√ Applicable ☐ Not applicable

The total amount of sales revenue from Adisseo's top 5 customers amounted to RMB 914 million, accounting for 9% of the Group's total operating revenue. There is no sales revenue from the related parties.
N°1: RMB 297 million; N°2: RMB 177 million; N°3: RMB 166 million; N°4: RMB 155 million; N°5: RMB 119 million.

The total amount of purchasing from the Company's top 5 suppliers amounted to RMB 1,250 million accounting for 21% of the Company's total operating cost, in which the amount of purchasing from the related parties is null.
N°1: RMB 373 million; N°2: RMB 362 million; N°3: RMB 250 million; N°4: RMB 143 million; N°5: RMB 122 million.

(2) Expenses

√ Applicable ☐ Not applicable

Items	Amount of current period	Amount in the same period of last year	Change (%)
Selling and distribution expenses	1,005,421,123	900,475,273	12%
General and administrative expenses	721,033,442	849,592,390	-15%
Financial (income)/expenses	(57,062,707)	(32,392,590)	-76%

The increase of selling expenses was in line with the increase of sales volumes as well as the further expansion of business team of specialty production worldwide to support the second business-pillar strategy.

The decrease of financial expense is mainly due to increased interests earned on cash deposits and the increase in currency exchange result in 2017.

(3) R&D expenditures

√ Applicable ☐ Not applicable

Unit: Yuan

Research and development expenditure recorded in expenses of current period	298,604,006
Research and development expenditure capitalized of current period	1,624,189
Total research and development expenditure	300,228,195
Proportion of total research and development expenditure to operating revenue (%)	2.90%
R&D headcount as of December 31 2017	181
% of R&D headcount over total headcount	9%
% of capitalized R&D expenditure over total amount	0.54%

Explanation

√ Applicable ☐ Not applicable

Adisseo has reinforced its R&D resources in China by establishment a new R&D center in Nanjing as well as a new strategic alliance with Sichuan Agriculture University for the purpose to provide timely support and innovation to Nanjing plant as well as more China-market oriented technologies and solutions. During 2017, the incubator (Innov'L@b) has been created to generate a leverage effect and enable Adisseo continuing to increase its annual R&D investment to support its "two-business-pillar" strategy.

(4) Cash flow

√ Applicable ☐ Not applicable

The Adisseo net cash flow from operating activities amounts to RMB 2,513,085,624 compared to RMB 3,053,923,615 last year.

The decrease of net cash flow from operating activities compared to the same period of last year is explained by:

- RMB -659 million (-22%) due to the decrease in Adisseo's sales;
- RMB 118 million (4%) due to changes in the EUR/CNY currency exchange rate.

The economic performance of Adisseo mainly explains the still high level of cash generated. The operating cash flow generated by Adisseo enabled to invest RMB 974,692,179, reimbursed various debt for an amount of RMB 13,073,351 and paid dividends for an amount of RMB 866,995,232.

2. Significant change in the Company's profit composition or profit sources in the reporting period arises from the ancillary businesses

☐ Applicable √ Not applicable

3. Analysis of assets and liabilities

(1) Information of assets and liabilities

Unit: Yuan

Items	As at December 31 , 2017		As at December 31, 2016		% change	Explanation
	Amount	Percentage to total assets (%)	Amount	Percentage to total assets (%)		
Derivative financial assets	19,287,286	0%	11,471,676	0%	68%	Change related to hedging of EUR/USD.
Interest receivable	9,693,743	0%	1,040,703	0%	831%	Interests receivable on cash deposit.
Other receivables	43,080,271	0%	25,869,193	0%	67%	Increase due to insurance compensation of a 2015 losses in Nanjing plant.
Construction in progress	887,324,323	4%	453,360,413	2%	96%	Increase linked to European expansion and A-Dry+ projects.
Long-term prepaid expenses	0	0%	2,367,403	0%	-100%	Amortization of capitalized fees.
Other non-current assets	8,468,000	0%	2,747,272	0%	208%	Miscellaneous prepayments for tangible assets.
Short-term borrowings	0	0%	469,236	0%	-100%	Decrease due to repayments.
Derivative financial liabilities	9,495,399	0%	68,508,557	0%	-86%	Change related to hedging of EUR/USD.
Advances from customers	4,551,000	0%	20,811,000	0%	-78%	Decrease of receipt in advance in China due to less consignment sales.
Wages and benefits payable	690,155,511	3%	443,664,431	2%	56%	Increase linked to employee benefits with maturity less than one year at the end of 2017.
Taxes payable	221,281,764	1%	362,784,968	2%	-39%	Offset effect of French tax on value-added.
Interest payable	8,559,892	0%	5,543,874	0%	54%	Interests accrued.
Dividends payable	154,485,540	1%	104,121,900	1%	48%	Declared dividends higher in 2017.
Long-term employee benefits payable	407,467,115	2%	647,814,349	3%	-37%	Decrease linked to employee benefits with maturity less than one year at the end of 2017.
Provisions	0	0%	29,196,374	0%	-100%	Change of classification of provisions depending on their nature.
Other comprehensive income	(484,132,396)	-2%	(860,732,283)	-4%	44%	Impact of exchange rate EUR/CNY.
Surplus reserve	351,560,696	2%	256,211,737	1%	37%	Allocation of 10% of 2017 net profit of BAC.

(2) Restricted assets at the end of reporting period

☐ Applicable √ Not applicable

(3) Other information

☐ Applicable √ Not applicable

4. Analysis of chemical industry business information

i. Basic information of the industry

a. Modifications in regulation

☐ Applicable √ Not applicable

b. Basic information of the subdivided sectors industry and the companies' position in the industry

√ Applicable ☐ Not applicable

- Industry trend

The animal feed additives industry is exposed to favorable global "megatrends" and is expected to grow significantly over the coming years. This growth is expected to be driven primarily by the industrialization of meat production, global population growth and wealth creation. This should be the case in emerging markets, where consumers' dietary preferences are expected to shift towards protein-rich diets.

Adisseo multi-product portfolio enhances its position with customers and differentiates our product offering from that of our competitors. Since Adisseo supplies a range of nutritional feed additives, it can provide value-added formulation advice to our customers and advise them with respect to their feed additive inclusion rate decisions.

This industry is further characterized by high entry barriers, such as high technological know-how, increasingly stringent regulations to obtain permits and authorizations, compliance with national and regional environmental and health and safety regulations, the ability to source key intermediates and the large capital investments required to develop new methionine and vitamin production capacities.

The chemical process to manufacture methionine requires significant manufacturing expertise and process technology. Access to, or development of, such expertise and technology constitutes a significant barrier to entry in this market. Furthermore, technical and commercial expertise and on-going investment in product and process innovation are critical factors to remain competitive.

Based on industry practice, the initial capital expenditures to build a world-scale, greenfield chemical methionine production facility would require a large amount of capital investment and could require at least four years to permit, plan and construct. Furthermore, access to key intermediates and raw materials used for manufacturing methionine, such as MMP for which there is only a limited number of merchant suppliers, is critical to the establishment of new production facilities.

On the demand side, global methionine continues to grow on a global scale at a rate of 6% per year as shown in the table published by *Feedinfo*.

	2016	2017	2018	2019
Demand KT	1190	1265	1338	1414
% growth rate	**5.1**	**6.3**	**5.8**	**5.7**
Additional volume	57	75	73	76

On the supply side, methionine supply shortage in 2015 has impacted market prices up. The announced new capacities from competitors have finally come on stream after some delays. In 2016 and 2017, Adisseo faced with a less favorable market environment in the methionine business, after an exceptional 2015 year, as expected.

Negative impacts from price have been partly compensated by Adisseo volumes growth, and raw material prices increase based on a higher Brent level has been partly compensated by rigorous cost management.

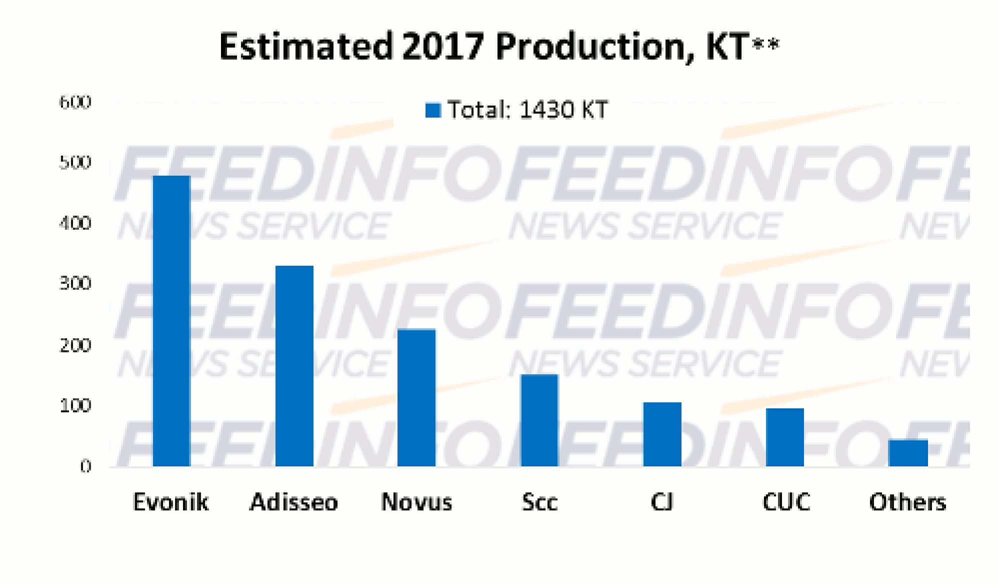
By the end of 2017, a temporary rebound has been observed on the market.

- <u>Adisseo's Competitive landscape in each Business</u>

<u>Methionine</u>

Production capacity in the global methionine market is concentrated, large companies such as Evonik, Adisseo, Novus and Sumitomo Chemical (SCC) are key players. Due to population growth, economic development of emerging economies, and the modernization of the animal husbandry sector, the demand for methionine in the Asia-Pacific area, including China, continues to increase rapidly. China has one of the world's highest production volumes for pork, poultry and livestock. Its animal husbandry sector continues to grow rapidly, which leads to rapid growth in demand for methionine. As the aforementioned key methionine players continue to strengthen their global position currently, they have increased investments in Asia, while domestic companies represented by Ningxia Ziguang keep investing in additional capacity. Zhejiang NHU has entered in the methionine market during the 1st semester of 2017, however, with a nameplate capacity of 50 KT per year, the extra volumes sold into the market during 2017 remained modest in the context of the overall global demand of around 1265 KT. During 2017 CJ sold more product into the market than the previous year. However, the year on year increase was modest and partially absorbed by their growing captive use.

According to a *Feedinfo* December 2017 report, there have been only minor increases in the volumes of additional capacity brought to the market during the past twelve months and the production of methionine (KT per year) by major players breaks down as follows:



As indicated above, Adisseo is the world's second largest producer of methionine in 2017 with a market share of 27% (Refer to Section 3 "Basic overview of the Company").

<u>**Vitamins**</u>

Vitamins are widely used in medicine, food additives and animal feed additives. In recent years, as China's vitamin sector continues to grow, China has become a major producer and exporter of vitamins, and the production technology and market shares for vitamin C, vitamin E, vitamin B2 and vitamin D3 are top-ranked globally. Adisseo's major competitors in the vitamins market mainly include BASF S.E., DSM N.V., Zhejiang NHU and Zhejiang Pharmaceutical. The domestic vitamin A & E production in China is dominated by Zhejiang NHU and Zhejiang Pharmaceuticals Joint Stock Company.

<u>**Enzymes**</u>

The enzymes market needs extensive research & development, patented technology and capital expenditure for the production. Novozymes, DuPont, Ab Vista, BASF, DSM and Adisseo are the main players.

ii. Product and production

a. Main operating mode

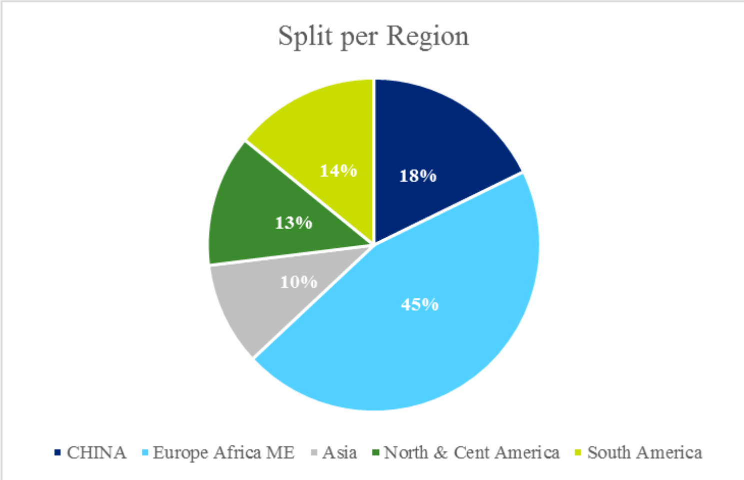
√ Applicable ☐ Not applicable

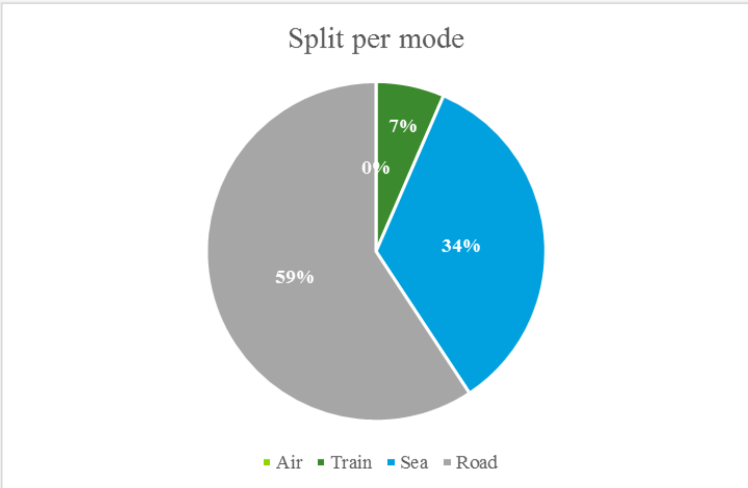
Adisseo constantly adapts its distribution network as per the evolution of flows of goods.

Raw materials transportation is entirely in the hands of its suppliers. For intermediary products Adisseo moved mainly by railway for safety and security reasons.

In 2017 for the finished products, Adisseo moved worldwide around 837 KT compared to 800 KT in 2016. Adisseo ships the finished goods with all the transportation modes. The main ones is the road transport. The transport unit are various: truck, dry and reefer containers for packed goods and tank truck, rail tank cars, isotanks and parcel tankers for bulk.

Below the split per region and per mode in terms of number of shipments in 2017:





Adisseo's production materials and finished products inventories are stored in tanks for liquid products and traditional warehouses for the other products. Warehouses located in its factories are managed by its own people and warehouses outside its factories are all outsourced to logistics providers. For both outsourced and insourced warehouses, Adisseo has established policies with regard to warehouse management. These policies are regularly audited and improved.

Change of main operating mode during the reporting period

☐ Applicable √ Not applicable

b. Information of principal product

√ Applicable ☐ Not applicable

Products	Subdivided sectors industry	Main raw material	Field of Application	Factors affecting the price
Methionine, methionine hydroxyl analogue, vitamins, ammonium sulfate and sodium sulfate	Performance products	Propylene, gas, ammoniac, sulphur, methanol. E-oil	Animal Feeds	Energy and raw material costs, Brent oil and US dollar level.
Enzyme preparation, rumen-protected methionine, organic selenium additives and probiotics additives	Specialty products	Enzymes: visco, cellulose, stearic acid, wheat flour. Rumen-protected methionine: propylene, gas, ammoniac, Sulphur, methanol, latex, isobutyl propionate silica et organic selenium	Animal Feeds	Energy and raw material costs, Brent oil and US dollar level.
Carbon disulfide, sulfuric acid and services of processing powder	Other products	Gas, sulphur.	Industrial application	Energy and raw material costs, Brent oil and US dollar level.

Adisseo is a major player in the feed ingredient industry sector. As such, the company portfolio encompasses more than 70 products, available for sale at customers worldwide.

Adisseo benefits from accessing global markets thanks to effective Global Market Access organization and processes able to determine applicable technical regulations and manage product compliance to those regulations in this respect.

In the absence of harmonized standards and requirements as well as differing national standards across countries, feed business operators need to be aware of the regulations for each country they want to access. Some countries and jurisdictions impose specific technical restrictions such as product testing, certification and shipment inspection requirements. In addition, the complex regulatory framework in some countries is constantly being updated and expanded.
In this complex technical and sanitary trade environment, Adisseo ensures products market access in more than 130 countries, resulting in more than 950 official registrations approvals worldwide.

Adisseo acknowledges its responsibility for food and feed safety and consecutively control associated risks. During the manufacture of feed products, our company places the highest priority on the safety and health of our products and as such, places the highest emphasis on ensuring that each product is safe and fit for animal consumption and is in compliance with the current industry standards.

For this purpose, company management has decided to implement and maintain an integrated management system through its worldwide activities (manufacturing and trade), complying in general to the ISO 9001 standard, and in addition, where applicable, complying to the FAMI-QS Code of Practice.

Adisseo is recognized by stakes as a visible and credible global leader, as such the company holds membership at major worldwide feed industry associations and committees in North America, Latin America, Europe and China.

c. R&D and innovation

√ Applicable ☐ Not applicable

Adisseo R&D program is structured into 3 activities:

- Discovery – fundamental research, developing in partnership with academics or start-up companies;
- Innovation – testing and commercialization through world-wide R&D centers;
- Enhancement – ongoing enhancement for validated projects.

Adisseo continues to make significant efforts to reinforce its R&D programs.

Adisseo promotes a policy of reinforced and continuous research and innovation for its products, production processes as well as its businesses, work and organization methods. There are 7 research and development centers focused on several different areas such as analysis, nutrition, formulation, biotechnology, chemical processes, chemistry, formulation and processes. During 2017, the incubator (Innov'L@b) has been created to generate a leverage effect and therefore we are expecting three new products to be launched in 2018. In 2017, the Company's total research and development expenditures amounted to RMB 300,228,195 (including expenditure capitalized for the period) and its proportion to net assets and operating revenue was 2.3% and 2.9%, respectively.

Please refer to Section 4, Part II.1.(3) R&D expenditures for detailed figures.

d. Manufacturing techniques

√ Applicable ☐ Not applicable

Adisseo's vertically integrated production process ensures a reliable supply for the key intermediates in methionine production and capturing the full value versus competition.

Main raw materials sourced externally are propylene, methanol, natural gas and sulphuric products. Some intermediates produced in excess are sold (sulphuric acid and carbon disulphide). The end products are powder and liquid methionine; sodium sulphate and ammonium sulphate constitute by products.

Adisseo manufacturing network includes seven plants: five in France, one in Spain and one in China. From those plants Adisseo delivers its finished products directly or indirectly to around 2,600 customers in the world. According to commercial agreements, it ships directly to customers or regional warehouses and from those regional warehouses to customers.

Adisseo also has a dedicated warehouse in Shanghai for traded products that are sourced in China, grouped in this warehouse and shipped worldwide either to customers or its regional warehouses.
Adisseo constantly adapts its distribution network according to the evolution of the demand to guarantee the excellent service provided to customers.

e. Production capacity and operation situation

√ Applicable ☐ Not applicable

Main Plant or projects	New Plant/Capacity under construction (Ton)	Expected completion date
Nanjing plant expansion	20,000	2018
New Nanjing Plant	180,000	Mid 2021
European platform expansion	50,000	2018
Rhodimet® A-dry+	9,000	2018

Change in capacity production during the reporting period
√ Applicable ☐ Not applicable

To increase its liquid methionine production in Europe by 50 KT per year. Adisseo announced in 2016 the European platform expansion project. This project, planned to be completed by the end of 2018.

With the completion of A-dry+ Project, there will be additionally 9 KT to be offered to the customers whose manufacturing process does not allow the use of liquid form so that they can also enjoy the benefits of this molecule to them.

To meet the continuously growing demand of customers and thus consolidate its leadership role, the Board of Directors of Bluestar Adisseo Company has approved the construction of a new liquid methionine plant with a capacity of 180 KT per year, on January 16, 2018. The new facility will be located in the Nanjing Liuhe Chemical Park, adjacent to the existing Adisseo plant in Nanjing. It is expected to start about mid-2021 and will require an investment estimated at USD 490 million.

Adjustment and improvement on product line or product capacity structure
√ Applicable ☐ Not applicable

After completion of the 2016 phase of its development, the Nanjing plant in China can produce liquid methionine at full capacity i.e. 150 KT per year. With the further debottlenecking project completed in current Nanjing plant, the new nameplate capacity of the Nanjing Plant will achieve 170 KT per year.

Description of unusual production halts
☐ Applicable √ Not applicable

iii. Purchasing of raw material

a. Basic information of principal raw material
√ Applicable ☐ Not applicable

Unit: RMB

Raw material	Purchasing pattern	Market value of raw material	Prices Fluctuation vs 2016	Impact on operating cost of the company due to the fluctuation in the purchase price
Propylene 95%	Long-term contract	879,365,557	16%	Slight increase in operating cost
Methanol	Long-term contract	220,859,850	31%	Slight increase in operating cost
Sulphur	Long-term contract	157,946,914	14%	Slight increase in operating cost

b. Measures to address the risk of price variation of raw materials
Description of financing approaches (including derivatives deals)
☐ Applicable √ Not applicable

Description of other methods (including periodically reserve)
☐ Applicable √ Not applicable

iv. Description of sales of product

a. Sales pattern

√ Applicable ☐ Not applicable

Adisseo manages different kinds of contracts depending on the customers' needs and the product.
For methionine sales, Adisseo could propose spot sales, simple contract between 1 and 12 months with prices fixed at the order, or long-term contract over many years with fixed volumes and prices defined by quarter/month.

b. Basic information of main business by subdivided sectors industry

√ Applicable ☐ Not applicable

Information on Adisseo's main operations by business are specified above in Adisseo's "Income and Cost analysis". Refer to Section IV. II. Analysis of results of operations of main businesses in the reporting period. Adisseo' industry is "Health and Nutrition".

Pricing strategy and price variation of principal product

√ Applicable ☐ Not applicable

Historical pricing volatility in the methionine market has been attributable to exogenous factors like natural disasters or animal disease outbreaks and competitive behaviors from industry participants.

Competitive behaviors within the industry and related new capacity announcements or start-ups could also affect the supply and demand balance.

The pricing environment for vitamins is primarily driven by supply and demand dynamics. The primary end for vitamin A and E markets are animal feed. However, vitamin E is also driven by the human food, pharmaceutical and cosmetics markets.

The pricing of our products is in most cases in-line with market pricing which can vary from region to region. Where possible, our prices also reflect a premium for the value-added support services that we provide to our customers.

Our global pricing policy is implemented at three levels: global, regional and national. Our global pricing strategy is established by our Global business directors. The responsibility of the Regional business managers is to adapt this global pricing strategy according to the specific market and competitive environment of the countries under their responsibility.

Regular reviews facilitate Adisseo ability to secure contracts with key customers at the right price and to seize profit-maximizing opportunities. A substantial number of our contracts across all our business lines are concluded on a quarterly basis with fixed pricing for such period.

c. Basic information of main operating by sales channel

√ Applicable ☐ Not applicable

Sales through distributors represent less than 10% of Adisseo total turnover (2016: 7%). The main part is performed directly by Adisseo own commercial network.

Accounting policy of revenue recognition of every marketing channel

√ Applicable ☐ Not applicable

For detail on the accounting policy of revenue recognition, please refer to the accounting policies described in Section 11.

d. Information of co-products, by-products, semi-finished products, waste materials, recycling products of residual heat

√ Applicable ☐ Not applicable

Product	Capacity of production for the year	Pricing methods	Main customers	Proportion to total operating revenue
Sodium sulfate	Not disclosed	Market prices	Feed and chemical producers	Not disclosed
Ammonium sulfate	Not disclosed	Based on indexes (raw materials and energy)	Fertilizers producers	Not disclosed
Carbon sulphur	Not disclosed	Based on indexes (raw materials and energy)	Viscose, rubber vulcanization, agrochemicals producers	Not disclosed

Explanation

☐ Applicable √ Not applicable

v. Environmental protection and safety production

a. Description of significant accidents happened in safety production

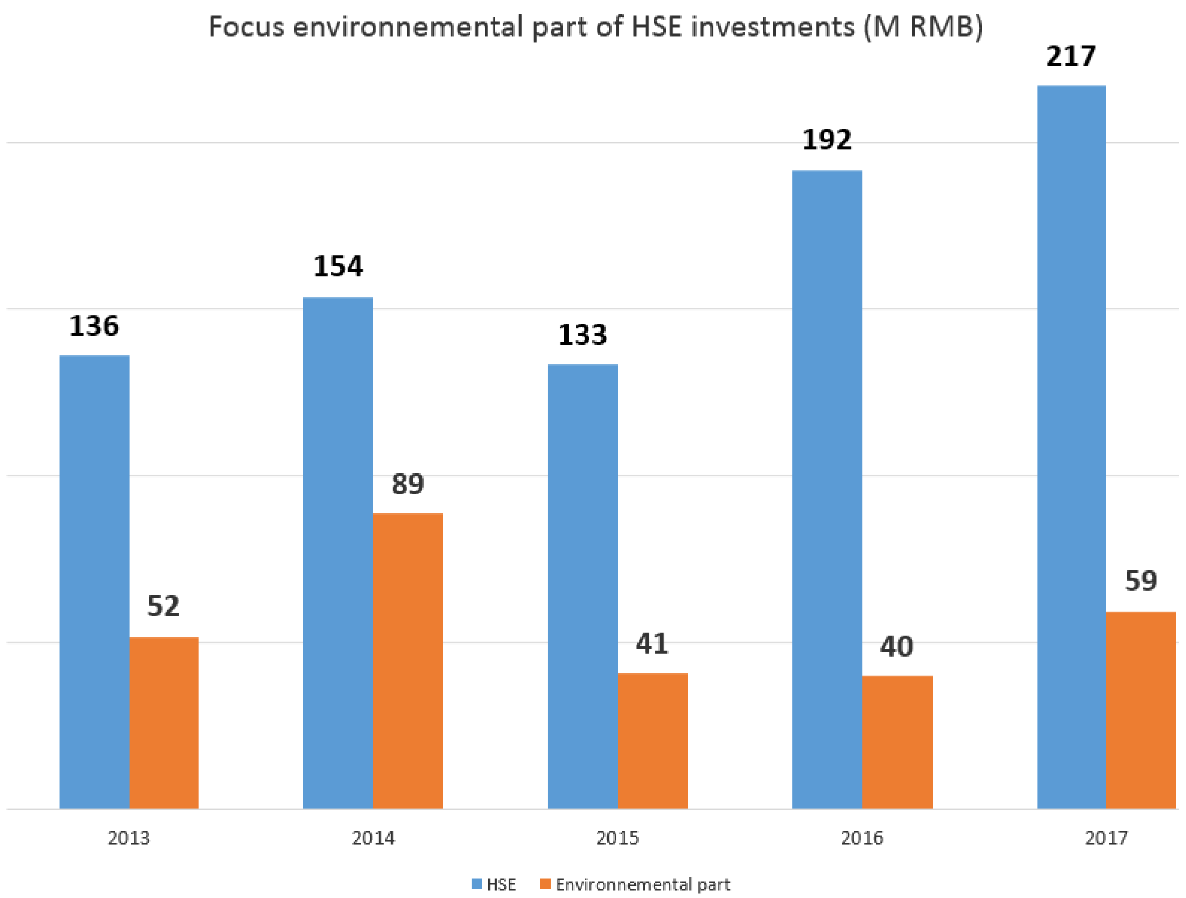
☐ Applicable √ Not applicable

b. Investment in environmental protection during the reporting period

√ Applicable ☐ Not applicable

Every year, Adisseo conducts new surveys and initiates new projects to reduce the environmental impact arising from its activities. From the supply chain to the water and energy consumption of production plants, office buildings and sales activities, every part of Adisseo is covered by the company's environmental policy. Adisseo is taking account of all the complaints with utmost care and strives to take the innovative route to addressing these issues. For example, a “Zero Odor” project with the objective to minimize the risk of inconveniencing local communities in the vicinity of our production plants was launched in 2016. In 2017, we realized odor cartography of each plants, identified most problematic areas, defined specific actions plans and shared good practices.

Adisseo investments in environmental protection consist mainly in decreasing consumption of water and energy for production and helps to limit chronic emissions and waste (see indicators in our digital Sustainable Development report www.sustainability.adisseo.com/en/).



HSE: Health and Safety Executive

General information related to significant environmental events in the reporting period
☐ Applicable √ Not applicable

c. Others
☐ Applicable √ Not applicable

5. Summary of Analysis of overall investments

☐ Applicable √ Not applicable

(1) Significant equity investment acquired in the reporting period

☐ Applicable √ Not applicable

(2) Significant non-equity investment made in the reporting period

☐ Applicable √ Not applicable

(3) Financial Assets measured at fair value

√ Applicable ☐ Not applicable

Adisseo holds derivative financial instruments to manage the effect of changes in currency exchange rates. Derivatives are not used for speculative purposes. For most of those transactions, the Group applies cash flow hedge accounting and documents, at the inception of the hedge, the type of hedging relationship, the hedging instruments, the nature and the term of the hedged item.

For further detail, please refer to paragraph 49 “Hedging” in Section 11.

6. Sales of Major Assets and Equity

☐ Applicable √ Not applicable

7. Analysis of companies controlled by or invested in the Company

The following figures are based on financial information before elimination of the entities.

Company Name	Registered/Subscribed Capital	Business	Total assets	Net assets	Net profit	Change
Adisseo France S.A.S	EUR 83,417,000	R&D, production and distribution	10,123,530,385	5,441,657,334	1,229,899,979	*NA*
Bluestar Adisseo Nanjing Co., Ltd	RMB 1,969,000,000	R&D, production and distribution	3,797,311,000	2,835,496,730	188,520,015	*NA*
Adisseo Life Science (Shanghai) Co., Ltd	USD 700,000	Distribution & Sourcing	983,610,954	521,985,228	34,946,470	*NA*
Adisseo USA Inc.	USD 3,139,000	Distribution	342,113,320	270,988,596	16,339,716	*NA*
Adisseo Brasil Nutriçao Animal Ltda	BRL 1,987,106	Distribution	315,459,006	5,209,320	24,141,358	*NA*

Subsidiaries representing more than 10% of the Group’s consolidated net profit:

Company Name	Adisseo France S.A.S	Bluestar Adisseo Nanjing Co., Ltd
Business	R&D, production and distribution	R&D, production and distribution
Revenue	8,778,589,330	1,670,124,333

Adisseo France S.A.S is an important subsidiary of Adisseo: the main businesses of this company are R&D, manufacturing as well as distribution of protected methionine for ruminants and vitamin A produced at the Commentry plant, powder methionine produced at the Commentry and the Roussillon plants, upstream products of methionine at the Les Roches plant and also of liquid methionine produced at Burgos plant (Spain).

Bluestar Adisseo Nanjing Co., Ltd is the second largest entity within the Adisseo Group and deals with a producing liquid methionine.

8. Structured entities controlled by the Company

☐ Applicable √ Not applicable

III. Board of Directors' Discussion and Analysis of the Company's Future Development

1. Economic trends in the industry

√ Applicable ☐ Not applicable

(1) Global Economic

The main global economies have implemented positive economic policies to stimulate economic growth. Employment rate and inflation are maintained within a reasonable range. The European and U.S. economies have slowly recovered. Several markets, including China, India, are expected to grow.

(2) Emerging Economies Present Growth Opportunities in Protein Demand

The continuous global growth, particularly that of the emerging economies such as China and India, has driven urbanization and continuous improvement of people's living standards and has promoted per person consumption of high protein foods (poultry, beef, pork, fish etc.).

2. Development strategy of the Company

√ Applicable ☐ Not applicable

Adisseo's businesses are as follows: research, development, production and sale of feed additives for animal nutrition.

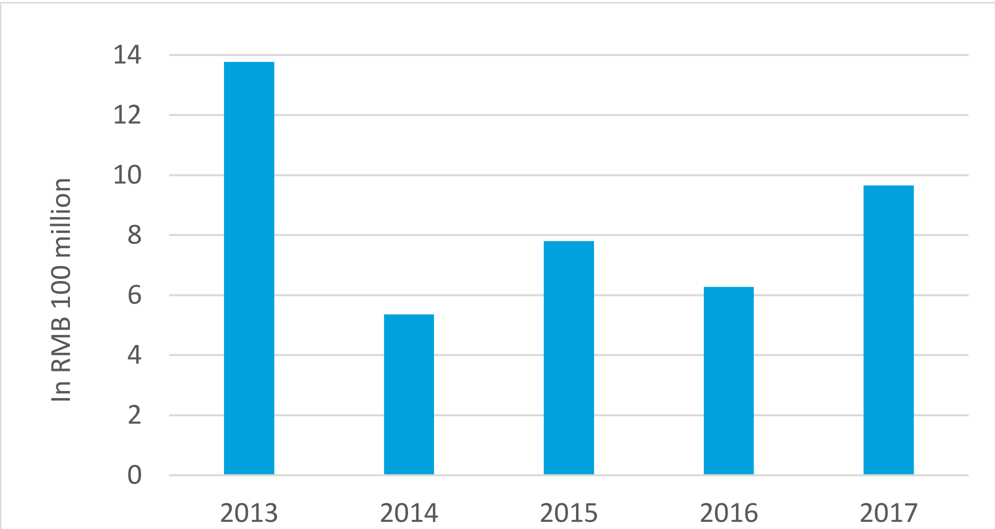
The Company has actively implemented its "two-business-pillar" strategy in recent years, i.e. continuous consolidating its leadership in methionine industry, while at the same time accelerating its development in Specialty business.

The Company bases its growth's strategy on four levers:

- Emerging markets footprint: world class methionine production platforms, and a sales network with a focus on high-growth emerging markets and development of specialties

- Innovation: Seven R&D centers focused on several different areas such as analysis, nutrition, formulation, biotechnology, chemical processes, chemistry, formulation and processes to serve 3 axis:
    - Service improvement: an ecosystem of continuous improvement, with direct feedback from customers and third-party experts such as universities and external nutritionists, intimate collaboration with customers to discover their needs, thereby exploring new opportunities
    - Product development: Sustainable operation philosophy and track record of bringing products to market attract co-development from top academic and research institutions. Three major research directions: antibiotics replacement, reduction of harmful outputs, and yield improvement/enhanced cost efficiency
    - Process improvement: Sustainable investment in projects aiming to improve production process and technologies to maintain competitiveness

    - Breakthrough process and continuous improvements of daily methionine production capacity, on top of all the debottlenecking projects, thanks to the involvement of both R&D teams and manufacturing teams
    - Improvement of vitamin A production yield
    - Optimization in Rovabio® production costs
  - To strengthen its position, Adisseo plans to launch a new product every year. Selisseo®, a specialty product based on selenium and a new thermostable enzyme, Advance®, in 2014, a new Non-Starch Polysaccharide enzyme, in 2015 and Alterion®, a new probiotic, in 2016. In 2017, the incubator (Innov'L@b) has been created to generate a leverage effect and we are expecting three new products to be launched in 2018 including Rhodimet® A-Dry+.
- Industrial investments: Adisseo's investment strategy enabled significant gains in methionine market shares in the last 3 years and strong value creation. Adisseo is actively preparing to grow in line with customer demands by combining extensions and debottlenecking of existing production facilities.
  - Methionine
    - Further capacities expansion of the Nanjing and European plants: in 2018, Adisseo will produce 50 KT per year additional capacity of liquid methionine with European platform expansion project and 9 KT per year capacity of the new product Rhodimet® A-Dry+
    - Approval of the construction of a third platform, with a capacity of 180 KT per year, located in the Nanjing Liuhe Chemical Park, adjacent to the existing Adisseo plant in Nanjing
  - Specialty products
    - Reinforcing rumen-protected methionine business to leverage Adisseo's market leadership.
    - Reinforce industrial partnership for specialties development
    - Launching new products at a space of one per year
  - Capital expenditures



- M&A and partnerships: To reinforce its core businesses and diversify its portfolio in high growth segments in feed specialties and animal health.
  - Leverage competitive advantages of business partners through partnerships
  - Accelerate growth and create value with acquisitions supported by available financial means given by fortress balance sheet with minimal debt
  - Acquisition of Nutriad announced in December 2017, a global feed additives producer since more than 50 years. This multinational company, headquartered in Dendermonde (Belgium), operates 4 laboratories and 5 plants located in Belgium, Spain, the UK, China and the USA. Nutriad has a solid product range in palatability, mycotoxin management and

digestive performance. Next to poultry and swine they are also present in aqua, dairy and cattle. This transaction is part of the Adisseo Group's strategy to become one of the worldwide leaders of specialty additives in animal nutrition. The business generates sales of about US$100 million per year. Nutriad’s product range, the species addressed, and its target markets are highly complementary to Adisseo’s and will allow to implement integrated solutions to offer even more value to customers.

Thanks to these levers, Adisseo is confident in its ability to manage its businesses properly, expand product portfolio and reinforce competitiveness and continuous sustainable as well as profitable growth in the market.

3. Business plan

√ Applicable ☐ Not applicable

Adisseo aims to pursue delivering significant growth with sustainable margins. The figures disclosed below are consolidated figures of BANG and its subsidiaries.

Based on the Profit Forecasting Compensation Agreement signed for the Major Asset Restructuring, Adisseo disclosed a “committed net profit with deduction of non-recurring gains and losses” of EUR 106,506,110 in 2017 (i.e. RMB 812,141,041 using the EUR/CNY average exchange rate of 7.6253).

The net profit with deduction of non-recurring gains and losses amounts to RMB 1,575.49 million which was in excess by RMB 763.35 million in comparison with the committed profit forecast amount for 2017, i.e. RMB 812.14 million as set forth in the Profit Forecasting Compensation Agreement.

Total sales volume is expected to increase across almost all product lines driven by the expected growth in global demand and additional methionine capacities linked to the debottlenecking of existing production plants and the launches of new products.

Developments in Research & Development and Capital expenditures should lead Adisseo to develop its Specialty products and to launch new products.

Adisseo plans for capital expenditure in the upcoming years mainly consist of:

- Further methionine capacities to support sales growth;
- R&D expenditures on innovation of products as well as optimization of manufacturing process;
- Increasing rumen-protected methionine production capacities to leverage Adisseo’s technologies;
- Additional enhancement of the Health, Safety and Environment policies.

The Business Plan may not be considered as a guarantee of profitability as committed to the investors.

4. Possible risks in the future

(1) Risks related to the cyclical fluctuation of the global macro economy

As an international company, Adisseo provides products and services to around 2,600 customers in over 130 countries and regions. Its performance, financial position and future will be affected by the global macro economy. Although the global economy has demonstrated signs of slow recovery, there exists significant disparity among the recovery process for each economic actor. The debt crisis, trade imbalances, exchange rate fluctuation and other issues also increase the uncertainty of such recovery. The fluctuation of the global economy will increase fluctuation in Adisseo business.

(2) Risks related to imbalance of supply and demand

The methionine market is affected by global methionine production capacities, the imbalance between supply and demand, the availability and pricing of raw materials and various factors such as the global macro economy.

(3) Risks related to market competition

Adisseo faces competition from large and well-known companies with strong financial positions as well as competition from smaller companies in regional or local markets as well as new comers. Adisseo has taken steps to improve its competitiveness, including tightening cost control, improving production technologies, providing value-added services, introducing brand-new products and increasing capacities in the Nanjing and European plants.

(4) Risks related to cross-border operations

As a global producer of nutritional feed additives, Adisseo is implementing and is operating businesses all over the world. Cross-border operations are exposed to the risks related to changes in the market, economy, geopolitics, demographics, public consensus, exchange rates, trade barriers, exchange control, regulatory, tax regimes, restrictions on foreign investment in some regions. Although Adisseo has extensive experience in operating a global business, changes in policies and laws and regulations of the countries in which its assets and business are located may affect the operation of its business in such countries. Investors should be aware of the risks associated with Adisseo’s cross-border operations worldwide considering that Adisseo is also developing its network of subsidiaries and participations all over the world.

(5) Risks related to environmental protection policies

Although Adisseo continuously invests on sustainable development, as a feed additives producer, Adisseo is subject to strict regulation and monitoring by governmental authorities with respect to discharge of sewage water, exhaust gas and solid wastes. As the public becomes more environmentally aware, if countries in which Adisseo operates amend the current environmental laws and regulations or alter the current pollutant discharge standards, the Company may need to incur additional costs and expenses to establish new environmental protection facilities.

(6) Risks related to hazardous chemicals

Adisseo’s complex production process involves many hazardous chemicals that require special production, transportation and storage facilities. In addition, production process and research and development processes generate waste gas, liquid and solid waste. Even though Adisseo is committed to Health, Safety and Environment system, and has adopted prudent safety measures and exercises grave precautions in accordance with relevant laws, regulations and administrative measures, there is risk that leaked hazardous chemicals, emission of waste gas, liquid and solid waste may exceed the relevant standards. Adisseo will assume serious civil or criminal liabilities and may be liable to pay financial compensation, which may materially and adversely affect its business, financial position and results from operations.

(7) Risks related to raw materials and energy

Raw materials used by Adisseo mainly include propylene, sulphur, methanol, ammonia and natural gas. Adisseo has a limited number of suppliers for such materials due to the fact that such raw materials are not easily transportable. If the suppliers fail to supply such raw materials, if the prices of such raw materials fluctuate significantly, or if Adisseo fails to acquire sufficient raw materials at a reasonable price, the Company’s business, financial position, and results from operations may be materially and adversely affected.

(8) Risks related to product research and development, technology upgrade and alternative methionine production technologies

In order to maintain their respective competitiveness, Adisseo, as well as its competitors, continue to invest in innovation, launch innovative products to meet the customers' needs and develop new production technologies that are more efficient and competitive. R&D projects and collaborations aiming to improve production process and technologies may be terminated as a result of factors such as changes in market conditions, changes in technology, and changes in government policies. If Adisseo fails to continuously launch new products or improve its production process, or if Adisseo's competitors successfully launch competitive products or improve their production process better and faster than Adisseo, its market position will be eroded, which may materially and adversely affect the business, financial positions and results of Adisseo. For instance, application of alternative methionine production technologies (such as the fermentation approach) or other technologies in the enzymes or vitamins businesses may adversely affect the production and operations of Adisseo.

(9) Risks related to Human Resources

Talents with industry expertise are a key competitive advantage of Adisseo and essential to Adisseo's market position and business operations. If Adisseo fails to retain or attract excellent talents with industry expertise in the future, it may face talent drain and experience a bottleneck in its future business development. Therefore, Adisseo constantly develops and improves its employee incentive, staff retention schemes, training and recruitment programs to effectively control such risks.

(10)Risks related to the diseases outbreak in poultry or livestock

There have been outbreaks of bird flu, foot-and-mouth disease, mad cow disease and swine flu in recent years. Such outbreaks of diseases that adversely affect poultry or livestock may adversely affect the poultry and livestock populations, consumers' perceptions about certain protein products and demand for the products used as nutritional ingredients for animal feed. Frequent outbreaks of poultry or livestock diseases around the world may materially and adversely affect the business, financial position and results of operations of the Company.

(11)Risks related to improper lay-out of production plan

Adisseo's performance may be restrained by its production capacity. Adisseo has made progressive investments over the last years to increase its production capacities and proactively manage its inventories. However, customers' orders may not be fulfilled in a timely manner as a result of inappropriate production planning, malfunction of the production facilities, repairs of the production facilities or failure to convert the new production capacity into actual production. Failure to meet customers' needs may damage Adisseo's reputation and image as well as its relationship with its main customers, which may result in customers choosing its competitors' products. This may adversely affect future sales of the Company.

Furthermore, if Adisseo over-estimates the future demand of its products and increases its production capacity based on such estimates but if such future demand fails to materialize, Adisseo's business, financial condition and results of operations could be materially and adversely affected.

(12)Risks related to exchange rate

The reporting currency of the Company's consolidated financial statements is the Chinese Renminbi, or RMB. The majority of Adisseo's production, operation and sales are performed outside of China, and day-to-day transactions are mainly carried out in EUR and USD. Exchange rate risks mainly include risks associated with translating foreign currencies for the purpose of conducting day-to-day transactions and risks associated with translating foreign currencies into RMB when preparing Adisseo's financial statements. Fluctuation of exchange rates may expose its operations to exchange rate risk and may adversely affect the financial position of the Company.

BANG (subsidiary held at 85% by the Company, functional currency in EUR) issued, on March 27, 2014, 400,000,000 preferred shares with nominal value of 1 US Dollar per share. Their value at this date, translated with the EUR/USD rate of 1.37 is EUR 292,248,118, categorized as an equity instrument of BANG. The preferred shares are measured at this historical rate of the 27th of March 2014. It has been agreed with these shareholders that BANG can decide to redeem these preferred shares at nominal value (i.e. USD 400 million), which exposes BANG to a foreign currency exchange risk EUR/USD. As of December 31, 2017 with a EUR/USD rate of 1.19, this exposure represents a potential net equity loss of EUR 42,928,687 (RMB 334,942,495 with a EUR/CNY rate of 7.8023). In BAC consolidated financial statements in RMB, the historical value of these preferred shares amounts to RMB 2,416,862,000. As of December 31, 2017 with a EUR/CNY rate of 7.80, the potential net equity loss of RMB 334,942,495 in EUR/USD will be partly offset by a potential gain of RMB 136,654,504 due to appreciation of CNY. As of December 31, 2017, the net exposure on shareholders' equity amounts to a potential loss of RMB 198,287,991.

(13)Risks related to customer credit

Adisseo is exposed to the credit risk of its customers. While Adisseo seeks to manage such exposure through a number of measures such as establishing customer accounts, setting credit limits for customers, obtaining deposits and security, and profiling the customers' credit risk, there is no assurance that such risk will be entirely eliminated.

(14)Risks related to the potential changes in tax and custom duties

As an international company, Adisseo may be investigated by the tax authorities in the relevant countries with respect to its tax matters from time to time. Tax audits or investigations may result in Adisseo losing its tax benefits, exemptions, other tax incentives or favorable tax arrangements or schemes with the tax authorities, which may subject Adisseo to a higher effective tax rate. Although Adisseo had no material tax-related issues so far, there is no assurance that the provisions made by Adisseo will be sufficient; or that Adisseo will not be subject to a higher tax rate.

(15)Risks related to break-down of information system

Adisseo's operations, including research & development, production, finance, inventory, delivery and product tracking are highly dependent on its information technology systems. Any failure of the information systems to perform as anticipated, including break-down, any malicious attacks on its information technology systems, virus attacks or malfunction of the information technology system may seriously damage Adisseo's logistics, sales and customer service systems. Given that Adisseo has adopted a centralized logistics system which integrates the functions of handling purchase orders, storage, logistics management, invoicing, deliveries and payment collection, any disruption to this centralized logistics system would cause Adisseo difficulties in performing these functions. From 2008, Adisseo has installed programs and technologies and made disaster recovery plans to mitigate the risk arising from potential unauthorized access and dissemination or loss of data. However, any such failure or disruption of its information technology systems may have a material adverse effect on Adisseo's business, financial position and results of operations.

(16)Product liability claims and litigation

During the normal course of its business, Adisseo may be subject to actual or threatened legal proceedings, arbitration or administrative penalties arising from disputes with respect to product liability, patents and other intellectual property rights or any other claim or action brought during the course of its business. Such disputes, legal proceedings or arbitration may adversely affect Adisseo's operations and reputation. If any of the judgments or arbitral awards or decisions of the authorities is made against Adisseo, Adisseo may need to recall its products, change the formula of its products or stop selling its products.

(17)Risks related to insurance policy coverage

Per industry standards, Adisseo currently has insurance coverage for operations, product quality, inventory, transportation, environment, finance, senior management, employees, industrial accidents, IT system, etc., but Adisseo may be subject to liabilities for which it may not have adequate or any insurance, or that cannot be insured at all, thereby resulting in claims not being honored to the full extent of the losses or damages suffered.

(18)Risks related to intellectual property

Adisseo benefits from protection of its intellectual property rights afforded by the laws and regulations of the countries in which it operates. However, there is no assurance that the measures Adisseo has taken will be sufficient to protect its intellectual property rights when such rights are challenged, infringed or abused by a third party. Furthermore, Adisseo operates in many countries, some of which may provide less protection for intellectual property rights against infringement than others. As a result, Adisseo may be disadvantaged in certain markets. In addition, Adisseo may be subject to claims brought by a third party in connection with its infringement of such third party's intellectual property rights.

(19)Risks related to labor disputes

Adisseo operates in many countries around the world. Its centers of operations and production bases are mainly located in France, Spain and China where labor laws are relatively stringent. When making decisions in relation to production, operation or financing, Adisseo must notify, and consult with the union representative or relevant committee or seek consent of the union representative or relevant committee. Strict labor laws and complex consultation process may limit the flexibility of Adisseo's decision-making process and its ability to react to the changes in market conditions. Employees of Adisseo may disagree with Adisseo on certain matters which may result in disputes and litigation between the employees and the employer, strikes and boycott by employees. This may materially and adversely affect the businesses, financial position and results from operations of Adisseo.

In addition, Adisseo's suppliers may also be subject to strikes or claims brought about by their own employees, which may in turn affect the ordinary operations of Adisseo.

(20)Risk related to cross-border oversight

Of Adisseo's 30 subsidiaries, 26 are located outside China, over 80% of its sales and a significant part of its production are outside China. Adisseo fails to properly sustain those oversight and internal control policies to ensure the Group's normal operations, the Company's business, financial position, and results from operations may be materially and adversely affected.

(21)Risks related to material lawsuits, arbitration and administrative penalties

In its day-to-day operations, Adisseo may be involved in material lawsuits, arbitration, administrative penalties or other disputes due to products, labor, taxes and other related matters, which may damage Adisseo's operations and reputation. Adisseo is improving its processes in accordance with the requirement of a listed company's corporate governance and process with the professional assistance of external advisors.

IV. Explanation of those non-disclosure parts due to national security or commercial confidentiality reasons

√ Applicable ☐ Not applicable

For confidentiality purpose, Adisseo does not disclose information related to produced volumes by products during the reporting period, neither costs paid for raw materials. The amount of production volumes disclosed relates to production capacity and the cost of raw materials disclosed relates to market prices. Financial information by product is based on segment information (Performance products, Specialty products and Other products).

Section 5 Significant Matters

I. Profit distribution or capitalization of reserves

1. Formulation, performance or adjustment of cash profit distribution policy

(1) Policy for profit distribution

Adisseo has set up a profit distribution policy. The articles of association of the Company have clearly regulated the basic principal, the specified policy as well as the deliberation procedure related with the profit distribution plan. The Company gives priority to cash dividends as a profit distribution method and the Company will distribute the profit in cash no less than 30% of the distributable profit in the consolidated statements annually except under specific conditions as specified in the AoA.

The Company continues to implement sustainable, stable and proactive profit distribution policies and will, with respect to the Company's business, policy guidance and market consensus, continue to enhance the efficiency of its operations, enhance the transparency of implementing such distribution policies and safeguard the interests of all shareholders of the Company.

The formulation and revision of the Company's profit distribution policies is strictly in compliance with the rules and procedures of the company. The standard and proportion of dividends distribution is clear and definitive and its deliberation process as well as its mechanism has also well established.

(2) Policy for profit distribution in the reporting period

√ Applicable ☐ Not applicable

The Board of the Company as of March 19, 2017 has proposed a final dividend distribution for year 2016 amounting to RMB 611,473,490.24, which represent 35% of the distributable profit. It has been approved by the General Shareholders' Meeting on May 19, 2017. On June 8th, 2017, the Company made announcement of the dividend implementation. The Company has completed the final dividend distribution on June 14, 2017.

2. The Company's plan or preliminary plan for dividend distribution, plan or preliminary plan for capitalization of reserve in the latest three years (including the reporting period)

Unit: Yuan Currency: RMB

Year for dividend distribution	Bonus issue every 10 shares	Cash dividend every 10 shares(tax included)	Shares convert every 10 shares	Amount of cash dividends (tax included)	Net profit for the year attribute to common shareholders	% compared to net profit attributed to shareholders (%)
2017	0	1.73	0	463,968,920.23	1,323,315,773	35%
2016	0	3.93	0	1,053,987,200.29	1,865,346,347	56.5%
2015	0	0	0	0	1,528,651,062	0

Note: The above 2016 cash dividend includes 2016 interim dividend of RMB 442,513,710.05 and 2016 final dividend of RMB 611,473,490.24.

Preliminary Plan for 2017 dividend: As audited by KPMG Huazhen LLP, the net profit attributable to the shareholders of the Company at the consolidated level for the year ended December 31, 2017 amounted to RMB 1,323,315,773 and the accumulated profits available for distribution at parent company level as at

December 31, 2017 amounted to RMB 871,027,986. Therefore, in order to share the Company's operation achievements with all shareholders, as well as enabling the Company for further development in consideration of the Company's actual operation situations, the Company proposes that: based on the Company's total share capital of 2,681,901,273 shares dated December 31, 2017, the Company will distribute to all shareholders, cash dividend of RMB 1.73 yuan per 10 shares (inclusive of tax). The total amount of the cash dividends to be distributed is RMB 463,968,920.23 yuan. The above proposal is still subject to the approval of 2017 Annual General Shareholders' Meeting.

3. Cases including the repurchase of shares for the cash distribution

☐ Applicable √ Not applicable

4. When the Company generates profits in the reporting period and has positive undistributed profits, although no profit distribution is planned, the Company shall disclose the reasons and the purpose and plans for use of the undistributed profits in detail.

☐ Applicable √ Not applicable

II. Fulfilment of Commitments

1. During the reporting period or subsequent to the reporting period, commitment items of the actual controller, the shareholders, the related parties, the acquirer, and the listed company

√ Applicable Not applicable

Commitment Background	Commitment Type	Commitment Party	Commitment Content	Time and Duration	In the execution period or not	Strictly executed or not	Reason explanation if the commitment is not performed according to schedule	Action plan if the commitment is not performed according to schedule
Commitment related with material Asset restructuring	Profit forecast and Compensation	Bluestar	profit guarantee for the exchange-in asset and compensation for the gap	2015, 2016 and 2017	Y	Y		
Commitment related with material Asset restructuring	Stock restricted to sales	Bluestar	Newly issued shares	36 months for Bluestar	Y	Y		

2. If the Company makes profit forecasts and it is still in the profit forecast period, please state the reasons supporting the profit forecasts

√ Profit forecasts achieved ☐ Profit forecasts not achieved ☐ Not applicable

The net profit represented by exchange-in assets in 2017 amounts to RMB 1,614.47 million and the net profit including deduction of non-recurring gains and losses amounts to RMB 1,575.49 million which was in excess by RMB 763.35 million in comparison with the committed profit forecast amount for 2017, i.e. RMB 812.14 million (using average exchange rate of 7.6253 for converting EUR into RMB) as set forth in the Profit Forecasting Compensation Agreement. The actual net profit including deduction of non-recurring gains and losses of exchanged in assets represents 194% of the projected amount in profit forecasts for 2017. Hence, there is no need for Bluestar to make additional compensation.

III. During the reporting period, funds used for non-business purposes

☐ Applicable √ Not applicable

IV. Explanation by the Company on the CPA firm's "non-standard audit report"

☐ Applicable √ Not applicable

V. Analysis of the reasons and impacts of changes in accounting policies and accounting estimates or correction of significant accounting errors

1. Analysis of the reasons and impacts of changes in accounting policies or accounting estimates

☐ Applicable √ Not applicable

2. A analysis of the reasons and impacts of correction of significant accounting errors

☐ Applicable √ Not applicable

3. Description of communication with predecessor auditor

☐ Applicable √ Not applicable

4. Others

☐ Applicable √ Not applicable

VI. Appointment and resignation of Statutory Auditor

Unit: Ten Thousand Yuan Currency: RMB

	Current accounting firm
Name of domestic accounting firm	KPMG Huazhen LLP
Fees paid to domestic accounting firm	210
Audit period under review by the domestic accounting firm (in year)	3
Name of overseas accounting firm	KPMG outside mainland China
Fees paid to overseas accounting firm	414
Audit period under review by the overseas accounting firm	3

	Name	Fee
Accounting firm in charge of internal control audit	KPMG Huazhen LLP	88
	KPMG offices outside mainland China	121

Engagement and Dismissal of the accounting firm:
☐ Applicable √ Not applicable

Explanation if the accounting firm was changed during the audit period:
☐ Applicable √ Not applicable

VII. Description of listing suspension of the Company’s shares

1. Description of reason for listing suspension of the Company’s shares

☐ Applicable √ Not applicable

2. The responsive measures adopted by the Company

☐ Applicable √ Not applicable

VIII. Description and reason of delisting of the Company’s shares

☐ Applicable √ Not applicable

IX. Restructuring matters relating to bankruptcy

☐ Applicable √ Not applicable

X. Significant lawsuits and arbitrations

☐ There was major legal action or arbitration during the reporting period

√ There was no major legal action or arbitration during the reporting period

1. Lawsuits and arbitrations with no subsequent modifications, after announced publicly in the reporting period (interim announcements).

☐ Applicable √ Not applicable

Summary of the matter	Interim Announcement

2. Lawsuits and arbitrations with further subsequent modifications, or not announced publicly in the reporting period (interim announcements).

☐ Applicable √ Not applicable

Unit: RMB

During the reporting period									
The Prosecution	The defendant	The party undertake joint responsibility	Type of litigation (arbitration)	Basic information	The amount involved	Whether causes contingent liabilities and its amount	Progress of the litigation (arbitration)	Result and influence of the litigation (arbitration)	Execution of the judgment

3. Other statements

☐ Applicable √ Not applicable

XI. Judgments or fines rendered against the listed Company and its Directors, Supervisors, Senior executives, Controlling shareholders, Actual controller or Purchaser

☐ Applicable √ Not applicable

In the reporting period, no judgments or fines were rendered against the listed Company and its Directors, Supervisors, Senior executives, Controlling shareholders, or Actual Controller.

XII. Credit status of the company, its controlling shareholder and actual controller in the reporting period

In the reporting period, there were no such cases in which the Company, or its controlling shareholder or the actual controller, failed to perform the effective judgment of a court or failed to repay a significant amount of debts due.

XIII. Implementation of equity incentive plan, employee stock, ownership plan, or other staff incentive measures in the current reporting period

1. Incentive measures with no subsequent modifications, after announced publicly in the reporting period (interim announcements).

☐ Applicable √ Not applicable

2. Incentive measures with further subsequent modifications, or not announced publicly in the reporting period (interim announcements).

Descriptions of equity incentive measures
☐ Applicable √ Not applicable

Others:
☐ Applicable √ Not applicable

Employee stock
☐ Applicable √ Not applicable

Other incentive measures
√ Applicable ☐ Not applicable

In order to help attract and retain "highly qualified" executives with expertise and experience, the Company has set up a long-term incentive plan that can lead to global growth and to motivate executives to create long-term shareholder value and achieve interim milestones.

For details, please refer to related footnotes No. 20 in Section 11.

XIV. Significant related-party transactions

1. Related-party transactions in association with daily transactions

(1) Related- party transactions, with no subsequent modifications, announced publicly in the reporting period (interim announcements).

☐ Applicable √ Not applicable

(2) Related party transactions, with further subsequent modifications, announced publicly in the reporting period (interim announcements).

☐ Applicable √ Not applicable

(3) Undisclosed items in interim announcement

☐ Applicable √ Not applicable

2. Related-party transactions in association with the purchase and sale of assets

(1) Matters disclosed in interim announcement and with no progress or change upon subsequent implementation

☐ Applicable √ Not applicable

(2) Related- party transactions announced in interim announcements and with further subsequent changes.

☐ Applicable √ Not applicable

(3) Undisclosed items in interim announcements

☐ Applicable √ Not applicable

(4) Please disclose the actual result generated during the reporting period if it involves a performance guarantee

The net profit with deduction of non-recurring gains and losses realized by exchange-in assets in 2017 amounts to RMB 1,575,49 million which was in excess by of RMB 763.35 million in comparison with the projected profit forecast amount for 2017, i.e. RMB 812.14 million (using average exchange rate of 7.6253 for converting EUR into RMB) as set forth in the Profit Forecasting Compensation Agreement.

3. Related Party transactions in association with external investments

(1) Matters disclosed in interim announcement and with no progress or change upon subsequent implementation

☐ Applicable √ Not applicable

(2) Related- party transactions announced in interim announcements and with further subsequent changes.

☐ Applicable √ Not applicable

(3) Undisclosed items in interim announcements

☐ Applicable √ Not applicable

4. Related Party transactions in association with loans and debt

(1) Matters disclosed in interim announcement and with no progress or change upon subsequent implementation

☐ Applicable √ Not applicable

(2) Related- party transactions announced in interim announcements and with further subsequent changes.

☐ Applicable √ Not applicable

(3) Undisclosed items in interim announcements

☐ Applicable √ Not applicable

5. Other Related Party transactions

☐ Applicable √ Not applicable

XV. Major Contracts and Implementation

1. Custody, contracting, leasing

(1) Entrusted Assets

☐ Applicable √ Not applicable

(2) Subcontracted Assets

☐ Applicable √ Not applicable

(3) Leasing Assets

☐ Applicable √ Not applicable

2. Guarantees

☐ Applicable √ Not applicable

3. Cash management entrusted to third parties

(1) Entrusted Funds Investment

☐ Applicable √ Not applicable

(2) Entrusted Loans

☐ Applicable √ Not applicable

(3) Other Investments in funds and derivatives

☐ Applicable √ Not applicable

4. Other major contracts

√ Applicable ☐ Not applicable

On December 8, 2017, Adisseo signed a Share Purchase Agreement ("SPA") with Herge Holding B.V. to acquire 100% of the equity of Nutriad Holding B.V. ("Nutriad") for a consideration of USD 193 million approximately, payable upon Completion.

Nutriad is a multinational company headquartered in Dendermonde, Belgium, which operates 4 laboratories and 5 plants located in Belgium, Spain, the UK, China and the USA. This business generates sales of about US$100 million per year.

This transaction is part of the Adisseo Group's strategy to become one of the worldwide leaders of specialty additives in animal nutrition. This transaction has been finalized on February 9, 2018. After the completion, Adisseo owns 100% equity of Nutriad. A joint Adisseo/Nutriad project group has been set up and is already working on identifying and implementing the synergies.

XVI. Description of Other Important Matters

√ Applicable ☐ Not applicable

The information on changes in the Company's directors, supervisors or managers has been disclosed in Section 8 - "Directors, Supervisors, Senior Managements and Employees".

XVII. Active Implementation of Social Responsibilities

1. Description of anti-poverty work

√ Applicable ☐ Not applicable

In 2017, China Bluestar has actively fulfilled its social responsibilities as central stated-owned enterprise, and conscientiously implemented "Targeted Anti-poverty" projects, which included supporting education in poverty-stricken areas and carrying out projects by consultancy. The leaders of China Bluestar have visited the designated poverty-stricken county, Gulang County in Gansu province, to perform investigation and study. They tried to understand the status quo of poverty, to ensure the anti-poverty projects being carried out according to the plan, and to promote the implementation of the projects fit with the local resources. Adisseo will actively participate in those projects led by Bluestar, such as providing strong support to local education and proactively offering professional and technical support in study of project of breeding 10,000 coats, and slaughtering of cattle and sheep.

2. Fulfilment of social responsibility

√ Applicable ☐ Not applicable

During the reporting period, the Company continued to develop actively its program regarding its social responsibilities, to monitor related laws and rules, and to endeavor operating the business in a credit-worthy and sincere manner. The Company is aiming to achieve a win-win solution among society, shareholders, creditors, employees, and suppliers, etc., to balance its business development and social responsibility undertakings.

Within Adisseo, sustainable development is an ever-present direction to which each Adisseo employee makes a daily commitment. Our Sustainable Development report updated on an annual basis, sustainability reporting is based on Global Reporting Initiative (GRI) standards (information available on www.globalreporting.org) which allows us to measure and continually improve our performance. Please refer to the digital Sustainable Development Report www.sustainability.adisseo.com/en/ for details.

To guarantee a sustainable growth method that harmoniously balances human protection, economic development and the preservation of the environment, the Company is:

- **Keeping safety as the number one priority in all activities**. The Company has one constant goal: zero accident. Six golden rules, annual safety day and safety observation program have been adopted to improve safety performance. The Company ensures all actions and activities work towards improving the safety of our employees, our customers, our production units, our products, transport of products, as well as protection of the environment.
- **Investing in the future**. The Company has an active investment policy for its international industrial development and for innovation. Over the past several years, Adisseo has significantly invested to sustain the growth of its global industrial tool and to accelerate innovation regarding

products, services, and processes, to achieve customers, employees, and shareholders satisfaction, and more generally civil society expectations.

- **Implementing Corporate Social Responsibility**, which has resulted in a number of initiatives in the areas of governance, staff development, awareness modules, training, SD week, creation of multi-cultural teams, and development of the Company's corporate values. The Company listens to its employees and considers their satisfaction to be a key indicator in its success. Employee satisfaction is measured and action plans are implemented after having listened carefully to their expectations. The Company is now focusing on facilitating training, mobility, health and well-being at work. The Company is also engaged with the communities around it and lends its support to education and assistance for the most disadvantaged or in protection of biodiversity.

Based on our Responsible Care® Charter commitment, our CSR implementation program leans on the five following drivers:

- Engage and empower all employees in sustainable development initiatives and company strategy;
- Improve environmental footprint of our activities;
- Ensure wellbeing of our employees and neighborhood;
- Foster access to a safe and sustainable food for the planet;
- Understand and meet our stakeholders' expectations.

3. Description of environmental information

(1) Environmental issues of listed companies and their subsidiaries declared as major pollutant discharge units by the competent environmental protection authorities

√ Applicable ☐ Not applicable

Bluestar Adisseo Nanjing Co., Ltd (hereafter as BANC) has implemented strict environment protection policies since its establishment with our priority of reducing our impact on the environment at the first place. From the first date of the operation, the emissions have always complied with the requirement of environment protection regulations. BANC has been continuously making investment in the area of environment protection and is endeavored to contribute to the sustainability development. To avoid nuisance around our industrial sites, a zero odor project has been launched to realize odor cartography of each plants, identify most problematic areas and define specific actions plans, share good practices.

(2) Listed Companies not declared as major pollutant discharge units

☐ Applicable √ Not applicable

4. Others

☐ Applicable √ Not applicable

XVIII. Convertible corporate bonds

☐ Applicable √ Not applicable

Section 6 Share Change and Shareholders

I. Change in share capital in the reporting period

1. Changes in ordinary shares

(1) Table of change in ordinary shares

In the reporting period, there was no change in total amount and structure of share capital.

(2) The impact on financial ratios, such as the net earnings per share (EPS) and net assets per share of the most recent period as well as the current year due to the change in ordinary shares (if there is any)

Applicable √ Not applicable

(3) Other things the Company thinks necessary to be disclosed to the market

No additional information needs to be disclosed to the market.

2. Changes in shares with trading restrictions

Unit: Share

Name of shareholder	Jan 1, 2017 Number of restricted shares held	Number of restricted shares lifted	Increase in number of restricted shares	Dec 31, 2017 Number of restricted shares held	Restriction reasons	Lifting of restrictions on sale date
China National Bluestar (Group) Co., Ltd.	2,107,341,862			2,107,341,862	Non-public offering	October, 29, 2018
Total	2,107,341,862			2,107,341,862	/	/

II. Securities Issuance and Listing

1. Securities issued as of the reporting period

Unit: Share Currency: RMB

Type of share or relevant derivative	Issuance Date	Issuance price (or interest rate）	Amount of issuance	Listing date	Amount of listed	Termination date of transaction
Common share						
IPO	01 April 2000	6.41	80,000,000	20 April 2000	80,000,000	n/a
Private placement to public	30 August 2007	39.06	42,082,738	30 August 2007	42,082,738	n/a
Private placement to China Bluestar	10 October 2015	4.08	2,107,341,862	30 October 2015	2,107,341,862	n/a
Private placement to public	30 October 2015	13.50	51,851,851	30 October 2015	51,851,851	n/a

Description of security issuance（for bonds with different interest rate, describe separately):

Applicable √ Not applicable

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

Applicable √ Not applicable

3. Existing employee shares

Applicable √ Not applicable

III. Shareholders and ultimate controlling shareholder

1. Total number of shareholders

Total number of shareholders by the end of reporting period	22,359
Total number of shareholders at the end of the last month before the date when the annual report was published	20,596

2. Shares held by top ten shareholders at the end of the reporting period

Unit: Share

Shares held by top ten shareholders							
Name of shareholder (full name)	Change in the reporting period	Number of shares held by end of the period	Proportion of shares held (%)	Number of shares with trading restrictions	Status of pledged or frozen shares		Type of shareholder
					Share status	Number	
China National Bluestar (Group) Co., Ltd.	0	2,389,387,160	89.09%	2,107,341,862	Frozen	10,000,000	Stated owned legal entity
Truevalue AM-SPDB-Truevalue Xinhuoli No.1 multi-layer asset mgt plan	1,991,925	22,754,207	0.85%	0	Unknown	0	Unknown
China Securities Finance Corporation Limited	13,794,697	13,794,697	0.51%	0	Unknown	0	Unknown
Shaanxi International Trust-SITI No.39 Jubaopen Security Plan	10,635,789	10,635,789	0.40%	0	Unknown	0	Unknown
Wu Mengling	9,559,285	9,559,285	0.36%	0	Unknown	0	Unknown
Changshi Investment Company Ltd	0	6,563,822	0.24%	0	Pledged	6,560,000	Unknown
MacroLink Holdings Limited	6,068,074	6,068,074	0.23%	0	Unknown	0	Unknown

Shares held by top ten shareholders							
Name of shareholder (full name)	Change in the reporting period	Number of shares held by end of the period	Proportion of shares held (%)	Number of shares with trading restrictions	Status of pledged or frozen shares		Type of shareholder
					Share status	Number	
Jiangsu Juhe Chuangyi Emerging Industry Investment Fund LLP	2,210,000	6,000,000	0.22%	0	Unknown	0	Unknown
China Electronic Investment Holding Company	0	5,185,185	0.19%	0	Unknown	0	Unknown
Guangxi Railway Development Investment Fund	0	5,185,185	0.19%	0	Unknown	0	Unknown

(1) Shares held by top ten shareholders without trading restrictions

Unit: share

Name of shareholder	Number of shares without trading restrictions held	Type and number of shares	
		Type	Number
China National Bluestar (Group) Co., Ltd.	282,045,298	RMB ordinary shares	282,045,298
Truevalue AM-SPDB-Truevalue Xinhuoli No.1 multi-layer asset mgt plan	22,754,207	RMB ordinary shares	22,754,207
China Securities Finance Corporation Limited	13,794,697	RMB ordinary shares	13,794,697
Shaanxi International Trust-SITI No.39 Jubaopen Security Plan	10,635,789	RMB ordinary shares	10,635,789
Wu Mengling	9,559,285	RMB ordinary shares	9,559,285
Changshi Investment Company Ltd	6,563,822	RMB ordinary shares	6,563,822
MacroLink Holdings Limited	6,068,074	RMB ordinary shares	6,068,074
Jiangsu Juhe Chuangyi Emerging Industry Investment Fund LLP	6,000,000	RMB ordinary shares	6,000,000
China Electronic Investment Holding Company	5,185,185	RMB ordinary shares	5,185,185
Guangxi Railway Development Investment Fund	5,185,185	RMB ordinary shares	5,185,185
Statement on related relationship or acting in concert among the above shareholders	The State-owned corporation shareholders, China National Bluestar (Group) Co., Ltd. and Beijing Research and Design Institute of Rubber Industry (who owns 3,737,262 shares), are subsidiaries of China National Chemical Corporation. Except for the abovementioned shareholders, the Company does not know whether any related relationship exists among other shareholders, or whether the other shareholders have acted in concert as regulated by the Administrative Measures for Purchasing of Listed Companies.		
Description for the participation in margin trading business of the top 10 shareholders (If any)	Not applicable		

(2) Shares held by top ten shareholders with trading restrictions

Unit: Share

Ref	Name of shareholder with restricted shares	Number of shares with trading restrictions held	Tradable situation for shares with trading restrictions		Restriction Condition
			Tradable time	Additional shares for future trading	
1	China National Bluestar (Group) Co., Ltd.	2,107,341,862	2018/10/29	2,107,341,862	36 months

3. Strategic investor or normal legal entity getting into top 10 shareholders due to new share allocation

Applicable √ Not applicable

IV. Changes in Controlling Shareholder and Ultimate controlling shareholder

1. Controlling shareholder

(1) Corporation

Unit: Ten Thousand Yuan Currency: RMB

Name	China National Bluestar (Group) Co., Ltd.
The entity's person responsible or legal representative	Zhigang HAO
Date of creation	1989-04-03
Main businesses	To research and develop chemical new materials, chemical cleaning, anti-corrosion, and water treatment technologies and fine chemical products; research, manufacture and apply reverse osmosis membrane and its equipment; promote and transfer technologies, undertake domestic and overseas various cleaning businesses; deal with automation engineering design, application and service; engage in the import and export businesses of self-operated and acting various commodities and technologies (excluding the commodities and technologies that are restricted by China from the Company's operation or forbidden from import and export); contract foreign chemical engineering and domestic international bidding engineering, as well as export of equipment and materials needed for the above-mentioned foreign projects, consulting services, house leasing.
Shareholding interest in other domestic and overseas listed companies controlled and shared in the reporting period	In the reporting period, China Bluestar held, directly or indirectly: 377,249,406 shares of Shenyang Chemical Co., Ltd. (Stock Code 000698), accounting for 46.03%.
Others	

(2) Natural Person

Applicable √ Not applicable

(3) Explanation if there is no controlling shareholders

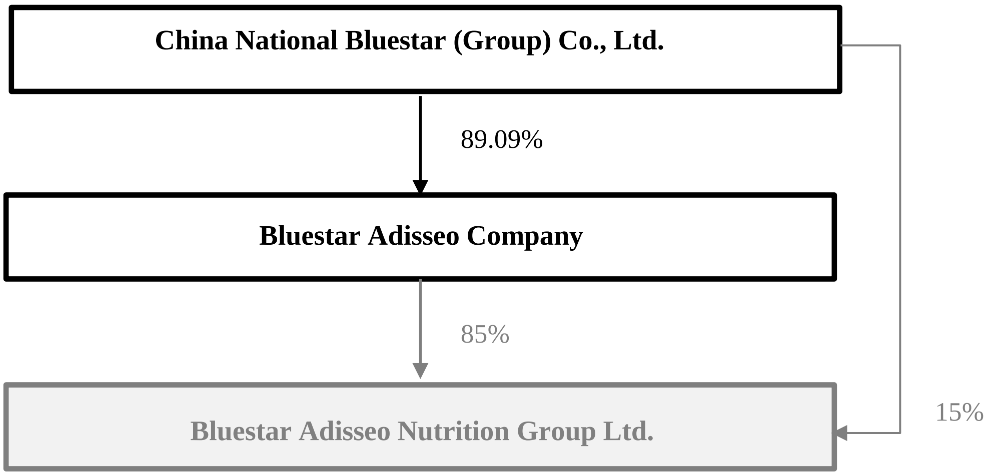
Applicable √ Not applicable

(4) Index reference related with change the controlling shareholders and the corresponding date

Applicable √ Not applicable

(5) Block diagram of the shareholding interest and control relationship between the Company and its controlling shareholders

√ Applicable　　Not applicable



2. Ultimate controlling shareholder

(1) Corporation

Unit: Ten Thousand Yuan　Currency: RMB

Name	China National Chemical Group Co., Ltd.
The entity's person responsible or legal representative	Jianxin REN
Date of foundation	May 9, 2004
Main businesses	Permitted operating items: Production of dangerous chemical products (valid until Dec. 26, 2013). General operating items: The production and sale of chemical raw materials, chemical products, chemical mines, chemical fertilizers, pesticides (Excluding dangerous chemical products), plastics, tire, rubber products, membrane equipment, chemical equipment; production and sale of mechanical products, electronic products, instruments and meters, building materials, textiles, light industry products, forest products, forestry chemical products; research, development, design and construction of chemical equipment, chemical cleaning, anti-corrosion, petrochemical, water treatment technologies; technical consulting, information service, equipment leasing (excluding dangerous chemicals).
Shareholding interest in other domestic and overseas listed companies controlled or shared by the Company in the reporting period	In the reporting period, ChemChina directly or indirectly held: 47.23% of Shenyang Chemical Co., Ltd (stock code 000698); 52.29% of Qingdao Tianhuayuan Chemical Engineering Co., Ltd (stock code 600579); 31.97% of Sichuan Tianyi Science & Technology Co., Ltd.; 82.44% of Hubei Sanonda Co., Ltd.; 12.75% of Guangxi Hechi Chemical Co., Ltd.; 46.25% of Hebei Cangzhou Dahua Co., Ltd.; and 42.58% of Aeolus Tyre Co., Ltd.; 63.11% of Pirelli & C.S.p.A..
Description about other situations	

(2) Natural Person

Applicable　√ Not applicable

(3) Explanation if there is no controlling shareholder

Applicable　√ Not applicable

(4) Index reference related with change in the controlling shareholders and the corresponding date

Applicable √ Not applicable

(5) Block diagram of the shareholding interest and control relationship between the Company and its ultimate controlling shareholder

(6) Ultimate controlling shareholder control the Company through entrust arrangement or asset management plan

☐ Applicable √ Not applicable

3. Other information regarding controlling shareholder and ultimate controlling shareholder

☐ Applicable √ Not applicable

V. Other shareholders in the form of corporations with shares ownership of more than 10%

☐ Applicable √ Not applicable

VI. Introduction of limit on share disposal

☐ Applicable √ Not applicable

Section 7 Information on Preferred Shares

The Company did not have any issue concerning preferred shares in the reporting period.

Section 8 Directors, Supervisors, Senior Management, and Employees

I. Compensation and changes in shares held

1. Compensation and changes in shares held by the directors, supervisors and senior management who are currently in office or who have resigned or been dismissed from their office in the reporting period

Name	Position	Gender	Age	Start date of term of office	Termination date of term of office	Shares held at beginning of the year	Shares held at end of the year	Changes in share ownership during the period	Reason for change	Total compensation for the reporting period (RMB‟0000) (before tax)	Has any part of compensation been paid by related parties of the Company
Gérard Deman	Chairman	Male	71	Oct. 22, 2015	Oct. 21, 2018						Y
Dazhuang Wang	Vice Chairman	Male	55	Oct. 22, 2015	Oct. 14, 2017						Y
Zhigang Hao	Vice Chairman	Male	39	Dec. 15, 2017	Oct. 21, 2018						Y
Jean- Marc Dublanc	Director, General Manager	Male	63	Oct. 22, 2015	Oct. 21, 2018					1,125	N
Michael Koenig	Director	Male	54	May 19, 2017	Oct. 21, 2018						Y
Lixin Song	Independent director	Female	50	Oct. 22, 2015	Oct. 21, 2018					20	N
Guomin Zhou	Independent director	Male	51	Oct. 22, 2015	Oct. 21, 2018					20	N
Jean Falgoux	Independent director	Male	66	Oct. 22, 2015	Oct. 21, 2018					20	N
Guihua Pei	Chairman of the Board of supervisors	Female	43	Oct. 22, 2015	Oct. 21, 2018						Y
Yifu Chen	Supervisor	Male	48	Oct. 22, 2015	Oct. 21, 2018						Y
Grace Zhang	Supervisor	Female	46	Oct. 22, 2015	Oct. 21, 2018					82	N
Dengjie Gu	Deputy General Manger	Male	53	Oct. 23, 2015	Oct. 21, 2018					373	N
Yun Cai	Chief financial Officer	Female	43	Oct. 23, 2015	Oct. 21, 2018					129	N
Peng Wang	Secretary to the Board of Directors	Male	34	Apr. 13 ,2016	Jan. 19, 2018					127	N
Qian Liang	Secretary to the Board of Directors	Female	30	Mar 20, 2018	Oct. 21, 2018						N
Total	/	/		/	/				/	1,896	/

Name	*Professional background and main work experience*
Gérard Deman	The Chairman of the management board at Adisseo France and member of the board of directors and strategic advisor for Bluestar Group since 2010. Gérard Deman has nearly 45 years of experience in the global chemical industry. In 1998 he joined the animal nutrition division of Rhone Poulenc as Director of Operations. Then in 2002, he took part alongside CVC at the leveraged buyout that gave birth to Adisseo. In 2006, he became president of Adisseo at its acquisition by Bluestar till 2010.
Dazhuang Wang	Mr. Dazhuang Wang was the Vice-Chairman of the Board of Directors of the Bluestar Adisseo Company from October 2015 till October 2017. He also serves as Deputy General Manager of China National Bluestar (Group) Co., Ltd. Mr. Wang has successively served as the President, General Manager and Secretary of the Party Committee of Shenyang Chemical Group Co.,Ltd,, as Deputy Head and Head of Shenyang Industrial Rubber Products Factory, Head and Secretary of the Party Committee of Shenyang Rubber Pipe Factory, Head and Secretary of the Party Committee of Shenyang No. 4 Rubber Factory, Director General of Economic Operation Department and Executive Deputy General Manager of Shenyang Chemical Group Co.,Ltd. is a Postgraduate. Mr. Wang, a senior engineer, is a member of the Chinese Communist Party and holds a graduate degree in engineering.
Zhigang Hao	Mr. Zhigang Hao was elected as Vice Chairman of Bluestar Adisseo Company on 15th Dec 2017 via the first interim general assembly of 2017. He was born in 1978. He obtained a Ph.D. in Chemical Engineering from the Institute of Process Engineering, Chinese Academy of Science. He used to work as Board Secretary, Director of Administration Office and Deputy Party Secretary at China National Bluestar (Group) Co., Ltd, and now works as Party Secretary, Chairman, China National Bluestar (Group) Co., Ltd.
Jean- Marc Dublanc	A graduate of the ESCP, Jean-Marc Dublanc began his career at Indosuez Bank and then joined the financial management of Rhone-Poulenc in 1981. He subsequently held senior operational and management positions in several subsidiaries in France and the USA. Before joining Adisseo, he was in charge of a subsidiary in the field of human nutrition. He joined Adisseo in 2006 as director of innovation, marketing and sales, since 2010 he was nominated as the CEO of Adisseo France and Bluestar Adisseo Nutrition Group Limited.
Michael Koenig	On the 2016 annual General Assembly held on 19th May 2017, Mr. Michael Koenig (CEO of China National Bluestar) was appointed as director of the Company. Mr. Koenig graduated from the Chemical Engineering Department of the TU Dortmund University in Germany, used to work in Bayer for years, and has accumulated rich experience in running large multinational corporations, with outstanding performance in corporate strategy formulation, structural adjustment, team building, business analysis, and production technology. Mr. Koenig’s career experience and expertise highly match Bluestar’s strategic direction. Mr. Koenig has spent nearly a decade in China.
Jean Falgoux	Mr. Jean Falgoux is an Independent Director of Bluestar Adisseo Company since October 2015. Mr. Falgoux has been a Director of Carbios SAS since June 2015. Mr. Falgoux is a former Corporate Executive Officer of Ajinomoto Co., Inc. and President of Ajinomoto Eurolysine SAS. Mr. Falgoux has more than 40 years of experience in international industrial operations, mainly focusing on industries such as animal nutrition additives, animal health protection, crop protection, food additives and pharmaceutical drugs. Mr. Falgoux is an agricultural engineer and graduated from *Institut National de la Recherche Agronomique* (INRA) in France. He also has a master’s degree in statistics as well as a master’s degree in business administration (MBA).
Lixin Song	Ms. Lixin Song is an Independent Director of Bluestar Adisseo Company since October 2015. She was an Independent Non-Executive Director at Bluestar Adisseo Nutrition Group Limited from November 8, 2010 and Alibaba Pictures Group Limited since December 22, 2014. Ms. Song has been working in the media industry for more than 21 years with extensive experience in the fields of culture, finance and economics. Ms. Lixin Song served as a Vice Secretary-General for the press and publication chapter of 10th Committee of All China Youth Federation. She worked at the China Talents magazine, a bi-monthly periodical, for various positions, including Journalist, Editor, General Editor Assistant and Executive Deputy General Editor From July 1989 to September 1997. She created the “China Annual Management Assembly” in 2001, which has been held for 13 times successively up until now. Ms. Song obtained her bachelor’s degree in law (major in News Media) from China Renmin University in 1989 and her master’s degree in business administration (MBA) from Tsinghua University in 2006.

Name	Professional background and main work experience
Guomin Zhou	Mr. Guomin Zhou is an Independent Director of Bluestar Adisseo Company since October 2015. He is the Senior Director, General Manager and Chief Financial Officer of Hopu Investment Company and a member of the Investment and Management Committees as well as Chairman of the Risk and Compliance Committee. Previously, Mr. Zhou was Chief Financial Officer of China Investment Co., Ltd., and a Partner at KPMG. Mr. Zhou was also a Director of Blue Star New Chemical Materials Co., Ltd. Mr. Zhou’s other professional activities include being a member of the Advisory Committee, Department of Quantitative Finance at the Chinese University of Hong Kong. He was awarded the title of National Specially Engaged Expert under the “1,000-Elite Program” issued by the Organization Department of the Central Committee of the Chinese Communist Party (financial expert). Mr. Zhou graduated with a bachelor’s degree from the Chinese University of Hong Kong and also holds a master’s degree in business administration (MBA) from the State University of New York. He is a US certified public accountant (CPA) and certified management accountant (CMA).
Guihua Pei	Ms. Guihua Pei is the Chairman of the Board of Supervisors of Bluestar Adisseo Company since October 2015. She is also the Legal Director of China National Bluestar (Group) Co., Ltd. Previously, Ms. Guihua was the Chairman of the Board of Supervisors at Blue Star New Chemical Materials Co., Ltd. Ms. Guihua graduated with dual bachelor’s degrees: a bachelor’s degree in law from the China University of Political Science and a bachelor’s degree in the arts from the Communication University of China (previously Beijing Broadcasting Institute). She is a qualified Chinese attorney and her previous experience includes working as a grade-two judge and grade-one prosecutor. She has successively worked as a court clerk, assistant judge, judge of the Beijing Dongcheng District People’s Court, and prosecutor for the Beijing People’s Prosecutor’s Office. She is a member of the Chinese Communist Party.
Grace Zhang	Ms. Grace Zhang is a member of the Board of Supervisors of Bluestar Adisseo Company since October 2015. Ms. Grace Zhang currently serves as Methionine BU regional Manager of Adisseo Asia Pacific Region. She also worked as key account manager of Adisseo Life Science (Shanghai) Co., Ltd., with Shanghai Materials & Equipment Group as Import & Export Manager, Barnes Group (England) as Project Manager and Adisseo Life Science (Shanghai) Co., Ltd. as Marketing Analyst, Supply Chain Manager, Business Development Manager, and Key Account Manager. She is an ACCA Member. Ms. Zhang graduated with a bachelor’s degree in science from Shandong University and has a master’s in business administration (MBA) from the University of Bath.
Yifu Chen	Mr. Yifu Chen is a member of the Board of Supervisors of Bluestar Adisseo Company since October 2015. He is currently the Chief Information Officer of China National Bluestar (Group) Co., Ltd. Mr. Yifu has successively hold the position of Senior Consultant at Accenture China, Director of British Oxygen Ltd. For the ERP/CRM project in the Asia-Pacific region, Director of the Supply Chain Improvement Project in the Titanium Pigment Division of Dupont Co. Ltd. In the Asia-Pacific region, Director of Systems Planning & Information Construction Project at SINOPEC, Chief Architect at ChemChina. Mr. Yifu is a certified senior information management professional (PMP, or Project Management Professional).
Dengjie Gu	Mr. Dengjie Gu is the Deputy General Manager of Bluestar Adisseo Company since October 2015. Mr. Gu has been working with Adisseo Life Science (Shanghai) Co., Ltd. as General Manager since 2002. Mr. Gu has successively worked for China Huaneng Group as Engineer, Senior Engineer, Rhône-Poulenc (China) Co., Ltd as Project Manager, Bohai (Tianjin) Rhône-Poulenc Methionine Co., Ltd as Deputy General Manager and Aventis International Trade (Shanghai) Co., Ltd as Sales Manager China. Mr. Gu holds a bachelor’s degree from Zhejiang University and a master’s degree and doctorate from China University of Mining and Technology (Beijing). He also completed a mini-MBA training course at ESSEC Business School in France.
Yun Cai	Ms. Yun Cai is the Chief Financial Officer of Bluestar Adisseo Company since October 2015. She has been Group Project & Internal Audit Director since April 2015. Previously, Ms. Cai has successively worked for PricewaterhouseCoopers in their Shanghai office as an auditor and then as a senior auditor. Finally, she became Finance & HR manager, Deputy General Manager at Adisseo Life Science (Shanghai) Co., Ltd. (Previously: Aventis International Trading (Shanghai) Co., Ltd). She has a bachelor’s degree in international economics from Fudan University and is a CICPA member. She also completed a mini-MBA training course at ESSEC Business School in France.
Peng Wang	Mr..Peng Wang, graduated from University of International Business and Economics with dual bachelor degree in accounting and finance in 2006. Worked as Manager in Audit Department in KPMG Huazhen LLP from 2006 through 2014. Worked as Assistance to the Principal of Finance/Capital Department in China National Bluestar (Group) Co.,Ltd. from 2014 to April 2016 and became the Secretary of the Board of Directors of Bluestar Adisseo Company from April 2016 till January 2018.

Name	Professional background and main work experience
Qian Liang	Ms. Qinan Liang, graduated from Aston University with master degree in Finance and Investment and she is a full member of the Association of Chartered Certified Accountants (ACCA). Ms. Liang has successively worked as auditor at PwC Beijing Branch, then became IR manager of China Distance Education Holdings Limited. (NYSE: DL), and then IR director in board office in Universal Medical (HK,2666). Ms. Liang hold Board Secretary Certificate and Independent Board Director Qualification, and Ms. Liang is now studying advanced course of Finance at China Academy of Social Science. She was appointed as board secretary of Bluestar Adisseo Company in March 2018.

Other:

Applicable √ Not applicable

2. Equity incentives granted to directors and senior management during the reporting period

☐ Applicable √ Not applicable

II. Position assumed of Directors, Supervisors, and Senior Management

1. Position assumed in shareholding entities

√ Applicable ☐ Not applicable

Name	Name of the shareholding entity Position	Position	Starting date of office term	Expiry date of office term
Gérard Deman	China Bluestar	Director	September 2008	To date
Zhigang Hao	China Bluestar	Party Secretary, Chairman of the board	September 2017	To date
Michael Koenig	China Bluestar	Chief Executive Officer	January 2016	To date
Guihua Pei	China Bluestar	Director of Legal Affairs	December 2014	To date
Yifu Chen	China Bluestar	Chief Information Officer	February 2014	To date

2. Position assumed in other entities

√ Applicable ☐ Not applicable

Name	Name of the entity	Position	Starting date of office term	Expiry date of office term
Gérard Deman	GDEM conseil	Chairman	October 2011	To date
Dazhuang Wang	Shenyang Chemical ChemChina Petrochemical Co., Ltd.	Party Secretary, Chairman, CEO	July 2004 October 2017	To date
Zhigang Hao	Qenos Pty Ltd. Bluestar (Beijing) Technology Center Co., Ltd.	Chairman	September 2017	To date
Jean Falgoux	Carbios S.A	Chairman	April 2016	To date
Lixin Song	Talent Magazine	CEO	March 1999	To date
Guomin Zhou	Houpu Investment	CFO	October 2012	To date

III. Compensation for directors, supervisors and senior management

Procedures for deciding the compensation for directors, supervisors, and senior management	The compensation for directors and supervisors is determined by the General Shareholders' Meeting and for senior management is determined by the Board of Directors.
Basis of compensation for directors, supervisors, and senior management	The Company is responsible for applying the basic salary and performance bonus system for directors and senior management. Compensation is determined according to the results of the Company, in line with the principle and method of linking compensation with working performance. Compensation for independent directors is determined using an annual allowance.
Compensation payments for directors, supervisors, and senior management	Determined in line with the above-mentioned principles.
Total compensation of all directors, supervisors, and senior management in the reporting period	After performance review and according to the payment plan, 1,896 (10 thousand) yuan is paid in the reporting period.

Note: The Company subscribed to a Directors & Officers (D&O) liability insurance to protect the members of the Board of Directors, Supervisors and senior officers who perform obligations in connection with their positions. The Company plans to insure these directors, supervisors and senior officers. The net annual premium is around RMB 292,885 and the limits are RMB 127,341,200. The D&O proposal was approved by the Shareholders' General Meeting on May 19. On March 20, 2018, the Board has approved the renewal of the D&O policy, and this proposal will presented to the upcoming Shareholders' General Meeting for approval.

IV. Change in directors, supervisors and senior management of the Company

Name	Position	Status	Reason
Michael Koenig	Director	Ingoing	Appointed in May 2017
Zhigang Hao	Vice Chairman	Ingoing	Appointed in December 2017
Qian Liang	Board Secretary	Ingoing	Appointed in March 2018
Peng Wang	Board Secretary	Outgoing	Resigned in January 2018
Dazhuang Wang	Vice Chairman	Outgoing	Resigned in October 2017

V. The punishment or penalties made by CSRC or SSE in past 3 years

Applicable √ Not applicable

VI. Employees of the Company and its main subsidiaries

1. Employees

Number of on-job employees of the Company	3
Number of on-job employees of major subsidiaries	1,953
Total number of on-job employees	1,956
Number of retirees whose expenditures should be borne by the Company and major subsidiaries	-
Professional structure	
Classifications of Profession	Number of people
Production personnel	1,056
Sales personnel	215
Technical personnel	408
Finance and Administration personnel	234
Management personnel	43
Total	1,956
Degree of Education	
Education background	Number of people
Doctor	57
Master	335
Bachelor	617
Senior college	597
Other	350
Total	1,956

2. Compensation policy

√ Applicable Not applicable

The 2017 compensation policy for senior executives of the Company was approved at the 3rd meeting of Remuneration & Evaluation committee of sixth Board of Directors convened on December 15, 2017, as follows:

Goals: Help attract and retain "highly qualified" executives with expertise and experience that will lead to global growth. Provide compensation opportunities structured to motivate executives to create long-term shareholder value and achieve interim milestones. Deliver actual total compensation that reflects the Company's performance to goals and possibly relative to comparators, over time.

Guiding Principles

- **Pay Comparator Group**—The comparator group will be comprised taking into consideration, comparability of size (primarily based on revenue, as well as market capitalization and assets), industry, international geographic scope (including in terms of location of assets), and complexity of business.

- **Total Compensation Positioning to Pay Comparator Group**—In general, the Company will position ***target*** total compensation referring to the 25th percentile and 50th percentile. An individual executive's target total compensation may be outside of this range based on any of the position's responsibilities relative to the market standard; his/her experience in the position; sustained performance contributions, or potential for promotion. The range of award opportunities will be structured to provide superior actual compensation in return for superior performance and below-market actual compensation for low performance levels.

- **Compensation Mix**—The Company intends to target a mix of salary, annual bonus, and long-term incentive that places a significant portion of pay at risk.

- **Performance Comparator Group**—To reduce the impact of exogenous risk factors on corporate or business unit performance, the company may assess performance against comparators exposed to similar risk factors.
- **Performance Measures and Goal-Setting**— Long-term performance criteria will be aligned with sustainable shareholder value creation, and therefore could include total shareholder return, return on existing assets, profitable growth, and the quality of corporate earnings. Long-term performance goals will be aligned with shareholder expectations of company performance. Annual performance measure(s) will emphasize line of sight, and link to the value-drivers that can be materially impacted by individual executives in a one-year timeframe. Annual performance goals will be based on the Company's approved business plan. For all incentive plans, actual payouts should be superior to target when expectations are exceeded, and should be below target when actual performance falls short of objectives.
- **Emphasis Organizational Linkage**—The primary determinant of executive long-term incentive compensation will be performance at corporate level, while annual executive incentives will emphasize line of sight through the granularity of performance metrics and individual performance objectives. Overall individual performance will be recognized through base salary increases and annual incentive payouts.

3. Training program

√ Applicable Not applicable

According to the requirements of the Company's roadmap and to achieve work objectives better, the Company identifies every year the training needs of its employees and designs the annual training program. Through staff training, the Company strengthens the business knowledge and skills of its employees, improves the capability and quality of the employees and ability of the management, and promotes the effective operation of its management system.

4. Labor outsourcing

Applicable √ Not applicable

VII. Others

Applicable √ Not applicable

Section 9 Corporate Governance

I. Governance of the Company and insider registration management

√ Applicable Not applicable

In the reporting period, and in accordance with applicable Corporate Law, Securities Law, the governance principles of listed companies and other relevant laws and rules and related requirements of the CSRC and the SSE, the Company established its information disclosure requirements, constantly improved the corporate governance structure, protected the interests of the Company and its shareholders.

The operation and management of the Company meets the requirements of the relevant documents on standardization of governance for listed companies issued by the CSRC. The details are summarized as follows:

1. Shareholders and General Shareholders' Meetings

The Company manages to organize and convene an Annual General Meeting of shareholders and interim General Shareholders' Meetings according to the requirements of applicable Corporate Law, the Articles of Association, and the Rules of Procedure of General Shareholders' Meetings, performed the proposals, complied with the rules of procedure, and voting of General Shareholders' Meetings strictly according to related regulations and requirements.

The Company published its announcements, including all notices, proposals and meeting resolutions via China Securities Journal, Shanghai Securities News and on the official website of the Shanghai Stock Exchange (www.sse.com.cn), The Company made such announcements on time.

The resolutions approved by General Shareholders' Meetings met the regulations, laws and rules, and complied with the lawful rights and interests of all shareholders, especially small and medium-sized shareholders. The General Shareholders' Meetings was witnessed by the Company's lawyers and they issued a legal opinion about the validity thereto.

2. Directors and Board of Directors

All the Directors can, based on the rules of Procedure of the Meetings of the Board of Directors and other rules, attend the Board meetings earnestly and all independent directors may perform their duties in good faith and with diligence. The current term of the Board of Directors comprises 7 directors, 3 of who are independent directors. The Board of Directors set up four special committees, namely the Audit Committee, the Strategic Committee, the Nomination Committee, the Compensation and Evaluation Committee, three of which are headed by independent directors, except for the Strategic Committee, headed by the Board Chairman. Committee Chairmen made their own working rules, and gave fully performed heir specialty functions in the operational management of the Company. On the 27th of October, 2017, the Board approved an amendment of the number of Remuneration and Evaluation Committee member from 3 to 3-5.

3. Supervisors and the Board of Supervisors

The Board of Supervisors carried out strictly their duties in accordance with applicable regulations of Corporate Law and the Articles of Association, met the requirements of laws and rules in terms of number of members and composition, could implement their own responsibilities in earnest according to the Rules of Procedure of the Board of Supervisors, etc., and supervised the legality and compliance of the financial position of the Company as well as the performance of duties by directors and senior management. The Board of Supervisors currently comprises 3 members, one of whom is an employee representative.

4. Information disclosure and transparency

According to related regulations of the Securities Law, Listing Rules of the Shanghai Stock Exchange, Articles of Association, and Measures for Management of Information Disclosure, the Company implemented the information disclosure obligation in an authentic, accurate, complete and timely way. The Company disclosed related information through the website of the Shanghai Stock Exchange, Shanghai Securities News, China Securities Journal, etc., kept related confidential information secret before disclosure to the market, guaranteed publicity, fairness, equality of the information disclosure, and maintained the lawful rights and interests of the Company, investors, and especially small and medium-sized shareholders.

Meanwhile, the Company amended the Insiders Registration and Filing System in time. During the reporting period, the Company was not criticized, condemned, or punished by any regulatory institution for violation of rules regarding information disclosure.

If the corporate governance situations of the Company has big variance in compared with CSRC requirements, please state the reason as below:

Applicable √ Not applicable

II. Brief introduction to General Shareholders' Meetings of shareholders

Meetings	Convening Date	Index Reference for the Resolutions published on the website	Disclosure date of the resolution published
2016 Annual General Meeting	May 19, 2017	2017 Temp 010	May 20, 2017
2017 1st Interim Shareholders Meeting	December 15, 2017	2017 Temp 021	December 16, 2017

III. Fulfilment of duties by Directors

1. Attendance of directors at board meetings and general shareholders' meetings

Name of directors	Independent directors	Attendance at Board meetings						Attendance at general shareholders' meetings
		Required attendance at Board meetings in the term of office this year	Attendance in Person	Participation by other communications	Attendance by proxy	Absence	Consecutively Absent From two meetings	Attendance frequency at the general meeting of shareholders
Gérard Deman	N	6	3	3	0	0	N	2
Dazhuang Wang	N	3	2	1	0	0	N	0
Zhigang Hao	N	1	1	0	0	0	N	0
Jean-Marc Dublanc	N	6	3	3	0	0	N	2
Jean Falgoux	Y	6	0	6	0	0	N	2
Lixin Song	Y	6	2	4	0	0	N	2
Zhou Guomin	Y	6	3	3	0	0	N	0
Michael Koenig	N	4	3	1	0	0	N	1

Number of Board meetings held this year	6
Including: Number of meetings held on-site	0
Number of meetings held by other communications	2
Number of meetings held on-site combined with other communications	4

2. Objection raised by independent director to company-related matters

Applicable √ Not applicable

3. Others

Applicable √ Not applicable

IV. Important recommendations by the special committees under the Board of Directors in the performance of their duties during the reporting period

Applicable √ Not applicable

V. Risks identified by the Board of Supervisors

Applicable √ Not applicable

VI. Explanations of the Company on why the independence on business, personnel, asset, organization and finance areas from the controlling shareholders cannot be met and why the listed company cannot run its business on its own

Applicable √ Not applicable

If situation of having horizontal competition within controlling shareholders, please explain the measure to be taken, the progress as well as its action plan to be taken

Applicable √ Not applicable

VII. Establishment and implementation of the assessment mechanism and incentive mechanism for senior management in the reporting period

Please refer to Section 5 - XIII "Other incentive measures" and the description of the compensation policy in Section - 8 VI. "Employees of the Company and its main subsidiaries".

VIII. Whether to disclose self-assessment report on Internal control

√ Applicable Not applicable

Based on the materiality principle, the Company has established a well-rounded internal control policy for those scope-in business or companies and ensure an effective implementation of the policies. The Company has performed adequate self-assessment on the effectiveness of the design as well as the implementation of the whole internal control system and it is confirmed that the Company has reached its target on the internal control and there is no material deficiency identified during the assessment.

For the current reporting period, the Company will issue separately its self-assessment report on internal control based on C-SOX requirement.

Explanation if there is material deficiency noted during reporting period

Applicable √ Not applicable

IX. Information related to Audit Report on Internal Control

√ Applicable Not applicable

KPMG Huazhen LLP issued a clean audit opinion on the Internal Control Report.

Whether to disclose the audit report on Internal Control: Yes

X. Others

Applicable √ Not applicable

Section 10 Corporate bonds

Applicable √ Not applicable

Section 11 Financial Report

I. Audit report

√ Applicable Not applicable

II. Financial Statements

Consolidated Balance Sheet

December 31, 2017

Prepared by: Bluestar Adisseo Company

Unit: Yuan Currency: RMB

Items	Notes	Closing balance	Opening balance
Current assets:			
Cash at bank and on hand	VII.1	7,659,509,312	6,681,296,187
Financial assets at fair value through profit or loss			
Derivative financial assets	VII.2	19,287,286	11,471,676
Notes receivable			
Accounts receivable	VII.3	1,400,215,744	1,577,362,013
Advances to suppliers	VII.4	60,193,006	71,815,235
Interest receivable		9,693,743	1,040,703
Other receivables		43,080,271	25,869,193
Inventories	VII.5	1,600,497,917	1,457,763,280
Assets held for sale			
Other current assets	VII.6	371,771,619	468,296,784
Total current assets		**11,164,248,898**	**10,294,915,071**
Non-current assets:			
Available-for-sale financial assets	VII.7	16,866,929	14,334,527
Long-term receivables	VII.8	33,774,008	32,135,025
Long-term equity investments			
Investment properties			
Fixed assets	VII.9	6,348,953,422	6,190,920,898
Construction in progress	VII.10	887,324,323	453,360,413
Construction materials			
Fixed assets pending for disposal			
Intangible assets	VII.11	1,781,185,185	1,893,059,973
Development costs	VII.12	78,920,265	80,930,117
Goodwill	VII.13	872,298,201	814,139,263
Long-term prepaid expenses			2,367,403
Deferred tax assets	VII.14	137,042,994	164,911,390
Other non-current assets		8,468,000	2,747,272
Total non-current assets		**10,164,833,327**	**9,648,906,281**
Total assets		**21,329,082,225**	**19,943,821,352**
Current liabilities:			
Short-term borrowings	VII.15		469,236
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities	VII.16	9,495,399	68,508,557
Notes payable			
Accounts payable	VII.17	1,219,258,270	996,517,531
Advances from customers		4,551,000	20,811,000
Wages and benefits payable	VII.18	690,155,511	443,664,431
Taxes payable	VII.19	221,281,764	362,784,968

Items	Notes	Closing balance	Opening balance
Interest payable		8,559,892	5,543,874
Dividends payable	VII.20	154,485,540	104,121,900
Other payables	VII.21	383,467,988	300,674,023
Liabilities held for sale			
Current portion of non-current liabilities	VII.22	85,191,616	117,170,579
Other current liabilities	VII.23	23,477,500	18,639,860
Total current liabilities		**2,799,924,480**	**2,438,905,959**
Non-current liabilities:			
Long-term borrowings	VII.24	12,531,930	13,910,409
Long-term payables	VII.25	9,894,097	10,849,474
Long-term employee benefit payable	VII.26	407,467,115	647,814,349
Special payables			
Provisions	VII.27		29,196,374
Deferred income	VII.28	169,014,905	181,152,262
Deferred tax liabilities	VII.14	673,175,847	734,974,259
Other non-current liabilities			
Total non-current liabilities		**1,272,083,894**	**1,617,897,127**
Total liabilities		**4,072,008,374**	**4,056,803,086**
Shareholders' equity			
Paid-in capital	VII.29	2,681,901,273	2,681,901,273
Other equity instruments			
Capital reserve	VII.30	2,232,457,348	2,232,457,348
Other comprehensive income	VII.31	(484,132,396)	(860,732,283)
Special reserves			
Surplus reserve	VII.32	351,560,696	256,211,737
Undistributed profits	VII.33	8,382,492,815	7,766,000,584
Total equity attributable to equity holders of the company		**13,164,279,736**	**12,075,838,659**
Non-controlling interests		4,092,794,115	3,811,179,607
Total owner's equity		**17,257,073,851**	**15,887,018,266**
Total liabilities and owner's equity		**21,329,082,225**	**19,943,821,352**

Legal Representative: ___________ Person in Charge of the Accounting Body: ___________

Chief Accountant: ___________

Balance Sheet of the Company

December 31st, 2017

Prepared by: Bluestar Adisseo Company

Unit: Yuan Currency: RMB

Items	Notes	Closing balance	Opening balance
Current assets:			
Cash at bank and on hand	XVIII.1	2,241,610,694	2,188,578,354
Notes receivable			
Accounts receivable			
Advances to suppliers		89,591	89,991
Interest receivables		9,210,000	500,000
Dividends receivables	XVIII .2	875,418,060	590,024,100
Other receivables			
Inventories			
Assets held for sale			
Other current assets			
Total current assets		3,126,328,345	2,779,192,445
Non-current assets			
Available-for-sale financial assets			
Long-term equity investments	XVIII .3	7,492,295,416	7,492,295,416
Investment properties			
Fixed assets		98,632	135,550
Construction in progress			
Construction materials			
Fixed asset pending for disposal			
Intangible assets		32,424	54,040
Long-term prepaid expenses			
Deferred tax assets			
Other non-current assets		2,141,853	1,733,794
Total non-current assets		7,494,568,325	7,494,218,800
Total assets		10,620,896,670	10,273,411,245
Current liabilities:			
Short-term borrowings			
Notes payable			
Accounts payable			
Advances from customers			
Wages and benefits payable		84,000	100,000
Taxes payable		110,877	101,165
Interest payable			
Other payables		34,654,210	29,178,606
Liabilities held for sale			
Current portion of non-current liabilities			
Total current liabilities		34,849,087	29,379,771
Non-current liabilities:			
Long-term borrowings			
Long-term payables			
Long-term employee benefits payable			

Items	Notes	Closing balance	Opening balance
Special payables			
Provisions			
Deferred income			
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities			
Total liabilities		34,849,087	29,379,771
Shareholders' equity			
Paid-in capital		2,681,901,273	2,681,901,273
Other equity instruments			
Including: Preferred shares			
Capital reserve		6,681,557,628	6,681,557,628
Other comprehensive income			
Special reserves			
Surplus reserve		351,560,696	256,211,737
Undistributed profits		871,027,986	624,360,836
Total owner's equity		10,586,047,583	10,244,031,474
Total liabilities and owner's equity		10,620,896,670	10,273,411,245

Legal Representative: ___________ Person in Charge of the Accounting Body: ___________

Chief Accountant: ___________

Consolidated Income Statement

January- December 2017

Unit: Yuan Currency: RMB

Items	Notes	Amount incurred during the current period	Amount incurred during the last period
I. Total operating revenue		**10,397,823,108**	**10,688,263,140**
Including: Operating revenue	VII.34	10,397,823,108	10,688,263,140
II. Total operating costs		**8,108,044,950**	**7,464,726,561**
Including: Cost of sales	VII.34	6,350,759,160	5,618,473,986
Taxes and surcharge	VII.35	102,055,333	114,146,341
Selling and distribution expenses	VII.36	1,005,421,123	900,475,273
General and administrative expenses	VII.37	721,033,442	849,592,390
Financial expenses –net	VII.38	(57,062,707)	(32,392,590)
Asset impairment losses	VII.39	(14,161,401)	14,431,161
Add: Gains (losses) from changes in fair value	VII.40	51,989,295	(32,807,131)
Investment income (loss)			437,420
Including: Income from investments in associates and joint ventures			
Gain (loss) from disposal of assets			
Other income	VII.50	38,392,842	
III. Operating profit (loss)	VII.45	**2,380,160,295**	**3,191,166,868**
Add: Non-operating income	VII.41	9,451,214	13,800,568
Including: Gain from disposal of non-current assets			
Less: Non-operating expenses	VII.42	2,407,889	16,025,560
Including: Losses from disposal of non-current assets		*1,598,472*	*10,005,611*
IV. Total profit (Total loss)		**2,387,203,620**	**3,188,941,876**
Less: Income tax expenses	VII.43	711,117,226	872,760,711
V. Net profit (Net loss)		**1,676,086,394**	**2,316,181,165**
Net profit attributable to equity holders of the Company		1,323,315,773	1,865,346,347
Net profit attributable to non-controlling interests		352,770,621	450,834,818
Net profit (loss) from continuing operations		**1,676,086,394**	**2,316,181,165**
Net profit (loss) from discontinued operations		0	**0**
VI. Net other comprehensive income		**585,728,533**	**271,040,372**
Other comprehensive income (net of tax) attributable to the owners of the Company	VII.31	**376,599,887**	468,764,368
1. Other comprehensive income which will not be reclassified subsequently to profit or loss		**2,589,416**	**(7,999,675)**
1) Actuarial differences on defined benefits plans		2,589,416	(7,999,675)
2. Other comprehensive income which will be reclassified subsequently to profit or loss		**374,010,471**	**476,764,043**
1) Effective hedging portion of gains or losses arising from cash flow hedging instruments		7,823,177	(7,667,076)
2) Differences on translation arising on translation of foreign currency financial statements		366,187,294	484,431,119
Net other comprehensive income attributable to non-controlling interests after tax	VII.31	**209,128,646**	(197,723,996)
VII. Total comprehensive income		**2,261,814,927**	**2,587,221,537**
Total amount of comprehensive income attributable to equity holders of the Company		1,699,915,660	2,334,110,715
Total amount of comprehensive income attributable to non-controlling interests		561,899,267	253,110,822

Items	Notes	Amount incurred during the current period	Amount incurred during the last period
VIII. Earnings per share:			
(I) Basic earnings per share (Yuan/ share)	VII.44	0.49	0.70
(II) Diluted earnings per share (Yuan/ share)	VII.44	0.49	0.70

Legal Representative: ___________ Person in Charge of the Accounting Body: ___________

Chief Accountant: ___________

Income Statement of the Company

January- December 2017

Unit: Yuan Currency: RMB

Items	Notes	Amount incurred during the current period	Amount incurred during the last period
I. Operating revenues			
Less: Cost of sales			
Business taxes and surcharge			
Selling and distribution expenses			
General and Administrative expenses		17,843,158	11,116,078
Financial expenses - net		(99,460,217)	(38,960,451)
Asset impairment losses			
Add: Gains from changes in fair values (losses)			
Investment income (loss)	XVIII.4	871,872,540	1,743,202,525
Including: Income from investments in associates and joint ventures			
Gain (loss) from disposal of assets			
Other income			
II. Operating profit (loss)		953,489,599	1,771,046,898
Add: Non-operating income			
Including: Gains on disposal of non-current assets			
Less: Non-operating expenses			
Including: Losses from disposal of non-current assets			
III. Total profit (Total Loss)		953,489,599	1,771,046,898
Less: Income tax expenses			
IV. Net profit (Net Loss)		953,489,599	1,771,046,898
Net profit (loss) from continuing operations		953,489,599	1,771,046,898
Net profit (loss) from discontinued operations			0
V. Net amount of other comprehensive income			
1.Other comprehensive income which will not be reclassified subsequently to profit or loss			
1) Actuarial differences on net defined benefit plan			
2.Other comprehensive income which will be reclassified subsequently to profit or loss			
1) Effective hedging portion of gains or losses arising from cash flow hedging instruments			
2) Difference on translation arising on translation of foreign currency financial statements			
VI. Total comprehensive income		953,489,599	1,771,046,898
VII. Earnings per share:			
(I) Basic earnings per share			
(II) Diluted earnings per share			

Legal Representative: ___________ Person in Charge of the Accounting Body: ___________

Chief Accountant: ___________

Consolidated Cash Flow Statement

January- December 2017

Unit: Yuan Currency: RMB

Items	Notes	Amount incurred during the current period	Amount incurred during the last period
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		10,973,864,870	10,947,480,248
Refunds of taxes and surcharges			
Cash received relating to other operating activities	VII.46(1)	68,614,865	85,853,667
Subtotal of cash inflows from operating activities		**11,042,479,735**	**11,033,333,915**
Cash paid for goods and services		6,435,762,157	5,707,405,719
Cash paid to and on behalf of employees		1,279,325,498	1,142,903,537
Payments of taxes and surcharges		708,141,202	1,004,323,947
Cash paid relating to other operating activities	VII.46(2)	106,165,254	124,777,097
Subtotal of cash outflows for operating activities		**8,529,394,111**	**7,979,410,300**
Net cash flow generated from operating activities		**2,513,085,624**	**3,053,923,615**
II. Cash flows from investing activities:			
Cash received from disposals of investment			5,424,336
Cash received from investment income and interest income		71,784,558	
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		137,686	1,474,280
Net cash received from disposals of subsidiaries and other business units			
Cash received relating to other investing activities		2,221,506	
Subtotal cash inflows from investing activities		**74,143,750**	**6,898,616**
Cash paid to purchase fixed assets, intangible assets and other long-term assets		965,968,773	602,586,189
Cash paid to acquire investments		1,524,999	11,012,056
Net cash paid for acquisitions of subsidiaries	VII.47(2)	2,607,853	
Cash paid relating to other investing activities		4,590,554	3,068,749
Subtotal of cash outflows for investing activities		**974,692,179**	**616,666,994**
Net amount of cash flow from investing activities		**(900,548,429)**	**(609,768,378)**
III. Cash flow from financing activities:			
Cash received from capital contributions			
Including: cash received from capital contributions by non-controlling interests of subsidiaries			
Cash received from borrowings			
Cash received from issuance of debentures			
Cash received relating to other financing activities			
Subtotal of cash inflows from financing activities		**0**	**0**
Cash repayments of borrowings		13,073,351	11,700,913
Cash payments for interest expenses and distribution of dividends or profits		866,995,232	739,945,400
Including: dividends and profits paid to non-controlling shareholders of subsidiaries		238,756,211	329,135,369

Items	Notes	Amount incurred during the current period	Amount incurred during the last period
Cash paid relating to other financing activities			
Subtotal of cash outflows for financing activities		**880,068,583**	**751,646,313**
Net cash flow from financing activities		**(880,068,583)**	**(751,646,313)**
IV. Effect of Foreign exchange rate changes on Cash and Cash Equivalents		**245,744,513**	**47,665,959**
V. Net increase in cash and cash equivalents		**978,213,125**	**1,740,174,883**
Add: Opening balance of cash and cash equivalents		6,681,296,187	4,941,121,304
VI. Closing balance of cash and cash equivalents	**VII.47(4)**	**7,659,509,312**	**6,681,296,187**

Legal Representative: ___________ Person in Charge of the Accounting Body: ___________

Chief Accountant: ___________

Cash Flow Statement of the Company

January- December 2017

Unit: Yuan Currency: RMB

Items	Notes	Amount incurred during the current period	Amount incurred during the last period
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services			
Refunds of taxes and surcharges			
Cash received relating to other operating activities		65,167,942	37,381,796
Subtotal of cash inflows from operating activities		65,167,942	37,381,796
Cash paid for goods and services			
Cash paid to and on behalf of employees		4,190,040	627,688
Payments of taxes and surcharges		1,174,389	11,859,686
Cash paid relating to other operating activities		8,712,879	43,501,069
Subtotal cash outflows from operating activities		14,077,308	55,988,443
Net cash flow generated from operating activities		51,090,634	(18,606,647)
II. Cash flow from investing activities:			
Cash received from disposals of investments			
Cash received from investment income and interest income		614,763,374	1,158,743,800
Net cash received from disposals of fixed assets, intangible assets and other long-term assets			
Net cash received from disposals of subsidiaries and other business units			
Cash received relating to other investing activities			
Subtotal of cash inflows from investing activities		614,763,374	1,158,743,800
Cash paid to purchase fixed assets, intangible assets and other long-term assets			143,150
Cash paid to acquire investments			
Net cash paid for acquisitions of subsidiaries and other business units			
Net cash decrease due to disposal of subsidiaries			
Cash paid relating to other investing activities			
Subtotal of cash outflows from investing activities			143,150
Net amount of cash flow from investing activities		614,763,374	1,158,600,650
III. Cash flows from financing activities:			
Cash received from capital contributions			
Cash received from borrowings			
Cash received from issuance of shares			
Cash received from other financing activities			
Subtotal of cash inflows from financing activities			
Cash repayments of borrowings			
Cash payments for interest expenses and distribution of dividends or profits		611,473,490	442,513,710
Cash payments relating to other financing activities			
Subtotal of cash outflows from financing activities		611,473,490	442,513,710
Net cash flow from financing activities		(611,473,490)	(442,513,710)
IV. Effect of Foreign Exchange rate changes on cash and cash equivalents		(1,348,178)	
V. Net increment of cash and cash equivalents		53,032,340	697,480,293
Add: Opening balance of cash and cash equivalents		2,188,578,354	1,491,098,061

Items	Notes	Amount incurred during the current period	Amount incurred during the last period
VI. Closing balance of cash and cash equivalents		2,241,610,694	2,188,578,354

Legal Representative: ___________ Person in Charge of the Accounting Body: ___________

Chief Accountant: ___________

Consolidated Statement of Changes in Owners' Equity

January- December2017

Unit: Yuan Currency: RMB

Items	Current period								
	Equity attributable to shareholders of the company							Non-controlling interests	Total
	Paid-in capital	Other equity instruments	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits		
1.Ending balance of last year	**2,681,901,273**	**0**	**2,232,457,348**	**(860,732,283)**	**0**	**256,211,737**	**7,766,000,584**	**3,811,179,607**	**15,887,018,266**
Add: increase/(decrease) due to changes in accounting policies									
Increase/(decrease) due to corrections of errors in prior period									
Business combination under common control									
2.Opening balance of current year	**2,681,901,273**	**0**	**2,232,457,348**	**(860,732,283)**	**0**	**256,211,737**	**7,766,000,584**	**3,811,179,607**	**15,887,018,266**
3.Increase/(decrease) for current period(									
(1)Total comprehensive income				376,599,887			1,323,315,773	561,899,267	2,261,814,927
(2)Owner's contributions and withdrawals of capital									
(a)Common stock contributed by owners									
(b)Capital contributed by other equity instruments holders									
(c)Share-based payment recorded in owner's equity									
(d) Others									

Items	Current period								
	Equity attributable to shareholders of the company							Non-controlling interests	Total
	Paid-in capital	Other equity instruments	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits		
(3)Profits distribution						95,348,959	(706,822,449)	(281,076,626)	(892,550,116)
(a)Appropriation of surplus reserve						95,348,959	(95,348,959)		
(b)Distribution to owner/shareholder							(611,473,490)	(281,076,626)	(892,550,116)
(c)Others									
(4)Transfer within owner's equity									
(a)Capitalization of capital reserve									
(b)Capitalization of surplus reserve									
(c)Loss offset by surplus reserve									
(d)Others									
(5) Special reserve									
(a)Transfer to special reserve in the period									
(b) Amount used in the period									
(6) Other							(1,093)	791,867	790,774
4.Ending balance of current period	**2,681,901,273**	**0**	**2,232,457,348**	**(484,132,396)**	**0**	**351,560,696**	**8,382,492,815**	**4,092,794,115**	**17,257,073,851**

Legal Representative: ___________ Person in Charge of the Accounting Body: ___________

Chief Accountant: ___________

Items	Last period								
	Equity attributable to shareholders of the company							Non-controlling interests	Total
	Paid-in capital	Other equity instruments	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits		
1.Ending balance of last year	2,681,901,273	0	2,232,457,348	(1,329,496,651)	0	137,670,120	6,466,803,025	3,992,576,905	14,181,912,020
Add: increase/(decrease) due to changes in accounting policies									
Increase/(decrease) due to corrections of errors in prior period									
Business combination under common control									
2.Opening balance of current year	2,681,901,273	0	2,232,457,348	(1,329,496,651)	0	137,670,120	6,466,803,025	3,992,576,905	14,181,912,020
3.Increase/(decrease) for current period(									
(1)Total comprehensive income				468,764,368			1,865,346,347	253,110,822	2,587,221,537
(2)Owner's contributions and withdrawals of capital									
(a)Common stock contributed by owners									
(b)Capital contributed by other equity instruments holders									
(c)Share-based payment recorded in owner's equity									
(d) Others									
(3)Profits distribution						118,541,617	(561,055,327)	(433,750,319)	(876,264,029)

Items	Last period								
	Equity attributable to shareholders of the company							Non-controlling interests	Total
	Paid-in capital	Other equity instruments	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits		
(a)Appropriation of surplus reserve						118,541,617	(118,541,617)		
(b)Distribution to owner/shareholder							(442,513,710)	(433,750,319)	(876,264,029)
(c)Others									
(4)Transfer within owner's equity									
(a)Capitalization of capital reserve									
(b)Capitalization of surplus reserve									
(c)Loss offset by surplus reserve									
(d)Others									
(5) Special reserve									
(a)Transfer to special reserve in the period									
(b) Amount used in the period									
(6) Other							(5,093,461)	(757,801)	(5,851,262)
4.Ending balance of current period	**2,681,901,273**	**0**	**2,232,457,348**	**(860,732,283)**	**0**	**256,211,737**	**7,766,000,584**	**3,811,179,607**	**15,887,018,266**

Legal Representative: ___________ Person in Charge of the Accounting Body: ___________

Chief Accountant: ___________

Statement of Changes in Owners' Equity of the Company

January- December 2017

Unit: Yuan Currency: RMB

Items	Current period										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other Comprehensive income	Special reserves	Surplus reserve	Undistributed profit	Total owners' equity
		Preferred shares	Perpetual debt	Others							
I. Closing balance of last year	2,681,901,273				6,681,557,628				256,211,737	624,360,836	10,244,031,474
II. Opening balance of current year	2,681,901,273				6,681,557,628				256,211,737	624,360,836	10,244,031,474
III. Amount increased or decreased of current period (decrease filled out with "-")									95,348,959	246,667,150	342,016,109
(I) Total amount of comprehensive income										953,489,599	953,489,599
(II) Capital input and decreased by owners											
1. Common shares input by shareholders											
2. Capital input by other equity instrument holders											
3. Amount paid with shares and recorded in the owner's equity											
4. Others											
5. Disposal of subsidiaries and businesses											
(III) Profit distribution									95,348,959	(706,822,449)	(611,473,490)
1. Withdrawal of surplus reserve									95,348,959	(95,348,959)	0
2. Distribution to owners (or shareholders)										(611,473,490)	(611,473,490)
3. Others											

(IV) Internal carry-forward of owners' equity											
1. Capital reserve converted to increase capital (or capital stock)											
2. Surplus reserve converted to increase capital (or capital stock)											
3. Losses covered with surplus reserve											
4. Others											
(V) Special reserves											
1. Withdrawn in current period											
2. Used in current period											
IV. Closing balance of current period	2,681,901,273				6,681,557,628				351,560,696	871,027,986	10,586,047,583

Legal Representative: ___________ Person in Charge of the Accounting Body: ___________

Chief Accountant: ___________

Items	Last period										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profit	Total owners' equity
		Preferred shares	Perpetual debt	Others							
I. Opening balance of previous year	2,681,901,273				6,681,557,628				137,670,120	(585,630,735)	8,915,498,286
Add: Change of accounting policies											
Correction of previous errors											
Others											
II. Opening balance of last year	2,681,901,273				6,681,557,628				137,670,120	(585,630,735)	8,915,498,286
III. Amount increased or decreased of last period (decrease filled out with "-")									118,541,617	1,209,991,571	1,328,533,188
(I) Total amount of comprehensive income										1,771,046,898	1,771,046,898
(II) Capital input and decreased by owners											
1. Common shares input by shareholders											
2. Capital input by other equity instrument holders											

3. Amount paid with shares and recorded in the owner's equity											
4. Others											
(III) Profit distribution									118,541,617	(561,055,327)	(442,513,710)
1. Withdrawal of surplus reserve									118,541,617	(118,541,617)	
2. Distribution to owners (or shareholders)										(442,513,710)	(442,513,710)
3. Others											
(IV) Internal carry-forward of owners' equity											
1. Capital reserve converted to increase capital (or capital stock)											
2. Surplus reserve converted to increase capital (or capital stock)											
3. Losses covered with surplus reserve											
4. Others											
(V) Special reserves											
1. Withdrawn in last period											
2. Used in last period											

(VI) Others											
IV. Closing balance of last period	2,681,901,273				6,681,557,628				256,211,737	624,360,836	10,244,031,474

Legal Representative: ___________ Person in Charge of the Accounting Body: ___________

Chief Accountant: ___________

III. Basic Information on the Company

1. Basic information on the Company

Prior to the Major Assets Restructuring, Bluestar New Chemical Material Co., Ltd was incorporated on May 31, 1999. China National Bluestar (Group) Co, Ltd. (the "Bluestar Group") was the initiative founder, and Ministry of Chemical Beijing Rubber Industry Research Institute, Ministry of Chemical Lianyungang Design Research Institute, Ministry of Chemical Synthetic Material Research Institute and National Changfeng Machinery are the co-founders. The city of registration is Beijing, People's Republic of China. Bluestar Group is the parent company of BNCM, China National Chemical Corporation is the Company's ultimate controlling shareholder.

In 2015, the Company completed an exchange of assets. The asset replacement and purchase have been paid through cash payment and the issuance of new shares (issuance of 2,159,193,173 ordinary shares). After the transaction, the total share capital increased to RMB 2,681,901,273.

The Company's principal business was significantly changed to research, development, production and sale of feed additives for animal nutrition from chemical material business prior to Major Assets Restructuring. After the Major Assets Restructuring, the Company's name has been changed from Bluestar New Chemical Material Co., Ltd ("BNCM") to Bluestar Adisseo Company (the "Company").

After the completion of the restructuring, the Company and its subsidiaries (collectively the "Group")'s principal place of business included the plants in France, China and Spain, as well as distribution companies worldwide.

2. Scope of consolidated financial statements

See Note VIII for the change of consolidation scope and Note IX for rights and interests in other subjects.

IV. Basis for Preparation of Financial Statements

Basis of accounting and principle of measurement

The Group has adopted the Accounting Standards for Business Enterprises ("ASBE") issued by the Ministry of Finance ("MoF").

The financial statements have been prepared on the going concern basis.

1. Basis of accounting and principle of measurement

The Group determines the production and management features based on specific accounting policies and accounting estimates, mainly in receivables that are subject to provision for bad debts (Note V (10)), inventory valuation method (Note V (11)), amortization/depreciation for fixed/intangible assets (Note V (13) (16)), condition for capitalized development expenditure (Note V (16)), revenue recognition (Note V (24)), etc.

See Note V (32) for the key judgments in applying the significant accounting policies adopted by Group.

V. Important Accounting Policies and Accounting Estimates

1. Statement of compliance

The financial statements prepared by the Company meet the requirements of the Accounting Standards for Business Enterprises issued by MOF, truly and completely reflect the Company's consolidated financial standing, consolidated operating results, change of shareholders' equity, and cash flow, etc.

These financial statements also comply with the disclosure requirements of "Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No. 15: General Requirements for financial Reports" as revised by the China Securities Regulatory Commission ("CSRC") in 2014.

2. Fiscal period

The Company's fiscal year is from 1 January to 31 December in the Gregorian calendar. The fiscal period of this financial statements is from January 1, 2017 to December 31, 2017.

3. Business cycle

The Company takes the period from the acquisition of assets for processing to their realization in cash or cash equivalents as a normal operating cycle.

4. Functional currency

The Group's financial statements are presented in Renminbi. Functional currency is determined by the Company and its subsidiaries on the basis of the currency in which major income and costs are denominated and settled. Some of the Company's subsidiaries have functional currencies that are different from the Company's functional currency. Their financial statements have been translated based on the accounting policy set out in Note V (8).

5. Method for accounting treatment of business combination under and not under common control

(1) Business combination under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets acquired and liabilities assumed are measured based on their carrying amounts in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the net assets acquired and the consideration paid for the combination (or the total par value of shares issued) is adjusted against share premium in the capital reserve, with any excess adjusted against retained earnings. Any costs directly attributable to the combination are recognized in profit or loss when incurred. The combination date is the date on which one combining enterprise obtains control of other combining enterprises.

(2) Business combination not under common control

A business combination involving enterprises not under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties both before and after the business combination. Where (1) the aggregate of the acquisition-date fair value of assets transferred (including the acquirer's previously held equity interest in the acquiree), liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree, exceeds (2) the acquirer's interest in the acquisition-date fair value of the acquiree's identifiable net assets, the difference is recognized as goodwill (Note V (17)). If (1) is less than (2), the difference is recognized in profit or loss for the current period. The costs of issuing equity or debt securities as a part of the consideration for the acquisition are included in the carrying amounts of these equity or debt securities upon initial recognition. Other acquisition-related costs are expensed when incurred. Any difference between the fair value and the carrying amount of the assets transferred as consideration is recognized in profit or loss. The acquiree's identifiable asset, liabilities and contingent liabilities, if the recognition criteria are met, are recognized by the Group at their acquisition-date fair value. The acquisition date is the date on which the acquirer obtains control of the acquiree.

6. Method for preparation of consolidated financial statements

(1) General principles

The scope of consolidated financial statements is based on control and the consolidated financial statements comprise the Company and its subsidiaries. Control exists when the investor has all of following: power over the investee; exposure, or rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered. The financial position, financial performance and cash flows of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Non-controlling interests are presented separately in the consolidated balance sheet within owners' equity. Net profit or loss attributable to non-controlling owners is presented separately in the consolidated income statement below the net profit line item. Total comprehensive income attributable to non-controlling owners is presented separately in the consolidated income statement below the total comprehensive income line item.

When the amount of loss for the current period attributable to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess is still allocated against the non-controlling interests.

When the accounting period or accounting policies of a subsidiary are different from those of the Company, the Company makes necessary adjustments to the financial statements of the subsidiary based on the Company's own accounting period or accounting policies. Intra-group balances and transactions, and any unrealized profit or loss arising from intra-group transactions, are eliminated when preparing the consolidated financial statements. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains, unless they represent impairment losses that are recognized in the financial statements.

(2) Subsidiaries acquired through a business combination

Where a subsidiary was acquired during the reporting period, through a business combination involving enterprises under common control, the financial statements of the subsidiary are included in the consolidated financial statements as if the combination had occurred at the date that the ultimate controlling party first obtained control. The opening balances and the comparative figures of the consolidated financial statements are also restated. In the preparation of the consolidated financial statements, the subsidiary's assets and liabilities based on their carrying amounts in the financial statements of the ultimate controlling party are included in the consolidated balance sheet, and financial performance is included in the consolidated income statement respectively, from the date that the ultimate parent company of the Company obtains the control of the subsidiary to be consolidated.

Where a subsidiary was acquired during the reporting period, through a business combination involving enterprises not under common control, the identifiable assets and liabilities of the acquired subsidiaries are included in the scope of consolidation from the date that control commences, based on the fair value of those identifiable assets and liabilities at the acquisition date.

(3) Disposal of subsidiaries

When the Group loses control of a subsidiary, the Group derecognises assets, liabilities, non-controlling interests and other related items in shareholders' equity in relation to that subsidiary.

(4) Changes in non-controlling interests

Where the Company acquires a non-controlling interest from a subsidiary's non-controlling shareholders or disposes of a portion of an interest in a subsidiary without a change in control, the difference between the amount by which the non-controlling interests are adjusted and the amount of the consideration paid or received is adjusted to the capital reserve (share premium) in the consolidated balance sheet, with any excess adjusted to retained earnings.

7. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily withdraw on demand, and short-term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

8. Foreign currency businesses and conversion of foreign-currency statements

Monetary items denominated in foreign currencies are translated to Renminbi at the spot exchange rate at the balance sheet date. The resulting exchange differences are generally recognized in profit or loss, unless they arise from the re-translation of the principal and interest of specific borrowings for the acquisition, construction or production of qualifying assets (Note V (15)). Non-monetary items that are measured at historical cost in foreign currencies are translated to Renminbi using the exchange rate at the transaction date.

Assets and liabilities of foreign operation are translated to Renminbi reporting currency at the spot exchange rate at the balance sheet date. Equity items, excluding "Retained earnings", are translated to Renminbi at the spot exchange rates at the transaction dates. Income and expenses of foreign operation are translated to Renminbi at the spot exchange rates at the transaction dates. The resulting translation differences are recognized in other comprehensive income. The translation differences accumulated in owners' equity with respect to a foreign operation is transferred to profit or loss in the period when the foreign operation is disposed.

9. Financial instruments

Financial instruments include cash at bank and on hand, equity securities other than those classified as long-term equity investments, receivables, payables, loans and borrowings, debentures payable and paid-in capital.

(1) Recognition and measurement of financial assets and financial liabilities

A financial asset or financial liability is recognized in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument.

The Group classifies financial assets and liabilities into different categories at initial recognition based on the purpose of acquiring assets or assuming liabilities: financial assets and financial liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities.

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs. Subsequent to initial recognition, financial assets and liabilities are measured as follows:

- Financial assets and financial liabilities at fair value through profit or loss (including financial assets or financial liabilities held for trading)

  A financial asset or financial liability is classified as at fair value through profit or loss if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is a derivative, unless the derivative is a designated and effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an equity instrument that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

  Subsequent to initial recognition, financial assets and financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

- Receivables

  Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

  Subsequent to initial recognition, receivables are measured at amortized cost using the effective interest method.

- Available-for-sale financial assets

  Available-for-sale financial assets include non-derivative financial assets that are designated upon initial recognition as available for sale and other financial assets which do not fall into any of the above categories.

  Available-for-sale investments in equity instruments whose fair value cannot be measured reliably are measured at cost subsequent to initial recognition. Other available-for-sale financial assets are measured at fair value subsequent to initial recognition and changes therein are generally recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses from monetary financial assets which are recognized directly in profit or loss. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss. Dividend income is recognized in profit or loss when the investee approves the dividends. Interest is recognized in profit or loss using the effective interest method.

- Other financial liabilities

  Financial liabilities other than the financial liabilities at fair value through profit or loss are classified as other financial liabilities.

  Other financial liabilities include liabilities arising from financial guarantee contracts. Financial guarantees are contracts that require the Group (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the holder) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Where the Group issues a financial guarantee, subsequent to initial recognition, the guarantee is measured at the higher of the amount initially recognized less accumulated amortization and the amount of a provision determined in accordance with the principles for contingent liabilities (Note V (21)).

  Liabilities other than those arising from financial guarantee contracts are measured at amortized cost using the effective interest method.

(2) Presentation of financial assets and financial liabilities

Financial assets and financial liabilities are generally presented separately in the balance sheet and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied:
- the Group currently has a legally enforceable right to set off the recognized amounts; and
- the Group intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously.

(3) Derecognition of financial assets and financial liabilities

A financial asset is derecognized when one of the following conditions is met:
- the Group’s contractual rights to the cash flows from the financial asset expire;
- the Group transfers substantially all the risks and rewards of ownership of the financial asset to another party;
- the financial asset has been transferred, although the Group neither transfers not retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognized in profit or loss:
- the carrying amount of the financial asset transferred
- the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognized directly in equity.

The Group derecognizes a financial liability (or part of it) only when it’s contractual obligation (or part of it) is discharged or cancelled or expires.

(4) Impairment of financial assets

The carrying amounts of financial assets (other than those at fair value through profit or loss) are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, an impairment loss is recognized.

Objective evidence that a financial asset is impaired includes but is not limited to:
- significant financial difficulty of the issuer or obligor
- a breach of contract by the borrower, such as a default or delinquency in interest or principal payments
- it becoming probable that the borrower will enter bankruptcy or other financial reorganization

- the disappearance of an active market for that financial asset because of financial difficulties faced by the issuer
- significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of an investment in an equity instrument may not be recovered by the investor
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

For the calculation method of impairment of receivables, refer to Note V (10). The impairment of other financial assets is measured as follows:

- Available-for-sale financial assets

Available-for-sale financial assets are assessed for impairment on an individual basis and on a collective group basis. When an available-for-sale financial asset is impaired, the cumulative loss arising from a decline in fair value that has been recognized directly in shareholders' equity is reclassified to profit or loss even though the financial asset has not been derecognized.

If, after an impairment loss has been recognized on an available-for-sale debt instrument, the fair value of the debt instrument increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. An impairment loss recognized for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss. The impairment loss on an investment in an unquoted equity instrument whose fair value cannot be reliably measured is not reversed.

(5) Equity instrument

The consideration received from the issuance of equity instruments net of transaction costs is recognized in owners' equity. Consideration and transaction costs paid by the Company for repurchasing self-issued equity instruments are deducted from owners' equity.

10. Impairment of receivables

Receivables are assessed for impairment on an individual basis and on a collective group basis as follows.

Where impairment is assessed on an individual basis, an impairment loss in respect of a receivable is calculated as the excess of its carrying amount over the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate. Impairment losses are recognized in profit or loss.

The assessment is made collectively where receivables share similar credit risk characteristics (including those having not been individually assessed as impaired), based on their historical loss experiences, and adjusted by the observable factors reflecting current economic conditions.

If, after an impairment loss has been recognized on receivables, there is a recovery in the value of the financial asset which can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. A reversal of an impairment loss will not result in the asset's carrying amount exceeding what the amortized cost would have been had no impairment loss been recognized in prior years at the date the impairment is reversed.

(1) Receivables with amounts that are individually significant and assessed individually for impairment

Judgment basis or criteria for receivables that are individually significant	Receivables individually greater than RMB40,000,000 are significant.
Method of provisioning for bad and doubtful debts for receivables that are individually significant and assessed individually	An impairment loss in respect of a receivable is calculated as the excess of its carrying amount over the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate.

(2) Receivables that are collectively assessed for impairment based on credit risk characteristics

Receivables that have not been individually assessed as impaired in the assessments in (1) above, are included in the collective assessment of impairment for receivables sharing similar credit risk characteristics.

Method of provisioning for receivables with similar credit risk characteristics that are collectively assessed for impairment	
No specific risk.	Ageing analysis method

The provision ratios used under the ageing analysis method are as follows:
√ Applicable ☐ Not applicable

Receivables overdue by	Accounts Receivable Provision Rate	Other Receivables Provision Rate
Not Yet Due	0%	0%
Within 60 days	0%	0%
61 days to 90 days	50%	50%
91 days to 180 days	75%	75%
More than 180 days	100%	100%

Adisseo is managing credit risk by covering sales through Credit Insurance or Bank guarantee. When Adisseo has a third party Guarantee, the statistic doubtful provision is adjusted and reduced on a case by case basis.

(3) Receivables with amounts that are not individually significant but assessed individually for impairment

Reasons for assessing individually for impairment of receivables that are individually insignificant	There are objective evidence indicate the Group cannot recover the receivables under the original terms.
Method of provisioning for bad and doubtful debts	An impairment loss in respect of a receivable is calculated as the excess of its carrying amount over the present value of the estimated future cash flows discounted at the original effective interest rate.

11. Inventory

(1) Classification and cost

Inventories comprise raw materials, work in progress and finished goods and turnover materials and are measured at the lower of cost and net realizable value. Inventories having a similar nature are measured using the same cost formula.

Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditures incurred in bringing the inventories to their present location and condition. In addition to the purchasing cost of raw materials, work in progress and finished goods include direct labor costs and an appropriate allocation of production overheads.

(2) Cost of inventories delivered

Cost of inventories delivered is calculated using the first-in-first-out or weighted average methods.

(3) Basis for determining the net realizable value and provisioning methods for impairment losses of inventories

At the balance sheet date, inventories are carried at the lower of cost and net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes. The net realizable value of materials held for use in the production is measured based on the net realizable value of the finished goods in which they will be incorporated. The net realizable value of the inventory held to satisfy sales or service contracts is measured based on the contract price, to the extent of the quantities specified in sales contracts, and the excess portion of inventories is measured based on general selling prices.

Any excess of the cost over the net realizable value of each class of inventories is recognized as a provision for the impairment, and is recognized in profit or loss.

(4) Inventory system of the Group is a perpetual inventory system.

The Group maintains a perpetual inventory system.

(5) Method for amortization of low-value easily-consumed articles and packages

Turnover materials include low-value easily-consumed articles and packages, etc., and here, low-value easily-consumed articles and packages are amortized with one-off write-off method.

12. Long-term equity investments

(1) Investment cost of long-term equity investments

a. Long-term equity investments acquired through a business combination

The initial cost of a long-term equity investment acquired through a business combination involving enterprises under common control is the Company's share of the carrying amount of the subsidiary's equity in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the initial investment cost and the carrying amount of the consideration given is adjusted to the share premium in the capital reserve, with any excess adjusted against retained earnings.

For a long-term equity investment obtained through a business combination not involving enterprises under common control, the initial cost comprises the aggregate of the fair value of assets transferred, liabilities incurred or assumed, and equity securities issued by the Company, in exchange for control of the acquiree.

b. Long-term equity investments acquired other than through a business combination

A long-term equity investment acquired other than through a business combination is initially recognized at the amount of cash paid if the Group acquires the investment by cash, or at the fair value of the equity securities issued if an investment is acquired by issuing equity securities.

(2) Subsequent measurement of long-term equity investment

a. Investments in subsidiaries

In the Company's separate financial statements, long-term equity investments in subsidiaries are accounted for using the cost method for subsequent measurement unless the investment is classified as held for sale. Except for cash dividends or profit distributions declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments, the Company recognizes its share of the cash dividends or profit distributions declared by the investee as investment income in the current period.

The investments in subsidiaries are stated in the balance sheet at cost less accumulated impairment losses.

For the impairment of the investments in subsidiaries, refer to Note V (18).

In the Group's consolidated financial statements, investments in subsidiaries are accounted for in accordance with the policies described in Note V(6).

b. Investment in joint ventures and associates

A joint venture is an arrangement whereby the Group and other parties have joint control and rights to the net assets of the arrangement.

An associate is an enterprise over which the Group has significant influence

An investment in a joint venture or an associate is accounted for using the equity method for subsequent measurement, unless the investment is classified as held for sale.

Under the equity method:

- Where the initial cost of a long-term equity investment exceeds the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognized at cost. Where the initial investment cost is less than the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognized at the investor's share of the fair value of the investee's identifiable net assets, and the difference is recognized in profit or loss.
- After the acquisition of the investment, the Group recognizes its share of the investee's profit or loss and other comprehensive income as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly. Once the investee declares any cash dividends or profit distributions, the carrying amount of the investment is reduced by the amount attributable to the Group. Changes in the Group's share of the investee's owners' equity, other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution ("other changes in owners' equity"), is recognized directly in the Group's equity, and the carrying amount of the investment is adjusted accordingly.
- In calculating its share of the investee's net profits or losses, other comprehensive income and other changes in owners' equity, the Group recognizes investment income and other comprehensive income after making appropriate adjustments to align the accounting policies or accounting periods with those of the Group based on the fair value of the investee's identifiable net assets at the date of acquisition. Unrealized profits and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associates or joint ventures. Unrealized losses resulting from transactions between the Group and its associates or joint ventures are eliminated in the same way as unrealized gains but only to the extent that there is no impairment.
- The Group discontinues recognizing its share of further losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that in substance forms part of the Group's net

investment in the joint venture or associate is reduced to zero, except to the extent that the Group has an obligation to assume additional losses. If the joint venture or associate subsequently reports net profits, the Group resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

For the impairment of the investments in joint ventures and associates, refer to Note V (18).

(3) Criteria for determining the existence of joint control or significant influence over an investee

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (activities with significant impact on the returns of the arrangement) require the unanimous consent of the parties sharing control.

The following factors are usually considered when assessing whether the Group can exercise joint control over an investee:

- Whether no single participant party is in a position to control the investee’s related activities unilaterally.
- Whether strategic decisions relating to the investee’s related activities require the unanimous consent of all participant parties that sharing of control.

Significant influence is the power to participate in the financial and operating policy decisions of an investee but does not have control or joint control over those policies.

13. Fixed assets

(1) Recognition of fixed assets

Fixed assets represent the tangible assets held by the Group for use in production of goods or for administrative purposes with useful lives over one year.

The cost of a purchased fixed asset comprises the purchase price, related taxes and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labor, capitalized borrowing costs (Note V (15)), and any other costs directly attributable to bringing the asset to working condition for its intended use.

Where the parts of an item of fixed assets have different useful lives or provide benefits to the Group in a different pattern, thus necessitating use of different depreciation rates or methods, each part is recognized as a separate fixed asset.

Any subsequent costs including the cost of replacing part of an item of fixed assets are recognized as assets if the criteria to recognize fixed assets are satisfied, and the carrying amount of the replaced part if derecognized. The costs of the day-to-day servicing of fixed assets are recognized in profit or loss ass incurred.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

(2) Depreciation method

The cost of a fixed asset, less its estimated residual value and accumulated impairment losses, is depreciated using the straight-line method over its estimated useful life, unless the fixed asset is classified as held for sale.

The estimated useful lives, residual value rates and depreciation rates of each class of fixed assets are as follows:

Type	Depreciation method	Depreciation life (year)	Average residual value (%)	Annual depreciation rate (%)
Buildings and constructions	Straight-line method	10-40 years	0%	2.5%~10%
Machinery equipment	Straight-line method	3-15 years	0%	7%~ 33%

For the land outside China, no depreciation is provided.
Useful lives, estimated residual value and depreciation methods are reviewed at least at each year-end.

(3) When the recoverable amount of fixed assets is lower than their book value, the book value may be written down to recoverable amount

(4) Disposal of fixed assets

The carrying amount of a fixed asset is derecognized:
- when the fixed asset is on disposal; or
- when no future economic benefit is expected to be generated from its use or disposal.

Gains or losses arising from the retirement or disposal of an item of fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

14. Construction in progress

The construction in progress is measured as per the cost incurred actually. The actual cost includes building cost, installation cost, borrowing costs meeting capitalization conditions, and any other costs directly attributable to bringing the asset to working condition for its intended use.
The construction in process, when reaching the predicted usable state, will be transferred into fixed assets, and have depreciation withdrawn from the next month.
Construction in progress is stated in the balance sheet at cost less accumulated impairment losses (Note V (18)).

15. Borrowing costs

Borrowing costs incurred directly attributable to the acquisition and construction of a qualifying asset are capitalized as part of the cost of the asset. Other borrowing costs are recognized as financial expenses when incurred.

During the capitalization period, the amount of interest (including amortization of any discount or premium on borrowing) to be capitalized in each accounting period is determined as follows:
- Where funds are borrowed specifically for the acquisition and construction of a qualifying asset, the amount of interest to be capitalized is the interest expense calculated using effective interest rates during the period less any interest income earned from depositing the borrowed funds or any investment income on the temporary investment of those funds before being used on the asset.
- To the extent that the Group borrows funds generally and uses them for the acquisition and construction of a qualifying asset, the amount of borrowing costs eligible for capitalization is determined by applying a capitalization rate to the weighted average of the excess amounts of cumulative expenditure on the asset over the above amounts of specific borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

The effective interest rate is determined as the rate that exactly discounts estimated future cash flow through the expected life of the borrowing or, when appropriate, a shorter period to the initially recognized amount of the borrowings.

During the capitalization period, exchange differences related to the principal and interest on a specific-purpose borrowing denominated in foreign currency are capitalized as part of the cost of the qualifying asset. The exchange differences related to the principal and interest on foreign currency borrowings other than a specific-purpose borrowing are recognized as a financial expense when incurred.

The capitalization period is the period from the date of commencement of capitalization of borrowing costs to the date of cessation of capitalization, excluding any period over which capitalization is suspended. Capitalization of borrowing costs commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities of acquisition and construction that are necessary to prepare the asset for its intended use are in progress, and ceases when the assets become ready for their intended use. Capitalization of borrowing costs is suspended when the acquisition and construction activities are interrupted abnormally for a period of more than three months.

16. Intangible assets

Intangible assets are stated in the balance sheet at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses (Note V (18)). For an intangible asset with finite useful life, its cost less estimated residual value and accumulated impairment losses is amortized using the straight-line method over its estimated useful life, unless the intangible asset is classified as held for sale.

The respective amortization periods for such intangible assets are as follows:

	Amortization period
Land use right	50 years
Trademark	40 years
Software	3-5 years
Patents	The legal protection (10-15years) or the useful life if shorter
Technology	Expected benefit life (10-15) or the contractual useful life if shorter
Customer relationships	Expected benefit life (10-20)

An intangible asset is regarded as having an indefinite useful life and is not amortized when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group. At the balance sheet date, the Group does not have any intangible assets with indefinite useful lives.

Expenditure on an internal research and development project is classified into expenditure during the research phase and expenditure during the development phase. Expenditure during the research phase expensed when incurred. Expenditure during the development phase is capitalized if development costs can be measured reliably, the product or process is technically and commercially feasible, and the Group intends to and has sufficient resources to complete the development. Capitalized development costs are stated in the balance sheet at cost less impairment losses (Note V (18)). Other development expenditure is recognized as an expense in the period in which it is incurred.

17. Goodwill

The initial cost of goodwill represents the excess of cost of acquisition over the acquirer's interest in the fair value of the identifiable net assets of the acquiree under a business combination not involving enterprises under common control.

Goodwill is not amortized and is stated in the balance sheet at cost less accumulated impairment losses (Note V (18)). On disposal of an asset group or a set of asset groups, any attributable goodwill is written off and included in the calculation of the profit or loss on disposal.

18. Impairment of assets other than inventories and financial assets

The carrying amounts of the following assets are reviewed at each balance sheet date based on the internal and external sources of information to determine whether there is any indication of impairment:
- fixed assets
- construction in progress
- intangible assets
- long-term equity investments
- goodwill
- long-term deferred expense

If any indication exists, the recoverable amount of the asset is estimated. In addition, the Group estimates the recoverable amounts of goodwill at each year-end, irrespective of whether there is any indication of impairment. Goodwill is allocated to each asset group, or set of asset groups, that is expected to benefit from the synergies of the combination for the purpose of impairment testing.

An asset group is composed of assets directly related to cash-generation and is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups.

The recoverable amount of an asset (or asset group, set of asset groups) is the higher of its fair value (Note V (19)) less costs to sell and its present value of expected future cash flows.

The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using an appropriate pre-tax discount rate.

An impairment loss is recognized in profit or loss when the recoverable amount of an asset is less than its carrying amount. A provision for impairment of the asset is recognized accordingly. Impairment losses related to an asset group or a set of asset groups are allocated first to reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then to reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, such allocation would not reduce the carrying amount of an asset below the highest of its fair value less costs to sell (if measurable), its present value of expected future cash flows (if determinable) and zero.

Once an impairment loss is recognized, it is not reversed in a subsequent period.

19. Fair value measurement

Unless otherwise specified, the Group determines fair value measurement as below:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Group takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date, and uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Valuation techniques mainly include the market approach, the income approach and the cost approach.

20. Employee benefits

(1) Short-term employee benefits

Short-term employee benefits include employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or accrued at the applicable benchmarks and rates. The employee benefits are recognized as a liability in the accounting period in which the service has been rendered by the employees, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

(2) Profit sharing plan

Profit sharing plans gives employees a share in the profits of the company. Each employee receives a percentage of those profits based on the company's earnings. The Group is eligible for the employee benefits when meets the following conditions:

- The Group has legal obligation or constructive obligation to pay such employees benefits resulting of past events;
- Accrued payroll obligations due to profit sharing can be estimated reliably.

(3) Post-employment benefits – defined contribution plans

The Group's employees participate in the defined basic pension insurance plan set up and administered by local labor and social protection authorities. Basic pensions are provided for monthly according to stipulated bases and proportions to local labor and social security institutions. When employees retire, local labor and social security institutions have a duty to pay the basic pension insurance to them. The amounts payable are recognized as liabilities based on the above provisions in the accounting period in which the service has been rendered by the employees, and as costs of assets or expenses to whichever the employee service is attributable.

(4) Post-employment benefits – defined benefit plans

The actuarial estimate of defined benefit plans is calculated using the projected unit credit method.

The net liabilities (the present value of the defined benefit plan less fair value of the plan assets) are disclosed under employee benefits in balance sheet. The related services costs (including current service costs, past services costs and settlement gains or losses) and net interests calculated based on net liabilities of the defined benefit plan and appropriate discount rate are recognized through profit and loss for the period in which they occur. Actuarial gains and losses on pensions and other post-employment benefits arising from experience adjustments and changes in actuarial assumptions are recognized directly in other comprehensive income for the period in which they occur in consideration of the increase or decrease in the obligation.

The Group offers pension plans and other post-employment benefit plans to some employees and retirees of the Group. The specific features of these plans vary depending on the applicable laws and regulations in each country where the employee work.

(5) Long-term bonus payment

In order to attract and motivate high qualified executives with expertise and experience, the Group has set up an incentive plan based on BANG's (the Company's subsidiary, which is a Hong-Kong company) phantom stocks. This incentive plan entitles the executives to a cash payment after three years and half or four years of service, with certain performance conditions. The fair value of the incentive plan is based on BANG's share value, with reference to BAC's stock value at the date of the evaluation. The bonus will be paid out from April 1, 2018 to June 30, 2020.

For incentive plan do not vest until the completion of services for a period, and/or until the achievement of a specified performance condition, the Group recognizes costs or expenses as services are received, with a corresponding increase in liability, at an amount equal to the fair value of the liability based on the best estimate of the outcome of vesting. Until the liability is settled, the enterprise shall remeasure the fair value of the liability at each balance sheet date and at the date of settlement, with changes recognized in profit or loss for the current period.

21. Provisions and contingent liabilities

A provision is recognized for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where there is a continuous range of possible outcomes for the expenditure required, and each possible outcome in that range is as likely as any other, the best estimate is the mid-point of that range. In other cases, the best estimate is determined according to the following circumstances:

- Where the contingency involves a single item, the best estimate is the most likely outcome
- Where the contingency involves a large population of items, the best estimate is determined by weighting all possible outcomes by their associated probabilities.

The Group reviews the carrying amount of a provision at the balance sheet date and adjusts the carrying amount to the current best estimate.

22. Preferred shares

At initial recognition, the Group classifies the preferred shares issued or their components as financial assets, financial liabilities or equity instruments based on their contractual terms and their economic substance after considering the definition of financial assets, financial liabilities and equity instruments.

Preferred shares issued that should be classified as equity instruments are recognized in equity based on the actual amount received. Any distribution of dividends or interests during the instruments' duration is treated as profit appropriation. When the preferred shares are redeemed according to the contractual terms, the redemption price is charged to equity.

The preferred shares issued by the Company's subsidiary is classified as equity instruments, due to the following features:

- The board of the directors of the issuer has the discretion to determine whether to declare a dividend distribution or not. The board resolution of the issuer should include the amount of preferred share dividend to be paid.
- The board of the directors shall be entitled at its sole discretion to pay or delay the payment of the preferred share dividend.

23. Profit distributions to owners

Distributions of profit proposed in the profit appropriation plan to be approved after the balance sheet date are not recognized as a liability at the balance sheet date but are disclosed in the notes separately.

24. Revenue recognition

Revenue is the gross inflow of economic benefits arising in the course of the Group's ordinary activities when the inflows result in increase in shareholders' equity, other than increase relating to contributions from shareholders. Revenue is recognized in profit or loss when it is probable that the economic benefits will flow to the Group, the revenue and costs can be measured reliably and the following conditions are met.

(1) Sale of goods

Revenue is recognized when the general conditions stated above and the following conditions are satisfied:
- The significant risks and rewards of ownership of goods have been transferred to the buyer;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the future economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The amount of revenue is determined in accordance with the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is presented net of discounts and returns.

According to the characteristics of production and management of the group and the terms of relevant sales contracts with customers, revenue for domestic sales is generally recognised when the goods are delivered to the designated places and accepted by the customers, revenue for export sales is generally recognised when the goods are received by the shipping companies.

(2) Interest income

Interest income is recognized on a time proportion basis with reference to the principal outstanding and the applicable effective interest rate.

25. Government grants

Government grants are non-reciprocal transfers of monetary or non-monetary assets from the government to the Group except for capital contribution from the government in the capacity as an investor in the Group.

A government grant is recognized when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attaching to the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value.

Government grants related to assets are grants whose primary condition is that the Group qualifying for them should purchase, construct or otherwise acquire long-term assets. Government grants related to income are grants other than those related to assets.
A government grant related to an asset is recognized as deferred income and amortized to profit or loss on a straight-line basis over the useful life of the related asset on a reasonable and systematic manner as other income. A grant that compensates the Group for expenses or losses to be incurred in the future is recognized initially as deferred income, and offset against related expenses in the periods in which the expenses or losses are

recognized. A grant that compensates the Group for expenses already incurred is recognized in profit or loss in the current period.

26. Income tax

Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to a business combination or items recognized directly in equity (including other comprehensive income).

Current tax is the expected tax payable calculated at the applicable tax rate on taxable income for the year, plus any adjustment to tax payable in respect of previous years.

At the balance sheet date, current tax assets and liabilities are offset only if the Group has a legally enforceable right to set them off and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible tax losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized.

Deferred tax is not recognized for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or deductible loss). Deferred tax is not recognized for taxable temporary differences arising from the initial recognition of goodwill.

At the balance sheet date, deferred tax is measured based on the tax consequences that would follow from the expected manner of recovery or settlement of the carrying amount of the assets and liabilities, using tax rates enacted at the reporting date that are expected to be applied in the period when the asset is recovered or the liability is settled.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date, and is reduced to the extent that it is no longer probable that the related tax benefits will be utilized. Such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

At the balance sheet date, deferred tax assets and deferred tax liabilities are offset if all the following conditions are met:
- The taxable entity has a legally enforceable right to offset current tax liabilities and assets, and
- They relate to income taxes levied by the same tax authority on either:
  - the same taxable entity; or
  - different taxable entities which intend either to settle the current tax liabilities and current tax assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

27. Operating leases and finance leases

A lease is classified as either a finance lease or an operating lease. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of a leased asset to the lessee, irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

(1) Operating lease charges

Rental payments under operating leases are recognized as part of the cost of another related asset or as expenses on a straight-line basis over the lease term.

(2) Assets acquired under finance leases

When the Group acquires an asset under a finance lease, the asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, each determined at the inception of the lease. At the commencement of the lease term, the minimum lease payments are recorded as long-term payables. The difference between the carrying amount of the leased assets and the minimum lease payments is recognized as unrecognized finance charges. Initial direct costs attributable to a finance lease that are incurred by the Group are added to the carrying amount of the leased asset. Depreciation and impairment losses are accounted for in accordance with the accounting policies described in Notes V (13) and V (18), respectively.

If there is reasonable certainty that the Group will obtain ownership of a leased asset at the end of the lease term, the leased asset is depreciated over its estimated useful life. Otherwise, the leased asset is depreciated over the shorter of the lease term and its estimated useful life.

Unrecognized finance charge under a finance lease is amortized using an effective interest method over the lease term. The amortization is accounted for in accordance with the principles of borrowing costs (Note V (15)).

At the balance sheet date, the long-term payables arising from finance leases, net of the unrecognized finance charges, are analyzed and separately presented as long-term payables or non-current liabilities due within one year.

28. Discontinued operations

The Group classifies a separate component as a discontinued operation either upondisposal of the operation or when the operation meets the criteria to be classified as held for sale, if it is separately identifiable, and satisfies one of the following conditions:

- It represents a separate major line of business or a separate geographical area of operations.
- It is part of a single coordinated plan to dispose of a separate major line of business or a separate geographical area of operations.
- It is a subsidiary acquired exclusively with a view to resale.

Where an operation is classified as discontinued in the current period, profit or loss from continuing operations and profit or loss from discontinued operations are separately presented in the income statement for the current period. Profit or loss from continuing operation in the comparative income statement is re-presented as if the operation had been discontinued from the start of the comparative year.

29. Hedge accounting

Hedge accounting is a method which recognizes in profit or loss the offsetting effect of changes in the fair value of the hedging instrument and the hedged item in the same accounting period(s).

Hedged items are the items that expose the Group to risks of changes in fair value or future cash flows and that are designated as being hedged. The Group’s hedged items include a firm commitment that is settled with a fixed amount of foreign currency and exposes the Group to foreign currency risk and other items.

A hedging instrument is a designated derivative whose changes in fair value or cash flows are expected to offset changes in the fair value or cash flows of the hedged item.

The hedge is assessed by the Group for effectiveness on an ongoing basis and judged whether it was highly effective throughout the accounting periods for which the hedging relationship was designated. A hedge is regarded as highly effective if both of the following conditions are satisfied:

- At the inception and in subsequent periods, the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated; and
- The actual results of offsetting are within a range of 80% to 125%.

(1) Cash flow hedges

A cash flow hedge is a hedge of the exposure to variability in cash flows. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in shareholders’ equity as a separate component. That effective portion is adjusted to the lesser of the following (in absolute amounts):

- The cumulative gain or loss on the hedging instrument from inception of the hedge
- The cumulative change in present value of the expected future cash flows on the hedged item from inception of the hedge.

The ineffective portion of the gain or loss on the hedging instrument is recognized in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is recognized in profit or loss in the same periods during which the non-financial asset or non-financial liability affects profit or loss. However, if the Group expects that all or a portion of a net loss recognized directly in shareholders’ equity will not be recovered in future accounting periods, it reclassifies from equity to profit or loss the amount that is not expected to be recovered.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is removed from equity and recognized in profit or loss in the same period during which the financial asset or financial liability affects profit or loss. However, if the Group expects that all or a portion of a net loss recognized directly in shareholders’ equity will not be recovered in future accounting periods, it reclassifies from equity to profit or loss the amount that is not expected to be recovered.

For cash flow hedges, other than those covered by the preceding two policy statements, the associated gain or loss is removed from shareholders’ equity and recognized in profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for hedge accounting, the Group will discontinue the hedge accounting treatments prospectively. In this case, the gain or loss on the hedging instrument that remains recognized directly in shareholders’ equity from the period when the hedge was effective is not reclassified into profit or loss and is recognized in accordance with the above policy when the forecast transaction occurs. If the forecast transaction is no longer expected to occur, the gain or loss on the hedging instrument that remains recognized directly in shareholders’ equity from the period when the hedge was effective is reclassified into profit or loss immediately.

(2) Fair value hedges

A fair value hedge is a hedge of the exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability or firm commitment.

The gain or loss from re-measuring the hedging instrument at fair value is recognized in profit or loss. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognized in profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or no longer meets the criteria for hedge accounting, the Group discontinues prospectively the hedge accounting treatments. If the hedged item is a financial instrument measured at amortized cost, any adjustment to the carrying amount of the hedged item is amortized to profit or loss from the adjustment date to the maturity date using the recalculated effective interest rate at the adjustment date.

30. Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Company is under common control only from the State and that have no other related party relationships are not regarded as related parties.

In addition to the related parties stated above, the Company determines related parties based on the disclosure requirements of Administrative Procedures on the Information Disclosures of Listed Companies issued by the CSRC.

31. Segment information

The Group identifies reportable segments based on operating segments determined based on internal organization structure of the Group, management requirements, and internal reporting system after taking the materiality principle into account. Two or more operating segments may be aggregated into a single operating segment if the segments have the similar economic characteristics and are same or similar in respect of the nature of each segment's products and services, the nature of production processes, the types or classes of customers for the products and services, the methods used to distribute the products or provide the services, and the nature of the regulatory environment.

Inter-segment revenues are measured on the basis of the actual transaction prices for such transactions for segment reporting. Segment accounting policies are consistent with those for the consolidated financial statements.

32. Important accounting estimates and their key assumptions

The preparation of financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates as well as underlying assumptions and uncertainties involved are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Except for accounting estimates relating to depreciation and amortization of assets such as fixed assets and intangible assets (see Notes V (13) and (16)) and provision for impairment of various types of assets (see Notes V (10), (11), (18)). Other significant accounting estimates are as follows:

Note VII (26) – Post-employment benefits – defined benefit plans
Note XI - Fair value of financial instruments.

33. Change of important accounting policies and accounting estimates

(1) Change of important accounting policies

√ Applicable ☐ Not applicable

The MOF issued the Accounting Standards for Business Enterprises No. 42 –Non-current Assets or Disposal Groups Held for Sale and Discontinued Operations ("CAS 42") and the revised Accounting Standards for Business Enterprises No. 16 –Government Grants ("CAS 16 (2017)") respectively in April and May 2017. The effective dates of CAS 42 and CAS 16 (2017) are 28 May 2017 and 12 June 2017 respectively.

In addition, the MOF issued the "Notice on Revision of the Illustrative Financial Statements" (Caikuai [2017] No.30) in December 2017.

The significant accounting policies after adopting the above accounting standards are summarized in Note V. Impacts of the adoption of the above accounting standards are as follows:

a. Held for sale and discontinued operations

The adoption of CAS 42 has no material effect on the financial position and financial performance of the Group. After the adoption of CAS 42, the Group has revised the presentation of the financial statements, including the separate presentation from continuing operations and discontinued operations in the consolidated income statement and Company income statement.

b. Government grants

Pursuant to CAS 16 (2017), the Group has revisited the existing government grants as of 1 January 2017, and applied the related accounting policies prospectively. The Group's accounting treatment and disclosures of the government grants in 2016 are based on the previously applicable CAS requirements before the issuance of CAS 16 (2017). The impacts of adoption of CAS 16 (2017) is as follows:
- A government grant related to assets previously recognized as non-operating income is reclassified as other income.

c. Gains from asset disposals

The adoption of Caikuai [2017] No.30 has no material effect on the financial position and financial performance of the Group.

(2) Change of important accounting estimates

☐ Applicable √ Not applicable

VI. Taxes

1. Main tax type and tax rate

√ Applicable Not applicable

The main categories and rates of taxes applicable to the Group are set out below:

Category	Tax base	Tax rate
(1) Enterprise income tax	Taxable income	15% to 34.43%
(2) Value added tax (“VAT”)	Taxable value added amount (Tax payable is calculated using the taxable sales amount multiplied by the effective tax rate less deductible VAT input of current period)	5% to 21%
(3) Business tax	Taxable turnover (for French affiliates)	1.5%
(4) Stamp tax	Taxable sales amount, transactions between shareholders, Property,…	0.02% to 2%
(5) Property tax	Rental value (France) or cost of the property (China)	<1%

Business income tax rates of major tax payer enterprises subject to different tax rates:
√ Applicable Not applicable

Name of the company	Enterprise income tax rate
Adisseo France S.A.S	34.43%
Adisseo Espana S.A.	25%
Bluestar Adisseo Company	25%
Bluestar Adisseo Nanjing Co., Ltd	25%
Adisseo Life Science (Shanghai) Co., Ltd	25%
Adisseo USA Inc.	34%
Adisseo Brasil Nutriçao Animal Ltd	34%

2. Tax preferences

There is no significant preferential tax policies that have material effect on the Group in the periods from January 1, 2017 to December 31, 2017 and from January 1, 2016 to December 31, 2016.

3. Other

Applicable √ Not applicable

VII. Notes to the Items in Consolidated Financial Statements

1. Cash at bank and on hand

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Cash on hand		
Cash at bank	7,659,509,312	6,681,296,187
Other monetary funds		
Total	**7,659, 509, 312**	**6,681,296,187**

As at December 31, 2017 and December 31, 2016, no restricted funds within the Group.

2. Derivative financial assets

√ Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Derivative financial instruments held at fair value through profit or loss		
Cash flow hedge instruments	15,144,265	7,416,402
Fair value hedge instrument	4,143,021	4,055,274
Total	**19,287,286**	**11,471,676**

3. Accounts receivable

(1) Accounts receivable by customer type are as follows

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Accounts receivable from related parties	9,901,119	10,287,974
Accounts receivable from third parties	1,412,612,841	1,585,311,401
Less: provision for bad debts	22,298,216	18,237,362
Total	**1,400,215,744**	**1,577,362,013**

(2) The ageing analysis of accounts receivable is as follows

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Within 1 year	1,391,559,272	1,577,657,580
1 to 2 years	18,874,115	12,504,207
Over 2 years	12,080,573	5,437,588
Total	**1,422,513,960**	**1,595,599,375**

(3) Accounts receivable analyzed by customers' categories as follows

Unit: Yuan Currency: RMB

Type	Closing balance					Opening balance				
	Closing balance		Provision for bad debt		Carrying amount	Closing balance		Provision for bad debt		Carrying amount
	Amount	% of total balance	Amount	% of total balance		Amount	% of total balance	Amount	% of total balance	
Individually significant and assessed individually for impairment										
Subject to provision on the Grouping basis	1,422,513,960	100%	22,298,216	100%	1,400,215,744	1,592,356,287	99.80%	14,994,274	82.22%	1,577,362,013
Individually insignificant but assessed individually for impairment					0	3,243,088	0.20%	3,243,088	17.78%	0
Total	**1,422,513,960**	**100%**	**22,298,216**	**100%**	**1,400,215,744**	**1,595,599,375**	**100%**	**18,237,362**	**100%**	**1,577,362,013**

Accounts receivable which are individually significant and assessed individually for impairment at the end of the period:

Applicable √ Not applicable

Accounts receivable which are collectively assessed for impairment using the ageing analysis method at the end of the period:

√ Applicable Not applicable

Unit: Yuan Currency: RMB

Account age	Closing balance		
	Accounts receivable	Bad debt reserve	Withdrawal proportion
Not Yet Due	1,320,716,845		
Within 60 days	44,609,225		
61 days to 90 days	4,239,724	464,345	10.95%
91 days to 180 days	5,717,702	1,145,729	20.04%
More than 180 days	47,230,464	20,688,142	43.80%
Total	**1,422,513,960**	**22,298,216**	1.57%

Accounts receivable collectively assessed for impairment using the percentage of balance method at the end of the period:

Applicable √ Not applicable

(4) Addition, recovery or reversal of provision for bad and doubtful debts during the period

√ Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Amount incurred of current period
Balance at the beginning of the period	18,237,362
Addition during the period	11,702,002
Recovery or reversal during the period	(6,388,386)
Write-off during the period	(904,056)
Currency translation difference	(348,706)
Balance at the end of the period	**22,298,216**

(5) Five largest accounts receivable by debtor at the end of the period

Unit: Yuan Currency: RMB

	Gross balance	Amount of bad debt reserve	Proportion to the total balance of accounts receivable
The five largest accounts receivable	242,950,055	241,871	17.35%

(6) Derecognition of accounts receivable due to transfer of financial assets

Adisseo Group derecognizes receivables for which the contractual rights to receive the cash flows have been transferred along with substantially all of the risks and rewards of ownership. Transferred receivables are not derecognized when the default risk is retained by the Group. Costs incurred in transferring a receivable are recognized in financial expenses.

As at December 31, 2017, the derecognized account receivables amounted to RMB 270,044,183 (2016: RMB 0). Cost incurred and recognized as financial expenses amounted to RMB 642,409 (2016: RMB 0).

4. Advances to suppliers

(1) The ageing analysis of advances to suppliers is as follows

Unit: Yuan Currency: RMB

Account age	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	52,484,481	87.19%	71,193,112	99.14%
1-2 years	7,616,995	12.65%	426,399	0.59%
2-3 years	39,227	0.07%	195,724	0.27%
More than 3 years	52,303	0.09%	-	-
Total	**60,193,006**	**100%**	**71,815,235**	**100%**

As at December 31, 2017, the advances to suppliers with an account age of more than one year were RMB 7,708,525 (Dec. 31, 2016: RMB 622,123), which were mainly advance payment for purchasing of materials and services. The goods were not received or service delivered yet, so the accounts were not settled.

(2) Five largest prepayments by debtor at the end of the period

Unit: Yuan Currency: RMB

	Amount	Proportion to the total amount of advances to suppliers
Total of the five largest advances to suppliers	28,734,262	47.74%

5. Inventories

(1) Inventories by category

Unit: Yuan Currency: RMB

Items	Closing balance			Opening balance		
	Book value	Provision for decline in value of inventories	Carrying amount	Book value	Provision for decline in value of inventories	Carrying amount
Raw materials	370,840,657	25,490,340	345,350,317	368,837,033	24,799,491	344,037,542
Work in progress	120,092,897	6,304,258	113,788,639	156,896,528	25,281,528	131,615,000
Finished goods	1,157,704,780	16,345,819	1,141,358,961	988,672,244	6,561,506	982,110,738
Total	**1,648,638,334**	**48,140,417**	**1,600,497,917**	**1,514,405,805**	**56,642,525**	**1,457,763,280**

At the period end, the inventories pledged as security by the Group amounted to RMB 0 (2016: RMB 0).

(2) Movements of inventories for the period

Unit: Yuan Currency: RMB

Items	Opening Balance	Increase in the current year	Decrease in the current year	Currency translation differences	Closing Balance
Raw materials	368,837,033	4,612,374,990	(4,630,543,266)	20,171,900	370,840,657
Work in progress	156,896,528	895,606,396	(941,379,166)	8,969,139	120,092,897
Finished goods	988,672,244	6,006,685,757	(5,880,776,038)	43,122,817	1,157,704,780
Total	**1,514,405,805**	**11,514,667,143**	**(11,452,698,470)**	**72,263,856**	**1,648,638,334**

(3) Provision for impairment of inventories

Unit: Yuan Currency: RMB

Items	Opening balance	Increase in the current period	Decreased in the current period		Currency translation difference	Closing balance
		Provision	Reversal or write-off	Others		
Raw materials	24,799,491	2,104,583	(3,072,996)		1,659,262	25,490,340
Work in progress	25,281,528	587,148	(20,809,444)		1,245,026	6,304,258
Finished goods	6,561,506	10,515,289	(1,387,805)		656,829	16,345,819
Total	**56,642,525**	**13,207,020**	**(25,270,245)**		**3,561,117**	**48,140,417**

	Basis for provision	Reason for reversal
Raw materials	Estimated selling price less estimated costs incurred at completion of construction, estimated selling expenses	Increase in net realizable value/used
Products in process	Estimated selling price less estimated costs incurred at completion of construction, estimated selling expenses	Increase in net realizable value/finished and sold
Finished goods	Estimated selling less estimated selling expenses	Increase in net realizable value/sold.

6. Other current assets

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Value added tax deductible	278,711,015	365,397,062
Income tax receivable	93,060,604	102,899,722
Total	**371,771,619**	**468,296,784**

7. Available-for-sale financial assets

√ Applicable Not applicable

(1) Available-for-sale financial assets

Unit: Yuan Currency: RMB

Items	Closing balance			Opening balance		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Available-for-sale debt instruments						
Available-for-sale equity instruments	16,866,929		16,866,929	14,334,527		14,334,527
Measured at fair value						
Measured at cost	16,866,929		16,866,929	14,334,527		14,334,527
Total	**16,866,929**	**0**	**16,866,929**	**14,334,527**	**0**	**14,334,527**

(2) Available-for-sale financial assets measured at fair value at the end of period

Applicable √ Not applicable

(3) Available-for-sale financial assets measured at cost at the end of period

√ Applicable Not applicable

Unit: Yuan Currency: RMB

Invested units	Closing balance					Provision for impairment				Shareholding (%)	Cash dividends
	Opening amount	Increase in current period	Decrease in current period	Currency translation difference	Closing amount	Opening amount	Increase in current period	Decrease in current period	Closing amount		
Alderys S.A.S	730,680			49,550	780,230					8.69%	
Osiris G.I.E	1,835,782			124,491	1,960,273					12.87%	
Well Eating Sustainable Territory S.A.S	21,920			1,487	23,407					5.00%	
Nor-Feed Holding S.A.S	7,306,727			495,495	7,802,222					18,18%	
Metabolium Ltd.	3,653,429			247,752	3,901,181					9,81%	
Applifarm S.A.S		1,524,999		35,399	1,560,398					4,88%	
Other	785,989			53,229	839,218						
Total	**14,334,527**	1,524,999	0	**1,007,403**	**16,866,929**						

On July 27, 2015, with the completion of Major Assets Restructring with Bluestar, the Company disposed of the investment in Cabot and dereognised this financial assets, although certain administrative procedures related to the transfer of Cabot is still in the process. The Company believes there shall not be any substantial legal barriers for such approval with the submission of application documents in accordance with the law. The carrying amount of the investment in Cabot, which was classified as available for sales financial assets, was CNY10 million, when it was disposed.

(4) Impairment movements of available-for-sale financial assets in the reporting period

Applicable √ Not applicable

Unit: Yuan Currency: RMB

Provision for impairments	Available-for-sale equity instruments	Total
Balance at the beginning of the period	0	0
Charge during the current period		
Including: Transfer-in from other comprehensive income		
Decreased during the current period		
Including: write off during the period		
Including: reversal during the period		
Balance at the end of the period	**0**	**0**

Other explanations:
The available-for-sale financial assets measured at cost mainly include the Group's unlisted equity investments which are not quoted in an active market and whose range of fair value reasonable estimates is large and probabilities for determining the fair value reasonable estimates cannot be reasonably determined, so the fair value of the unlisted equity investments cannot be reliably measured. The Group has no plan for disposing these investments.

8. Long-term receivables

√ Applicable Not applicable

(1) Long-term receivables

Unit: Yuan Currency: RMB

Items	Closing balance			Opening balance			Range of discount rate
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount	
Guarantees and cautions	33,271,594		33,271,594	31,167,656		31,167,656	
Loans to suppliers	500,978		500,978	966,025		966,025	
Others	1,436		1,436	1,344		1,344	
Total	**33,774,008**	**0**	**33,774,008**	**32,135,025**	**0**	**32,135,025**	/

As at December 31, 2017, the part due within one year was RMB 2,192,446 (as at December 31, 2016 it was RMB 1,468,667).

(2) An analysis of the movements of provision is as follows

☐ Applicable √ Not applicable

9. Fixed assets

(1) Fixed assets

Unit: Yuan Currency: RMB

Items	Houses and buildings	Freehold land	Machinery equipment	Total
I. Original book value				
1. Opening balance	2,533,297,918	89,043,500	7,606,298,452	10,228,639,870
2. Increase in current period				
1) Purchasing	5,325,473		76,926,591	82,252,064
2) Transfer from construction in process	193,241,003		317,126,716	510,367,719
3) Acquisition of subsidiary companies and businesses			465,143	465,143
4) Others increase	3,622,018			3,622,018
3. Decrease in current period				
1) Disposal or retirement	(2,333,342)		(122,382,517)	(124,715,859)
2) Disposal of subsidiary companies and businesses				
3) Other decrease		(3,622,018)		(3,622,018)
4. Currency translation	67,009,462	5,954,281	362,684,956	435,648,699
5. Closing balance	**2,800,162,532**	**91,375,763**	**8,241,119,341**	**11,132,657,636**
II. Accumulated depreciation				
1. Opening balance	(568,800,361)	(2,240,806)	(3,334,315,123)	(3,905,356,290)
2. Increase in current period				
1) Current period depreciation	(120,426,674)		(518,191,774)	(638,618,448)
2) Other	(2,340,967)			(2,340,967)
3. Decrease in current period				
1) Disposal or retirement	2,142,709		120,840,393	122,983,102
2) Disposal of subsidiary companies and businesses				
3) Other decrease		2,340,967		2,340,967
4. Currency translation	(27,131,887)	(100,161)	(194,141,865)	(221,373,913)
5. Closing balance	**(716,557,180)**	**0**	**(3,925,808,369)**	**(4,642,365,549)**

Items	Houses and buildings	Freehold land	Machinery equipment	Total
III. Impairment reserve				
1. Opening balance			(132,362,682)	(132,362,682)
2. Increase in current period				
1) Current period depreciation				
3. Decrease in current period				
1) Disposal or retirement				
2) Disposal of subsidiary companies and businesses				
4. Currency translation			(8,975,983)	(8,975,983)
5. Closing balance			**(141,338,665)**	**(141,338,665)**
IV. Carrying amount				
1. Closing carrying amount	**2,083,605,352**	**91,375,763**	**4,173,972,307**	**6,348,953,422**
2. Opening carrying amount	1,964,497,557	86,802,694	4,139,620,647	6,190,920,898

(2) Temporarily idle fixed assets

There are no significant temporarily idle fixed assets.

(3) Fixed assets held under finance lease

√ Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Original book value	Accumulated depreciation	Impairment reserve	Book value
Buildings	23,188,436	(11,321,137)		11,867,299
Machinery equipment	1,526,441	(1,480,888)		45,553
Total	**24,714,877**	**(12,802,025)**		**11,912,852**

(4) Fixed assets held under operating lease

☐ Applicable √ Not applicable

(5) Fixed assets held with unattained certificate

☐ Applicable √ Not applicable

10. Construction in progress

√ Applicable Not applicable

(1) Construction in progress

Unit: Yuan Currency: RMB

Items	Closing balance			Opening balance		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Project E	445,255,725		445,255,725	57,910,498		57,910,498
Project F	6,808,547		6,808,547			
Others	435,260,051		435,260,051	395,449,915		395,449,915
Total	**887,324,323**	**0**	**887,324,323**	**453,360,413**	**0**	**453,360,413**

(2) Movements of major construction projects in progress during the period

√ Applicable Not applicable

Unit: Yuan Currency: RMB

Project name	Budget	Opening balance	Increase in current period	Transfer to fixed assets	Currency translation differences	Closing balance	Proportion of expenditures incurred to budgeted amount (%)	Progress of construction	Accumulated capitalized borrowing costs	Including: capitalized in current period	Capitalization rate (%)	Source of funds
Project E	858,253,000	57,910,498	374,720,034		12,625,193	445,255,725	52%	52%				100% equity
Project F	380,000,000		6,808,547			6,808,547	2%	2%				100% equity
Others		395,449,915	524,299,184	(510,367,719)	25,878,671	435,260,051						Current account
Total		**453,360,413**	**905,827,765**	**(510,367,719)**	**38,503,864**	**887,324,323**						

There is no indicator of impairment for CIP projects.

(3) Analysis of provision for impairment

Applicable √ Not applicable

Unit: Yuan Currency: RMB

Items	Amounts incurred in the current period	Amounts incurred in the last period
Opening balance	0	0
Increase in current period		
Decrease in current period		
Disposal of subsidiary companies and businesses		
Currency translation differences		
Total	**0**	**0**

11. Intangible assets

(1) Intangible assets

Unit: Yuan Currency: RMB

Items	Land use rights	Trademark	Patents	Technology	Customer relationships	Software and others	Total
I. Original book value							
1. Opening balance	110,777,000	687,739,165	428,614,094	1,201,843,296	869,025,319	151,176,514	**3,449,175,388**
2. Increase in current period							
1) Purchasing			974,826	36,205,767		15,440,261	**52,620,854**
2) Transferred from construction in process							
3) Acquisition of subsidiary companies and businesses			312,637			655,776	**968,413**
4) Other increase							
3. Decrease in current period							
1) Disposal			0	(29,921,833)		(55,367)	**(29,977,200)**

Items	Land use rights	Trademark	Patents	Technology	Customer relationships	Software and others	Total
2) Disposal of subsidiary companies and businesses							
3) Other decrease							
4. Currency translation		463,788	27,897,596	(492,345)	5,247,840	4,376,651	**37,493,530**
5. Closing balance	**110,777,000**	**688,202,953**	**457,799,153**	**1,207,634,885**	**874,273,159**	**171,593,835**	**3,510,280,985**
II. Accumulated amortization							
1. Opening balance	(14,820,000)	(142,891,085)	(380,757,811)	(420,234,122)	(480,623,785)	(116,788,612)	**(1,556,115,415)**
2. Increase in current period							
1) Current period depreciation	(2,200,000)	(17,495,769)	(5,978,460)	(75,302,985)	(56,176,884)	(14,167,574)	**(171,321,672)**
2) Others increase							
3. Decrease in current period							
1) Disposal				29,921,833		55,367	**29,977,200**
2) Disposal of subsidiary companies and businesses							
4. Currency translation		(177,461)	(25,494,821)	223,563	(3,145,592)	(3,041,602)	**(31,635,913)**
5. Closing balance	**(17,020,000)**	**(160,564,315)**	**(412,231,092)**	**(465,391,711)**	**(539,946,261)**	**(133,942,421)**	**(1,729,095,800)**
III. Impairment reserve							
1. Opening balance							
2. Increase in current period							
1) Current period depreciation							
3. Decrease in current period							
1) Disposal of subsidiary companies and businesses							
4. Currency translation							
5. Closing balance							
IV. Carrying amount							
1. Closing carrying amount	**93,757,000**	**527,638,638**	**45,568,061**	**742,243,174**	**334,326,898**	**37,651,414**	**1,781,185,185**
2. Opening carrying amount	95,957,000	544,848,080	47,856,283	781,609,174	388,401,534	34,387,902	**1,893,059,973**

(2) Land use rights held with unattained certificate

Applicable √ Not applicable

12. Development costs

√ Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Opening balance	Increase during the current period		Decrease during the current period			Currency translation	Closing balance
		Internal development	Others	Recognized as intangible assets	Recognized in profit or loss	Others		
Development costs	80,930,117	1,624,189			(8,952,102)		5,318,061	78,920,265
Total	**80,930,117**	**1,624,189**			**(8,952,102)**		**5,318,061**	**78,920,265**

13. Goodwill

√ Applicable Not applicable

(1) Changes in goodwill

Unit: Yuan Currency: RMB

Name of investee or events from which goodwill arising	Opening balance	Increase during the current period	Decrease during the current period	Currency translation	Closing balance
Drakkar Group S.A.("DGSA")	683,121,032			46,324,858	729,445,890
Innov'ia S.A. ("Innov'ia")	131,018,231	2,305,891		9,528,189	142,852,311
Total	**814,139,263**	**2,305,891**	**0**	**55,853,047**	**872,298,201**

The Goodwill on Drakkar Group S.A. concerns Performance Products. The Goodwill of Innov'ia is related to the services of processing powder included in the Other products segment.

(2) Impairment provision for goodwill

Unit: Yuan Currency: RMB

Name of investee or events from which goodwill arising	Opening balance	Increase in current period		Decrease in current period		Currency translation	Closing balance
		Withdrawal	Other	Disposal	Other		
Drakkar Group S.A.("DGSA")							
Innov'ia S.A. ("Innov'ia")							
Total							

Explanations of Impairment test, criteria and method of Impairment provision for goodwill:
The recoverable amount of asset groups and groups of asset groups is calculated using the estimated cash flows determined according to the five-year budget approved by management. The cash flows beyond the five-year period are calculated based on the following estimated growth rates.

The main assumptions applied in calculating discounted future cash flows are as follows:

	DGSA	Innov'ia
Growth rate of sales	3.5%	2.0%
Operating margin	38.4%	32.0%
Discount rate	8.6%	8.6%

The weighted average growth rates applied by management are consistent with those estimated in the industry reports, and do not exceed the long-term average growth rates of each product. Management determines budgeted gross margin based on past experience and forecast on future market development. The discount rates used by management are the pre-tax interest rates that are able to reflect the risks specific to the related asset groups and groups of asset groups. The above assumptions are used to assess the recoverable amount of each asset group and group of asset groups within the corresponding operating segment.

However, as key assumptions on which management has made in respect of future cash projections are subject to change, management believes that any adverse change in the assumptions would cause the carrying amount to exceed its recoverable amount.

14. Deferred income tax assets/ deferred income tax liabilities

(1) Deferred tax assets without taking into consideration the offsetting of balances

√ Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance		Opening balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred income tax assets
Deductible losses	30,342,293	10,400,876	19,236,060	6,959,669
Accrued expenses	115,903,381	35,632,771	79,775,267	26,090,709
Balance in fair value of derivative financial instruments	2,815,264	977,088	57,147,798	19,676,351
Property plant equipment and intangible assets	80,094,392	25,573,001	83,800,705	28,639,605
Unrealized profits of internal transactions	329,228,476	87,389,024	365,485,494	104,500,722
Payroll	526,947,242	166,956,580	648,060,114	211,994,107
Others	33,659,598	10,757,601	32,243,496	10,761,234
Total before offsetting	**1,118,990,646**	**337,686,941**	**1,285,748,934**	**408,622,397**

(2) Deferred tax liabilities without taking into consideration the offsetting of balances

√ Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance		Opening balance	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Property plant equipment and intangible assets	3,233,170,080	872,826,393	3,206,149,499	960,525,620
Balance in fair value of derivative financial instruments	16,023	5,513	38,049,797	13,100,545
Others	4,608,133	987,888	16,253,569	5,059,101
Total before offsetting	**3,237,794,236**	**873,819,794**	**3,260,452,865**	**978,685,266**

(3) Net amounts of deferred assets and liabilities taking into consideration the offsetting of balances

√ Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance of mutual offset amount of deferred tax assets and deferred tax liabilities	Closing balance of net amount of deferred tax assets and deferred tax liabilities after offset	Opening balance of mutual offset amount of deferred tax assets and deferred tax liabilities	Opening balance of net amount of deferred tax assets and deferred tax liabilities after offset
Deferred tax assets	(200,643,947)	137,042,994	(243,711,007)	164,911,390
Deferred tax liabilities	(200,643,947)	673,175,847	(243,711,007)	734,974,259

(4) Details of non-recognized deferred income tax assets

Applicable √ Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Deductible temporary differences		
Deductible losses		0
Total	**0**	**0**

(5) Expiration of deductible tax losses for unrecognized deferred tax assets

Applicable √ Not applicable

Unit: Yuan Currency: RMB

Year	Closing amount	Opening amount
No expiration date		0
Total	**0**	**0**

15. Short-term borrowings

√ Applicable Not applicable

(1) Classification of short-term borrowings

Unit: Yuan Currency: RMB

Category	Closing balance	Opening balance
Pledged loan		
Guarantee loan		
Mortgage loan		
Unsecured loan (a)		469,236
Total	**0**	**469,236**

Description about the classification of short-term borrowings:

(a) No pledge or guarantee as of December 31, 2017. As at December 31, 2016, the weighted average interest rate of unsecured short-term borrowings was interest rate at 0%.

(2) Short-term borrowings past due not paid

Applicable √ Not applicable

16. Derivative financial liabilities

√ Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Derivative financial instruments held at fair value through profit or loss	1,357,600	10,748,303
Cash flow hedge instruments	7,693,068	19,260,725
Fair value hedge instruments	444,731	38,499,529
Total	**9,495,399**	**68,508,557**

17. Accounts payable

(1) Details of accounts payable are as follows

√ Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Payable for suppliers	1,219,258,270	996,517,531
Total	**1,219,258,270**	**996,517,531**

(2) Important accounts payable with account age of more than 1 year

√ Applicable Not applicable

As at December 31, 2017, the accounts payable with account age of more than one year were RMB 0 (as at December 31, 2016: RMB 1,331,128).

18. Wages and benefits payable

(1) Wages and benefits payable

√ Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Opening balance	Increased in current period	Decreased in current period	Reclassification	Acquisition of subsidiary companies and businesses	Currency translation difference	Closing balance
Short-term employee benefits	259,563,038	1,054,002,275	(1,067,240,483)		213,508	13,893,329	260,431,667
Post-employment benefits	16,885,275	68,670,986	(74,100,081)			577,505	12,033,685
Termination benefits	0						0
French profit-sharing plans – short term	167,216,118	100,913,220	(119,991,721)	(23,371,545)		10,354,159	135,120,231
Long-term bonus payments – short term		27,166,535	(2,025,835)	251,342,859		6,086,369	282,569,928
Total	**443,664,431**	**1,250,753,016**	**(1,263,358,120)**	**227,971,314**	**213,508**	**30,911,362**	**690,155,511**

(2) Short-term employee benefits

√ Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Opening balance	Increased in current period	Decrease in current period	Reclassification	Acquisition of subsidiary companies and businesses	Currency translation difference	Closing balance
I. Salary, bonus, allowance and subsidy	196,314,400	813,768,147	(832,975,240)		106,754	9,593,575	186,807,636
II. Employee welfare benefit							
III. Social insurance premium	33,102,101	158,946,881	(177,952,394)			580,367	14,676,955
Wherein: Medical insurance premium	33,053,701	158,114,023	(177,085,566)			580,367	14,662,525
Industrial injury insurance premium	20,700	506,718	(523,338)				4,080
Maternity insurance premium	27,700	326,140	(343,490)				10,350
IV. Housing fund	249,000	3,683,000	(3,895,000)				37,000
V. Labor union outlay and employee education outlay	0	637,120	(637,120)	461,892			461,892
VI. Others	29,897,537	76,967,127	(51,780,729)	(461,892)	106,754	3,719,387	58,448,184
Total	**259,563,038**	**1,054,002,275**	**(1,067,240,483)**	**0**	**213,508**	**13,893,329**	**260,431,667**

(3) Post-employment benefits

√ Applicable Not applicable

Items	Opening balance	Amount increased of current period	Amount decreased of current period	Currency translation difference	Closing balance
Post-employment benefits	16,885,275	68,670,986	(74,100,081)	577,505	12,033,685

19. Taxes payable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Value-added-tax	17,891,894	46,662,772
Business tax	14,978,506	67,604,831
Enterprise income tax	175,076,199	223,646,573
Individual income tax	1,099,545	15,442,387
City maintenance and construction tax	602,000	1,173,900
Others	11,633,620	8,254,505
Total	**221,281,764**	**362,784,968**

20. Dividends payable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Dividends of common shares	154,485,540	104,121,900
Total	**154,485,540**	**104,121,900**

Dividends payable as at December 31, 2017 and 2016 correspond to dividends distributed by BANG to the non-controlling shareholders. Dividends from 2016 distribution have been paid on June 14, 2017.

21. Other payables

(1) Details of other payables listed by nature

√ Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Loans due to related parties	18,317,882	21,507,088
Payables for acquisition of property, plant and equipment	323,669,447	229,129,486
Professional fees payables related to restructuring		8,363,265
Cautions and guaranties received	13,888,465	2,770,526
Others	27,592,194	38,903,658
Total	**383,467,988**	**300,674,023**

(2) Significant other payables with ageing of more than one year

√ Applicable Not applicable

As at December 31, 2017, other payables with an account age of more than one year were RMB 15,683,374 (as at December 31, 2016: RMB 1,625,000), which were mainly the cash deposit as collateral and loans from related parties. Such loans from associated parties did not have interest and fixed repayment period, and the other parties did not require repayment, so they were not settled yet; such cash deposit as collateral did not come due, and was not settled yet.

22. Current portion of non-current liabilities

√ Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Current portion of long-term borrowings	2,691,794	1,618,157
Current portion of long-term payables	1,689,738	2,298,769
Current portion of provisions	80,810,084	113,253,653
Total	**85,191,616**	**117,170,579**

23. Other current liabilities

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Government subsidy	13,394,890	13,303,860
Others	10,082,610	5,336,000
Total	**23,477,500**	**18,639,860**

24. Long-term borrowings

√ Applicable Not applicable

Classification of long-term borrowings

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Pledged loan		
Guarantee loan		
Mortgage loan		
Unsecured	15,223,724	15,528,566
Less: the part due within one year	(2,691,794)	(1,618,157)
Total	**12,531,930**	**13,910,409**

As at December 31, 2017, the range of interest rate for long-term loans was 1.83%~3.22% (as at December 31, 2016: 3.06%~3.58%).

25. Long-term payables

√ Applicable Not applicable

(1) Long-term payables listed by nature

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Financial lease	5,013,518	6,396,029
Other long-term payable	6,570,317	6,752,214
Less : the part to be paid in one year	(1,689,738)	(2,298,769)
Total	**9,894,097**	**10,849,474**

(2) Details of obligations under finance leases included in long-term payables

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Within one year	1,760,751	1,792,849
Between 1 and 2 years	1,630,681	1,650,057
Between 2 and 3 years	1,490,239	1,527,121
Over 3 years	257,476	1,644,030
Sub-total	**5,139,147**	**6,614,057**
Less: unrecognized finance charges	(125,629)	(218,028)
Total	**5,013,518**	**6,396,029**

There is no finance lease guaranteed by independent third party.
The payable for finance lease is recorded at the amount equal to the minimum lease payments less the unrecognized finance charge.

26. Long-term employee benefits payable

√ Applicable   Not applicable

(1) Long-term employee benefits payable

√ Applicable   Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Defined benefit plans	221,121,159	227,495,195
French profit-sharing plans	302,214,288	305,431,547
Long-term bonus payments	301,821,827	282,103,725
Less: The part to be paid in one year	(417,690,159)	(167,216,118)
Total	**407,467,115**	**647,814,349**

The part due within one year includes the short term part of French profit-sharing plan RMB (135,120,231), and the short term part of long term bonus payments RMB (282,569,928).

(2) Change of defined benefit plan

√ Applicable   Not applicable

a. Change of defined benefit plan

Present value of defined benefit plan obligation

Unit: Yuan Currency: RMB

Items	Amount incurred during the current period				Amount incurred during the last period			
	IFC	GA	Others	Total	IFC	GA	Others	Total
I. Opening balance	**148,262,279**	**56,386,576**	**22,846,340**	**227,495,195**	**117,460,518**	**53,431,493**	**36,353,442**	**207,245,453**
II. Defined benefit plan recognized through profit and loss for the period in which they occur								
1. Service cost of current period	9,196,112	4,361,672	436,908	13,994,692	9,140,043	3,567,920	2,357,644	15,065,607
2. Previous service cost								
3. Settlement losses (gains)								
4. Net amount of interest	1,929,201	549,022	61,002	2,539,225	2,525,442	822,237	132,145	3,479,824
III. Re-measurement of the net liabilities of defined benefit plans								
1. Actuary losses (profit)	1,227,673	(4,171,039)	(1,738,698)	(4,682,064)	13,985,367	4,037,770	(3,581,894)	14,441,243
IV. Other movements								
1. Price paid during settlement	(8,891,100)	(4,697,185)	(2,379,093)	(15,967,378)	(11,760,923)	(2,077,616)	(5,072,900)	(18,911,439)
2. Currency translation differences	9,772,052	3,731,909	1,318,038	14,821,999	16,911,832	(3,395,228)	(7,342,097)	6,174,507
3. Other movements	(15,616,614)		(1,463,896)	(17,080,510)				
V. Closing balance	**145,879,603**	**56,160,955**	**19,080,601**	**221,121,159**	**148,262,279**	**56,386,576**	**22,846,340**	**227,495,195**

Plan assets

☐ Applicable √ Not applicable

Net liabilities (net assets) of defined benefit plan
☐ Applicable √ Not applicable

Description about the contents of defined benefit plan, related risks, and influences on the Company's future cash flow, time and uncertainty:

- Defined benefit plans of the Group include end of Career Benefits (IFC); bonuses of Seniority (GA) and other benefit plans.
- End of Career Benefits (IFC): All employees working for Adisseo France are entitled on retirement to a lump-sum as a result of legislation applicable in France. The amount of End of Career Benefits depends on employee's length of service in the Group and on the rights guaranteed by contractual agreements. The employee's final salary is taken into account when calculating the amount of these retirement benefits.
- Bonuses of Seniority (GA): All employees working for Adisseo in France are entitled on Bonuses of Seniority as well, the amount of which depends on their seniority in the Group.

b. Main actuarial assumptions

Items	Closing balance	Opening balance
End of Career Benefits (IFC)		
Discount rate	1,20%	1.34%
Inflation rate	2,00%	2.00%
Wages increase rate *(including inflation rate)*	2,80%	2.40% - 3.00%
Mortality Table (1)	TH/TF 00-02	TH/TF 00-02
Retirement age	62 years - 64 years	62 years - 64 years
Bonuses of Seniority (GA)		
Discount rate	0,75%	0.90%
Inflation rate	2,00%	2.00%
Wages increase rate *(including inflation rate)*	2,80%	2.80%
Mortality Table (1)	TH/TF 00-02	TH/TF 00-02
Retirement age	62 years - 64 years	62 years - 64 years

(1) Mortality tables TH/TF 00-02 have been approved by decree of the Ministry of the Economy in 2015. They are based on data collected by INSEE (French national bureau of statistics). Table TH 00-02 is for males and table TF 00-02 for females.

c. Sensitivity analysis

Discount rate	Assumption volatility	Impact on the present value of the defined benefit obligation	
		assumption increase	assumption decrease
End of career benefits (IFC)			
Current period	+/- 0,25 %	(4,172,639)	4,405,561
Bonuses of Seniority (GA)			
Current period	+/- 0,25 %	(1,210,550)	1,258,339

(3) French profit-sharing plans

Profit sharing plans gives employees a share in the profits of the company. Each employee receives a percentage of those profits based on the company's earnings. All companies employing 50 workers or more are obliged by law to participate employees in the financial success of the company. All such companies must establish a profit-sharing plan (RSP), the level of which is calculated on the basis of a legally binding or otherwise pre-determined profit-sharing formula.

(4) Long-term bonus payments

Long-term bonus payments includes two types of bonus. The first one is a bonus only based on Adisseo's results. The second one is detailed below:
In order to attract and motivate high qualified executives with expertise and experience, the Group has set up an incentive plan based on BANG's (the Company's subsidiary, which is a Hong-Kong company) phantom stocks. This incentive plan entitles the executives to a cash payment after three years and half or four years of service, with certain performance conditions. The fair value of the incentive plan is based on BANG's share value, with reference to BAC's stock value at the date of the evaluation. The bonus will be paid out from April 1, 2018 to June 30, 2020. As the exercise is at the option of grantees and all the phantom stocks have been vested, all the balance of long-term bonus payment is classified as current liabilities as of December 31, 2017.

For incentive plan do not vest until the completion of services for a period, and/or until the achievement of a specified performance condition, the Group recognizes costs or expenses as services are received, with a corresponding increase in liability, at an amount equal to the fair value of the liability based on the best estimate of the outcome of vesting. Until the liability is settled, the enterprise shall remeasure the fair value of the liability at each balance sheet date and at the date of settlement, with changes recognized in profit or loss for the current period.

The amount accounted for the plan are:

Unit: Yuan Currency: RMB

Items	Current period
Accumulated amounts of the liabilities	251,366,699
Expenses accrued/(reversed) during the period	(31,957,632)

(5) Undiscounted maturity analysis of defined benefit plans

Unit: Yuan Currency: RMB

	Within one year	One to two years	Two to five years	More than five years	Total
IFC	4,322,474	3,955,766	38,941,279	306,856,657	354,076,176
GA	4,291,265	3,354,989	21,698,196	89,437,765	118,782,215
Others	4,252,872	5,160,670	3,116,363	8,062,504	20,592,409

27. Provisions

√ Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Opening balance	Increase in current period	Decrease in current period	Currency translation difference	Closing balance	Reason of recognition
Provision	29,196,374	0	(29,911,421)	715,047	0	
Total	**29,196,374**	**0**	**(29,911,421)**	**715,047**	**0**	

28. Deferred income

√ Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Opening balance	Increase in current period	Decrease in current period	Currency translation differences	Closing balance
Government subsidies	194,456,122	2,436,516	(15,392,842)	909,999	182,409,795
Sub-Total	**194,456,122**	**2,436,516**	**(15,392,842)**	**909,999**	**182,409,795**
Less: Part due within one year	13,303,860		(15,144)	106,174	13,394,890
Total	**181,152,262**	**2,436,516**	**(15,377,698)**	**803,825**	**169,014,905**

Government subsidies:

Unit: Yuan Currency: RMB

Liability projects	Opening balance	Amount of newly increased subsidy in current period	Amount recognized in other income	Other changes	Currency translation differences	Closing balance	Related to assets / Income
Project B	9,908,021	395,516	(1,040,319)		653,505	9,916,723	Assets
Project C	180,569,000	2,041,000	(13,773,000)			168,837,000	Assets
Others	3,979,101		(579 523)		256,494	3,656,072	Assets
Total	**194,456,122**	**2,436,516**	**(15,392,842)**	**0**	**909,999**	**182,409,795**	

29. Paid-in Capital

Unit: Yuan Currency: RMB

	Opening balance	Changes during the period (+ / -)					Closing balance
		New shares issued	Shares distributed	Conversion from reserves to shares	Others	Subtotal	
Total shares	2,681,901,273						2,681,901,273

30. Capital reserve

Unit: Yuan Currency: RMB

Items	Opening balance	Increase in current period	Business combination impact	Closing balance
Capital premium (capital stock premium)	842,805,917			842,805,917
Other capital reserve	1,389,651,431			1,389,651,431
Total	**2,232,457,348**	**0**	**0**	**2,232,457,348**

31. Other comprehensive income

√ Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Balance at the beginning of the period attributable to shareholders of the Company	Amount incurred during the current period					Balance at the end of the period attributable to shareholders of the Company
		Before tax amount	Less: transfer to profit or loss that previously recognized	Less: income tax expense	Net-of-tax amount attributable to shareholders of the Company	Net-of-tax amount attributable to non-controlling interests	
Items that will not be reclassified to profit or loss	**(28,638,774)**	**3,979,754**		**(1,390,338)**	**2,589,416**	**456,956**	**(26,049,358)**
Including: remeasurement of changes in liabilities under defined benefit plans	(28,638,774)	3,979,754		(1,390,338)	2,589,416	456,956	(26,049,358)
Items that may be reclassified to profit or loss	**(832,093,509)**	368,483,270	9,629,993	(4,102,792)	374,010,471	208,671,690	(458,083,038)
Including: effective portion of gain or loss of cash flow hedge	(5,040,936)	2,295,976	9,629,993	(4,102,792)	7,823,177	1,380,561	2,782,241
Translation difference of foreign financial statements	(827,052,573)	366,187,294			366,187,294	207,291,129	(460,865,279)
Total	**(860,732,283)**	**372,463,024**	**9,629,993**	**(5,493,130)**	**376,599,887**	**209,128,646**	**(484,132,396)**

32. Surplus reserve

Unit: Yuan Currency: RMB

Items	Opening balance	Increase in current period	Decrease in current period	Closing balance
Statutory surplus reserve	256,211,737	95,348,959		351,560,696
Total	**256,211,737**	**95,348,959**	**0**	**351,560,696**

In accordance with the Company Law of the People's Republic of China and the Articles of Association, prior to the distribution of the Company's net profit, the Company should provide 10% as statutory reserve for the net profit available for distribution, after covering the accumulated losses from prior years. When the statutory surplus reserve accumulatively reaches more than 50% of registered capital, it may not be withdrawn any more. If approved, statutory surplus reserve may be used to cover losses or increase capital stock.

33. Undistributed profit

Unit: Yuan Currency: RMB

Items	Note	Current period	Last period
Undistributed profit of last period before adjustment		**7,766,000,584**	**6,466,803,025**
Total adjustments (increased +/ decreased -)			
Undistributed profit at the beginning of period after adjustment		7,766,000,584	6,466,803,025
Add: Net profit attributable to the Company's owners in current period		1,323,315,773	1,865,346,347
Appropriation of special reserves			
Others			
Less: Withdrawal of statutory surplus reserve		95,348,959	118,541,617
Dividend distribution	(1)	611,473,490	442,513,710
Others		1,093	5,093,461
Undistributed profit at the end of period	**(2)**	**8,382,492,815**	**7,766,000,584**

(1). Distribution of dividends of ordinary shares declared during the year:
The dividend distribution, amounting to RMB 611,473,490.24, has been approved by the General Shareholders' Meeting on May 19, 2017 and paid on June 14, 2017.

(2). Retained earnings at the end of the year:
As at December 31, 2017, the consolidated retained earnings attributable to the Company included an appropriation of RMB 219,751,524 to surplus reserve made by the Company's subsidiaries.

34. Operating revenue and operating cost

Unit: Yuan Currency: RMB

Items	Amount incurred during the current period		Amount incurred during the last period	
	Operating revenue	Operating Cost	Operating revenue	Operating Cost
Main businesses	10,397,823,108	6,350,759,160	10,688,263,140	5,618,473,986
Total	**10,397,823,108**	**6,350,759,160**	**10,688,263,140**	**5,618,473,986**

Detail of main businesses

Unit: Yuan Currency: RMB

Items	Amount incurred during the current period		Amount incurred during the last period	
	Revenue	Cost	Revenue	Cost
Performance products	8,101,555,708	5,290,143,748	8,734,157,910	4,568,963,128
Specialties products	1,729,578,118	757,693,985	1,357,009,686	684,284,187
Other products	566,689,282	302,921,427	597,095,544	365,226,671
Total	**10,397,823,108**	**6,350,759,160**	**10,688,263,140**	**5,618,473,986**

35. Taxes and surcharge

Unit: Yuan Currency: RMB

Items	Amount incurred during the current period	Amount incurred during the last period
Business taxes	47,467,493	61,939,392
Property tax	32,760,594	29,136,392
City maintenance and construction tax	11,175,948	11,394,960
Education surcharge and local education surcharges	7,314,776	7,496,360
Others	3,336,522	4,179,237
Total	**102,055,333**	**114,146,341**

36. Selling and distribution costs

Unit: Yuan Currency: RMB

Items	Amount incurred during the current period	Amount incurred during the last period
Depreciation expense	4,281,329	5,009,394
Transportation expenses	404,625,864	385,048,649
Personnel expenses	190,003,579	176,863,258
Storage expenses	200,589,990	134,944,126
Commission expenses for delegating agent	58,402,671	63,437,616
Travel expenses	33,743,065	33,755,972
Others	113,774,625	101,416,258
Total	**1,005,421,123**	**900,475,273**

37. General and administrative expenses

Unit: Yuan Currency: RMB

Items	Amount incurred during the current period	Amount incurred during the last period
Depreciation expense	28,477,648	25,273,983
Amortization of intangible assets	101,516,694	101,149,557
Employee benefit expenses	231,683,071	385,444,408
Consulting and other expert services	159,388,227	174,551,978
Travel expenses	22,554,583	27,324,034
Rent expenses	18,413,147	17,114,370
Insurance expenses	9,377,778	5,281,972
Research and exploitation expenses (without Payroll & External Expenses)	100,189,678	25,071,557
Taxes		1,584,194
Others	49,432,616	86,796,337
Total	**721,033,442**	**849,592,390**

38. Financial expenses

Unit: Yuan Currency: RMB

Items	Amount incurred during the current period	Amount incurred during the last period
Interest expenditure	5,788,795	11,258,922
Less: Interest income	80,749,128	45,644,754
Net exchange losses / (gains)	(5,480,070)	(16,973,653)
Other financial expenses	23,377,696	18,966,895
Total	**(57,062,707)**	**(32,392,590)**

39. Asset impairment losses

√ Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Amount incurred during the current period	Amount incurred during the last period
Provision for bad debt	5,313,616	2,359,073
Provision for other receivables	(10,080,647)	9,705,331
Provision for decline in value of inventories	(9,394,370)	26,762,229
Impairment loss for available-for-sale financial assets		
Provision for Long term receivable		(24,395,472)
Total	**(14,161,401)**	**14,431,161**

40. Gains (losses) from changes in fair value

√ Applicable Not applicable

Unit: Yuan Currency: RMB

Source generating the gain (loss) of change on fair value	Amount incurred during the current period	Amount incurred during the last period
Change in fair value of derivative financial instruments	51,989,295	(32,807,131)
Total	**51,989,295**	**(32,807,131)**

41. Non-operating income

(1) Non-operating income by item is as follows

Unit: Yuan Currency: RMB

Items	Amount incurred during the current period	Amount incurred during the last period	Amount recorded in non-recurring gain or loss of current period
Gains on disposal of non- current assets			
Including:			
Gains on disposal of fixed assets			
Gains on disposal of intangible assets			
Compensation income	4,321,000		4,321,000
Government grant		13,351,265	
Others	5,130,214	449,303	5,130,214
Total	**9,451,214**	**13,800,568**	**9,451,214**

(2) Details of government grants

√ Applicable Not applicable

Unit: Yuan Currency: RMB

Grant items	Amount incurred during the current period	Amount incurred during the last period
Amortization of government subsidy related to assets		
Project B		1,001,485
Project C		11,733,000
Other projects		616,780
Government subsidy related to benefits		
Total	**0**	**13,351,265**

42. Non-operating expenses

Unit: Yuan Currency: RMB

Items	Amount incurred during the current period	Amount incurred during the last period	Amount recorded in the non-recurring gain or loss of current period
Losses on disposal of non-current assets	1,598,472	10,005,611	1,598,472
Including:			
Losses on disposal of fixed assets	1,598,472	10,005,611	1,598,472
Losses on disposal of intangible assets			
Compensation expenditure			
Donations			
Others	809,417	6,019,949	809,417
Total	**2,407,889**	**16,025,560**	**2,407,889**

43. Income tax expenses

(1) Income tax expenses

Unit: Yuan Currency: RMB

Items	Amount incurred during the current period	Amount incurred during the last period
Current income tax	766,407,074	1,094,684,744
Deferred income tax	(55,289,848)	(221,924,033)
Total	**711,117,226**	**872,760,711**

(2) Accounting profit and expense of income tax adjustment process

Unit: Yuan Currency: RMB

Items	Amount incurred during the current period	Amount incurred during the last period
Total profit before tax	2,387,203,620	3,188,941,876
Income tax expenses calculated at applicable tax rates (1)	**821,914,206**	**1,097,952,688**
Credit Tax	(42,965,063)	(31,772,070)
Difference of tax rates applicable to subsidiary companies (2)	(55,207,948)	(77,638,589)
Change in tax rate	(11,622,900)	(127,680,510)
Income not subject to tax	(9,621,969)	(2,908,414)
Costs, expenses and losses not deductible for tax purposes	1,838,724	1,535,039
Tax losses for which no deferred income tax asset was recognized	0	0
Utilization of previously unrecognized tax losses	(249,068)	(27,573)
Others	7,031,244	13,300,140
Income tax expenses	**711,117,226**	**872,760,711**

Income tax expenses calculated at applicable tax rates (1) is calculated at the statutory income tax rate of France, which is the main operation jurisdiction of the Group (34.43% as at December 31, 2017 and December 31, 2016). The impacts of different tax rates between local tax rate of subsidiaries in different jurisdictions and French tax rate are presented in Difference of tax rates applicable to subsidiary companies (2); and other reconciliation items are calculated by local tax rate as applicable.

44. Basic earnings per share

(1) Basic earnings per share

Unit: Yuan Currency: RMB

Items	Amount incurred during the current period	Amount incurred during the last period
Total amount of composite benefits attributable to the Company's owners	1,323,315,773	1,865,346,347
Common stock	2,681,901,273	2,681,901,273
Basic earnings per share	0.49	0.70
Basic earnings per share from continue operation (i)	0.49	0.70
Basic losses per share from discontinue operation		

(i) The weighted average number of shares used for the calculation of the EPS of December 2017 and 2016 is 2,681,901,273.

Weighted average number of ordinary shares is calculated as follows:

Number of shares	Amount incurred during the current period	Amount incurred during the last period
Issued ordinary shares at January 1	2,681,901,273	2,681,901,273
Effect of new shares		
Weighted average number of ordinary shares at the end of the period	**2,681,901,273**	**2,681,901,273**

(2) Diluted earnings per share

The Company does not have dilutive potential ordinary share in the periods from January 1, 2017 to December 31, 2017 and January 1, 2016 to December 31, 2016. The diluted earnings per share/ (loss) is equal to basic earnings per share/ (loss).

45. Supplement to income statement

Unit: Yuan Currency: RMB

Items	Amount incurred of current period	Amount incurred of last period
Operating revenue	10,397,823,108	10,688,263,140
Less : Changes in inventories of raw materials, finished goods and work-in-progress	(61,968,673)	(185,748,119)
Raw materials, purchased equipment and consumables purchased	4,612,374,990	3,927,571,094
Employee benefit expenses	1,215,709,565	1,273,760,983
Depreciation/amortization expenses	818,892,222	847,154,711
Transportation expenses	404,625,864	385,048,649
Storage expenses	200,589,990	134,944,126
Consulting and other expert services	197,071,513	208,463,210
Travel expenses	56,297,648	61,080,006
Rent expenses	26,894,833	24,816,363
Insurance expenses	17,604,908	11,879,142
Commission expenses for delegating agent	58,402,671	63,437,616
Research and exploitation expenses	100,189,678	25,071,557
Taxes	102,055,333	114,146,341

Items	Amount incurred of current period	Amount incurred of last period
Asset impairment losses	(14,161,401)	14,431,161
Losses/(gain) arising from changes in fair value	(51,989,295)	32,807,131
Investment loss / (income)		437,420
Other (income)	(38,392,842)	
Others	373,465,809	557,794,881
Total Operating profit	**2,380,160,295**	**3,191,166,868**

46. Items in cash flow statement

(1) Cash received relating to other operating activities

Unit: Yuan Currency: RMB

Items	Amount incurred during the current period	Amount incurred during the last period
Others	68,614,865	85,853,667
Total	**68,614,865**	**85,853,667**

(2) Cash paid relating to other operating activities

Unit: Yuan Currency: RMB

Items	Amount incurred during the current period	Amount incurred during the last period
Travel expenses	23,349,492	25,527,293
Rent	18,196,684	16,726,268
Insurances	8,695,143	5,101,261
Others	55,923,935	77,422,275
Total	**106,165,254**	**124,777,097**

(3) Cash received relating to other financing activities

Applicable √ Not applicable

(4) Cash paid relating to other financing activities

Applicable √ Not applicable

47. Supplementary data of cash flow statement

(1) Supplement to cash flow statement

Unit: Yuan Currency: RMB

Items	Amount of current period	Amount of last period
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	**1,676,086,394**	**2,316,181,165**
Add: Impairment provisions for assets	(14,161,401)	14,431,161
Depreciation of fixed assets	638,618,448	662,227,119
Amortization of intangible assets	171,321,672	176,308,788
Amortization of expenditures on research and development	8,952,102	8,618,804
Amortization of long-term deferred expenses	2,470,597	5,696,926
Losses (gains) on disposal of fixed assets, intangible assets and other long-term assets	1,598,472	10,005,611
Losses (gains) on changes in fair value	(51,989,295)	32,807,131
Decrease (increase) of deferred tax assets	22,992,765	(61,842,594)
Increase (decrease) of deferred tax liabilities	(78,282,613)	(160,081,439)
Financial expenses (income)	33,071,792	24,532,198
Losses (gains) arising from investment		(437,420)
Amortization of deferred income	(15,392,842)	(13,351,265)
Decrease (increase) in gross inventories	(61,968,673)	(185,748,119)
Decrease (increase) in receivable from operating activities	301,149,395	72,764,440
Increase (decrease) in payable from operating activities	(121,381,189)	151,811,109
Net cash flow from operating activities	**2,513,085,624**	**3,053,923,615**
2. Investing and financing activities not requiring the use of cash or cash equivalents		
Debts converted into capital		
Convertible corporate bonds due within one year		
Fixed assets acquired under finance leases		
3. Change in cash and cash equivalents		
Closing balance of cash	7,659,509,312	6,681,296,187
Less: Opening balance of cash	6,681,296,187	4,941,121,304
Add: Closing balance of cash equivalent		
Less: Opening balance of cash equivalent		
Net increase of cash and cash equivalent	**978,213,125**	**1,740,174,883**

(2) Net amount of cash paid in current period for obtaining subsidiary companies

√ Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Amount of current period
Cash and cash equivalents paid this year for acquiring subsidiaries and other business units during the period	3,050,120
Including: Capsulae S.A.S.	3,050,120
Less: Cash and cash equivalents held by acquired subsidiaries and other business units on the date of purchasing	442,267
Including: Capsulae S.A.S.	442,267
Add: Cash or cash equivalent paid in current period for acquiring subsidiaries and other business units in previous period	
Including: Capsulae S.A.S.	
Net amount of cash paid for obtaining subsidiary companies	2,607,853

(3) Net amount of cash received from disposal of subsidiary companies in current period

Applicable √ Not applicable

(4) Composition of cash and cash equivalent

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
I. Cash at bank and on hand	7,659,509,312	6,681,296,187
Including: Cash on hand		
Bank deposit available for payment anytime	7,659,509,312	6,681,296,187
Other monetary resources available on demand		
II. Cash equivalents		
III. Closing balance of cash and cash equivalents	7,659,509,312	6,681,296,187
Including: Use-restricted cash and cash equivalent of the Company or its subsidiaries		

48. Foreign-currency monetary items

√ Applicable Not applicable

The Group's exposure to currency risk arising from recognized assets and liabilities denominated in foreign currencies at each affiliate level as at December 31, 2017 is as follows. For consideration of disclosure, the amount of exposure to the risk is shown in Renminbi to be converted at the spot exchange rate on the balance sheet date. Currency translation difference is not included.

(1) Foreign-currency monetary balances

Unit: Yuan

Items	Closing balance at foreign currency	Exchange rate for conversion	Closing balance at RMB equivalent
Cash and cash equivalents			
Wherein: EUR	20,111	7.8023	156,912
RMB	12,464,876	1.0000	12,464,876
USD	15,627,636	6.5379	102,171,531
GBP	835,497	8.7895	7,343,634
BRL	1,057,697	1.9656	2,079,044
CAD	626,117	5.1846	3,246,163
MXN	14,170,001	0.3313	4,694,194
SGD	1,613,659	4.8862	7,884,677
OTHER			3,811,279
Total			**143,852,310**
Accounts receivable			
Wherein: EUR	229,676	7.8023	1,792,000
USD	44,137,910	6.5379	288,568,137
GBP	1,746,127	8.7895	15,347,655
BRL	49,216,163	1.9656	96,740,936
OTHER			104,605
Total			**402,553,333**
Accounts payable			
Wherein: EUR	(63,653,042)	7.8023	(496,640,132)
USD	(41,107,168)	6.5379	(268,753,526)
GBP	(93,380)	8.7895	(820,771)
BRL	(2,887,047)	1.9656	(5,674,875)
MXN	(2,309,039)	0.3313	(764,931)
SGD	(600,774)	4.8862	(2,935,506)
OTHER			(894,696)
Total			**(776,484,437)**

Items		Closing balance at foreign currency	Exchange rate for conversion	Closing balance at RMB equivalent
Long-term receivables				
Wherein:	USD	22,706	6.5379	148,447
	BRL	5,451,463	1.9656	10,715,577
	SGD	112,560	4.8862	549,992
	OTHER			32,690
	Total			**11,446,706**
Current portion of non-current liabilities				
Wherein:	GBP	(7,101)	8.7895	(62,418)
	Total			**(62,418)**
Gross balance sheet exposure				
Wherein:	EUR	(63,403,255)	7.8023	(494,691,220)
	RMB	12,464,876	1.0000	12,464,876
	USD	18,681,084	6.5379	122,134,589
	GBP	2,481,143	8.7895	21,808,100
	BRL	52,838,276	1.9656	103,860,682
	CAD	626,117	5.1846	3,246,163
	MXN	11,860,962	0.3313	3,929,263
	SGD	1,125,445	4.8862	5,499,163
	OTHER			3,053,878
	Total			**(218,694,506)**

(2) Description about foreign business entities, including important foreign business entities, foreign main business place, recording currency and selection basis, and reasons for change of recording currency.

√ Applicable Not applicable

Name of the subsidiary	Principal place of business	Functional Currency	Basis for determining the functional currency
Adisseo France S.A.S	France	EUR	Local currency of principal place of business
Bluestar Adisseo Nanjing Co., Ltd	China	RMB	Local currency of principal place of business
Adisseo Life Science (Shanghai) Co., Ltd	China	RMB	Local currency of principal place of business
Adisseo USA Inc.	USA	USD	Local currency of principal place of business
Adisseo Brasil Nutriçao Animal Ltd	Brazil	USD	Currency of principal flows of business

49. Hedging

√ Applicable Not applicable

Operations of the Group are exposed to global market risks, including the effect of changes on currency exchange rates, on interest rates and commodity prices. Derivative financial instruments are used to manage these financial exposures as an integral part of the Group's overall risk management program. Derivatives are not used for speculative purposes. For most of those transactions, the Group applies cash flow hedge accounting and documents, at the inception of the hedge, the type of hedging relationship, the hedging instruments, the nature and the term of the hedged item.

Cash flow hedge accounting means that the Group hedges exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

The fair value of derivatives is based on the market price at the balance sheet date. In the balance sheet, they are carried as financial assets when their fair value is positive and as financial liabilities when their fair value is negative.

Applying cash flow hedge accounting has the following consequences:

- The portion of the gain or loss on the hedging instrument that is determined to be effective is recognized directly in equity, while the change in the fair value of the hedged item is not yet recognized in the balance sheet. The amounts directly recognized in equity are reclassified to profit or loss when the hedged transactions occur and are recorded;
- The change in fair value of the ineffective portion recognized directly in the income statement, in net foreign exchange gains/(losses).

From January to December 2017, the change in fair value on these derivatives has a positive impact of RMB 14,030,552 (December 2016: losses of RMB 13,917,539) recorded in other comprehensive income as cash flow hedge accounting, including RMB 3,122,957 of change in fair value and RMB 10,907,595 of reclassification into P&L.
From January to December 2017, the change in fair value on these derivatives has a positive impact of RMB 51,989,295 (December 2016: losses of RMB 32,807,131) charged to the income statement as fair value hedge accounting, cash flow hedge ineffectiveness or non-hedge.

50. Government subsidy

(1) Brief introduction of government grant

√ Applicable　　Not applicable

Unit: Yuan　Currency: RMB

Items	Balance	Presentation of projects	Amount recorded in current profit and loss
Government grants related to assets			
Project B	9,916,723	Industrial investment in Burgos plant	1,040,319
Project C	168,837,000	Land use right and industrial structure adjustment in Nanjing plant	13,773,000
Other projects	3,656,072		579,523
Government grants related to income			
Items offset against operating costs			7,074,396

(2) Refund of government grant

Applicable　√ Not applicable

Unit: Yuan　Currency: RMB

Items	Amount	Explanation

Other explanation

51. Other

None

VIII. Change of Consolidation Scope

1. Business combination not under common control

(1) Business combination not under common control occurring in the current period

Unit: Yuan Currency: RMB

Name of the acquiree	Acquisition date of equity investment	Cost of Equity investment	Shareholding acquired (%)	Acquisition method	Acquisition date	Basis of acquisition date determination	Income from the acquisition date to year end	Net profit from the acquisition date to year end	Net cash inflow from the acquisition date to year end
Capsulae S.A.S	11/12/2017	3,050,120	80.00%	Acquisition not under common control	11/12/2017	The date Innov'ia S.A obtains control over Capsulae S.A.S.	0	0	0

Innov'ia S.A, a subsidiary owned at 84.94% by Adisseo Group, acquires 80% of Capsulae S.A.S.

The activity of the company Capsulae S.A.S, established in 2006, is the complete support for manufacturers in the development of their microencapsulated products, from design to industrialization.

(2) Acquisition cost and goodwill

Unit: Yuan Currency: RMB	Acquisition of Capsulae S.A.S
Cash	3,050,120
Total acquisition cost	**3,050,120**
Less: share of the fair value of the identifiable net assets acquired	744,229
Goodwill	**2,305,891**

(3) Identifiable assets and liabilities of the acquiree at the acquisition date

Unit: Yuan Currency: RMB

Items	Capsulae S.A.S	
	Book value	Fair value
Assets:		
Cash at bank and on hand	442,267	442,267
Accounts receivable	693,902	693,902
Advances to suppliers	38,127	38,127
Other current assets	221,134	221,134
Long-term receivables	7,625	7,625
Fixed assets	465,143	465,143
Intangible assets	968,413	968,413

Items	Capsulae S.A.S	
	Book value	Fair value
Liabilities:		
Accounts payable	167,757	167,757
Wages and benefits payable	213,508	213,508
Taxes payable	7,625	7,625
Other payables	1,189,546	1,189,546
Current portion of non-current liabilities	144,881	144,881
Other current liabilities	183,007	183,007
Net assets	930,287	930,287
Net assets obtained	**930,287**	**930,287**

2. Change of consolidation scope for other reasons

The Group established new subsidiaries in France (Adipex S.A.S), in Malaysia (Adisseo Malaysia SDN. BHD) and in China (Adisseo Nutrition & Healthcare (Nanjing) Co. Ltd).

IX. Rights and Interests in Other Subjects

1. Rights and interests in subsidiaries

√ Applicable Not applicable

(1) Composition of enterprise group

Name of subsidiary companies	Main business place	Registered place	Business nature	Shareholding proportion (%)		Acquisition method
				Direct	Indirect	
Bluestar Adisseo Nutrition Group, Ltd	Hong Kong	Hong Kong	Investment holding	85.00%		Business combination under common control
Drakkar Group S.A.	Belgium	Belgium	Investment holding		84.99%	Business combination under common control
G4 S.A.S	France	France	Investment holding		85%	Business combination under common control
Fondoir de Bayonne Blancpignon (ex Adisseo Développement S.A.S)	France	France	Production and sales of chemical products		85%	Business combination under common control
Adisseo France S.A.S	France	France	Production and sales of chemical products		85%	Business combination under common control
Rafferty 3 S.A.R.L	Luxembourg	Luxembourg	Investment holding		85%	Business combination under common control
Casper G.I.E	France	France	Production and sales of chemical products		68%	Business combination under common control

Name of subsidiary companies	Main business place	Registered place	Business nature	Shareholding proportion (%)		Acquisition method
				Direct	Indirect	
Adisseo Eurasie S.A.R.L	Russia	Russia	Production and sales of chemical products		85%	Business combination under common control
Adisseo Life Science (Shanghai) Co., Ltd	China	China	Production and sales of chemical products		85%	Business combination under common control
Adisseo Canada Inc.	Canada	Canada	Production and sales of chemical products		85%	Business combination under common control
Adisseo Ireland Ltd	Ireland	Ireland	Production and sales of chemical products		85%	Business combination under common control
Adisseo de Mexico S.A. de C.V.	Mexico	Mexico	Production and sales of chemical products		85%	Business combination under common control
Adisseo USA Inc.	USA	USA	Production and sales of chemical products		85%	Business combination under common control
Adisseo Asia Pacific Pte. Ltd	Singapore	Singapore	Production and sales of chemical products		85%	Business combination under common control
Adisseo Trading (Thailand) Co., Ltd	Thailand	Thailand	Production and sales of chemical products		85%	Business combination under common control
Adisseo GMBH	Germany	Germany	Production and sales of chemical products		85%	Business combination under common control
Adisseo Espana S.A.	Spain	Spain	Production and sales of chemical products		85%	Business combination under common control
Adisseo Brasil Nutriçao Animal Ltda	Brazil	Brazil	Production and sales of chemical products		85%	Business combination under common control
Innov'ia S.A.	France	France	Powder designer for chemical industry		84.94%	Business combination under common control
INNOCAPS S.A.R.L	France	France	Powder designer for chemical industry		84.94%	Business combination under common control
IDCAPS S.A.S.U	France	France	Powder designer for chemical industry		84.94%	Business combination under common control
Innov'ia 3I S.A.	France	France	Powder designer for chemical industry		84.94%	Business combination under common control

Name of subsidiary companies	Main business place	Registered place	Business nature	Shareholding proportion (%)		Acquisition method
				Direct	Indirect	
Innov'ia USA Inc.	USA	USA	Powder designer for chemical industry		84.94%	Business combination under common control
Capsulae S.A.S	France	France	Powder designer for chemical industry		67.95%	Business combination not under common control
Bluestar Adisseo Nanjing Co., Ltd	China	China	Production and sales of chemical products		85%	Business combination under common control
Adisseo Philippines Inc.	Philippines	Philippines	Production and sales of chemical products		85%	Business combination under common control
Adisseo Animal Nutrition Pte Ltd	India	India	Production and sales of chemical products		85%	Business combination under common control
Adisseo Malaysia SDN. BHD	Malaysia	Malaysia	Production and sales of chemical products		85%	Established
Adisseo Nutrition & Healthcare (Nanjing) Co. Ltd	China	China	Production and sales of chemical products		85%	Established
Adipex S.A.S	France	France	Production and sales of chemical products		72.25%	Established

(2) Important non-wholly owned subsidiaries

Unit: Yuan Currency: RMB

Name of subsidiary	Proportion of ordinary share ownership interest held by non-controlling interests	Profit or loss attributable to non-controlling interests during the period	Dividends declared to distributed to non-controlling interests during the period	Balance of non-controlling interests at the end of the period
Bluestar Adisseo Nutrition Group Limited	15%	352,770,621	281,076,626	4,092,794,115

Non-controlling interests include the 15% of shares owned by Bluestar Group in BANG and the preferred shares of BANG.

(3) Main financial information of important non-wholly owned subsidiaries

Unit: Yuan Currency: RMB

Name of 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
Bluestar Adisseo Nutrition Group Limited	8,911,196,760	10,164,701,861	19,075,898,621	3,511,218,453	1,272,083,894	4,783,302,347	8,104,114,071	9,648,716,281	17,752,830,352	2,890,375,959	1,617,897,127	4,508,273,086

Unit: Yuan Currency: RMB

Name of subsidiary	Amount incurred during the current period				Amount incurred during the last period			
	Operating revenue	Net profit	Total amount of comprehensive income	Cash flow from operating activities	Operating revenue	Net profit	Total amount of comprehensive income	Cash flow from operating activities
Bluestar Adisseo Nutrition Group Limited	10,397,823,108	1,614,469,473	2,200,198,006	2,500,740,025	10,688,263,140	2,295,337,365	2,566,377,737	3,099,398,553

2. Transactions inducing the change of the shares of owners' equity in subsidiary companies, but remaining the control on subsidiary companies

Applicable √ Not applicable

3. Rights and interests in Associates and joint ventures

Applicable √ Not applicable

4. Important joint operation

Applicable √ Not applicable

5. Rights and interests in the structuralized subjects not taken into the scope of consolidated financial statements

Applicable √ Not applicable

6. Others

None

X. Risks Related to Financial Instruments

√ Applicable Not applicable

The Group's activities expose it to a variety of financial risks as follows:
- foreign exchange risk
- interest rate risk
- raw material risk
- credit risk
- liquidity risk

The Group's risk management objectives are to achieve proper balance between risks and yield, minimize the adverse impacts of risks on the Group's operation performance. Based on these risk management objectives, the Group's basic risk management strategy is to identify and to analyze the industry's exposure to various risks, and seeks to minimize potential adverse effects on the Group's financial performance.

1. Market risk

(1) Foreign exchange risk

The Group's major operational activities are carried out in France, Spain, United States, mainland China and a majority of the transactions are denominated in EURO, US Dollars and RMB. The Group's finance department at its headquarters continuously monitors foreign exchange risk of the Group and combine with the use of derivative financial instruments.

Assets and liabilities denominated in foreign currencies are summarized in Note VII (48).

The table below summarizes the sensitivity of the Group's profit before income tax ("P&L") and Other Comprehensive Income ("OCI") to a change of plus or minus 10% in foreign exchange rates against the euro, calculated on the net exposure presented above and on derivatives hedging future cash flows. The impacts of the derivative financial instruments only take into account the changes in their efficient portions / intrinsic values:

Hedged currencies	Increase of the euro by 10%		Decrease of the euro by 10%	
	Impact P&L	Impact OCI	Impact P&L	Impact OCI
USD	4,379,340	95,160,618	(17,410,777)	(60,885,040)
Other currencies	(401,064)	6,348,947	(1,015,886)	(5,056,569)

Non-hedged currencies	Increase of the euro by 10%		Decrease of the euro by 10%	
	Impact P&L	Impact OCI	Impact P&L	Impact OCI
BRL	(10,877,063)		10,877,063	
Other currencies	(2,247,517)		2,247,517	

(2) Interest rate risk

The Group's exposure to the interest rate risk is primarily arising from net indebtedness including long-term interest-bearing debt and cash position.

The Group's finance department at its headquarters continuously monitors the interest rate position of the Group.

As at December 31, 2017 and December 31, 2016, the Group's has no more significant floating rate borrowings.

(3) Raw material risk

The raw material risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market commodities. The Group is exposed to fluctuations in mainly propylene, sulphur and gas prices and in order to limit this exposure, the Group enters into some derivative financial instruments (caps and swaps).
In volume, the outstanding derivatives contracts on propylene were 39,600 Bbl as of 31 December 2017 and the sensitivity is not significant.

2. Credit risk

The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities (including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments).

Bank deposits of the Group are mainly put in large or medium-sized listed banks with high credit standard. Therefore, the Group believes they suffer no significant credit risks or cause any significant losses as a result of contract breach of the counterparts.

The Group has a credit policy, approved by the Group Chief Finance Officer (CFO), which is designed to ensure that consistent processes are in place throughout the Group to measure and control credit risk. Such risk is considered as part of the risk-reward balance of doing business. Key requirements of the policy are formal delegated authorities to the sales and marketing teams to incur credit risk and to a specialized credit function to set counterparty limits. Before trading with a new counterparty can start, its creditworthiness is assessed and credit exposure limit is determined. Such exposure limit also depends on the limits of the credit insurer of the Group which is used for clients located in high-risk countries according to the Group. The assessment process takes into account all available qualitative and quantitative information about the counterparty and the group, if any, to which the counterparty belongs. Creditworthiness continues to be evaluated after transactions have been initiated with follow up on payment performances.

3. Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group’s finance department in its headquarters. The Group’s finance department at its headquarters monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institutions so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

The financial liabilities of the Group at the balance sheet date are analyzed by their maturity date below:

Unit: Yuan Currency: RMB

Items	Closing balance				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial liabilities -					
Short-term borrowings					
Accounts payable	1,219,258,270				1,219,258,270
Derivative financial instruments-liabilities	9,495,399				9,495,399
Interest payables	8,559,892				8,559,892
Dividends payable	154,485,540				154,485,540
Other payables	378,556,308	2,686,450	897,092	1,328,138	383,467,988
Long-term borrowings		2,505,974	2,036,400	7,989,556	12,531,930
Long-term payables		1,630,681	1,490,239	6,827,793	9,948,713
Current portion of long-term payables	1,760,751				1,760,751
Current portion of long-term borrowings	2,691,794				2,691,794
Total	**1,774,807,954**	**6,823,105**	**4,423,731**	**16,145,487**	**1,802,200,277**

Unit: Yuan Currency: RMB

Items	Opening balance				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial liabilities -					
Short-term borrowings	469,236				469,236
Accounts payable	995,186,403	1,331,128			996,517,531
Derivative financial instruments-liabilities	68,508,557				68,508,557
Interest payables	5,543,874				5,543,874
Dividends payable	104,121,900				104,121,900
Other payables	299,049,023	725,000	450,000	450,000	300,674,023
Long-term borrowings		2,175,688	2,345,483	9,389,238	13,910,409
Long-term payables		1,583,721	1,490,587	7,775,166	10,849,474
Current portion of long-term payables	2,298,769				2,298,769
Current portion of long-term borrowings	1,618,157				1,618,157
Total	**1,476,795,919**	**5,815,537**	**4,286,070**	**17,614,404**	**1,504,511,930**

XI. Disclosure of Fair Value

√ Applicable Not applicable

Based on the lowest level input that is significant to the fair value measurement in its entirety, the fair value hierarchy has the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

1. Closing fair value of the assets and liabilities measured with fair value

As at December 31, 2017, the assets measured at fair value on a recurring basis by the above three levels are analyzed below:

Unit: Yuan Currency: RMB

Items	Closing fair value			
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
I. Continuous fair value measurement				
(I) Financial assets measured with fair value and having the change of fair value recorded in the gain or loss of current period				
Derivative financial assets		19,287,286		19,287,286
Total amount of assets measured with fair value continuously		**19,287,286**		**19,287,286**
(II) Financial liabilities specified to measure with fair value and have the change of fair value recorded in the gain or loss of current period				
Derivative financial liabilities		9,495,399		9,495,399
Total amount of liabilities measured with fair value continuously		**9,495,399**		**9,495,399**
Net assets	**0**	**9,791,887**	**0**	**9,791,887**

As at December 31, 2016, the assets measured at fair value on a recurring basis by the above three levels are analyzed below:

Unit: Yuan Currency: RMB

Items	Closing fair value			
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
I. Continuous fair value measurement				
(I) Financial assets measured with fair value and having the change of fair value recorded in the gain or loss of current period				
Derivative financial assets		11,471,676		11,471,676
Total amount of assets measured with fair value continuously		**11,471,676**		**11,471,676**
(II) Financial liabilities specified to measure with fair value and have the change of fair value recorded in the gain or loss of current period				
Derivative financial liabilities		68,508,557		68,508,557
Total amount of liabilities measured with fair value continuously		**68,508,557**		**68,508,557**
Net assets	**0**	**(57,036,881)**	**0**	**(57,036,881)**

2. Valuation techniques used and the qualitative and quantitative information of key parameters for recurring and non-recurring fair value measurements categorized within Level 2

The fair value of financial instruments traded in an active market is determined at the quoted price in the active market; and the fair value of those not traded in an active market is determined by the Group using valuation technique. The valuation models used mainly comprise discounted cash flow model and market comparable corporate model. The inputs of the valuation technique mainly include risk-free interest rate, benchmark rate, exchange rate, credit spread, liquidity premium, EBITDA multiplier and restricted discount.

3. The reasons for transfer of different levels, and the policy about the timing of those transfers for recurring fair value measurements

The Group takes the date on which events causing the transfers between the levels take place as the timing specific for recognizing the transfers. There is no transfer between Level 1 and Level 2 for current period.

4. The change of appraisal technology in the current period and the reasons for change

During current period, there were no changes in valuation techniques for the recurring and non-recurring fair value measurements.

5. The fair value of the financial assets and financial liabilities not measured with fair value

Financial assets and liabilities not measured at fair value mainly represent receivables, short-term borrowings, payables, current portion of long-term borrowing, current portion of long-term payables, long-term borrowings and long-term payables.
The carrying amount of the other financial assets and liabilities not measured at fair value is a reasonable approximation of their fair value.

XII. Related party relationships and transactions

1. Parent(s) of the Company

Unit: Yuan Currency: RMB

Name of parent company	Registered place	Business nature	Registered capital	Proportion of shares held by the parent company in the enterprise (%)	Proportion of voting right held by the parent company in the enterprise (%)
China National Bluestar (Group) Co, Ltd	Beijing	Research, development of new chemical materials, chemical cleaning, antisepsis, water treatment technology and fine chemical products	18,168,869,029	89.09%	89.09%

The enterprise's ultimate controller is China National Chemical Corporation.

2. Subsidiaries of the Company

For details about the enterprise's subsidiary companies, please refer to the Note IX (1).

3. Other related parties of the Company

√ Applicable Not applicable

Name of other related parties	Relationship of other related parties with the enterprise
Lanzhou Bluestar Cleaning Co., Ltd	Controlled by the same parent company
Bluestar Silicon Investment Co., Ltd	Controlled by the same parent company
Elkem Silicones France SAS (ex-Bluestar Silicones France SAS)	Controlled by the same parent company
Hangzhou Water Treatment Technology Development Center	Controlled by the same parent company
Bluestar Adisseo TIANJING Co., Ltd	Controlled by the same ultimate controlling shareholder
Bluestar Shanghai Cleaning Technology Co., Ltd	Controlled by the same ultimate controlling shareholder
Lianyungang Lianyu Construction Supervision Co., Ltd	Controlled by the same ultimate controlling shareholder
ChemChina Finance Co., Ltd	Controlled by the same ultimate controlling shareholder
Bluestar Nanjing Chemical New Materials Co., Ltd	Joint venture of the same ultimate controlling shareholder
GDEM Conseil	Company owned by the chairman of the board

4. Related party transactions

√ Applicable Not applicable

(1) Related party transactions of purchasing and sale of goods, rendering and receiving of labor services

Purchasing of goods/ receiving of labor services

Unit: Yuan Currency: RMB

Related parties	Contents of related party transactions	Amount incurred of current period	Amount incurred of last period
Bluestar Nanjing Chemical New Materials Co., Ltd	Purchase of goods	66,996,000	38,994,962
Lanzhou Bluestar Cleaning Co., Ltd	Purchase of services	6,687,000	7,207,000
Bluestar Nanjing Chemical New Materials Co., Ltd	Purchase of services		6,923,838
Bluestar Shanghai Cleaning Technology Co., Ltd	Purchase of services	1,939,000	2,870,000
Lianyungang Lianyu Construction Supervision Co., Ltd	Purchase of services	445,000	1,326,000
Hangzhou Water Treatment Technology Development Center	Purchase of services	488,959	278,894
Elkem Silicones France SAS (ex-Bluestar Silicones France SAS)	Purchase of services	641,318	293,656
Bluestar Adisseo TIANJING Co., Ltd	Purchase of services		10,042,453
GDEM conseil	Purchase of services	2,015,946	2,283,601

Sale of commodities/ rendering of labor services

Unit: Yuan Currency: RMB

Related party	Contents of related party transactions	Amount incurred of current period	Amount incurred of last period
Elkem Silicones France SAS (ex-Bluestar Silicones France SAS)	Sales of goods/providing of services	10,496,210	9,705,331

(2) Trust / contracting with related parties

Applicable √ Not applicable

(3) Leases with related parties

√ Applicable Not applicable

Unit: Yuan Currency: RMB

Related party	Category of asset	Current period	Last period
China National Bluestar (Group) Co, Ltd	Office building	648,000	360,073
Bluestar Nanjing Chemical New Materials Co., Ltd	Office building	137,000	
Bluestar Nanjing Chemical New Materials Co., Ltd	Equipment	1,650,000	

(4) Compensation paid for key management personnel

√ Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Current period	Last period
Remuneration of key management	18,962,564	18,500,000

(5) Other related party transactions

√ Applicable Not applicable

ChemChina Finance Co., Ltd. has the financial institution's license in China and the Group accounts for the deposits with ChemChina Finance Co., Ltd.as part of its cash at bank. In the reporting period, total deposits made to Chemchina Finance Co., Ltd. amounted to RMB 955,400,000 and the total amount withdrawn/used amounted to RMB 162,600,000. The interest income earned in the current period amount to RMB 7,454,313.

The balances of the above related party transactions:

Unit: Yuan Currency: RMB

Items	Related party	Closing book value	Opening book value
Cash at bank	ChemChina Finance Co., Ltd.	956,924,226	156,669,913

5. Accounts receivable from and payable to related parties

(1) Accounts receivable

Unit: Yuan Currency: RMB

Items	Related parties	Closing balance		Opening balance	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Accounts receivable	China National Bluestar (Group) Co., Ltd	7,763,289		8,527,036	
Accounts receivable	Elkem Silicones France SAS (ex-Bluestar Silicones France SAS)	2,137,830		1,760,938	
Other Receivables	China National Bluestar (Group) Co., Ltd	429,127		401,874	
Advances to suppliers	China National Bluestar (Group) Co., Ltd	6,355,000			
Advances to suppliers	Bluestar Adisseo TIANJING Co., Ltd			6,355,000	
Advances to suppliers	Bluestar Nanjing Chemical New Materials Co., Ltd	3,235,165		12,900,880	

(2) Accounts payable

Unit: Yuan Currency: RMB

Items	Related parties	Closing book value	Opening book value
Other payables	Bluestar Silicones Investment Co., Ltd	10,771,694	10,771,000
Other payables	China National Bluestar (Group) Co., Ltd	4,420,851	8,597,000
Other payables	Bluestar Shanghai Cleaning Technology Co., Ltd.	185,000	223,000
Other payables	Lianyungang Lianyu Construction Supervision Co., Ltd	322,000	73,000
Other payables	Lanzhou Bluestar Cleaning Co., Ltd	1,370,000	674,000
Other payables	GDEM conseil	1,248,337	1,169,088

XIII. Share-based payments

Applicable √ Not applicable

XIV. Capital management

The Group's capital management policies aim to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.
In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, refund capital to shareholders, issue new shares or sell assets to reduce debts.
The Group's total capital is calculated as 'shareholder's equity' as shown in the consolidated balance sheet. The Group is not subject to external mandatory capital requirements, and manages capital using gearing ratio.

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Total Borrowings	15,223,724	15,997,802
Less : Cash at bank and on hand	7,659,509,312	6,681,296,187
Net Debt	(7,644,285,588)	(6,665,298,385)
Total owners' equity	17,257,073,851	15,887,018,266
Total Capital	9,612,788,263	9,221,719,881
Gearing ratio	**N/A**	**N/A**

XV. Commitments and Contingencies

1. Important commitments

√ Applicable Not applicable

(1) Capital commitments

Capital expenditures contracted for but not yet necessary to be recognized on the balance sheet:

Unit: Yuan Currency: RMB

Commitment type	Closing balance	Opening balance
Houses, buildings and machinery equipment	657,489,918	327,955,664
Total	**657,489,918**	**327,955,664**

(2) Operating lease commitments

The future minimum lease payments due under the signed irrevocable operating leases contracts are summarized as follows:

Unit: Yuan Currency: RMB

	Closing balance	Opening balance
Within one year	63,810,173	58,072,016
Between 1 and 2 years	18,563,706	30,244,215
Between 2 and 3 years	9,764,736	12,877,220
Over 3 years	11,393,248	10,161,314
Total	**103,531,863**	**111,354,765**

2. Contingencies

Applicable √ Not applicable

3. Other

None

XVI. Matters after the Date of Balance Sheet

1. Important non-adjustment matters

√ Applicable Not applicable

Acquisition of NUTRIAD
On December 8, 2017, Adisseo signed a Share Purchase Agreement ("SPA") with Herge Holding B.V. to acquire 100% of the equity of Nutriad Holding B.V. ("Nutriad") for a consideration of USD 193 million approximately, payable upon Completion.
Nutriad is a multinational company headquartered in Dendermonde, Belgium, which operates 4 laboratories and 5 plants located in Belgium, Spain, the UK, China and the USA. This business generates sales of about USD100 million per year.
This transaction was finalized in February 2018.

Redemption of BANG's preferred shares
As at January 5, 2018, a early redemption of the preferred shares, issued on March 27, 2014 by BANG, has been redeemed for USD 80 million.

2. Profit distribution

√ Applicable Not applicable

On March 20, 2018, the board of directors resolved a cash dividend plan for 0.173 yuan per share (2016: 0.228 yuan), with total amount of 463,968,920 yuan (2016: 611,473,490 yuan). The dividend proposal is subject for approval of 2017 Annual General Shareholders' Meeting. As of balance sheet day, the dividend is not recorded as a liability.

3. Sales return

Applicable √ Not applicable

4. Others

None

XVII. Other Important Matters

1. Corrections of prior period errors

Applicable √ Not applicable

2. Debt restructuring

Applicable √ Not applicable

3. Assets restructuring

Applicable √ Not applicable

4. Annuity plan

Applicable √ Not applicable

5. Discontinued operation

Applicable √ Not applicable

6. Segment information

√ Applicable Not applicable

(1) Identifying reportable segments and accounting policy

Reporting segments are determined according to operating segments, which is in accordance with the Group's internal organization structure, management requirements and internal reporting system. The Group only has one reporting segment – Health and nutrition.

Segment information is disclosed in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to management. The measurement criteria are consistent with the accounting and measurement criteria in the preparation of the financial statements.

(2) Financial information of reportable segments

Current period

Unit: Yuan Currency: RMB

Items	Health and nutrition	Total
Revenue from external customers	10,397,823,108	10,397,823,108
Revenue from transactions with other segments		
Operating cost	6,350,759,160	6,350,759,160
Impairment for the period	(14,161,401)	(14,161,401)
Interest income	80,749,128	80,749,128
Interest expense	5,788,795	5,788,795
Depreciation, amortization	818,892,222	818,892,222
Profit before income tax	2,387,203,620	2,387,203,620
Income tax expense or benefit	711,117,226	711,117,226
Net profit	1,676,086,394	1,676,086,394
Other items:		
Total assets	21,329,082,225	21,329,082,225
Total liabilities	4,072,008,374	4,072,008,374

Last period

Unit: Yuan Currency: RMB

Items	Health and nutrition	Total
Revenue from external customers	10,688,263,140	10,688,263,140
Revenue from transactions with other segments		
Operating cost	5,618,473,986	5,618,473,986
Impairment for the period	14,431,161	14,431,161
Interest income	45,644,754	45,644,754
Interest expense	11,258,922	11,258,922
Depreciation, amortization	847,154,711	847,154,711
Profit before income tax	3,188,941,876	3,188,941,876

Items	Health and nutrition	Total
Income tax expense or benefit	872,760,711	872,760,711
Net profit	2,316,181,165	2,316,181,165
Other items:		
Total assets	19,943,821,352	19,943,821,352
Total liabilities	4,056,803,086	4,056,803,086

(3) Explanation of the Group without reportable segment or cannot disclose the total assets or total liabilities of reportable segment

None

(4) Major customers

None single external customer amounts to 10 per cent or more of the consolidated operating income or the Company's operating income.

(5) Other explanation

Operating revenue from external customers by product
Refer to the Note VII.34 - *Detail of main businesses*.

Operating revenue from external customers by geographical location

Unit: Yuan Currency: RMB

Country or region	Amount recognized in the current period	Amount recognized in the prior period
Europe / Africa/MO	3,305,841,954	3,399,606,010
North & Central America	2,312,659,756	2,094,702,587
Asia / Pacific (excluded China)	1,709,651,123	1,755,642,101
South America	1,642,983,410	1,725,907,555
China	1,154,068,435	1,410,838,352
Others	272,618,430	301,566,535
Total	**10,397,823,108**	**10,688,263,140**

Specified non-current assets by geographical location

Unit: Yuan Currency: RMB

Country or region	Non-current assets other than financial assets and deferred income tax assets	
	Closing balance	Opening balance
Europe / Africa/MO	6,740,774,981	6,025,762,963
North & Central America	17,959,526	16,811,411
Asia / Pacific(excluded China)	20,126,057	23,763,813
South America	12,833,849	8,073,619
China	3,185,454,983	3,363,113,533
Total	**9,977,149,396**	**9,437,525,339**

7. Other important transactions and matters have impact on decision of investors

None

8. Others

None

XVIII. Main Items in the Financial Statements of the Company

1. Cash at bank and on hand

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Cash on hand		
Cash at bank	2,241,610,694	2,188,578,354
Other monetary funds		
Total	**2,241,610,694**	**2,188,578,354**

As at December 31, 2017 and December 31, 2016, no restricted funds within the company.

2. Dividends receivables

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Bluestar Adisseo Nutrition Group Limited	875,418,060	590,024,100
Total	**875,418,060**	**590,024,100**

3. Long-term equity investments

√ Applicable Not applicable

Unit: Yuan Currency: RMB

Items	**Closing balance**			**Opening balance**		
	Book balance	**Impairment reserve**	**Book value**	**Book balance**	**Impairment reserve**	**Book value**
Investments in subsidiaries	7,492,295,416		7,492,295,416	7,492,295,416		7,492,295,416
Investments in joint ventures and associates						
Total	**7,492,295,416**		**7,492,295,416**	**7,492,295,416**		**7,492,295,416**

(1) Investments in subsidiary companies

√ Applicable Not applicable

Unit: Yuan Currency: RMB

Invested units	Opening balance	Amount increased of current period	Amount decreased of current period	Closing balance	Impairment reserve withdrawn in current period	Closing balance of impairment reserve
Bluestar Adisseo Nutrition Group Limited	7,492,295,416			7,492,295,416		
Total	**7,492,295,416**			**7,492,295,416**		

4. Gain on investments

√ Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Amount incurred of current period	Amount incurred of last period
Gain on long-term equity investments subject to accounting with cost method	871,872,540	1,743,202,525
Total	871,872,540	**1,743,202,525**

XIX. Supplementary Data

1. Schedule of non-recurring gain or loss of current period

Unit: Yuan Currency: RMB

Non-recurring profit or loss items	Amount of current period	Description (if applicable)
Net profit or loss on disposal of non-current assets	(1,598,472)	Scrapping of non-conform or defective equipment
Government grants recognized in profit or loss, other than grants which are closely related to the Company's business and are either in fixed amounts or determined under quantitative methods in accordance with the national standard	15,392,842	Mainly grants for land use right and industrial structure adjustment in Nanjing plant
Reversal of provision for other receivables that are tested for impairment losses individually	10,080,647	
Other non-operating income or expenses other than the above	31,641,797	Mainly insurance benefit (related to the scrapping of equipment and operating losses occurring in 2015)
Impact of income tax	(16,537,744)	
Effects attributable to minority interests (after tax)	(5,846,861)	
Total	**33,132,209**	

2. Net return on assets and earnings per share

Profit of the reporting period	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to the Company’s common share holders	10.51	0.49	0.49
Net profit attributable to the Company’s common shareholders after deduction of non-recurring gain or loss	10.26	0.48	0.48

3. Differences between amounts prepared under foreign accounting standards and China Accounting Standards

Applicable √ Not applicable

Section 12 Document for Reference

1	Financial statements signed and sealed by principal, person in charge of financial function, person in charge of the financial department.
2	The original copies of all documents and announcements of the Company publicly disclosed in the newspapers designated by the CSRC during the reporting period.

Legal representative: Jean-Marc Dublanc

Approved by the Board for submission on: March 20th, 2018