Stock Code: 600299 **Stock Name: Adisseo** **No: 2019-024**

Bluestar Adisseo Company

Announcement on Updated Progress of Related-party Transaction and External Investment

The board of directors and all directors guarantee that this announcement does not contain any false statement, misleading statement or material omission, and assume personal and joint liability for the authenticity, accuracy and integrity of this announcement.

Note:

- On 16th January 2019, the Company held the third meeting of the 7th session of the Board and the meeting has approved proposal on related-party acquisition of 15% common shares in Bluestar Adisseo Nutrition Group Limited (BANG), related Announcement was disclosed on 17th January 2019. According to the relevant provisions of the *Listing Rules*, this Transaction requires an audit report of the underlying assets for the latest financial year. Considering the Company's forthcoming 2018 annual audit, to be prudent, the Company canceled the first extraordinary shareholders' meeting. On the date of this announcement, the audit firm has completed the audit of the 2018 annual financial report of the target company and issued an audit report.
- The appraisal value of the Target Shares at the benchmark date of 30th September 2018 is RMB 3,614,255,400.

- In this Transaction, the transaction price was settled based on market price method. Although the appraisal agency strictly follows the relevant assessment requirements, the valuation may not in line with the actual situation, if there are major changes in the future due to macroeconomic fluctuations, changes in regional economic conditions and industry's development prospects.
- To offer greater protection to the rights of listed company and minority shareholders, the board of the Company promises that the future remuneration system will have a closer relationship with the Company's business operation performance. The remuneration is composed of base salary, annual bonus, and medium-term incentive that places a significant portion of pay closely related with the Company’s business as well as in line with shareholders’ interest.

I. Overview of the Related-party Transaction and External Investment

I). Overview of the Related-party Transaction and External Investment

On 16th January 2019, the Company held the third meeting of the 7th session of the Board and the meeting has approved proposal on related-party acquisition of 15% common shares in Bluestar Adisseo Nutrition Group Limited (BANG), which agreed to acquire 15% of common shares in BANG by the Company from Bluestar (“Transaction”).

After the completion of this Transaction, the Company will own 100% of common shares in BANG. The preliminary value of the Target Shares at the benchmark date of 30th September 2018 is RMB 3,614,255,400, and the final Consideration of the Target Shares shall equal to the final appraisal result provided in the assets appraisal report, which shall be issued by DeveChina International Appraisals Co. Ltd (DeveChina) and filed with ChemChina. This Transaction shall be submitted to the shareholders’ meeting for deliberation and approval.

II). Necessity of this Transaction

1. The Transaction will simplify and optimize the group’s organization structure.

   The acquisition target company (BANG) and its subsidiaries are the core operational entities of the listed company and the target is the only subsidiary of the Company. Before this Transaction, 85% BANG were injected into the listed company, and the remaining 15% were still owned directly by Bluestar. After the completion of this Transaction, the target company will be wholly owned by the Company, which will simplify the shareholding structure of BANG.

Meanwhile, the Transaction will be beneficial for improving and simplifying the org chart of the listed company.

2. The Transaction is positive to increase the net profit attributable to shareholders and the earnings per share of the listed company, without having negative impacts on daily operations.

   Before the Transaction, 85% of the common shares of BANG belongs to the listed company, and the remaining 15% belongs to Bluestar. After the Transaction, BANG will become a wholly-owned subsidiary of the listed company, improving the organizational structure of the listed company.

   Thanks to the liquidity discount applied to the pricing, the Transaction is conducive to increasing the earnings per share of listed company and thus, will bring benefits to minority shareholders. According to the 2018 annual result of the Company, if assuming the Transaction was completed by 31st December 2018, the net profit attributable to shareholders for 2018 could have an increase from RMB 926 million to RMB 1.089 billion, or pro forma EPS could have an increase from RMB 0.35 to RMB 0.41. Additionally, the Transaction also will ensure that the Company has sufficient funds based on reasonable design of the Transaction structure and the two-step installment. This Transaction will not have a major negative impact on the daily operation of the listed company.

3. Preliminary progress of this related party Transaction

The board of directors of the Company deliberated and approved the proposal on "Convening the first extraordinary shareholders' meeting of FY2019" and disclosed the " Notice on convening the first Extraordinary Shareholders' Meeting of FY 2019" on the following day. It was decided that the first extraordinary shareholders' meeting would be held on 1st February 2019 to review this Transaction.

According to the relevant provisions of the *Listing Rules*, this Transaction requires an audit report of the underlying assets for the latest financial year. Considering the Company's forthcoming 2018 annual audit, to be prudent, the Company canceled the first extraordinary shareholders' meeting. When the audit report is ready, the Company will convene another shareholders' meeting to deliberate this Transaction. All information will be disclosed correspondingly.

II. Updated progress of this Transaction

I). Audit report

On 15th April 2019, KPMG Huazhen completed the audit of the 2018 annual financial report of the underlying asset and issued an audit report, No. 1902192.

II). Appraisal target

1. Appraisal result

On 28th April 2019, the evaluation and filing of the target company was completed. According to DeveChina, the preliminary value of the Target Shares at the benchmark date of September 30, 2018 is RMB 3,614,255,400, and the final Consideration of the Target Shares shall equal to the final appraisal result provided in the assets appraisal report.

2. The consideration and rationale for determining the valuation base date

Bluestar and listed company contemplated this Transaction since the beginning of

2018. Bluestar held an internal meeting on 10^{th} October 2018 and decided to implement this Transaction. According to the *Measures for the Supervision and Administration of State-Owned Equity of Listed Companies* (No. 36 Order of the SASAC, Ministry of Finance), the 15% common stock value of BANG shall be assessed using the market price method on 30^{th} September 2018.

From March 2018 to September 2018, the highest price was 14.27 Yuan and the lowest price was 10.65 Yuan. The average price on the 60^{th} and 120^{th} date was between 11-12 Yuan. Therefore, the price was relatively stable during this period, with relatively limited fluctuation, and was able to reflect the real value of the listed company.

The evaluation base date is determined according to the needs of economic behavior, considering as close as possible to the realization of the economic behavior, enterprise accounting, and the integrity of accounting data.

3. The rationality of the valuation using the market price method in this Transaction

Besides owning 85% common shares of BANG, the Company has no other equity investment and no other actual operational activities, so the stake of BANG is the most important asset of the Company. Therefore, the listed company's share price can reasonably reflect the value of 85% of the common shares of BANG.

Since the stock price of Adisseo has been relatively stable before the base date, the transaction price can reasonably reflect the equity value of the listed company. Therefore, the value of 15% common shares of BANG with market price method is calculated using the total share value of the listed company minus other assets and liabilities other than long-term equity investments with liquidity discount considered.

Measures for the Supervision and Administration of State-Owned Equity of Listed

Companies (No. 36 Order of SASAC, Ministry of Finance) stipulated in Article 32 that: Non-public solicitation of state-owned shareholders to transfer shares of listed companies shall not be lower than the price of the higher of the two of the following:
(a) The arithmetic average of the daily weighted average price of 30 trading days before the suggestive announcement date;
(b) The audited net asset value per share of the listed company in the most recent fiscal year.
In evaluation of this Transaction, calculation of average share price of the listed company is based on the above-mentioned regulation.

Since February 2019, Adisseo's share price has fluctuated following the overall trend of the market. During the period, the highest price was 15.80 Yuan and the lowest was 10.31 Yuan. On 31st May 2019, the arithmetic mean of the daily weighted average price of the first 30 trading days, 60 days and 120 days is 11.93, 12.13 and 11.61 Yuan. It is relatively close to the arithmetic mean of the daily weighted average price of 12.27 Yuan for the 30 trading days prior to 30th September 2018. If extending to 20th June 2019, the arithmetic mean of the daily weighted average price of the first 30 trading days, 60 days and 120 days is 10.74, 11.81 and 11.50 Yuan, some downward in line with market adjustment. However, its long-term price trending does not change. The market consensus did not forecast significant variation in the valuation of the listed company, i.e. the rational of using market pricing with liquidity discount is reasonable.

The share price of a listed company is the fair value determined by free trading of each investor under fair market conditions. It has the characteristics of transparent trading process, public market data and persuasive trading results, which means that the stock price should be able to reflect the judgment of all investors of the fair value of listed company under the current market conditions.

Since the underlying assets of this Transaction are the core assets of listed companies, it not appropriate to make public expectation on profit forecasts for the future performance. Therefore, the pricing method is not applied. To deliver a more intuitive understanding, the Company reverse-calculated the estimated transaction price by using the market price method combined with the liquidity discount pricing method, to calculate the future profit if the income method is applied. As the European risk-free rate has declined in recent years, assuming the future discount rate is 8%, and there is no significant change in the company's working capital structure. The simulated theoretical annual recurring net profit onward is to be at the level of around RMB 1.56 billion. This simulation is a simple calculation, and there will be various unexpected factors, i.e. macroeconomic fluctuations. Thus, the reversal simulation is only for reference and does not represent the company's business plan or performance forecast.

4. There is no significant difference between the valuation of this Transaction and the previous major asset restructuring valuation.

   During the Major Asset Restructuring in 2015, Beijing China CEA Co. Ltd. used 30th June 2014 as the base date, the book value of net assets attributable to common stock owners of the parent company's is RMB 7.013 billion, and the appraised value is RMB 13.28 billion based on income method, i.e. the appreciation ratio vs. book value is 85.78%, while for this Transaction, the appreciation ratio is around 85.50%.

   There is no significant difference between the two appreciation rates in each valuation. However, there is a certain difference between the current valuation and the previous valuation in the absolute value, which is mainly due to the two different base dates with two different operating environments. Since 2015, BANG has expanded steadily its production capacity, effectively managed and enhanced its operation efficiency, increased R&D investment, actively explored new markets and introduced new products to the market every year. Although facing more adverse market challenges and macro environment, its operating profit level remains comparatively better than expected.

III). The approval of the state-owned assets supervision department

On 30th April 2019, China National Chemical Corporation Co., Ltd. issued a written resolution and agreed this Transaction.

III. The controlling shareholder does not abuse shareholder's power and related party relations to harm interests of the listed company and other shareholders. All directors, supervisors, senior executives have fulfilled their duties in a faithful and diligent manner.

I). There is no abuse of shareholder rights from the controlling shareholder and there are no related relationships that would harm the interests of the Company and other shareholders.

This Transaction is objective and fair, and the controlling shareholder deliberated a prudent resolution on the necessity, valuation and delivery arrangement of this Transaction. It fully protects the interests of the Company and there is no harm to the interests of the Company and other shareholders.

1. This Transaction is a logical extension of previous major asset restructuring endeavor

The underlying company BANG is a high-quality asset belonging to the controlling shareholder Bluestar, which has been committed to providing strategic guidance and support from development strategies, corporate operations, corporate governance and other aspects to BANG, to improving operating performance and promoting the long-term development.

The controlling shareholder's original intention for the development of BANG is to complete its listing, and further expanding and strengthening it with the support from capital market. In the process of the previous restructuring, in order to ensure the listing status of the Company, it failed to complete the injection of 100% equity of the Target Company. This transaction is a logical extension of the previous major asset restructuring endeavor, whose targets were to enable the listed company to have better control on the only subsidiary, simplify and optimize the Company's structure, improve operation quality, and meanwhile enhance the listed company's financial and operation result.

2. The valuation of the Transaction is reasonable, and the pricing is fair.

   In the context of this Transaction, controlling shareholder and the listed company engaged DeveChina, a certified agency with qualification to offer services in securities and futures market, as the appraiser to offer professional opinion. According to relevant regulation and policy, the price to be applied in this Transaction will be based on the valuation report issued by Deva China and filed by ChemChina.

3. The transaction delivery arrangement fully protects the interests of listed company

   To fully protect the interests of listed company and avoid the negative impact on the normal business operations, the Transaction will be settled through two deliveries. The Company plans to make the first payment through its existing cash. The precondition for the second settlement is when buyer obtains sufficient funding through re-financing or any other types of financing activities (including but not limit to bank loan, etc.). The Board of Directors agreed to explore reasonable and feasible domestic and abroad financing channels with reference to recent capital market cases.

   Such arrangement fully considers the interests of listed company and ensure that this Transaction will not adversely affect the operating working capital of the Company.

4. The trading decision-making procedures are in compliance with relevant laws, administrative regulations and regulatory documents.

   It is a related transaction between the controlling shareholder and the listed company. According to the relevant laws, administrative regulations and regulatory documents, the Transaction will be submitted to the shareholders' meeting for further approval, and the combination of on-site voting and on-line voting will be adopted. Related shareholders, Bluestar and Beijing Research and Design Institute of Rubber Industry shall withdraw from voting.

In summary, the Transaction is objective and fair. There is no abuse of shareholder rights from controlling shareholder, and no circumstance of the Transaction will harm the interests of the Company and its shareholders.

Based on simulation according to the valuation result of this Transaction, the price is equivalent to the listed company's per share value of 8.63 Yuan. Due to the consideration of liquidity discount, the price is lower than the average price of 12.3 Yuan per share since 2017, which will not harm the minority shareholders. Meanwhile, in order to further protect the interests of listed company and other small and medium shareholders, the controlling shareholder of the listed company promises that if the closing trading price is lower than 8.63 Yuan per share for 30 consecutive trading days within one year after the underlying asset being successfully injected into the listed company, Bluestar will conduct a plan to increasing holdings of listed company according to the relevant regulations of SASAC, securities regulatory authority and stock exchange. The plan is to stabilize the stock price and protect the interests of small and medium shareholders.

In addition, to contribute to the successful implementation of the Company’s future business plan, Bluestar commits to provide their strong support to the development of the Company as they have always done to help the Company to become bigger and stronger through organic growth as well as external M&A. If necessary, Bluestar will initiate or implement conducive measures or action plans to guarantee the interests of all shareholders, such as increase shares via stock market, company buy-back scheme, injection of high-quality assets, etc.

II). All directors, supervisors and senior executives have fulfilled the necessary due diligence obligations

In view of this Transaction, all directors, supervisors and senior executives have fulfilled the necessary due diligence obligations, prudently assessed the necessity of the Transaction, engaged independent third-party professional service providers to audit and evaluate on the Target Asset. On the basis of carefully reviewing the audit report and asset appraisal report issued by relevant professional service agencies, the relevant risks of this Transaction have been fully assessed, and the proper decision-making procedures and obligations of diligence have been fulfilled.

In order to offer better protection to the interests of the listed company and minority shareholders, the board and the management will take measures from following aspects:

1. Implementation of strategic planning in all aspects of production and operation, tapping growth potential and paying close attention to market trends: Strict implementation of strategic planning and budget in purchasing, production and sales, and pay close attention to market trends for effective and swift adjustment in operation, always ensuring production and operation efficiency, and tapping potential from product development, research and development, expanding growth and development space. Besides that, the Company will take effective and timely measures to deal with changes in macro, industry and market, and to ensure healthy, stable and sustainable operation in the future.

2. Strengthen management and internal control to provide institutional guarantee for the company's development: The Company follows the requirements of laws, regulations and regulatory documents, to continuously optimize the corporate governance structure, improve the investment decision-making mechanism, strengthen internal control, for the purpose to ensure shareholders can fully exercise their rights, the board of directors can exercise its function and power in accordance with laws, regulations and the Company's Articles of Association (AOA), to protect the Company's overall interests, especially the legitimate rights and interests of minority shareholders, to ensure the board of supervisors can independently and effectively exercise supervision over directors and senior management.

3. Improving the profit distribution system: In order to improve and perfect the scientific, sustainable and stable dividend-sharing decision-making and supervision mechanism of listed company, actively benefit investors, and guide investors to establish long-term investment and rational investment concept, the Company will follow relevant laws, regulations and normative documents and the Company's by-law to further improve the profit distribution system, earnestly safeguard the legitimate rights and interests of investors, strengthen the protection mechanism for the rights and interests of small and medium-sized investors in accordance with the conditions of the company's operation and development plan, so as to strive the improvement of the level of shareholders' returns.

4. The Company's board of directors guarantees its diligence and responsibility, protecting the interests of listed company and shareholders, promising the following items:
    - Commitment not to transfer benefits to other units or individuals without compensation or under unfair conditions, nor to damage the interests of Listed

Companies in other ways;

- Commitment not to use the assets of listed companies to engage in investment activities unrelated to the performance of their duties;
- The existing as well as the future remuneration system of senior management of the Company established by the board will have a closer relationship with the Company's business operation performance. The remuneration is composed of base salary, annual bonus, and medium-term incentive that places a significant portion of pay closely related with the Company’s business as well as in line with shareholders’ interest. The target-setting of annual bonus is composed of 1) individual performance goals which is closely prioritized according to the Company’s development plan; 2) Company’s performance goals are matrix TRIR/Sales/EBITDA/FCFAT and/or ROCE reviewed annually based on the Company’s approved business plan. Long-term performance appraisal system is based on the creation of sustainable shareholder value and therefore may include total shareholders’ return, return on existing assets, profitable growth, and the quality of earnings. Long-term performance target will be consistent with shareholders’ expectations for the Company’s performance.

In order to better protect the interests of all shareholders, the Company will set up a five-year (2019-2024) incentive adjustment factor in addition to the current remuneration policy, which will ensure the management interests more closely linked with the Company's share value. For illustrative purpose, the final incentive calculation method is:

Final bonus = incentive adjustment factor * (annual short-term bonus + medium term incentive bonus).

Share price	*>12.27*	*9.8-12.27*	*8.63-9.8*	*<8.63*
incentive adjustment factor	*1 to 1.2*	*1*	*0.9-1*	*0.5-0.9*

Impact on bonus	*More bonus will be distributed up till 120%*	*No impact on bonus calculation*	*Up till 10% discount on the bonus*	*Bonus will be in the range of 50% to 90% of original amount*

Note:

- 12.27 is the arithmetic average of the daily weighted average price of the 30 trading days before 30th September 2018, which is the base value to calculate the valuation of CNY24bn.
- 9.8 is 80% of 12.27 as 20% is a line for significant adjustment
- 8.63 is the purchase price of 15% equity
- The final adjustment factor in each range will be proposed by the Remuneration Committee according to the market situation and other factors in that specific year for annual board approval

The above long-term incentive scheme has been approved by the Remuneration Committee and the Board of Directors.

IV. Risks

In this Transaction, DeveChina used the market price method and the comparative method to conduct evaluating, and finally adopted the market price method evaluation result in the evaluation report filed in SASAC. And the transaction price was settled through negotiation based on appraisal value. Although the appraisal agency strictly follows the relevant assessment requirements, the valuation may not in line with the actual situation, if there are major changes in the future due to macroeconomic fluctuations, changes in regional economic conditions and industry's development prospects.

With the completion of the audit and evaluation of the target assets involved in this

Transaction, the Company plans to hold the first extraordinary shareholders' meeting on 8th August 2019 in accordance with the *Securities Law,* AOA and other relevant laws and regulations. This Transaction shall be submitted to the shareholders' meeting for deliberation. Please refer to the "Notice on Convening the First Extraordinary Shareholders' Meeting of FY2019" disclosed on the same day for further information (No. 2019-023).

This Transaction shall be submitted to the shareholders' meeting of the Listed Company for deliberation and approval. Related-party shareholders Bluestar and Beijing Rubber Industry Research Design Institute shall abstain from voting in such shareholders' meeting. This Transaction shall complete the filing procedures in relation to ODI with NDRC and MOC and relevant foreign exchange registrations.

Please be aware of the potential risks involved in this Transaction.

It is hereby announced.

Board of Directors
9th July 2019

(In case of discrepancies between the English version and the Chinese version of this announcement, the Chinese version, officially published and disclosed, shall prevail.)