Company Code: 600299 Company Abbreviation: Adisseo

Bluestar Adisseo Company
2017 Half-year 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 half-year report.

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

III. The half-year financial report has not been audited.

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 half-year 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.

The Company did not have profit distribution plan or the plan to use the statutory reserve to perform a capital increase in the reporting period.

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

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 II.2 “Risks factors”.

X. Other information

☐Applicable √Not applicable

Chinese version of this report

This is an English translation of the Half-year 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

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.
Evonik	Indicates	Evonik Industries AG
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, ten thousand Yuan, one hundred million Yuan	Indicate	RMB Yuan, RMB ten thousand Yuan, RMB one hundred million Yuan
Reporting period	Indicates	Jan 1, 2017 ~ June 30, 2017
The transaction, the restructuring, Major Assets Restructuring	Indicate	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	Indicates	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	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.
Other products	Indicate	The following products: carbon disulfide, sulfuric acid and services of processing powder.

**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	Securities Representative
Name	Wang Peng	
Contact address	9 West Beitucheng Road, Chaoyang District, Beijing	
Tel	010-61958799	
Fax	010-61958805	
E-mail	investor-service@bluestar-adisseo.com	

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
Query index of changes during the reporting period	Nil

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 half-year report	www.sse.com.cn
Preparation site of the Company’s half-year report	Board Secretary Office
Query index of changes during the reporting period	Nil

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

None.

VII. Main financial data and financial ratios

1. Main financial data

Unit: Yuan Currency: RMB

Main accounting data	**1/1/2017-30/6/2017**	**1/1/2016-30/6/2016**	**Changes in comparison with the same period of last year (%)**
Operating revenue	4,932,120,233	5,434,956,134	-9%
Net profit attributable to the shareholders of the Company	577,370,721	1,101,539,701	-48%
Net profit attributable to the shareholders of the Company after deduction of non-recurring profit or losses	573,063,037	1,098,920,575	-48%
Net cash flow arising from operating activities	1,207,291,875	1,513,959,890	-20%
	30/6/2017	**31/12/2016**	**Changes in comparison with the end of last year (%)**
Net assets attributable to the shareholders of the Company	12,400,917,029	12,075,838,659	3%
Total assets	20,208,964,527	19,943,821,352	1%

2. Main financial ratios

Main financial ratios	**1/1/2017-30/6/2017**	**1/1/2016-30/6/2016**	Change of the present period over the same period of last year (%)
Basic earnings per share (Yuan/ share)	0.22	0.41	-46%
Diluted earnings per share (Yuan/ share)	0.22	0.41	-46%
Basic earnings per share after deduction of non-recurring profit or loss (Yuan/ share)	0.21	0.41	-49%

Main financial ratios	1/1/2017-30/6/2017	1/1/2016-30/6/2016	Change of the present period over the same period of last year (%)
Weighted average return on net asset (%)	4.63	10.07	Decrease of 5.44
Weighted average return on net assets after deduction of non-recurring profit or loss (%)	4.59	10.04	Decrease of 5.45

Explanations of main financial data and financial ratios:

☐ Applicable √ Not applicable

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

☐ Applicable √ Not applicable

IX. Non-recurring Profit or Loss Items

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Non-recurring profit or loss items	**Amount** **For the period from Jan. 1 2017 to June 30 2017**	**Description (if applicable)**
Net profit or loss on disposal of non-current assets	(219,998)	Scrapping of tangible assets
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	7,348,663	Mainly grants for land use right and industrial structure adjustment in Nanjing plant
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		
Net income from compensation	3,823,757	Insurance benefit (related to the scrapping of defective equipment).
Other non-operating income or expenses other than the above	(3,710,672)	Miscellaneous expenses
Other profit or loss that meets the definition of non-recurring profit or loss		
Impacts attributable to minority interests (after tax)	(760,179)	
Impact of income tax	(2,173,887)	
Total	**4,307,684**	

X. 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. Its principal products include methionine, vitamins, enzymes and other animal feed additives. 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 140 countries globally.

Adisseo supplies three types of products: Performance products (including methionine, vitamins, ammonium sulfate and sodium sulfate), Specialty products (including enzymes, rumen-protected methionine and organic selenium and probiotics additives) and Other products (including carbon disulfide, sulfuric acid and services of processing powder).

Adisseo has become 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 also one of the two global methionine producers capable of producing methionine in both powder and liquid forms;
- Adisseo is one of the two international methionine producers to establish production facilities in China;
- Adisseo is the world-leading producer of rumen-protected methionine;
- Adisseo is a world-leading supplier of Non-Starch Polysaccharide enzymes.

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.

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 include vitamins and enzymes, to satisfy the customers' demand for multiple products, and consistently provides high-quality products and after-sales service in all product lines. Adisseo is also one of the most recognized suppliers of Non-Starch Polysaccharide enzymes and vitamins in the feed industry. 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.

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

- Worldwide meat consumption. Adisseo sells its products on the animal feed additives market. This market is driven by the worldwide consumption of meat. It is mainly exposed to business risks on the poultry segment and specifically the methionine market. This market grows sustainably each year due to the growth in the poultry meat market 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.

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. 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.

Adisseo is a key participant for every regional market worldwide.

China has one of the world's largest methionine demands. Adisseo is one of the first global enterprise 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 one of the world's largest liquid methionine producers at comparatively one of the lowest cost, which will enable 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.

Adisseo actively explores extended and innovative products in relevant industries through its leading methionine technologies and has developed rumen-protected methionine products specially designed for dairy cows to improve the protein level of milk. Adisseo is the largest producers and suppliers of rumen-protected methionine globally with outstanding advantages in technological advancement and market positioning. Adisseo also introduced a truly innovative product - Rhodimet® A-Dry+ early this year. This product is expected to be commercialized early 2018, which 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.

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.

The core competitiveness of the Group relies on the following elements:

- **Being a global industry leader**: Adisseo is one of the major player in feed business thanks to its well-known range of products: the Group is world's second largest producer of methionine and a key player for vitamins. Adisseo also developed a leading position in the feed enzymes market and has actively developed ruminant protected methionine. Adisseo is seen as expert company in animal nutrition thanks to its teams and R&D research centers.
- **Having a global production and sales network**: Adisseo's supply chain systems are based on the distribution of its regional customers in more than 140 countries and regions;
- **Providing Specialized and Comprehensive Feed Solutions**: Most of our main customers purchase more than one kind of product, due to the Group's brand awareness, consistent product quality, competitive prices and rich product portfolio;
- **Being a unparalleled market explorer and pioneer**: the Group has continuously expanded its business to successfully seize opportunities presented by the growth in demand for protein and animal feed additives, especially in emerging economies (India, Philippines, Africa, Middle East);
- **Having strong Research and Development capabilities**: From 2014 onwards, the Group plans to launch a new product every year. The Group has launched Selisseo, a specialty product based on selenium and a new thermostable enzyme, in 2014 ;Advance®, a new Non-Starch Polysaccharide enzyme, in 2015, Alterion, a new probiotic, in 2016, and Adisseo introduced a truly innovative product Rhodimet A-Dry+® early this year as mentioned above. The Group owns

more than 500 patents (including patent applications);

- **Having scientific and reasonable cost control measures implemented in a continuous improvement way**: Thanks to its vertically integrated upstream and downstream production processes as well as on-going perfection, Adisseo is able to monitor the product quality at each production step, and appropriately lower the production costs and become even more and more competitive at the same time;
- **Being led by an experienced Management Team with Rich Industry Knowledge:** The management team of the Group has on average over 10 years of industry and management experience in animal feed additives. Adisseo is implementing in 2017 **the "We Move" project** to strengthen the management per Business Unit and streamline its organization in a more agile and efficient way.

Section 4 Discussion and Analysis of the Operation

I. The Board of Directors' Discussion and Analysis of the Company's Operations

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 the 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.
Indeed, longer term capacity additions on methionine through to the end of 2020 have been announced by SCC Novus, CUC, NHU, CJ and Evonik.
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:

- Polar project that should add 50 KT of production capacity on the European plants is progressing within budget and on the schedule. It is expected to be completed at the end of 2018.
- Adisseo also will introduce a truly innovative product Rhodimet A-Dry+®.
  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 early 2018.
  Specialty products are under active development as a second pillar to enhance animal performance and health. Adisseo actively explores innovative products and launches one new product per year. The company also sees great growth potential in specialty products.

1. Analysis of main businesses

(1) Analysis of changes in accounts of financial statements

Unit: Yuan Currency: RMB

Items	Amount of current period	Amount in the same period of last year	Change (%)
Operating revenue	4,932,120,233	5,434,956,134	-9%
Cost of sales	3,086,426,606	2,641,998,871	17%
Selling and distribution expenses	471,895,384	411,228,931	15%
General and administrative expenses	363,539,550	362,264,270	0%
Financial expenses	9,246,326	(4,332,746)	313%
Net cash flow from operating activities	1,207,291,875	1,513,959,890	-20%
Net cash flow from investing activities	(509,375,412)	(215,654,761)	-136%

Items	Amount of current period	Amount in the same period of last year	Change (%)
Net cash flow from financing activities	(755,576,426)	(704,146,089)	-7%
Research and development expenditure	121,685,278	77,277,373	57%

The decrease of operating revenue is due to the sharp price decrease in methionine in H1 2017, which is actually offset by Adisseo's high volume growth of methionine product as well as the excellent performance in specialty products.

The increase of cost of sales was mainly due to the increase of raw materials due to the overall rebound of basic chemical industries. Part of the increase has been successfully partially offset by the optimization of production process.

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 2nd pillar strategy.

The increase of financial expenses was due to the increase of interest income obtained from cash deposits.

The decrease of net cash flow of investing activities was due to launch of Polar as well as R&D activities.

(2) Others

a. Details on significant changes of profits structure and sources

None.

b. Others

None.

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 June 30, 2017		As at December 31 , 2016		% change	Explanation
	Amount	Percentage to total assets (%)	Amount	Percentage to total assets (%)		
Derivative financial assets	58,168,498	0%	11,471,676	0%	407%	Change related to hedging of EUR/USD.
Other receivables	15,794,703	0%	25,869,193	0%	-39%	Decrease due to payment of provisions accrued in 2016.
Construction in progress	601,742,603	3%	453,360,413	2%	33%	Increase linked to the POLAR and A-DRY+ projects.
Long-term prepaid expenses	0	0%	2,367,403	0%	-100%	End of amortization of capitalized fees.
Other non-current assets	7,013,000	0%	2,747,272	0%	155%	More prepayments for tangible assets in 2017.

Items	As at June 30, 2017		As at December 31 , 2016		% change	Explanation
	Amount	Percentage to total assets (%)	Amount	Percentage to total assets (%)		
Short-term borrowings	0	0%	469,236	0%	-100%	Decrease due to reimbursements.
Derivative financial liabilities	2,448,874	0%	68,508,557	0%	-96%	Change related to hedging of EUR/USD.
Advances from customers	10,503,450	0%	20,811,000	0%	-50%	Decrease of receipt in advance in China.
Dividends payable	0	0%	104,121,900	1%	-100%	Payment on June 27th.
Other comprehensive income	(501,540,962)	-2%	(860,732,283)	-4%	42%	Impact of exchange rate EUR/CNY.

(2) Restricted assets at the end of reporting period

☐ Applicable √ Not applicable

(3) Other information

☐ Applicable √ Not applicable

4. 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 10.

5. Sales of Major Assets and Equity

☐ Applicable √ Not applicable

6. 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	9,356,653,663	4,655,773,132	482,222,803	*NA*
Bluestar Adisseo Nanjing Co., Ltd	RMB 1,969,000,000	R&D, production and distribution	3,815,001,000	2,731,232,841	84,256,126	*NA*
Adisseo Life Science (Shanghai) Co., Ltd	USD 700,000	Distribution & Sourcing	812,504,476	520,389,419	33,350,661	*NA*
Adisseo USA Inc.	USD 3,139,000	Distribution	369,518,963	274,535,654	9,647,027	*NA*
Adisseo Brasil Nutriçao Animal Ltda	BRL 1,987,106	Distribution	251,242,399	-38,215,421	-19,587,573	*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	3,953,152,879	787,209,126

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 AT88 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.

7. Structured entities controlled by the Company

☐ Applicable √ Not applicable

II. Other disclosure items

1. Warning declaration and explanation of predicting a possible loss for the accumulative net profit from the beginning of the year to the end of the following reporting period or a major change as compared with that of the corresponding period of the preceding year, the Company shall publish the warning declaration and give reasons.

☐ Applicable √ Not applicable

2. Risk Factors

(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

140 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 significant decline of performance

Competition in the nutritional feed additives industry has intensified in recent years. Adisseo's results could be adversely affected in the future years.

(9) 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, 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. In addition, 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.

(10) 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.

(11) 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.

(12) 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.

(13) 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 27 March 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 repurchase these preferred shares at nominal value (i.e. USD 400 million), which exposes BANG to a foreign currency exchange risk EUR/USD. As of June 30, 2017 with a EUR/USD rate of 1.14, this exposure represents a potential net equity loss of EUR 58,229,408 (RMB 451,254,617 with a EUR/CNY rate of 7.7496). In BAC consolidated financial statements in RMB, the historical value of these preferred shares amounts to RMB 2,416,862,000. As of June 30, 2017 with a EUR/CNY rate of 7.75, the potential net equity loss of RMB 451,254,617 in EUR/USD will be partly offset by a potential gain of RMB 152,055,985 due to appreciation of CNY. As of June 30, 2017, the net exposure on shareholders' equity amounts to a potential loss of RMB 299,198,633.

(14) 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.

(15) 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.

(16) 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.

(17) 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.

(18) 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.

(19) 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.

(20) 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.

(21) Risk related to cross-border oversight

Of Adisseo's 24 subsidiaries, 20 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.

(22) 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.

3. Other disclosed events

None.

Section 5 Significant Matters

I. 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	2016 Temp 010	May 20, 2017

II. Profit distribution of ordinary shares or capitalization of reserves

1. The profit distribution plan and the plan to use the statutory reserve to perform a capital increase in the reporting period

Profit distribution of ordinary shares or capitalization of reserves	No
Share dividend per 10 shares	N/a
Cash dividend per 10 shares	N/a
Capitalization of reserves per 10 shares	N/a
Explanation on Profit distribution of ordinary shares or capitalization of reserves	
N/a	

III. 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
Related to stock reform								
Commitment made in M&A deal or equity change								

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	Not applicable	Not applicable
IPO related commitment								
Commitment related to refinancing								
Other commitments to minority shareholders of the company	Stock restricted to sales	Bluestar	Newly issued shares	36 months for Bluestar	Y	Y	Not applicable	Not applicable

IV. Appointment and resignation of Statutory Auditor

Explanation on appointment or resignation of Statutory Auditor
√ Applicable ☐ Not applicable

On 29th March 2017, the board of directors deliberated the proposal to appoint KPMG LLP as statutory Auditor for 2017. This proposal is approved by the 2016 annual General Assembly on 19th May 2017.

Change of Statutory Auditor
☐ Applicable √ Not applicable

Explanation on "Qualified" opinion issued by Statutory Auditor for this reporting period
☐ Applicable √ Not applicable

Explanation on "Qualified" opinion issued by Statutory Auditor for last financial year
☐ Applicable √ Not applicable

V. Restructuring matters relating to bankruptcy

☐ Applicable √ Not applicable

VI. Significant lawsuits and arbitrations

☐ Applicable √ Not applicable

VII. Judgments or fines rendered against the listed Company and its Directors, Supervisors, Senior management, shareholders who have over 5% of shares, Actual controller or Purchaser

☐ Applicable √ Not applicable

VIII. 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 judgement of a court or failed to repay a significant amount of debts due.

IX. 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 10.V.

X. 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 guaranteed profit forecast amount for 2017 is RMB 792.267 million (using average exchange rate of 7.4387 for converting Euro 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 Material Related Party transactions

☐ Applicable √ Not applicable

6. Others

☐ Applicable √ Not applicable

XI. Major Contracts and Implementation

1. Custody, contracting, leasing

☐ Applicable √ Not applicable

2. Guarantees

☐ Applicable √ Not applicable

3. Other major contracts

None.

XII. Description of anti-poverty work

☐ Applicable √ Not applicable

XIII. Convertible corporate bonds

☐ Applicable √ Not applicable

XIV. 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.

XV. Description of Other Important Matters

1. Board's analysis on the change in accounting policies, accounting estimates and calculation method

☐ Applicable √Not applicable

2. Board's analysis on important corrections of prior period errors

☐ Applicable √Not applicable

3. Others

None

Section 6 Share Change and Shareholders

I. Change in share capital in the reporting period

1. Changes in share capital

(1) Changes in share capital

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

(2) Description of changes of share capital

☐ Applicable √ Not applicable

(3) Impact of share capital change taking place after the balance sheet day and before the disclosure of H1 report on EPS and net assets per share

☐ Applicable √ Not applicable

(4) Others the Company want to disclose or the regulators request to disclose

☐ Applicable √ Not applicable

2. Changes in shares with trading restrictions

☐ Applicable √ Not applicable

II. Information on Shareholders

1. Total number of shareholders

Total number of shareholders by the end of reporting period	23,947

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	0	22,754,207	0.85	0	Unknown	0	Unknown
China Securities Finance Corporation Limited	0	13,794,697	0.51	0	Unknown	0	Unknown

Shares held by top ten shareholders							
Name of shareholder (full name)	Change in the	Number of shares held by	Proportion of	Number of shares with	Status of pledged or frozen shares		Type of shareholder
Shaanxi Internathional 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	0	5,918,074	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
Jiangsu Juhe Chuangyi Emerging Industry Investment Fund LLP	80,000	3,870,000	0.14	0	Unknown	0	Unknown

Shares held by top ten shareholders without trading restrictions			
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 Internathional 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	5,918,074	RMB ordinary shares	5,918,074
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
Jiangsu Juhe Chuangyi Emerging Industry Investment Fund LLP	3,870,000	RMB ordinary shares	3,870,000
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		

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

III. Changes in Controlling Shareholder and Ultimate controlling shareholder

□ 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 and Senior Management

I. Changes in shares held

1. 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

☐ Applicable √ Not applicable

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

☐ Applicable √ Not applicable

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

√ Applicable ☐ Not applicable

Name	Position	Description of change
Michael Koenig	Director	Appointed by General Assembly

Detailed description on the change of directors, supervisors and senior management
√ Applicable ☐ Not applicable

On the 2016 annual GA held on 19th May 2017, Mr. Michael Koenig was appointed as director of the Company.

III. Others

☐ Applicable √ Not applicable

Section 9 Corporate bonds

□ Applicable √ Not applicable

Section 10 Financial Report

I. Audit report

□ Applicable √ Not applicable

II. Financial Statements

Consolidated Balance Sheet

June 30, 2017

Prepared by: Bluestar Adisseo Co., Ltd.

Unit: Yuan Currency: RMB

Items	Notes	Closing balance	Opening balance
Current assets:			
Cash at bank and on hand	VII.1	6,818,938,448	6,681,296,187
Financial assets at fair value through profit or loss			
Derivative financial assets	VII.2	58,168,498	11,471,676
Notes receivable			
Accounts receivable	VII.3	1,447,553,802	1,577,362,013
Advances to suppliers	VII.4	57,820,376	71,815,235
Interest receivable		619,223	1,040,703
Other receivables		15,794,703	25,869,193
Inventories	VII.5	1,436,192,396	1,457,763,280
Other current assets	VII.6	449,371,043	468,296,784
Total current assets		**10,284,458,489**	**10,294,915,071**
Non-current assets:			
Available-for-sale financial assets	VII.7	15,269,023	14,334,527
Long-term receivables	VII.8	33,699,167	32,135,025
Long-term equity investments			
Investment properties			
Fixed assets	VII.9	6,359,792,180	6,190,920,898
Construction in progress	VII.10	601,742,603	453,360,413
Construction materials			
Fixed assets pending for disposal			
Intangible assets	VII.11	1,832,828,103	1,893,059,973
Development costs	VII.12	81,277,805	80,930,117
Goodwill	VII.13	863,476,985	814,139,263
Long-term prepaid expenses		0	2,367,403
Deferred tax assets	VII.14	129,407,172	164,911,390
Other non-current assets		7,013,000	2,747,272
Total non-current assets		**9,924,506,038**	**9,648,906,281**
Total assets		**20,208,964,527**	**19,943,821,352**
Current liabilities:			
Short-term borrowings	VII.15	0	469,236
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities	VII.16	2,448,874	68,508,557
Notes payable			
Accounts payable	VII.17	986,931,671	996,517,531
Advances from customers		10,503,450	20,811,000
Wages and benefits payable	VII.18	321,076,690	443,664,431
Taxes payable	VII.19	264,714,113	362,784,968
Interest payable		4,414,816	5,543,874

Items	Notes	Closing balance	Opening balance
Dividends payable	VII.20	0	104,121,900
Other payables	VII.21	254,096,171	300,674,023
Current portion of non-current liabilities	VII.22	95,609,864	117,170,579
Other current liabilities	VII.23	16,893,430	18,639,860
Total current liabilities		**1,956,689,079**	**2,438,905,959**
Non-current liabilities:			
Long-term borrowings	VII.24	13,795,681	13,910,409
Long-term payables	VII.25	10,660,781	10,849,474
Long-term employee benefit payable	VII.26	735,035,689	647,814,349
Special payables			
Provisions	VII.27	30,325,120	29,196,374
Deferred income	VII.28	175,466,920	181,152,262
Deferred tax liabilities	VII.14	786,397,543	734,974,259
Other non-current liabilities			
Total non-current liabilities		**1,751,681,734**	**1,617,897,127**
Total liabilities		**3,708,370,813**	**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	(501,540,962)	(860,732,283)
Special reserves			
Surplus reserve	VII.32	261,389,185	256,211,737
Undistributed profits	VII.33	7,726,710,185	7,766,000,584
Total equity attributable to equity holders of the company		**12,400,917,029**	**12,075,838,659**
Non-controlling interests		4,099,676,685	3,811,179,607
Total owner's equity		**16,500,593,714**	**15,887,018,266**
Total liabilities and owner's equity		**20,208,964,527**	**19,943,821,352**

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

Chief Accountant: ___________

Balance Sheet of the Company

June 30, 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)	2,218,918,152	2,188,578,354
Notes receivable			
Accounts receivable			
Advances to suppliers		272,807	89,991
Interest receivables		100,000	500,000
Dividends receivables	XVIII (2)	0	590,024,100
Other receivables			
Inventories			
Other current assets			
Total current assets		2,219,290,959	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		117,494	135,550
Construction in progress			
Construction materials			
Fixed asset pending for disposal			
Intangible assets		43,232	54,040
Long-term prepaid expenses			
Deferred tax assets			
Other non-current assets		1,992,712	1,733,794
Total non-current assets		7,494,448,854	7,494,218,800
Total assets		9,713,739,813	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		76,480	101,165
Interest payable			
Other payables		29,246,865	29,178,606
Current portion of non-current liabilities			
Total current liabilities		29,407,345	29,379,771
Non-current liabilities:			
Long-term borrowings			
Long-term payables			
Long-term employee benefits payable			
Special payables			

Items	Notes	Closing balance	Opening balance
Provisions			
Deferred income			
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities			
Total liabilities		29,407,345	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		261,389,185	256,211,737
Undistributed profits		59,484,382	624,360,836
Total owner's equity		9,684,332,468	10,244,031,474
Total liabilities and owner's equity		9,713,739,813	10,273,411,245

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

Chief Accountant: ___________

Consolidated Income Statement

January- June 2017

Unit: Yuan Currency: RMB

Items	Notes	Amount incurred during the current period	Amount incurred during the last period
I. Total operating revenue		**4,932,120,233**	**5,434,956,134**
Including: Operating revenue	VII.34	4,932,120,233	5,434,956,134
II. Total operating costs		**3,967,134,155**	**3,441,074,792**
Including: Cost of sales	VII.34	3,086,426,606	2,641,998,871
Taxes and surcharge	VII.35	47,363,608	57,893,163
Selling and distribution expenses	VII.36	471,895,384	411,228,931
General and administrative expenses	VII.37	363,539,550	362,264,270
Financial expenses –net	VII.38	9,246,326	(4,332,746)
Asset impairment loss	VII.39	(11,337,319)	(27,977,697)
Add: Gains (losses) from changes in fair value	VII.40	80,174,309	7,482,554
Investment income (loss)			
Including: Income from investments in associates and joint ventures			
Other income			
III. Operating profit (loss)	VII.45	**1,045,160,387**	**2,001,363,896**
Add: Non-operating income	VII.41	13,356,659	6,785,924
Including: Gain from disposal of non-current assets			
Less: Non-operating expenses	VII.42	6,114,909	2,214,224
Including: Losses from disposal of non-current assets		219,998	*1,158,600*
IV. Total profit (Total loss)		**1,052,402,137**	**2,005,935,596**
Less: Income tax expenses	VII.43	315,918,636	653,870,304
V. Net profit (Net loss)		**736,483,501**	**1,352,065,292**
Net profit attributable to equity holders of the Company		577,370,721	1,101,539,701
Net profit attributable to non-controlling interests		159,112,780	250,525,591
VI. Net other comprehensive income		**552,646,691**	**340,368,040**
Other comprehensive income (net of tax) attributable to the owners of the Company	VII.31	**359,191,321**	**512,177,749**
1. Other comprehensive income which will not be reclassified subsequently to profit or loss		**1,624,984**	**(8,589,374)**
1) Actuarial differences on defined benefits plans		1,624,984	(8,589,374)
2. Other comprehensive income which will be reclassified subsequently to profit or loss		**357,566,337**	**520,767,123**
1) Effective hedging portion of gains or losses arising from cash flow hedging instruments		17,565,002	(1,336,963)
2) Differences on translation arising on translation of foreign currency financial statements		340,001,335	522,104,086
Net other comprehensive income attributable to non-controlling interests after tax	VII.31	**193,455,370**	**(171,809,709)**
VII. Total comprehensive income		**1,289,130,192**	**1,692,433,332**
Total amount of comprehensive income attributable to equity holders of the Company		936,562,042	1,613,717,450
Total amount of comprehensive income attributable to non-controlling interests		352,568,150	78,715,882
VIII. Earnings per share:			
(I) Basic earnings per share (Yuan/ share)	VII.44	0.22	0.41
(II) Diluted earnings per share (Yuan/ share)	VII.44	0.22	0.41

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

Chief Accountant: ___________

Income Statement of the Company

January- June 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		8,480,448	(251,477)
Financial expenses - net		(60,254,932)	(16,033,733)
Asset impairment losses			
Add: Gains from changes in fair values (losses)			
Investment income (loss)	XVIII (4)	0	1,152,831,200
Including: Income from investments in associates and joint ventures			
Other income			
II. Operating profit (loss)		51,774,484	1,169,116,410
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)		51,774,484	1,169,116,410
Less: Income tax expenses			
IV. Net profit (Net Loss)		51,774,484	1,169,116,410
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		51,774,484	1,169,116,410
VII. Earnings per share:			
(I) Basic earnings per share		Not applicable	Not applicable
(II) Diluted earnings per share		Not applicable	Not applicable

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

Chief Accountant: ___________

Consolidated Cash Flow Statement

January- June 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		5,069,925,693	5,456,918,518
Refunds of taxes and surcharges			
Cash received relating to other operating activities	VII.46(1)	20,791,226	30,102,252
Subtotal of cash inflows from operating activities		**5,090,716,919**	**5,487,020,770**
Cash paid for goods and services		2,838,963,742	2,718,196,784
Cash paid to and on behalf of employees		696,343,638	702,500,676
Payments of taxes and surcharges		312,284,890	517,589,756
Cash paid relating to other operating activities	VII.46(2)	35,832,774	34,773,664
Subtotal of cash outflows for operating activities		**3,883,425,044**	**3,973,060,880**
Net cash flow generated from operating activities		**1,207,291,875**	**1,513,959,890**
II. Cash flows from investing activities:			
Cash received from disposals of investment		0	26,897,029
Cash received from investment income and interest income			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		82,135	183,972
Net cash received from disposals of subsidiaries and other business units			
Cash received relating to other investing activities		163,593	
Subtotal cash inflows from investing activities		**245,728**	**27,081,001**
Cash paid to purchase fixed assets, intangible assets and other long-term assets		508,617,029	242,735,762
Cash paid to acquire investments			
Net cash paid for acquisitions of subsidiaries and other business units			
Cash paid relating to other investing activities		1,004,111	
Subtotal of cash outflows for investing activities		**509,621,140**	**242,735,762**
Net amount of cash flow from investing activities		**(509,375,412)**	**(215,654,761)**
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	VII.46(3)	40,485,733	
Subtotal of cash inflows from financing activities		**40,485,733**	**0**
Cash repayments of borrowings		6,525,408	9,250,795
Cash payments for interest expenses and distribution of dividends or profits		789,536,751	694,895,294
Including: dividends and profits paid to non-controlling shareholders of subsidiaries		64,069,431	263,707,269
Cash paid relating to other financing activities	VII.46(4)		
Subtotal of cash outflows for financing activities		**796,062,159**	**704,146,089**
Net cash flow from financing activities		**(755,576,426)**	**(704,146,089)**
IV. Effect of Foreign exchange rate changes on Cash and		**195,302,224**	**123,441,745**

Items	Notes	Amount incurred during the current period	Amount incurred during the last period
Cash Equivalents			
V. Net increase in cash and cash equivalents		**137,642,261**	**717,600,785**
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)**	**6,818,938,448**	**5,658,722,089**

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

Chief Accountant: ___________

Cash Flow Statement of the Company

January- June 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		36,775,801	12,715,276
Subtotal of cash inflows from operating activities		36,775,801	12,715,276
Cash paid for goods and services			
Cash paid to and on behalf of employees		2,826,670	388,234
Payments of taxes and surcharges		296,828	10,367,765
Cash paid relating to other operating activities		6,602,389	4,927,368
Subtotal cash outflows from operating activities		9,725,887	15,683,367
Net cash flow generated from operating activities		27,049,914	(2,968,091)
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			26,349,456
Subtotal of cash outflows from investing activities			26,492,606
Net amount of cash flow from investing activities		614,763,374	1,132,251,194
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	442,474,682
Cash payments relating to other financing activities			
Subtotal of cash outflows from financing activities		(611,473,490)	442,474,682
Net cash flow from financing activities		(611,473,490)	(442,474,682)
IV. Effect of Foreign Exchange rate changes on cash and cash equivalents			

Items	Notes	Amount incurred during the current period	Amount incurred during the last period
V. Net increment of cash and cash equivalents		30,339,798	686,808,421
Add: Opening balance of cash and cash equivalents		2,188,578,354	1,491,098,061
VI. Closing balance of cash and cash equivalents		2,218,918,152	2,177,906,482

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

Chief Accountant: ___________

Consolidated Statement of Changes in Owners' Equity

January- June 2017

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(				359,191,321		5,177,448	(39,290,399)	288,497,078	613,575,448
(1)Total comprehensive income				359,191,321			577,370,721	352,568,150	1,289,130,192
(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-	Total
(3)Profits distribution						5,177,448	(616,650,938)	(64,069,431)	(675,542,921)
(a)Appropriation of surplus reserve						5,177,448	(5,177,448)		
(b)Distribution to owner/shareholder							(611,473,490)	(64,069,431)	(675,542,921)
(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							(10,182)	(1,641)	(11,823)
4.Ending balance of current period	**2,681,901,273**	**0**	**2,232,457,348**	**(501,540,962)**	**0**	**261,389,185**	**7,726,710,185**	**4,099,676,685**	**16,500,593,714**

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(				**512,177,749**		**58,348,568**	**600,721,647**	**(185,009,028)**	**986,238,936**
(1)Total comprehensive income				512,177,749			1,101,539,701	78,715,882	1,692,433,332
(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						58,348,568	(500,862,278)	(263,707,269)	(706,220,979)

Items	Last period								
	Equity attributable to shareholders of the company							Non-	Total
(a)Appropriation of surplus reserve						58,348,568	(58,348,568)		-
(b)Distribution to owner/shareholder							(442,513,710)	(263,707,269)	(706,220,979)
(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							44,224	(17,641)	26,583
4.Ending balance of current period	**2,681,901,273**	**0**	**2,232,457,348**	**(817,318,902)**	**0**	**196,018,688**	**7,067,524,672**	**3,807,567,877**	**15,168,150,956**

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

Chief Accountant: ____________

Statement of Changes in Owners' Equity of the Company

January- June 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 "-")									5,177,448	(564,876,454)	(559,699,006)
(I) Total amount of comprehensive income										51,774,484	51,774,484
(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									5,177,448	(616,650,938)	(611,473,490)
1. Withdrawal of surplus reserve									5,177,448	(5,177,448)	
2. Distribution to owners										(611,473,490)	(611,473,490)

(or shareholders)											
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				261,389,185	59,484,382	9,684,332,468

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	(585,630,736)	8,915,498,285
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	(585,630,736)	8,915,498,285
III. Amount increased or decreased of last period (decrease filled out with "-")									**58,348,568**	**668,293,160**	**726,641,728**
(I) Total amount of comprehensive income										1,169,116,410	1,169,116,410
(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									58,348,568	(500,862,278)	(442,513,710)
1. Withdrawal of surplus reserve									58,348,568	(58,348,568)	
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										39,028	39,028
IV. Closing balance of last period	2,681,901,273				6,681,557,628				196,018,688	82,662,424	9,642,140,013

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. (formerly known as "China National Bluestar (Group) Company") (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") (Including the new and amendment version of Accounting Standard for Business Enterprises issued in 2014).

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 (15)), 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 June 30, 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 (14)). 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 if the Group's contractual rights to the cash flows from the financial asset expire or if the Group transfers substantially all the risks and rewards of ownership of the financial asset to another party.

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.

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.

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

(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) and (2) 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. 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 [or production] 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
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 accured 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, 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.
The Group recognizes revenue when all the following conditions are met:

- 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, the Group recognizes revenue when goods delivered.

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. Specific transfers from the government, such as investment grants that have been clearly defined in official documents as part of "capital reserve" are also dealt with as capital contributions rather than government grants.

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 initially as deferred income and amortized to profit or loss on a straight-line basis over the useful life of the asset. A grant that compensates the Group for expenses to be incurred in the future is recognized initially as deferred income, and released to profit or loss in the periods in which the expenses are recognized. A grant that compensates the Group for expenses already incurred is recognized in profit or loss immediately.

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 component that either has been disposed of or is classified as held for sale, and is separately identifiable operationally and for financial reporting purposes, and satisfies one of the following conditions as a discontinued operation.

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

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

(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	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%
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 June 30, 2017 and from January 1, 2016 to June 30, 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	6,818,938,448	6,681,296,187
Other monetary funds		
Total	**6,818,938,448**	**6,681,296,187**

As at June 30, 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	28,247,292	7,416,402
Fair value hedge instrument	29,921,206	4,055,274
Total	**58,168,498**	**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 for related parties	9,709,311	10,287,974
Other accounts receivable	1,459,867,276	1,585,311,401
Less: provision for bad debts	22,022,785	18,237,362
Total	**1,447,553,802**	**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	1,458,279,837	1,577,657,580
1 to 2 years	1,549,849	12,504,207
Over 2 years	9,746,901	5,437,588
Total	**1,469,576,587**	**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	1,462,876,587	99.54%	15,322,785	69.58%	1,447,553,802	1,592,356,287	99.80%	14,994,274	82.22%	1,577,362,013
Individually insignificant but assessed individually for impairment	6,700,000	0.46%	6,700,000	30.42%	0	3,243,088	0.20%	3,243,088	17.78%	0
Total	**1,469,576,587**	**100%**	**22,022,785**	**100%**	**1,447,553,802**	**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	1,380,320,433		
Within 60 days	55,378,740		
61 days to 90 days	181,785	119,196	65.57%
91 days to 180 days	4,376,641	1,239,936	28.33%
More than 180 days	22,618,988	13,963,653	61.73%
Total	**1,462,876,587**	**15,322,785**	1.05%

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	7,997,330
Recovery or reversal during the period	(4,155,267)
Write-off during the period	
Currency translation difference	(56,640)
Balance at the end of the period	**22,022,785**

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

Unit: Yuan Currency: RMB

	Carrying amount	Amount of bad debt reserve	Proportion to the total balance of accounts receivable
The five largest accounts receivable	**301,143,631**	**243,237**	**20.80%**

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	56,510,175	97.73%	71,193,112	99.14%
1-2 years	997,854	1.73%	426,399	0.59%
2-3 years	312,347	0.54%	195,724	0.27%
More than 3 years	-	-	-	-
Total	**57,820,376**	**100%**	**71,815,235**	**100%**

As at June 30, 2017, the advances to suppliers with an account age of more than 1 year were 1,310,201 (Dec. 31, 2016: 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	**32,959,878**	**57.00%**

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	356,613,492	26,271,369	330,342,123	368,837,033	24,799,491	344,037,542
Work in progress	119,230,086	13,941,530	105,288,556	156,896,528	25,281,528	131,615,000
Finished goods	1,007,024,883	6,463,166	1,000,561,717	988,672,244	6,561,506	982,110,738
Total	**1,482,868,461**	**46,676,065**	**1,436,192,396**	**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	2,047,859,324	(2,077,364,923)	17,282,058	356,613,492
Work in progress	156,896,528	425,935,398	(470,689,583)	7,087,743	119,230,086
Finished goods	988,672,244	2,687,113,070	(2,718,484,061)	49,723,630	1,007,024,883
Total	**1,514,405,805**	**5,160,907,792**	**(5,266,538,567)**	**74,093,431**	**1,482,868,461**

(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	937,276	(967,031)		1,501,633	26,271,369
Work in progress	25,281,528		(12,355,681)		1,015,683	13,941,530
Finished goods	6,561,506		(476,077)		377,737	6,463,166
Total	**56,642,525**	**937,276**	**(13,798,789)**		**2,895,053**	**46,676,065**

	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	284,928,239	365,397,062
Income tax receivable	164,442,804	102,899,722
Total	**449,371,043**	**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	15,269,023	-	15,269,023	14,334,527	-	14,334,527
Measured at fair value						
Measured at cost	15,269,023	-	15,269,023	14,334,527	-	14,334,527
Total	**15,269,023**	**-**	**15,269,023**	**14,334,527**	**-**	**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	730,680			44,280	774,960					8.69%	
Osiris	1,835,782			111,251	1,947,033					12.87%	
West	21,920			1,329	23,249					5.00%	
Nor-Feedholding	7,306,727			442,796	7,749,523					18.18%	
Metabolium	3,653,429			221,402	3,874,831					9.81%	
Other	785,989			113,438	899,427						
Total	**14,334,527**			**934,496**	**15,269,023**						

(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	32,673,174	-	32,673,174	31,167,656	-	31,167,656	
Loans to suppliers	1,024,567	-	1,024,567	966,025	-	966,025	
Others	1,426	-	1,426	1,344	-	1,344	
Total	**33,699,167**	-	**33,699,167**	**32,135,025**	-	**32,135,025**	/

As at June 30, 2017, the part due within one year was RMB 1,557,670 (as at December 31, 2016 it was RMB 1,468,667).

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

Unit: Yuan Currency: RMB

Items	Amount incurred in the current period
Balance at the beginning of the period	**0**
Addition during the period	
Reversal during the period	
Write-off during the period	
Currency translation differences	
Balance at the end of the period	**0**

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	4,180,549		50,199,521	54,380,070
2) Transfer from construction in process	28,786,576	2,640,739	225,942,563	257,369,878
3) Others increase	118,330,000			118,330,000
3. Decrease in current period				
1) Disposal or retirement			(74,461,149)	(74,461,149)
2) Disposal of subsidiary companies and businesses				
3) Other decrease			(118,330,000)	(118,330,000)
4. Currency translation	59,775,080	5,506,501	326,024,573	391,306,154
5. Closing balance	**2,744,370,123**	**97,190,740**	**8,015,673,960**	**10,857,234,823**
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	(64,061,491)	(312,425)	(263,364,548)	(327,738,464)
2) Other				
3. Decrease in current period				
1) Disposal or retirement			74,159,015	74,159,015
2) Disposal of subsidiary companies and businesses				
3) Other decrease				
4. Currency translation	(24,411,686)	(148,853)	(173,562,361)	(198,122,900)
5. Closing balance	**(657,273,538)**	**(2,702,084)**	**(3,697,083,017)**	**(4,357,058,639)**
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			(8,021,322)	(8,021,322)
5. Closing balance			**(140,384,004)**	**(140,384,004)**
IV. Carrying amount				
1. Closing carrying amount	**2,087,096,585**	**94,488,656**	**4,178,206,939**	**6,359,792,180**
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	23,031,811	(10,167,475)		12,864,336
Machinery equipment	1,523,133	(1,374,318)		148,815
Total	**24,554,944**	**(11,541,793)**	**0**	**13,013,151**

(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	146,027,263		146,027,263	57,910,498		57,910,498
Others	455,715,340		455,715,340	395,449,915		395,449,915
Total	**601,742,603**	**0**	**601,742,603**	**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	Amount of other items decreased in current period	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	852,456,000	57,910,498	81,213,032	-	6,903,733	-	146,027,263	17%	7%				100% equity
Others		395,449,915	293,698,779	(257,369,878)	23,936,524	-	455,715,340	-	-				Current account
Total	852,456,000	**453,360,413**	**374,911,811**	**(257,369,878)**	**30,840,257**	**-**	**601,742,603**						

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			230,600	18,140,562		427,056	**18,798,218**
2) Transferred from construction in process							
3) Others increase							
3. Decrease in current period							
1) Disposal				(9,509,310)			**(9,509,310)**
2) Disposal of subsidiary companies and businesses							
4. Currency translation		414,461	24,913,416	1,747,741	4,689,695	4,359,870	**36,125,183**
5. Closing balance	**110,777,000**	**688,153,626**	**453,758,110**	**1,212,222,289**	**873,715,014**	**155,963,440**	**3,494,589,479**
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							

Items	Land use rights	Trademark	Patents	Technology	Customer relationships	Software and others	Total
1) Current period depreciation	(1,101,000)	(8,742,600)	(2,960,517)	(37,391,156)	(28,047,830)	(6,752,264)	**(84,995,367)**
2) Others increase							**-**
3. Decrease in current period							**-**
1) Disposal				9,509,310			**9,509,310**
2) Disposal of subsidiary companies and businesses							**-**
4. Currency translation	0	(158,418)	(22,782,712)	(945,446)	(2,809,820)	(3,463,508)	**(30,159,904)**
5. Closing balance	**(15,921,000)**	**(151,792,103)**	**(406,501,040)**	**(449,061,414)**	**(511,481,435)**	**(127,004,384)**	**(1,661,761,374)**
III. Impairment reserve							
1. Opening balance							
2. Increase in current period							**0**
1) Current period depreciation							**0**
3. Decrease in current period							
1) Disposal of subsidiary companies and businesses							**0**
4. Currency translation							**0**
5. Closing balance							**0**
IV. Carrying amount							
1. Closing carrying amount	**94,856,000**	**536,361,523**	**47,257,070**	**763,160,875**	**362,233,579**	**28,959,056**	**1,832,828,103**
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				(4,373,956)		4,721,644	81,277,805
Total	**80,930,117**	**0**	**0**	**0**	**(4,373,956)**	**0**	**4,721,644**	**81,277,805**

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			41,397,875	724,518,907
Innov'ia S.A. ("Innov'ia")	131,018,231			7,939,847	138,958,078
Total	**814,139,263**	**0**	**0**	**49,337,722**	**863,476,985**

The Goodwill on Drakkar Group S.A. concerns Performance Products.

(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	39.0%	32.0%
Discount rate	8.4%	8.4%

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	29,529,570	10,130,770	19,236,060	6,959,669
Accrued expenses	110,752,179	35,615,226	79,775,267	26,090,709
Change in fair value of derivative financial instruments	34,650,592	11,930,199	57,147,798	19,676,351
Property plant equipment and intangible assets	75,909,454	25,943,754	83,800,705	28,639,605
Unrealized profits of internal transactions	167,364,466	47,403,892	365,485,494	104,500,722
Payroll	556,301,404	180,406,809	648,060,114	211,994,107
Others	51,271,472	17,683,714	32,243,496	10,761,234
Total before offsetting	**1,025,779,137**	**329,114,364**	**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	3,257,084,413	962,440,089	3,206,149,499	960,525,620
Change in fair value of derivative financial instruments	55,867,254	19,232,227	38,049,797	13,100,545
Others	16,036,808	4,432,419	16,253,569	5,059,101
Total before offsetting	**3,328,988,475**	**986,104,735**	**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	(199,707,192)	129,407,172	(243,711,007)	164,911,390
Deferred tax liabilities	(199,707,192)	786,397,543	(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	14,632,606	0
Total	**14,632,606**	**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	14,632,606	0
Total	**14,632,606**	**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 June 30, 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	1,061,695	10,748,303
Cash flow hedge instruments	1,379,429	19,260,725
Fair value hedge instruments	7,750	38,499,529
Total	**2,448,874**	**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	986,931,671	996,517,531
Total	**986,931,671**	**996,517,531**

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

√ Applicable □ Not applicable

As at June 30, 2017, the accounts payable with account age of more than one year were RMB 3,375,108 (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	Reclassifica-tion	Currency translation difference	Closing balance
Short-term employee benefits	259,563,038	502,003,999	(539,873,571)		12,063,457	233,756,923
Post-employment benefits	16,885,275	29,653,210	(37,484,349)		477,626	9,531,762
Termination benefits						0
French profit-sharing plans – short term	167,216,118	48,344,111	(116,988,435)	(26,920,655)	6,136,866	77,788,005
Other benefits due within one year	0					0
Total	**443,664,431**	**580,001,320**	**(694,346,355)**	**(26,920,655)**	**18,677,949**	**321,076,690**

(2) Short-term employee benefits

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Opening balance	Increased in current period	Decrease in current period	Reclassification	Currency translation difference	Closing balance
I. Salary, bonus, allowance and subsidy	196,314,400	382,734,373	(399,143,857)		9,293,343	189,198,259
II. Employee welfare benefit						
III. Social insurance premium	33,102,101	61,900,270	(88,934,548)		355,771	6,423,594
Wherein: Medical insurance premium	33,053,701	61,506,270	(88,530,548)		355,771	6,385,194
Industrial injury insurance premium	20,700	229,000	(232,000)			17,700
Maternity insurance premium	27,700	165,000	(172,000)			20,700
IV. Housing fund	249,000	1,782,257	(1,884,257)			147,000
V. Labor union outlay and employee education outlay	0					0
VI. Others	29,897,537	55,587,099	(49,910,909)		2,414,343	37,988,070
Total	**259,563,038**	**502,003,999**	**(539,873,571)**	**0**	**12,063,457**	**233,756,923**

(3) Post-employment benefits

√ Applicable □ Not applicable

Items	Opening balance	Amount increased of current period	Amount decreased of current period	Reclassification	Currency translation difference	Closing balance
Post-employment benefits	16,885,275	29,653,210	(37,484,349)		477,626	9,531,762

19. Taxes payable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Value-added-tax	15,487,714	46,662,772
Business tax	17,141,962	67,604,831
Enterprise income tax	190,847,085	223,646,573
Individual income tax	15,726,946	15,442,387
City maintenance and construction tax	709,000	1,173,900
Property tax	14,263,036	3,649,150
Others	10,538,370	4,605,355
Total	**264,714,113**	**362,784,968**

20. Dividends payable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Dividends of common shares		104,121,900
Total	**0**	**104,121,900**

Dividends payable as at December 31, 2016 corresponds to dividends distributed by BANG to the non-controlling shareholders. They have been paid on June, 27th 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	17,524,517	20,338,000
Payables for acquisition of property, plant and equipment	183,073,046	230,298,574
Professional fees payables		8,363,265
Cautions and guaranties received	4,551,403	2,770,526
Others	48,947,205	38,903,658
Total	**254,096,171**	**300,674,023**

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

√ Applicable □ Not applicable

As at June 30, 2017, other payables with an account age of more than 1 year were RMB 1,795,000 (as at December 31, 2016: RMB 1,625,000), which were mainly the cash deposit as collateral and loans from associated 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	1,921,901	1,618,157
Current portion of long-term payables	2,237,309	2,298,769
Current portion of provisions	91,450,654	113,253,653
Total	**95,609,864**	**117,170,579**

23. Other current liabilities

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Government subsidy	13,383,665	13,303,860
Others	3,509,765	5,336,000
Total	**16,893,430**	**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	15,717,582	15,528,566
Less: the part due within one year	(1,921,901)	(1,618,157)
Total	**13,795,681**	**13,910,409**

As at June 30, 2017, the range of interest rate for long-term loans was 3.06%~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	5,876,177	6,396,029
Other long-term payable	7,021,913	6,752,214
Less : the part paid in one year	(2,237,309)	(2,298,769)
Total	**10,660,781**	**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	1,821,400	1,792,849
Between 1 and 2 years	1,716,967	1,650,057
Between 2 and 3 years	1,511,172	1,527,121
Over 3 years	999,698	1,644,030
Sub-total	**6,049,237**	**6,614,057**
Less: unrecognized finance charges	(173,060)	(218,028)
Total	**5,876,177**	**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	239,548,269	227,495,195
French profit-sharing plans	319,765,240	305,431,547
Long-term bonus payment	253,510,185	282,103,725
Less: The part paid in one year	(77,788,005)	(167,216,118)
Total	**735,035,689**	**647,814,349**

The part due within one year includes the short term part of French profit-sharing plan RMB (77,788,005).

(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			
	IFC	GA	Others	Total
I. Opening balance	**148,262,279**	**56,386,576**	**22,846,340**	**227,495,195**
II. Defined benefit plan recognized through profit and loss for the period in which they occur	5,050,878	2,387,823	450,209	7,888,910
1. Service cost of current period	4,098,724	2,127,468	1,246,151	7,472,343
2. Previous service cost				0
3. Settlement losses (gains)			(825,696)	(825,696)
4. Net amount of interest	952,154	260,355	29,754	1,242,263
III. Re-measurement of the net liabilities of defined benefit plans				0
1. Actuary losses (profit)	(3,525,944)		662,044	(2,863,900)
IV. Other movements				0
1. Price paid during settlement	(4,448,343)	(156,213)	(1,997,283)	(6,601,839)
2. Currency translation differences	8,862,671	3,510,357	1,256,875	13,629,903
V. Closing balance	**154,201,541**	**62,128,543**	**23,218,185**	**239,548,269**

Plan assets

Unit: Yuan Currency: RMB

Items	Amount incurred during the current period			
	IFC	GA	Others	Total
I. Opening balance				
II. Defined benefit cost recorded in the gain or loss of current period				
III. Defined benefit cost recorded in other composite benefit				
IV. Other changes				
V. Closing balance				

Net liabilities (net assets) of defined benefit plan

Unit: Yuan Currency: RMB

Items	Amount incurred during the current period			
	IFC	GA	Others	Total
I. Opening balance				
II. Defined benefit cost recorded in the gain or loss of current period				
III. Defined benefit cost recorded in other composite benefit				
IV. Other changes				
V. Closing balance				

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
End of Career Benefits (IFC)	
Discount rate	1.48%
Inflation rate	2.00%
Wages increase rate	2.80%
Mortality Table (1)	TH/TF 00-02
Retirement age	62 years - 64 years
Bonuses of Seniority (GA)	
Discount rate	0.90%
Inflation rate	2.00%
Wages increase rate	2.80%
Mortality Table (1)	TH/TF 00-02
Retirement age	62 years - 64 years

(1) Mortality tables TH/TF 00-02 have been approved by decree of the Ministery 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 %	(3,898,049)	4,076,290
Bonuses of Seniority (GA)			
Current period	+/- 0,25 %	(1,270,934)	1,317,432

(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 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, 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	253,510,185
Total expenses recognized during the period	33,230,285

(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	20,714,681	1,952,899	25,511,683	309,643,018	357,822,281
GA	9,431,263	5,401,471	16,591,894	99,427,368	130,851,996
Others	4,930,916	7,685,097	2,965,873	10,224,984	25,806,870

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	27,505	0	1,101,241	30,325,120	Provision for liabilities and charges
Total	**29,196,374**	**27,505**	**0**	**1,101,241**	**30,325,120**	

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	930,600	(7,348,663)	812,526	188,850,585
Sub-Total	**194,456,122**	**930,600**	**(7,348,663)**	**812,526**	**188,850,585**
Less: Part due within one year	13,303,860		(14,773)	94,578	13,383,665
Total	**181,152,262**	**930,600**	**(7,333,890)**	**717,948**	**175,466,920**

Government subsidies:

Unit: Yuan Currency: RMB

Liability projects	Opening balance	Amount of newly increased subsidy in current period	Amount recognized in non-operating income	Other changes	Currency translation differences	Closing balance	Related to assets / Income
Project B	9,908,021	230,600	(500,097)		583,199	10,221,723	Assets
Project C	180,569,000	700,000	(6,566,000)			174,703,000	Assets
Others	3,979,101		(282,566)		229,327	3,925,862	Assets
Total	**194,456,122**	**930,600**	**(7,348,663)**		**812,526**	**188,850,585**	

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)**	**2,434,315**		**(809,331)**	**1,624,984**	**286,762**	**(27,013,790)**
Including: remeasurement of changes in liabilities under defined benefit plans	(28,638,774)	2,434,315		(809,331)	1,624,984	286,762	(27,013,790)
Items that may be reclassified to profit or loss	**(832,093,509)**	**357,513,662**	**9,271,456**	**(9,218,781)**	**357,566,337**	**193,168,608**	**(474,527,172)**
Including: effective portion of gain or loss of cash flow hedge	(5,040,936)	17,512,327	9,271,456	(9,218,781)	17,565,002	3,099,706	12,524,066
Translation difference of foreign financial statements	(827,052,573)	340,001,335			340,001,335	190,068,902	(487,051,238)
Total	**(860,732,283)**	**359,947,977**	**9,271,456**	**(10,028,112)**	**359,191,321**	**193,455,370**	**(501,540,962)**

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	5,177,448		261,389,185
Total	**256,211,737**	**5,177,448**		**261,389,185**

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 -)	(1)		
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		577,370,721	1,101,539,701
Appropriation of special reserves			
Others			44,224
Less: Withdrawal of statutory surplus reserve		5,177,448	58,348,568
Dividend distribution	(2)	611,473,490	442,513,710
Others		10,182	
Undistributed profit at the end of period	**(3)**	**7,726,710,185**	**7,067,524,672**

(1). Details about adjustment of undistributed profit at the beginning of period:

a. The undistributed profit at the beginning of period affected by the tracing adjustment of the Accounting Standard for Business Enterprises and its related new regulations: RMB0.
b. The undistributed profit at the beginning of period affected by the change of accounting policies: RMB0.
c. The undistributed profit at the beginning of period affected by the correction of major accounting errors: RMB0.
d. The undistributed profit at the beginning of period affected by the change of consolidation scope resulted from business combinations involving entities under common control at the beginning of current period: RMB0 (RMB 0 at the beginning of the last period).
e. The undistributed profit at the beginning of period affected by the total amount of other adjustments: RMB0.

(2). Distribution of dividends of ordinary shares [and other equity instruments] declared during the year:
The dividend distribution, amounting to RMB 611,473,490.24, has been approved by the General Shareholders’ Meeting as of May 19th, 2017. On June 8th, the Company made announcement of the dividend implementation, stating June 13th would be the registration day and June 14th would be the payment day as well as ex-dividend day. This dividend payment is completed at present.

(3). Retained earnings at the end of the year:
As at June 30, 2017, the consolidated retained earnings attributable to the Company included an appropriation of RMB 208,607,199 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	4,932,120,233	3,086,426,606	5,434,956,134	2,641,998,871
Other businesses				
Total	**4,932,120,233**	**3,086,426,606**	**5,434,956,134**	**2,641,998,871**

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	3,843,777,636	2,565,741,170	4,500,905,491	2,159,731,126
Specialties products	834,278,107	368,915,653	637,786,615	318,935,497
Other products	254,064,490	151,769,783	296,264,028	163,332,248
Total	**4,932,120,233**	**3,086,426,606**	**5,434,956,134**	**2,641,998,871**

35. Taxes and surcharge

Unit: Yuan Currency: RMB

Items	Amount incurred during the current period	Amount incurred during the last period
Business taxes	22,502,068	35,280,665
Property tax	15,597,871	12,554,930
City maintenance and construction tax	4,727,838	5,318,164
Education surcharge and local education surcharges	3,091,812	3,916,945
Others	1,444,019	822,459
Total	**47,363,608**	**57,893,163**

36. Selling and distribution costs

Unit: Yuan Currency: RMB

Items	Amount incurred during the current period	Amount incurred during the last period
Depreciation expense (Fixed Asset)	2,196,387	2,434,896
Transportation expenses	191,291,767	185,429,667
Personnel expenses	85,485,475	83,687,940
Storage expenses	95,231,140	61,044,511
Commission expenses for delegating agent	29,619,671	34,194,731
Travel expenses	16,130,040	8,691,151
Others	51,940,904	35,746,035
Total	**471,895,384**	**411,228,931**

37. General and administrative expenses

Unit: Yuan Currency: RMB

Items	Amount incurred during the current period	Amount incurred during the last period
Depreciation expense (Fixed Asset)	13,712,019	17,588,285
Amortization of intangible assets	50,649,254	51,498,226
Employee benefit expenses	162,161,305	98,639,072
Consulting and other expert services	72,413,111	122,304,973
Travel expenses	8,876,378	9,380,576
Rent expenses	8,651,208	8,926,746
Insurance expenses	1,696,351	3,093,625
Research and exploitation expenses (without Payroll & External Expenses)	7,773,442	13,397,234
Others	37,606,482	37,435,533
Total	**363,539,550**	**362,264,270**

38. Financial expenses

Unit: Yuan Currency: RMB

Items	Amount incurred during the current period	Amount incurred during the last period
Interest expenditure	4,270,586	5,078,389
Less: Interest income	40,254,004	17,408,790
Net exchange losses / gains	33,663,841	(1,798,512)
Other financial expenses	11,565,903	9,796,167
Total	**9,246,326**	**(4,332,746)**

39. Asset impairment loss

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount incurred during the current period	Amount incurred during the last period
Provision for bad debt	3,842,063	(1,781,494)
Provision for other receivables	(3,760,977)	
Provision for decline in value of inventories	(11,418,405)	(1,975,833)
Impairment loss for available-for-sale financial assets		
Provision for Long term receivable		(24,220,370)
Total	**(11,337,319)**	**(27,977,697)**

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	80,174,309	7,482,554
Total	**80,174,309**	**7,482,554**

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	3,823,757		3,823,757
Government grant	7,348,663	6,691,439	7,348,663
Others	2,184,239	94,485	2,184,239
Total	**13,356,659**	**6,785,924**	**13,356,659**

(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	500,097	497,349
Project C	6,566,000	5,866,000
Other projects	282,566	328,090
Government subsidy related to benefits		
Total	**7,348,663**	**6,691,439**

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	219,998	1,158,600	219,998
Including:			
Losses on disposal of fixed assets	219,998	1,158,600	219,998
Losses on disposal of intangible assets			
Compensation expenditure			
Donations			
Others	5,894,911	1,055,624	5,894,911
Total	**6,114,909**	**2,214,224**	**6,114,909**

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	256,656,504	652,567,790
Deferred income tax	59,262,132	1,302,514
Total	**315,918,636**	**653,870,304**

(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	1,052,402,137	2,005,935,596
Income tax expenses calculated at applicable tax rates (1)	**362,342,056**	**690,643,626**
Credit Tax	(12,013,995)	(16,850,040)
Difference of tax rates applicable to subsidiary companies (2)	(35,047,525)	(41,416,480)
Change in tax rate	(10,787,276)	-
Income not subject to tax	(723,124)	(8,362,913)
Costs, expenses and losses not deductible for tax purposes	250,640	18,575,853
Tax losses for which no deferred income tax asset was recognized	4,975,086	-
Utilization of previously unrecognized tax losses		(27,033)
Others	6,922,774	11,307,291
Income tax expenses	**315,918,636**	**653,870,304**

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 June 30, 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/(loss)	577,370,721	1,101,539,701
Common stock	2,681,901,273	2,681,901,273
Basic earnings per share/(loss)	0.22	0.41
Basic earnings per share from continue operation (i)	0.22	0.41
Basic losses per share/(loss) from discontinue operation (ii)	0.00	0.00

(i) The weighted average number of shares used for the calculation of the EPS on June 2017 and December 2016 is 2,681,901,273..

(ii) Basic earnings per share/(loss) from operation termination is the total effected amount of termination of some of business operation and disposal proceeds.

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 June 30, 2017 and January 1, 2016 to June 30, 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	4,932,120,233	5,434,956,134
Less: Changes in inventories of raw materials, finished goods and work-in-progress	105,630,775	(195,645,580)
Raw materials, purchased equipment and consumables used	2,077,364,923	1,941,389,033
Employee benefit expenses	619,878,252	562,141,027
Depreciation/amortization expenses	417,107,787	409,151,816
Transportation expenses	191,291,767	185,429,667
Storage expenses	95,231,140	61,044,511
Consulting and other expert services	90,881,010	131,670,298
Travel expenses	25,006,418	18,071,727
Rent expenses	12,337,298	12,770,333

Items	Amount incurred of current period	Amount incurred of last period
Insurance expenses	5,842,572	6,428,457
Commission expenses for delegating agent	29,619,671	34,194,731
Research and exploitation expenses	7,773,442	13,397,234
Taxes	47,363,608	57,893,163
Asset impairment losses	(11,337,319)	(27,977,697)
Losses/(gain) arising from changes in fair value	(80,174,309)	(7,482,554)
Investment loss / (gain)	0	0
Others	253,142,811	231,116,072
Total Operating profit	**1,045,160,387**	**2,001,363,896**

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
Government grant		
Interest income		
Others	20,791,226	30,102,252
Total	**20,791,226**	**30,102,252**

(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	10,471,591	9,010,981
Rent	8,619,867	8,415,457
Insurances	2,011,229	2,762,035
Others	14,730,087	14,585,191
Total	**35,832,774**	**34,773,664**

(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 / (loss)	**736,483,501**	**1,352,065,292**
Add: Impairment provisions for assets	(11,337,319)	(27,977,697)
Depreciation of fixed assets	327,738,464	319,553,038
Amortization of intangible assets	84,995,367	85,304,438
Amortization of expenditures on research and development	4,373,956	4,294,340
Amortization of long-term deferred expenses	2,410,139	
Losses (gains) on disposal of fixed assets, intangible assets and other long-term assets	219,998	1,158,600
Losses (gains) on changes in fair value	(80,174,309)	(7,482,554)
Decrease (increase) of deferred tax assets	24,941,931	(70,200,389)
Increase (decrease) of deferred tax liabilities	34,320,201	71,502,903
Financial expenses (income)	75,754,425	3,279,877
Losses (gains) arising from investment		
Amortization of deferred income	(7,348,663)	(6,691,439)
Decrease (increase) in gross inventories	105,630,775	(218,910,844)
Decrease (increase) in receivable from operating activities	203,036,515	158,571,329
Increase (decrease) in payable from operating activities	(293,753,106)	(150,507,004)
Net cash flow from operating activities	**1,207,291,875**	**1,513,959,890**
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	6,818,938,448	5,658,722,089
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	**137,642,261**	**717,600,785**

(2) Net amount of cash paid in current period for obtaining subsidiary companies

□ Applicable √ Not applicable

The exchange of assets is treated as a financing operation as the assets are under common controls.

(3) Net amount of cash received from disposal of subsidiary companies in current period

□ Applicable √ Not applicable

The exchange of assets is treated as a financing operation as the assets are under common controls.

(4) Composition of cash and cash equivalent

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
I. Cash at bank and on hand	6,818,938,448	6,681,296,187
Including: Cash on hand		
Bank deposit available for payment anytime	6,818,938,448	6,681,296,187
Other monetary resources available on demand		
II. Cash equivalents		
III. Closing balance of cash and cash equivalents	6,818,938,448	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 June 30, 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
Monetary resources			
Wherein: EUR	32,532,226	7.7496	252,111,741
RMB	16,906,760	1.0000	16,906,760
USD	15,659,213	6.7902	106,328,432
GBP	245,496	8.8074	2,162,177
BRL	1,796,048	2.0529	3,687,052
CAD	27,647	5.2126	144,112
MXN	20,281,346	0.3766	7,638,921
SGD	782,554	4.9201	3,850,220
OTHER			4,782,549
Total			**397,611,964**
Accounts receivable			
Wherein: USD	816,677	7.7496	6,328,920
GBP	40,030,932	6.7902	271,816,096
BRL	1,531,601	8.8074	13,489,372
SGD	43,300,314	2.0529	88,889,874
OTHER			131,743
Total			**380,656,005**
Accounts payable			
Wherein: EUR	(52,019,258)	7.7496	(403,128,440)
USD	(10,564,231)	6.7902	(71,732,730)
GBP	(119,138)	8.8074	(1,049,288)
BRL	(2,067,275)	2.0529	(4,243,845)
MXN	(3,984,158)	0.3766	(1,500,623)
SGD	(634,415)	4.9201	(3,121,365)
OTHER			(684,708)
Total			**(485,460,999)**
Long-term receivables			
Wherein: USD	50,674	6.7902	344,082
BRL	5,381,530	2.0529	11,047,577

Items	Closing balance at foreign currency	Exchange rate for conversion	Closing balance at RMB equivalent
SGD	125,354	4.9201	616,749
OTHER			37,075
Total			**12,045,483**
Current portion of non-current liabilities			
Wherein: BRL	(224,920)	2.0529	(461,731)
SGD	(79,954)	4.9201	(393,380)
Total			**(855,111)**
Gross balance sheet exposure			
Wherein: EUR	(18,670,355)	7.7496	(144,687,779)
RMB	16,906,760	1.0000	16,906,760
USD	45,176,588	6.7902	306,755,880
GBP	1,657,959	8.8074	14,602,261
BRL	48,185,697	2.0529	98,918,927
CAD	27,647	5.2126	144,112
MXN	16,297,188	0.3766	6,138,298
SGD	193,539	4.9201	952,224
OTHER			4,266,659
Total			**303,997,342**

(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 in currency exchange rates and interest rates. 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 June 2017, the change in fair value on these derivatives has a positive impact of RMB 31,510,333 (June 2016: losses of RMB 2,565,197) recorded in other comprehensive income as cash flow hedge accounting, including RMB 20,602,738 of change in fair value and RMB 10,907,595 of reclassification into P&L.

From January to June 2017, the change in fair value on these derivatives has a positive impact of RMB 80,174,309 (June 2016: gains of RMB 7,482,554) charged to the income statement as fair value hedge accounting, cash flow hedge ineffectiveness or non-hedge.

50. Other

None

VIII. Change of Consolidation Scope

1. Business combination not under common control

□ Applicable √Not applicable

2. Business combination under common control

□ Applicable √Not applicable

3. Reverse acquisitions

□ Applicable √Not applicable

4. Disposal of subsidiary companies

Whether the circumstance exists that single disposal of subsidiary company induces the loss of control right

□ Applicable √Not applicable

Whether the circumstance exists that the Company disposes the investments in subsidiary companies by steps through multiple transactions and loses control right in the current period

□ Applicable √Not applicable

5. Change of consolidation scope for other reasons

□ Applicable √Not applicable

If applicable, description about the change of consolidation scope induced by other reasons (such as establishment of new subsidiary company, and liquidation of subsidiary company, etc.) and related situations.

6. Others

None

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 Limited	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 SARL	Luxembourg	Luxembourg	Investment holding		85%	Business combination under common control
G.I.E.Casper	France	France	Production and sales of chemical products		68%	Business combination under common control
Adisseo Eurasie Sarl	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 Limited	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

Name of subsidiary companies	Main business	Registered place	Business nature	Shareholding proportion (%)		Acquisition method
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	France	France	Powder designer for chemical industry		84.94%	Business combination under common control
IDCAPS	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
Innov'ia USA Inc.	USA	USA	Powder designer for chemical industry		84.94%	Business combination 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%	Creation
Adisseo Nutrition & Healthcare (Nanjing) Co. Ltd	China	China	Production and sales of chemical products		85%	Creation

(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 allocated 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%	159,112,780	64,069,431	4,099,676,685

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	8,063,174,489	9,924,346,038	17,987,520,527	1,805,063,397	1,751,681,734	3,556,745,131	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	4,932,120,233	697,652,485	1,250,299,176	1,497,805,546	5,434,956,134	1,335,780,317	340,368,040	1,547,051,827

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:

- currency risk
- interest rate 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	(227,584,759)	94,453,836	287,101,262	(33,380,901)
Other currencies	1,954,430	1,895,438	(2,196,649)	(1,371,941)

(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 June 30, 2017 and December 31, 2016, the Group's has no more significant floating rate borrowings.

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 (Coface) 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	983,556,563	3,351,859	23,249		986,931,671
Derivative financial instruments-liabilities	2,448,874				2,448,874
Interest payables	4,414,816				4,414,816
Dividends payable					
Other payables	252,301,171	725,000	610,000	460,000	254,096,171
Long-term borrowings		2,349,522	2,534,119	8,912,040	13,795,681
Long-term payables		1,662,720	1,480,174	7,517,887	10,660,781
Current portion of long-term payables	2,237,309				2,237,309
Current portion of long-term borrowings	1,921,901				1,921,901
Total	**1,246,880,634**	**8,089,101**	**4,647,542**	**16,889,927**	**1,276,507,204**

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

Items	Opening balance				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
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 June 30, 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		58,168,498		58,168,498
Total amount of assets measured with fair value continuously		**58,168,498**		**58,168,498**
(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		2,448,874		2,448,874
Total amount of liabilities measured with fair value continuously		**2,448,874**		**2,448,874**
Net assets	**0**	**55,719,624**	**0**	**55,719,624**

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

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
Gansu Bluestar Cleaning Technology Co., Ltd	Controlled by the same parent company
Bluestar Silicones Investment Co., Ltd	Controlled by the same parent company
Bluestar Silicones France SAS	Controlled by the same parent company
Hangzhou Development Centre of Water Treatment Technology	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

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
Hangzhou Development Centre of Water Treatment Technology	Purchase of goods		97,000
Bluestar Nanjing Chemical New Materials Co., Ltd	Purchase of goods	30,644,000	17,428,000
Gansu Bluestar Cleaning Techonolgy Co., Ltd	Purchase of services		3,551,000
Bluestar Shanghai Cleaning Technology Co., Ltd	Purchase of services	932,000	
Lianyungang Lianyu Construction Supervision Co., Ltd	Purchase of services	123,000	1,174,000
Bluestar Silicones France SAS	Purchase of services		291,636
Bluestar Adisseo Tianjin Co., Ltd.	Purchase of services		
Others	Purchase of goods/Purchase of services		

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
Bluestar Silicones France SAS	Sales of goods/providing of services	5,302,090	4,804,703

(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	324,000	0

(4) 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 5,400,000 and the total amount withdrawn/used amounted to RMB 162,600,000. The interest income earned in the current period amount to RMB 1,141,083.

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.	610,996	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	7,707,799		8,527,036	
Accounts receivable	Bluestar Silicones France SAS	2,001,512		1,760,938	
Other Receivables	China National Bluestar (Group) Co., Ltd	426,228		401,874	
Advances to suppliers	Bluestar Adisseo TIANJING Co., Ltd	6,355,000		6,355,000	
Advances to suppliers	Bluestar Nanjing Chemical New Materials Co., Ltd			12,900,880	

(2) Accounts payable

Unit: Yuan Currency: RMB

Items	Related parties	Closing book value	Opening book value
Account payables	Bluestar Silicones France SAS	650,966	
Other payables	Bluestar Silicones Investment Co., Ltd	11,167,666	10,771,000
Other payables	China National Bluestar (Group) Co., Ltd	4,096,851	8,597,000
Other payables	Bluestar Shanghai Cleaning Technology Co., Ltd.	788,000	223,000
Other payables	Lianyungang Lianyu Construction Supervision Co., Ltd		73,000
Other payables	Gansu Bluestar Cleaning Technology Co., Ltd	1,472,000	674,000

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	15,717,582	15,997,802
Less : Cash at bank and on hand	6,818,938,448	6,681,296,187
Net Debt	(6,803,220,866)	(6,665,298,385)
Total owners' equity	16,500,593,714	15,887,018,266
Total Capital	9,697,372,848	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	211,099,565	327,955,664
Total	**211,099,565**	**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	48,625,913	58,072,016
Between 1 and 2 years	24,128,895	30,244,215
Between 2 and 3 years	10,187,122	12,877,220
Over 3 years	8,265,039	10,161,314
Total	**91,206,969**	**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

2. Profit distribution

Applicable □ √ Not applicable

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	4,932,120,233	4,932,120,233
Revenue from transactions with other segments		
Operating cost	3,086,426,606	3,086,426,606
Impairment for the period	(11,337,319)	(11,337,319)
Interest income	40,254,004	40,254,004
Interest expense	4,270,586	4,270,586
Depreciation, amortization	417,107,787	417,107,787
Profit before income tax	1,052,402,137	1,052,402,137
Income tax expense or benefit	315,918,636	315,918,636
Net profit	736,483,501	736,483,501
Other items:		
Total assets	20,208,964,527	20,208,964,527
Total liabilities	3,708,370,813	3,708,370,813

(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	1,538,547,097	1,741,155,562
North & Central America	1,114,859,552	1,033,478,850
Asia / Pacific (excluded China)	840,364,552	817,095,206
South America	738,160,839	939,833,921
China	567,054,134	734,978,769
Others	133,134,059	168,413,826
Total	**4,932,120,233**	**5,434,956,134**

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	3,040,250,511	3,001,784,990
North & Central America	2,203,021,493	1,849,581,030
Asia / Pacific(excluded China)	1,660,604,843	1,550,197,315
South America	1,458,644,893	1,523,942,297
China	1,120,528,987	1,245,742,411
Others	263,079,949	266,277,296
Total	**9,746,130,676**	**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	0	0
Cash at bank	2,218,918,152	2,188,578,354
Other monetary funds	0	0
Total	**2,218,918,152**	**2,188,578,354**

As at June 30, 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	0	590,024,100
Total	**0**	**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	0	1,152,831,200
Total	0	**1,152,831,2001**

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	(219,998)	Scrapping of non-conform or defective equipment
Tax refunds or reductions with ultra vires approval or without official approval		
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	7,348,663	Mainly grants for land use right and industrial structure adjustment in Nanjing plant
Income earned from lending funds to non-financial institutions and recognized in profit or loss		
The excess of attributable fair value of identifiable net assets over the consideration paid for the acquisition of subsidiaries, associates and joint ventures		
Profit or loss on exchange of non-monetary assets		
Profit or loss on entrusted investments or assets management		
Impairment losses on assets due to force majeure events, e.g. natural disasters		
Liabilities unnecessary to pay		
Profit or loss on debt restructuring		
Entity restructuring expenses, e.g., expenditure for layoff of employees, integration expenses, etc.		
Profit or loss attributable to the evidently unfair portion of transaction price, being transacted price in excess of fair transaction price, of a transaction		
Net profit or loss of earning from the beginning of the period up to the business combination date recognized as a result of business combination of enterprises under common control		
Gain on disposal of subsidiary companies and business investments		
Profit or loss arising from contingencies other than those related to normal operating business		
Profit or loss on changes in the fair value of held-for-trading financial assets and held-for-trading financial liabilities and investment income on disposal of held-for-trading financial assets, held-for-trading financial liabilities and available-for-sale financial assets, other than those used in the effective hedging activities relating to normal operating business		
Reversal of provision for accounts receivable that are tested for impairment losses individually		
Net income from compensation	3,823,757	Insurance benefit (related to the scrapping of defective equipment)
Profit or loss arising from external entrusted loans		
Profit or loss on changes in the fair value of investment properties that are subsequently measured using the fair value mode		

Non-recurring profit or loss items	Amount of current period	Description (if applicable)
Effects on profit or loss of one-off adjustment to profit or loss for the period according to the requirements of tax laws and accounting laws and regulations		
Custodian fees earned from entrusted operation		
Other non-operating income or expenses other than the above		
Other profit or loss that meets the definition of non-recurring profit or loss	(3,710,672)	Miscellaneous expenses
Impact of income tax	(2,173,887)	
Effects attributable to minority interests (after tax)	(760,179)	
Total	**4,307,684**	

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	4.63	0.22	0.22
Net profit attributable to the Company's common shareholders after deduction of non-recurring gain or loss	4.59	0.21	0.21

3. Differences between amounts prepared under foreign accounting standards and China Accounting Standards

□ Applicable √ Not applicable

Section 11 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: July 26th, 2017