Company Code: 600299 Company Abbreviation: Adisseo

Bluestar Adisseo Company
2019 Annual Report

Important Notice

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

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

III. **KPMG Huazhen LLP issued an unqualified audit opinion.**

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

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

As audited by KPMG Huazhen LLP, the net profit attributable to the shareholders of the Company at the consolidated level for the year ended December 31, 2019 amounted to RMB 992,382,202 and the accumulated profits available for distribution at parent company level as at December 31, 2019 amounted to RMB 423,586,890.

Therefore, in order to share the Company's operation achievements with all shareholders, as well as enabling the Company for further development in consideration of the Company's actual operation situations, the Company proposes that: based on the Company's total share capital on registration date, the Company will distribute to all shareholders, cash dividend of RMB 1.56 yuan per 10 shares (inclusive of tax). The total amount of the cash dividends to be distributed is RMB 418,376,599 yuan.

If the total share capital of the Company changes before the date of registration, it is proposed to maintain the same distribution ratio per share and adjust the total amount of distribution accordingly. An announcement shall be released accordingly.

The above proposal is still subject to the approval of 2019 Annual General Shareholders' Meeting.

VI. **Statement on the risks of forward-looking information**

√ Applicable ☐ Not applicable

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

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

No.

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

No.

IX. Risk factors

√ Applicable ☐ Not applicable

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

X. Other information

√ Applicable ☐ Not applicable

Chinese version of this report

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

CONTENTS

Section 1 Interpretations

I. Interpretations

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

Interpretations of the terms in common use		
a. General terms		
Company, the Company	Indicate	Bluestar Adisseo Company
BNCM	Indicates	Bluestar New Chemical Material Co., Ltd
Nutriad	Indicates	The Nutriad Holding B.V. company and its subsidiaries acquired by Adisseo in February 2018
Group, the Group, or Adisseo	Indicate	Bluestar Adisseo Company and its subsidiaries
ChemChina	Indicates	China National Chemical Corporation
China Bluestar	Indicates	China National Bluestar (Group) Co., Ltd.
BANG	Indicates	Bluestar Adisseo Nutrition Group Ltd
Board of Directors	Indicates	The Board of Directors of Bluestar Adisseo Company
Board of Supervisors	Indicates	The Board of Supervisors of Bluestar Adisseo Company
Shareholders' General Meeting	Indicates	The Shareholders' General Meeting of Bluestar Adisseo Company
Articles of association ("AOA")	Indicate	The Articles of Association of Bluestar Adisseo Company
CSRC	Indicates	China Securities Regulatory Commission
SSE	Indicates	Shanghai Stock Exchange
SASAC	Indicates	State Assets Supervision and Administration Commission of China
Yuan, 10 thousand Yuan, 100 million Yuan	Indicate	RMB Yuan, RMB ten thousand Yuan, RMB one hundred million Yuan
Reporting period	Indicates	Jan 1, 2019 ~ Dec. 31, 2019
The transaction, the restructuring	Indicate	In 2015, the Company acquired 85% of the ordinary shares of BANG as well as disposed of all previous businesses of the Company through major asset exchange, cash and share issuance in consideration of the asset acquisition, private placement in connection with the asset acquisition and affiliated transaction.
Company Law	Indicates	Company Law of the People's Republic of China
Securities Law	Indicates	Securities Law of the People's Republic of China
Listing Rules	Indicates	Listing Rules of the Shanghai Stock Exchange
b. Technical terms		
Feed additives for animal nutrition	Indicates	Feed additives are food supplements for farm animals that cannot get enough nutrients from regular feeds and have to be added to the feed for nutritional purpose; which could promote the growth, development and wellbeing of animals.
Methionine / Methionine product	Indicate	One of the naturally occurring, sulfur-containing essential amino acid, which cannot be synthetized by animals and need to be added to the feed. Methionine product refers to those contain methionine itself or chemicals that can be bio-transformed to methionine in animals.
Liquid methionine ("HMTBA")	Indicates	A methionine hydroxyl analogue, which can be naturally transformed to methionine in animals and is in a liquid state at ambient temperature.
Powder methionine	Indicates	Methionine in a powdery state at ambient temperature.

Interpretations of the terms in common use		
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, probiotics additives and other specialties.
Other products	Indicates	The following products: carbon disulfide, sulfuric acid and services of processing powder.
MMP	Indicates	3-(Methylthio) propionaldehyde. This substance is the first intermediate in the synthesis of methionine. It is generated by the chemical reaction between methane thiol and propylene.
KT	Indicates	Kilo ton

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

Section 2 Company Profile and Financial highlights

I. Company profile

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

II. Contact Person and Contact Methods

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

III. Brief Information

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

IV. Information Disclosure and Preparation Site

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

V. Brief Information on the Company's Shares

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

VI. Other Related Information

Accounting firm (domestic)	Name	KPMG Huazhen LLP

employed by the Company	Office address	8th Floor, KPMG Tower, Oriental Plaza, 1 East Chang An Avenue, Dongcheng District, Beijing
	Name of signing Certified Public Accountant	CHEN Yuhong, Lin Ying

VII. Main financial data for the latest three reporting periods

Main financial data

Unit: Yuan Currency: RMB

Main accounting data	**2019**	**2018**	**Changes in comparison with the same period of last year (%)**	**2017**
Operating revenue	11,135,489,839	11,417,981,750	-2.5%	10,397,823,108
Net profit attributable to the shareholders of the Company	992,382,202	926,130,660	7.2%	1,323,315,773
Net profit attributable to the shareholders of the Company after deduction of non-recurring profit or losses	897,026,303	907,325,102	-1.1%	1,290,183,564
Net cash flow arising from operating activities	2,550,601,183	1,441,696,047	76.9%	2,513,085,624
	The end of 2019	The end of 2018	Changes in comparison with the end of last year (%)	The end of 2017
Net assets attributable to the shareholders of the Company	13,797,572,348	13,602,423,751	1.4%	13,164,279,736
Total assets	21,127,258,090	21,453,362,349	-1.5%	21,329,082,225

Main financial ratios

Main financial ratios	2019	2018	Change of the present period over the same period of last year (%)	2017
Basic earnings per share (Yuan/ share)	0.37	0.35	6%	0.49
Diluted earnings per share (Yuan/ share)	0.37	0.35	6%	0.49
Basic earnings per share after deduction of non-recurring profit or loss (Yuan/ share)	0.33	0.34	-3%	0.48
Weighted average return on net asset (%)	7.24	6.90	+0.34ppt	10.51
Weighted average return on net assets after deduction of non-recurring profit or loss (%)	6.57	6.76	-0.19ppt	10.26

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

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

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

☐ Applicable √ Not applicable

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

☐ Applicable √ Not applicable

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

☐ Applicable √ Not applicable

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

Unit: Yuan Currency: RMB

	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Operating revenue	2,732,969,498	2,624,424,164	2,955,246,621	2,822,849,556
Net profit attributable to the shareholders of the Company	295,968,769	237,855,606	277,977,058	180,580,768
Net profit attributable to the shareholders of the Company after deduction of non-recurring profits and losses	286,964,466	197,062,068	195,013,221	217,986,548
Net cash flow from operating activities	316,150,314	1,089,827,534	502,222,800	642,400,535

The decrease of net profit attributable to shareholders of the Company in the fourth quarter is mainly due to the temporary impact of force majeure of French factories caused by the strike and some non-recurring profit and loss items (such as disposal loss of fixed assets of existing fixture for the construction of BANC2). If excluding non-recurring factors, thanks to the strong volume growth of liquid methionione and continued growth in specialtyies (especially ruminant business), the net profit had a quarter to quarter increase if compared with previous two quarters.

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

X. Non-recurring Profit or Loss Items

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Non-recurring profit or loss items	Amount in 2019	Description (if applicable)	Amount in 2018	Amount in 2017
Net profit or loss on disposal of non-current assets	(91,332,132)	Scrapping of equipments & fixtures	(8,577,642)	(1,598,472)
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	17,449,442	Mainly grants related to assets for land use right and industrial structure adjustment in Nanjing plant	29,311,032	15,392,842
Reversal of provision for other receivables that are tested for impairment losses individually				10,080,647
Other non-operating income or expenses other than the above	228,397,188	Insurance claim	9,782,461	31,641,797
Impacts attributable to minority interests (after tax)	(16,827,512)		(3,318,628)	(5,846,861)
Impact of income tax	(42,331,088)		(8,391,665)	(16,537,744)
Total	**95,355,898**		**18,805,558**	**33,132,209**

XI. Items measured using fair value

Currency: RMB Unit: Yuan

Item Name	Beginning Balance	Closing Balance	Change in current period	Impact on profit or loss for current period
Derivative financial instruments assets	6,772,220	7,784,238	1,012,018	8,200,764
Derivative financial instruments liabilities	(67,384,765)	(2,063,292)	65,321,473	5,768,334
Derivatives instruments (net assets/(liabilities))	(60,612,545)	5,720,946	66,333,491	13,969,098
Investments in other equity instruments		11,479,649	11,479,649	
Other non-current financial assets		32,676,606	32,676,606	
Total	**(60,612,545)**	**49,877,201**	**110,489,746**	

For further detail on derivatives instruments, please refer to the part 51 Hedging in VII Notes to the items in the consolidated financial statements of the Section 11 of this report.

XII. Others

☐ Applicable √ Not applicable

Section 3 Basic overview of the Company

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

The Group is developing in the feed additives market for animal nutrition where it delivers research, development, innovation, production sales.

Adisseo is a global leader in nutrition and health feed solutions including research and development, production and sales with over 80 years' experience. Adisseo supplies three types of products: Performance products (including methionine, vitamins, ammonium sulfate and sodium sulfate), Specialty products (including feed digestibility such as enzymes, additives for rumen such as rumen-protected methionine, health by nutrition offerings such as organic selenium and probiotics feed preservatives, mycotoxin management, palatability and additives for aquaculture) and Other products (including carbon disulfide, sulfuric acid and services of processing powder). By relying on its rich product mix, expansive sales, distribution platforms and strong technical support team, the Company provides innovative feed additives solutions to around 3,900 customers located in over 110 countries globally.

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

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

By 2050, the world's population is expected to rise to more than nine billion. Providing food and nutrition security is becoming more complex with respect to the long-term environmental sustainability. The combination of natural resources scarcity, climate change and population growth further aggravate this complexity.

The feed-food chain faces a dual challenge: producing larger quantities of high quality and affordable meat, milk, and eggs in response to an increasing global demand, while doing so through production systems that are environmentally sound, socially responsible and economically viable. Today it is acknowledged that Animal nutrition plays an important role to improve end-product quality and safety, increase livestock production efficiency, reduce/minimize its environmental impact, and keep animal healthy and feeling well.

From this perspective, Adisseo contributes effectively in developing and providing innovative products and services to the feed and food industry contributing to the sustainable growth of the planet. Especially, Adisseo currently provides animal nutrition additives for essential nourishment, digestibility improvement, stabilization of gut flora, helping specifically animal health by strengthening the animals' intestinal tract and therefore increase their resistance to harmful micro-organisms. As such, we contribute to the prudent use of antibiotics, reducing the risk of Antimicrobial resistance (AMR). Meanwhile, Adisseo feed ingredients contribute to support sustainable production and environmental protection by the reduction of effluent (e.g. nitrogen, phosphorus and methane), the increase of resource efficiency and the balance of animal productivity and welfare.

Adisseo is a global leader in its main product lines:

- Adisseo is the world leader in liquid methionine and the world's second largest producer in the global methionine market. Adisseo is one of the few global methionine producers capable of producing methionine in both liquid and powder forms. Adisseo is also one actor with a complete offer of methionine products;
- Adisseo is the world-leading producer of rumen-protected methionine;
- Adisseo is a world-leading and the most recognized supplier of Non-Starch Polysaccharide enzymes;

- Adisseo is uniquely positioned in the vitamin business in the feed industry, who endeavors to provide a packaged offer of vitamin solutions with high quality and complete traceability of the products.

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

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

Adisseo is present worldwide and operates on all continents and relies on its 10 R&D centers and its production sites based in Europe, USA, Singapore and China to design, produce and market nutritional solutions for sustainable animal feed with sales force organized in seven business areas: Europe/CIS, Africa/Middle East, Indian sub-continent, North America, South & Central America, Asia Pacific and China.

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

The 10 R&D centers represent true engines of its development. In order to ensure sustainable growth, Specialty products will become a second business-pillar and thus Adisseo allocates financial resources on R&D for new products.

In further exploring Chinese market, Adisseo showed in the second International Import Exhibition. Adisseo, founded in France, settled in China and now exploring the global market, has a unique international orientation. It not only displayed its star product MetaSmart®, but also celebrated its 80th anniversary witnessed by leaders and executives of ChemChina and Bluestar Group. The strategic cooperation with Mengniu Group, also embodied its win-win philosophy of continuously expanding its businesses to the Chinese market and "sharing opportunities for common development" with customers.

As always, safety and sustainability are key to our business. In order to guarantee a sustainable growth model, we are keen to strike a perfect balance between economic and human development and the preservation of our planet's resources. Safety is the most important priority for Adisseo. Thanks to innovative methods and constant awareness, all staff members are working together to ensure an accident-free workplace "Zero Accidents". Adisseo is also aiming for zero environmental impact. Adisseo is pursuing its reduction policy for the impact of its activities on the environment and has set ambitious new environmental objectives, i.e. Adisseo is committed to reducing our water and energy consumption by 20% as well as our greenhouse gas emissions per kilogram of product over a ten-year period.

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

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

II. Major changes to the main assets of the company

☐ Applicable √ Not applicable

III. Core competitiveness analysis in the reporting period

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

1. Global Industry Leader

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

➢ **Performance products**

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

Methionine

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

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

- European platform

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

To increase its liquid methionine production in Europe by 50 KT, the European platform expansion project has been completed by the end of 2018 as planned and has provided additional capacity to the market during 2019.

In parallel, the sustainable development project, "Liquid furnace for MMPS1", which will allow Adisseo to decrease by 25 to 50% its atmospheric environmental emissions (NOx, SOx, dust) in intermediary product ("MMP") unit has been completed by the end of 2019.

Furthermore, Adisseo finalized the development of the - Rhodimet® A-Dry+, which is a brand-new powder methionine product, based on the liquid methionine ("HMTBA") technology offering also a new product for the dairy market: Rumensmart.

The new Rhodimet® A-Dry+ production unit constructed in European platform expansion project, has been built in Burgos (Spain). Designed to incorporate many aspects of sustainability, the Burgos plant optimizes energy consumption (by recycling waste steam), reduces CO2 emissions and imposes the minimum possible level of environmental impact.

- Nanjing platform

In 2013, Adisseo established the Nanjing plant to firstly supply China market, which is the world's largest methionine consumption market. Adisseo is one of the first global company to establish major production facilities to produce methionine in China. With its integrated production process and world-class manufacturing capability, the Adisseo Nanjing plant has become a worldwide leader in liquid methionine production both in production scale as well as in low production cost, which has achieved its historical low production cost level in 2019. The gradual increase of investment and production including debottlenecking, enable Adisseo to seize the opportunities afforded by China's rapidly growing methionine demand, swiftly respond to the changes in the market and further enhance its competitiveness and market position.

- Nanjing Platform- Second Nanjing Plant

To meet the continuously growing demand of customers and thus consolidate its leadership role, the Board of Directors of Bluestar Adisseo Company has approved the construction of a new liquid methionine plant with a capacity of 180 KT per year, on January 16, 2018. The new facility locates in the Nanjing Liuhe Chemical Park, adjacent to the existing Adisseo plant in Nanjing. The project is now embedding some specific changes to production processes, for the purpose to improve environmental performance objectives and to further reduce already world leading production costs, and thus is expected to start in around early 2022 with some modest increase in the total investment. Adisseo is expecting huge benefits to be derived from the Second Nanjing Plant thanks notably to the important scale economy effect arising from the synergy with the existing Nanjing plant.

The first phase of the project, which consisted of design, construction and setting to work of a logistics facility to handle 360KT/Y of AT88; was completed on time, with no accident, and the facility is in commercial operation. The Environmental Impact Assessment, Safety Assessment and Occupational Health Assessment have all been approved by the competent authorities. In today's Chinese context of increasing emphasis on environmental protection and worker safety the approval of these reports reaffirms Adisseo's position as a clear leader in environmental and safety performance.

Further permitting and detailed design are progressing well, with the team adjusting to the restrictions of COVID-19. Construction of the main process units was planned to start immediately after the Chinese New Year celebrations but is being delayed due to restrictions on movement of construction personnel.

Thanks notably to the second platform, although there was new capacity from both existing players and newcomers, Adisseo is the only existing players who managed to increase market share from 24% to 27% from 2012 to 2017 and stabilized in recent years. Adisseo expects to keep its leading position in the coming years, with projects such as the European platform expansion and the Second Nanjing Plant.

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

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

Vitamins

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

Adisseo holds around 20% of Vitamin A production capacity in feed industry. Adisseo is operating a Vitamin A plant. Adisseo buys raw materials from different sources, including large chemical companies to produce its Vitamin A.

BASF accident in late 2017 has some impact in 2018 and in 2019. There are several incidents experienced in 2019 Vitamin market, such as difficulties for some Vitamin A producers to properly manage the formulation of A. Also, there were several vitamin plants shutdowns or with reduced production due to the strict control by Chinese authorities in term of safety or environmental protection. As a result, market price for Vitamins have maintained at high level compared to average historical levels in H1 2019 and market price decreased during H2 2019.

In that context, Adisseo production for Vitamin A continued at the normal speed. Supply of other vitamins had been constantly maintained during 2019.

As a result, Adisseo Vitamins business has achieved a strong performance in 2019.

- **Specialty products**

Specialty products includes feed digestibility (enzymes), rumen-protected amino acids, health by nutrition (probiotic, butyrate, botanicals, organic selenium), palatants, mycotoxin management, feed preservatives and additives for aquaculture. Accelerating the development of Specialty products is the second business-pillar of the Group. Adisseo has the ambition to act as one of the worldwide leaders of specialty additives in animal nutrition thanks to the development of its existing product range, the launch of new products and external acquisitions.

1. **Feed Digestibility (Enzymes)**

Adisseo developed a leading position in the feed enzymes market. Enzymes improve digestibility and efficiency of feed, which in turn reduces feed costs, raw material consumption (soya, corn…) and nitrogen and phosphorus emissions. Animal feed enzymes fall into two categories:

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

Rovabio Advance®, a new Non-Starch Polysaccharide enzyme launched in 2015 continues its growth thanks an unmatched efficiency. It represents now about 70% of total Rovabio sales.

In 2019, Adisseo has launched Rovabio Advance Phy®, an innovative enzyme product covering the needs of the two above mentioned categories. This product is being made available gradually, in liquid and powder form, according to the schedule of regulatory approvals in each region or country. There is a significant growth potential for enzymes in all regions and Adisseo will be able to reinforce its leadership on the enzyme market thanks to continuous innovation.

2. **Rumen-protected amino-acids**

Based on the world's leading methionine technology, Adisseo has actively developed two rumen-protected methionine: Smartamine® M and Metasmart®, which are recognized as the best protected methionine for ruminants with excellent performance. These products improve milk composition as well as overall production, reproduction and health of cows. Ultimately these products contribute to a more sustainable milk production through an increased cow longevity.

Adisseo is reinforcing its unique market positioning and leadership by:

- Consolidating its sales network in China, North America and South America;
- Developing its own Ruminant sales team in Europe, CIS, Middle East and Africa (will be fully operational from early 2020);
- Promoting in North America two new products, complementary to the existing range: a new methionine product, RumenSmart®; the other product is a rumen-protected Lysine, Smartamine®

ML which benefits from the unique coating technology that made the success of Smartamine® M. These new products are reinforcing Adisseo offering and its amino acids balancing nutritional program;

- Continuously investing in R&D to develop new products and new knowledge related to cow nutrition and health.

In the context of accelerating the development of our specialty business globally, it is important to have our fully dedicated and specialized team in Europe, Middle East and Africa regions. Thus, Adisseo has decided not to renew its distribution partnership but to recruiting its own salesforce to cover the European, CIS and Middle East-Africa dairy markets. This added to the existing footprint will allow Adisseo to share its knowledge and provide full range of products and services directly to dairy market customers across the world.

3. <u>Health by nutrition including</u>

1) <u>Organic selenium</u>

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

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

Adisseo keeps gaining market share, not only in the breeder segment but as well in other species (broilers, layers, swine, aqua) and in other geographies (product has been successfully launched in USA and first sales have been booked in H2 2019; registration with Ministry of Agriculture has been obtained in China and product launch is expected to be performed in 2020.

2) <u>Gut health products</u>

Alterion probiotic, co-developed with Novozymes, is an efficient alternative to Antibiotic Growth Promoters in poultry. It enables Adisseo to penetrate the promising ‘Gut Health’ segment which will grow steadily as antibiotic usage is gradually reduced. Adimix sodium butyrate and Apex botanicals complement nicely Adisseo’s offering as far as gut integrity and gut balance is concerned.

R&D work is ongoing to develop more products that will help farmers to produce poultry and swine in a more sustainable way (reduced usage of antibiotics, animal welfare).

4. <u>Aqua</u>

The products offer innovative nutritional and health solutions to fish and shrimp farmers. There is a great opportunity to develop a major business in Aqua Feed (feed and feed additive market) in Asia with a market size of USD28 billion, representing 70% of world market.

5. <u>Palatability</u>

Adisseo continues to develop and promote the products coming from the acquisition of Nutriad which include palatability. These products stimulate feed intake and consequently support performance and health of animals (swine, ruminant, horses). In 2019, the commercial performance of this product range is negatively impacted by the severe African Swine Fever epidemy in China that devastated the swine herd but new segments (dairy cows and calves) are being explored to develop further sales

6. <u>Mycotoxin management</u>

These products alleviate the negative impact of mycotoxins on health, reproduction and performance (all species).

7. **Feed Preservation**

These products help suppress the growth of mould and bacterial pathogens and act as grain preservatives, thus allowing better use of feed resources.

2. Global Production and Sales Network

Adisseo has set up local supply chain systems operating in an efficient and highly responsive way based on the distribution of its regional customers. Its main manufacturing network is spread over Europe, USA and China. In the main regional markets, Adisseo associates to this network some toll-manufacturers for specific products or operations. From those plants, it delivers its finished products directly or indirectly to its customers in the world. It either ships direct to its customers or regional warehouses.

On the Chinese market, for example, in order to ensure to all of the products safely delivered to customers all over the country on time, Adisseo has established a multipurpose supply chain with a center distribution in Nanjing, combined with ten distribution warehousing centers national-wide according to where and how much the customers are concentrated. All the same time, this organization allows to Adisseo to export worldwide their products from China.

Adisseo also has a dedicated warehouse in Shanghai for traded products that are sourced in China, grouped in this warehouse and shipped worldwide either to customers or to its regional warehouses.

The Adisseo sales team has regularly opened distribution subsidiaries or offices globally. Adisseo will gradually establish and refine the local sales organizations according to the development of the emerging economies. For example, Adisseo has set up sales subsidiaries in India in 2016, in Malaysia in 2017; in 2018, a new one was opened in Dubai. In addition; with the integration of Nutriad, the Group benefits from their subsidiaries in Italy, Spain, Poland, and Greece, further developing the sales network. In early 2020, Adisseo established a new subsidiary in Turkey to better provide our products and services to local market by our own team. In addition to Adisseo's own sales force, Adisseo has set up close long-term relationships with sales agents and distributors around the world in order to better serve the local market and customers.

In 2018, Adisseo finalized the development of its e-commerce site through the e-platform of ChemChina. The main benefits of this platform are to digitalize the ordering process and allowing them to follow their complete ordering process, payment process as well as goods receipt process online. Especially in the context of COVID-19 epidemic at the beginning of 2020, the digital platform played an important role for Adisseo to effectively respond to the market and customer demand. Adisseo has strengthened customer relationship and opened up new markets through the e-commerce platform by providing customers with more accurate, timely, high-quality and innovative services and will continue to improve the e-commerce platform and strive to maintain the leading position in the industry.

Last but not least, since 2018, in addition to its Regional sales network, Adisseo has decided to deploy a Global Key Account strategy to better manage their Global Key Customers (with operations in different regions). Key account managers have been nominated for each account.

3. Specialized and Comprehensive Feed Solutions

Because of Adisseo's brand awareness, consistent product quality, competitive prices and rich product portfolio, most of its main customers purchase more than one kind of product. Adisseo has a long and distinguished history in animal feed nutrition, an outstanding market position, technological innovation and powerful R&D capabilities that allows to develop scientific programs related to customer pain point.

To pursue the development of the feed solutions portfolio, Adisseo has integrated Nutriad's product portfolio to offer new possibilities to its customers. Recently 3A solution has been introduced, which consists to associate the effect of Alterion's probiotic, Adimix Butyrate and Apex phytogenic to improve livestock gut health and performance. Customer training sessions are organized to explore a total approach for mycotoxin contamination, gut health issues and preventive measurements for antibiotic reduction in husbandry.

To further improve customer preference and differentiate from competition, Innov'l@b has been created to scout and integrate disruptive technologies, products and services to improve efficiency, sustainability and animal wellbeing at customer level.

4. Unparalleled Market Explorer and Pioneer

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

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

Methionine

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

- Adisseo secures sourcing for strategic raw materials. In 2016, Adisseo integrates sulfur melting activity of Sobegi in European platform;
- Adisseo increases its production capacities in both Europe and China plants with above-mentioned projects (debottlenecking projects in China, European platform expansion, and A-Dry+ project);
- Every year, Adisseo conducts new surveys and initiates new projects to reduce the environmental impact of its activities: important increase of environmental investments part due to several major projects, such as new electrostatic filter to reduce dust in fumes at Nanjing , investment of a new waste water treatment unit at Commentry, new furnace to maximize energy recovery on a MMP production unit. In 2019, Nanjing designed and implemented a wastewater pre-treatment plant.

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

Specialties

Adisseo ensures reliable and cost-effective sourcing and production of all specialty products.
Adisseo reinforces its core businesses and diversifies its portfolio in high growth segments by developing strategic partnerships. Focuses are made on key industry drivers, which include antibiotics replacement, yield improvement, health by nutrition, etc. with target to build a complete, tailor-made feed specialties solution offer using the following key criterias to select the best development opportunities:

- technology (added value, 'solutions' to client's needs, growth & profitability…)
- access to market
- services to be provided (digitalization)
- species dimension (Poultry, Swine, Ruminants, Aqua…)

As an example, Adisseo has reinforced its Specialty products segment with the acquisition of Nutriad, a global manufacturer of feed additives for more than 50 years. The acquisition was completed in Feb 2018 and fully integrated into Adisseo by now.

5. Strong Research and Development Capabilities

Adisseo's Research & Development programs are organized around following aspects: 1)Environment and Biosecurity 2)Raw material and nutrition 3) Microbiota and gut balance 4)Protein quality

To run all above R&D programs, Adisseo has 10 R&D centers worldwide which represent true engines of its development. Adisseo's R&D teams work closely with the strategic marketing, Methionine, Specialties and Vitamins SBUs, as well as Innov'L@b (internal structure dedicated to disruptive technologies, through starting up ventures, internal and external technology scouting), production and engineering departments to align the objectives of product/service development with its general business objectives.

In particular, the Innov'L@b (created during 2017) seeks, selects and develops innovative disruptive solutions to provide potential solutions to the different challenges.

Furthermore, Adisseo cooperates with a number of international laboratories, universities and research institutions, strengthens its bonds with the scientific community, encourages the passion for innovation, and attracts technical talents by sponsoring R&D projects on the different topics/challenges. After the partnership officially started with the Sichuan University in Chengdu on swine nutritional research, a new partnership started with the University of Arkansas in Fayetteville (US) on poultry nutritional research and a new partnership with Wisconsin University on ruminant research. Adisseo collaborates to build a new poultry research facility at Federal University of Paraná (UFPR) in South America.

On 13 December 2019, Adisseo launched a new Research & Development Centre: Aquaculture Station by Adisseo ("ASA") in Singapore dedicated to aquaculture, which will focus on nutrition, aquatic animal health, and innovative aquatic science technologies. ASA aims to support the farmed fish and shrimp sectors and to answer some challenges of the farmed Fish and Shrimp industry by developing strong partnerships with academics in the APAC region and worldwide. To that aim, partnership has been established with JCU (James Cook University) in Singapore.

With this platform, Adisseo will be fully equipped to develop the solutions for the different species.

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

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

From 2014 onwards, Adisseo launched one new product every year: Selisseo®, a specialty product based on selenium in 2014, and Rovabio Advance®, a new Non-Starch Polysaccharide enzyme, in 2015 and Alterion®, a new probiotic, in 2016. In 2017, Adisseo developed Rhodimet® A-Dry+, a new powder methionine, its EU authorization has been obtained in early 2019. In 2018, Adisseo has launched a new protected methionine: RumenSmart® in North America, complementary to the existing range and in 2019 Smartamine ML and Rovabio Advance Phy were introduced to the market.

6. Scientific and Competitive Cost Operational Structure

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

7. Experienced Management Team with Rich Industry Experience

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

Section 4 Discussion and Analysis of the Operation

I. Discussion and Analysis of the Operation

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

Its performance, financial position and future are affected by the global macro economy. The global macro economy has demonstrated signs of slowing down with rising trade barriers, increasing commercial and geopolitical tensions. However, significant disparity exists among the recovery process in different regions: for developed countries, economics declined due to low productivity growth and ageing demographics and for developing countries, strong growth performances continued. Trade imbalances and exchange rate fluctuations also increase the uncertainties. The China/Asian Afrian Swine Fever crisis has significantly impacted the Chinese meat sector. It is expected that the shortfall in pork supply will be difficult to be filled in the short-term with imports, which shows that the strong demand drivers will continue to outweigh brakes despite all challenges mentioned above.

Adisseo as a key player in the food value chain, 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 other companies in the regional or local markets. Chinese Newcomers (CUC / NHU) have started their new units during the years 2016-2017. Almost all historical players (Sumitomo, Evonik, Adisseo) have communicated about new facilities to come during the period 2019-2023 with Novus announced the cancellation of new expansion in 2019. 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:

- The European platform expansion project is completed and successfully started: it is increasing about 50 KT the production capacity of the European plants by adding a new complete production line in downstream unit (Burgos) and in upstream unit (Les Roches), and some adjustments in existing intermediate products units. ;
- The new powder methionine product, Rhodimet® A-dry, which is developed based on the liquid methionine ("HMTBA") technology, offering the benefits of this molecule to customers whose manufacturing process does not allow the use of liquid form of methionine, will further support Adisseo's position as a leading methionine supplier, offering the full-range of methionine sources valuable for feed producers and meeting their needs;
- Nanjing plant expansion project finalized smoothly in early 2019 enables Adisseo to increase its production capacity to 170KT per year and to improve further its manufacturing efficiency;
- The new 180KT liquid methionine plant in Nanjing is progressing. Upon completion, the new plant will enable Adisseo to satisfy ever-increasing customer needs as well as to improve cost efficiency. Adisseo is taking all actions to meet and anticipate new environmental regulations;
- Specialty products are under active development as a second-business-pillar to enhance animal performance and health. The Company sees great growth potential in Specialty products and actively explores innovative products. The full integration of Nutriad into Adisseo allows a high complement to existing product range, the addressed species, and the target markets and also enables Adisseo to offer an integrated solution and to provide more value to customers.

2019 results

In (100 million) Yuan	2019	2018	Change (%)
Operating revenue	111.4	114.2	-2.5%
Net profit attributable to shareholders	9.92	9.26	7.2%
Net profit attributable to the shareholders of the Company after deduction of non-recurring profit or losses	8.97	9.07	-1.1%
Basic earnings per share (Yuan/ share)	0.37	0.35	6%

As of 31st December 2019, TRIR landed at 0.71, the best ever result for the whole group thanks to no accident for more than 600 days and 2,000 days respectively by Nanjing and Burgos.

The Company recorded an operating revenue of CNY11.14 billion in 2019, nearly stabilized thanks to volume growth despite price decrease. The gross profit reached CNY3.78 billion in 2019, representing a yoy decrease of 5%, mainly due to the downwards pressure on methionine' prices and progressive normalization of vitamins' prices.

The gross profit margin remained at 34% thanks to the more and more balanced business portfolio with the high-margin specialty business contributing more than 30% of the total gross profit reflecting the execution of our strategy.

Regarding the methionine business, liquid methionine has recorded accelerated volume growth driven by strong growth in China and production costs achieved their lowest level worldwide which contributed to the stabilization of the gross profit margin of performance product at 30%. On Vitamins, Vitamin A achieved a stabilized production throughout the year.

The specialty business demonstrated its strong growth momentum in 2019 with revenue and gross profit reaching CNY2.4 billion and CNY1.2 billion respectively (+7% vs FY 2018) and gross profit margin stabilized at 49%. The accelerated growth is mainly driven by +12% revenue increase in the feed digestibility (enzyme) business, +27% volume growth for Selisseo (Health by Nutrition) which continuously achieved historical-high quarterly revenue in 2019, a +11% rebound in ruminants in 2019 (especially +27% in Q4) thanks to early positive signs from the dairy market in the U.S., +17% sales increase in aqua thanks to the strong sales in Asia Pacific and South America plus rebounding performance in Mycotoxin Management with +12% revenue growth.

The competitiveness plan has delivered savings of Euro 36million resulting from short terms quick wins as well as long-term sustainable initiatives.

2020 outlook

- Safety is Adisseo first priority. In 2020, it will pursue its zero accident objective and further improve its safety performance;
- Sustainable development and environment are also a key priority for Adisseo. The development and implementation of action plans for each entity of the Group to reduce environmental impacts (notably waste discharge, water consumption and air quality) are in progress;
- Business development
    - In the context of fierce competition, Adisseo expects to pursue its profitable growth trajectory driven by:
        - Continued volume growth in liquid methionine
        - Accelerated growth in Specialties
        - Continuous margin and cost management
        - Leveraging its global advantage and to further develop China business

  - o Beginning of 2020 is impacted especially in China by the coronavirus epidemy with impact being evaluated but certainly being mitigated based on the fact that Adisseo is a global player.

- 15% BANG Share Buy-back
  - o The acquisition of 15% stake of Adisseo's subsidiary Bluestar Adisseo Nutrition Group ("BANG") from its controlling shareholder Bluestar was approved by shareholders on 6th December, and is expected to be completed in the first half of 2020. Upon the completion, Adisseo's business will be 100% consolidated into the listed entity, and the 2019 proforma earnings per share will be increased from CNY0.37 to CNY0.44.

- AVF fund: Adisseo is accelerating its innovation development leveraging venture capital on top of internal research: another new investment was completed recently via AVF fund in the field of antibiotics replacement. Overuse of antibiotics to fight bacteria in both livestock and humans has led to widespread antibiotic resistance. The new investment has developed and commercially introduced the phage-based products preventing bacterial infection in live animals in livestock farming & aquaculture.;
- Adisseo will continue the undertaking of competitiveness improvement plan;
- Via building the joint venture with Calysta to seize major aqua market opportunity with innovative solution
- US Dollar and raw material cost will still be key factors.

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

1. Analysis of main business

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

Unit: Yuan Currency: RMB

Items	Amount of current period	Amount in the same period of last year	Change (%)
Operating revenue	11,135,489,839	11,417,981,750	-2.5%
Cost of sales	7,357,134,517	7,433,746,398	-1%
Selling and distribution expenses	1,282,742,038	1,214,491,598	6%
General and administrative expenses	618,844,949	662,060,522	-7%
Research and development expenditure	294,254,663	298,112,113	-1%
Financial expenses	(63,535,915)	(44,370,696)	43%
Net cash flow from operating activities	2,550,601,183	1,441,696,047	77%
Net cash flow from investing activities	(1,160,396,390)	(2,384,358,208)	-51%
Net cash flow from financing activities	(1,357,752,395)	(1,373,468,192)	-1%

(1) Income & Cost Analysis

√ Applicable ☐ Not applicable

a. Analysis by industry, by product and by region

Main operations by industry						
By industry	Operating revenue	Cost of sales	Gross profit ratio (%)	Increase/de-crease in operating revenue on the same period of last year (%)	Increase/decrease in operating cost on the same period of last year (%)	Variation in GP ratio on the same period of last year

Health and Nutrition	11,135,489,839	7,357,134,517	34%	-2.5%	-1%	-1 ppt

Main operations by product						
By product	Operating revenue	Cost of sales	Gross profit ratio (%)	Increase/decrease in operating revenue on the same period of last year (%)	Increase/decrease in operating cost on the same period of last year (%)	Variation in GP ratio on the same period of last year
Performance products	8,086,108,163	5,683,719,046	30%	-5%	-4%	0 ppt
Specialty products	2,431,310,166	1,240,507,642	49%	8%	8%	0 ppt
Other products	618,071,510	432,907,829	30%	-6%	15%	-13 ppt
Total	11,135,489,839	7,357,134,517	34%	-2.5%	-1%	-1 ppt

Main operations by region						
By region	Operating revenue	Cost of sales (*)	Gross profit ratio (%)	Increase/decrease in operating revenue on the same period of last year (%)	Increase/decrease in operating cost on the same period of last year (%)	Variation in GP ratio on the same period of last year
Europe / Africa/MO	3,827,563,212			-1%		
North & Central America	2,360,190,360			-1%		
Asia / Pacific (excluded China)	1,835,864,320			-4%		
South America	1,620,527,191			-7%		
China	1,245,494,832			7%		
Other	245,849,924			-27%		
Total	**11,135,489,839**			**-2.5%**		

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

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

Analysis of the factors impacting the income from sale of products

In comparison with 2018	Change in Volume	Change in sales price	Exchange rate impact
Performance products	389,150,861	-941,532,263	142,925,475
Specialty products	125,427,571	8,741,899	35,598,127

Adisseo’s operating revenue in 2019 totaled RMB 11,135,489,839 and decreased by 4% at constant EUR/CNY rate and decreased by 2.5% at current EUR/CNY rate, compared to 2018.

b. Production, Sales and Inventory Quantity analysis

☐ Applicable √ Not applicable

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

c. Cost analysis table

Unit: Yuan

By industry							
By industry	Cost composition items	Amount of current period	Proportion to the total cost of current period (%)	Amount of the same period of last year	Proportion to the total cost of the same period of last year (%)	Proportion of change in the amount of current period over the same period of last year (%)	Explanation
Health and Nutrition		7,357,134,517	100%	7,433,746,398	100%	-1%	Decrease of raw material price offset by increased sales volume

By product							
By product	Cost composition items	Amount of current period	Proportion to the total cost of current period (%)	Amount of the same period of last year	Proportion to the total cost of the same period of last year (%)	Proportion of change in the amount of current period over the same period of last year (%)	Explanation
Performance products	Raw materials, purchased equipment and consumables used (73%), Depreciation and amortization (11%), Other (16%)	5,683,719,046	77%	5,909,035,432	79%	-4%	Decrease of raw material price offset by increased sales volume
Specialty products	Raw materials, purchased equipment and consumables used (77%), Depreciation and amortization (5%), Other (18%)	1,240,507,642	17%	1,148,036,033	15%	8%	Total cost increased in line with increased sales volume and scope effect due to Nutriad
Other products	Raw materials, purchased equipment and consumables used (46%), Depreciation and amortization (18%), Other (36%)	432,907,829	6%	376,674,933	5%	15%	Volume increase plus the impact from bi-yearly maintainance of the plant

Other explanations related to cost analysis

☐ Applicable √ Not applicable

d. Main customers and main suppliers

√ Applicable ☐ Not applicable

The total amount of sales revenue from Adisseo's top 5 customers amounted to RMB 960 million, accounting for 9% of the Group's total operating revenue.

N°1: RMB 319 million; N°2: RMB 176 million; N°3: RMB 170 million; N°4: RMB 151 million; N°5: RMB 144 million.

The total amount of purchasing from the Company's top 5 suppliers amounted to RMB 1,362 million accounting for around 20% of the Company's total purchase, in which the amount of purchasing from the related parties is null.
N°1: RMB 507 million; N°2: RMB 342 million; N°3: RMB 204 million; N°4: RMB 174 million; N°5: RMB 135 million.

(2) Expenses

√ Applicable ☐ Not applicable

Items	Amount of current period	Amount in the same period of last year	Change (%)
Selling and distribution expenses	1,282,742,038	1,214,491,598	6%
General and administrative expenses	618,844,949	662,060,522	-7%
Financial income – net	(63,535,915)	(44,370,696)	43%

The increase of selling and distribution expenses was mainly due to the continuous investment in the acceleration of specialty business.

The decrease of general and administrative expenses was thanks to the successful implementation competitiveness enhancement plan.

The increase of financial income was mainly due to cash yields and decrease of negative impact on foreign exchange in 2019 compared with 2018.

R&D expenditures

√ Applicable ☐ Not applicable

Unit: Yuan

Research and development expenditure recorded in expenses of current period	349,666,477
Research and development expenditure capitalized of current period	4,177,602
Total research and development expenditure	353,844,079
Proportion of total research and development expenditure to operating revenue (%)	3.18%
R&D headcount as of December 31 2019	184
% of R&D headcount over total headcount	8%
% of capitalized R&D expenditure over total amount	1%

Explanation

√ Applicable ☐ Not applicable

The Research and development expenditure in the Income statement are decreased by a tax return effect about RMB 55,411,814.
Adisseo has reinforced its R&D resources in China by developing its investments and in APAC by establishing a new R&D center (Aqua Station Adisseo) in Singapore as well as some new strategic alliance with famous universities in different regions for the purpose to be close to the market needs and to provide timely support and innovation to all animal species.

(3) Cash flow

√ Applicable ☐ Not applicable

The Adisseo net cash flow from operating activities amounts to RMB 2,550,601,183 compared to RMB 1,441,696,047 last year.

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

- RMB 1,075 million (75%) due to the tax refund and insurance claim repayment;
- RMB 34 million (2%) due to changes in the EUR/CNY currency exchange rate.

The operating cash flow generated by Adisseo enabled to partially redeem the preferred shares for an amount of RMB 479,785,145 and pay dividends for an amount of RMB 847,694,541, including dividends paid by BANG to non-controlling interests.

The decrease in cash outflows from investing activities in 2019 is mainly due to the completion of the acquisition of Nutriad in 2018.

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

☐ Applicable √ Not applicable

3. Analysis of assets and liabilities

(1) Information of assets and liabilities

Unit: Yuan

Items	As at December 31, 2019		As at December 31, 2018		% change	Explanation
	Amount	Percentage to total assets (%)	Amount	Percentage to total assets (%)		
Advances to suppliers	60,862,071	0%	46,697,860	0%	30%	Advance increase due to purchased material received less on time at 2019 year-end
Other current assets	380,980,363	2%	583,989,258	3%	-35%	Income Tax prepayment at 2019 year-end was less than that of 2018
Available-for-sale financial assets	0	0%	25,627,615	0%	-100%	Application of New CAS on financial instrument as of January 1, 2019
Investments in other equity instruments	11,479,649	0%	0	0%	NA	Application of New CAS on financial instrument as of January 1, 2019
Other non-current financial assets	32,676,606	0%	0	0%	NA	Application of New CAS on financial instrument as of January 1, 2019
Construction in progress	612,534,221	3%	1,410,987,041	7%	-57%	European Expansion project completed in 2019
Other non-current assets	48,589,640	0%	89,614,318	0%	-46%	Less prepayments for tangible assets at 2019 year-end
Derivative	2,063,292	0%	67,384,765	0%	-97%	End of raw materials hedging contract

Items	As at December 31, 2019		As at December 31, 2018		% change	Explanation
	Amount	Percentage to total assets (%)	Amount	Percentage to total assets (%)		
financial liabilities						
Other current liabilities	11,611,670	0%	7,037,948	0%	65%	Reclassification of government grants short-term to deferred income
Long-term payables	14,635,305	0%	8,350,312	0%	75%	More financing for project

(2) Restricted assets at the end of reporting period

☐ Applicable √ Not applicable

(3) Other information

☐ Applicable √ Not applicable

4. Analysis of chemical industry business information

(1) Basic information of the industry

a. Modifications in regulation

☐ Applicable √ Not applicable

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

√ Applicable ☐ Not applicable

- Industry trend

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

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

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

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

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

On the demand side, global methionine continues to grow on a global scale at a rate of 5-6% per year as shown in the following internal analysis. An extra 1-2% growth has been seen due to the China/Asia African swine fever impact.

On the supply side, due to the new capacities from competitors finally came on stream after some delays mid-2015, Adisseo faced with a less favorable market environment in the methionine business, after an exceptional 2015 year, as expected.

Negative impacts from price have been partly compensated by strong volumes growth in liquid methionine, reduction in raw material prices based on a lower Brent level as well as by rigorous cost management.

After a continuous decrease till a unit price under 1.7Euro in November 2019, stabilization and a rebound has been observed on the spot market at the year end after the announcements of Force Majeur made by Evonik and Adisseo respectively in Nov and in Dec.

(Source Adisseo: Average monthly European Spot Price consolidation from Feedinfo website)

- Adisseo's Competitive landscape in each Business

Methionine

Production capacity in the global methionine market is concentrated, large companies such as Evonik, Adisseo, Novus and Sumitomo Chemical (SCC) are key players. Due to population growth, economic development of emerging economies, and the modernization of the animal husbandry sector, the demand for methionine in the Asia-Pacific area, including China, continues to increase rapidly. China has one of the world's highest production volumes for pork, poultry and livestock. Its animal husbandry sector continues to grow rapidly, which leads to rapid growth in demand for methionine, which was exceptionally strengthened in 2019 due to the impact from African Swine Fever. As the aforementioned key methionine players continue to strengthen their global position currently, they have increased investments in Asia. In mid-2019, in Japan, with Sumitomo who started a new production line, and in Singapore with Evonik, significant additional volume was provided to the market. NHU, recent newcomer in the methionine business has also a plan to increase its capacity in different steps with a progressive ramp-up and additional volume from mid-2020.

However, robust demand has been seen in all regions, meaning that global methionine market should have a higher growth rate than the usual 5-6%, in 2019 and 2020. With a global market at 1.3 million tons in DLM equivalent for 2018, a 7 to 8% market growth would mean an additional need of about 200 KT in 2 years. However, the above-mentioned forecast does not include the impact arising from COVID-19 on meat consumption, which is yet to be followed and monitored.

Thanks to the successful capacity expansion project in Europe and debottlenecking project in China, Adisseo consolidates its second ranking leadership in 2019 and enjoyed an extra accelerated growth in China market with historical high volume growth in 2nd half of 2019.

<u>Vitamins</u>

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

The majority of Vitamin producers in China have all been impacted by COVID-19, which caused the supply tight in the market in first quarter of 2020.

<u>Specialty products</u>

a) <u>Feed Digestibility (Enzymes)</u>

Feed enzymes are included in feeds of all species to improve the utilization of energy and nutrients or to degrade several undesired components. These feed enzymes primarily improve the gut and performance of animals while considerably reducing feed and waste management costs.

The enzymes market needs extensive research & development, patented technology and capital expenditure for the production. Novozymes, DuPont, Ab Vista, BASF, DSM and Adisseo are the main players worldwide. In China, the market is mainly monopolized by several domestic companies, the market share of imported products continues to shrink. Main Chinese players are VTR, Vland Biotech, SunHY, Youtell, Challenge and Smistyle.

b) <u>Rumen-protected amino-acids</u>

The rumen-protected amino-acids market (for dairy cows and beef) mainly comprises of protected methionine and protected lysine and is a quite concentrated market. Adisseo main competitors in this field are Balchem, Ajinomoto, Evonik, Novus and Kemin.

c) <u>Health by nutrition</u>

This field includes different types of technologies and products like selenium, probiotics, sodium butyrate and phytogenics in Adisseo portfolio, to target all the main species on the market. There are a lot of players worldwide on these different solutions but the most important are ADM, Alltech, Angel Yeast, Arm & Hammer, Biomin, Calpis, Chr. Hansen, Delacon, Diamond V, DuPont, Evonik, EW Nutrition, Huvepharma, Kemin, Lallemand, Norel, Orffa, Perstorp, Phileo and Phytobiotics.

d) Aquaculture

Alltech, Biomin, Kemin, Liptosa and Novus are among the main competitors of Adisseo in the Aquaculture specialties field.

e) Palatability

The palatants are mainly used in swine and ruminants' markets to improve feed intake. In addition to Adisseo, the market comprises of western companies (ADM, Lucta, Norel, Phodé) and Chinese companies (Dadi, Menon).

f) Mycotoxin Management

The addition of mycotoxin management products in the feed is useful for all the animal species around the world. Adisseo, Alltech, Biomin, EW Nutrition, Impextraco, Innovad, Kemin, Norel and Olmix are the main players on this market.

g) Feed preservation

Like for mycotoxin management products, the feed preservation additives are used widely for all species around the world. Adisseo main competitors on this market are Alltech, Anpario, Impextraco, Innovad, Kemin, Lucta, Norel, Perstorp and Selko

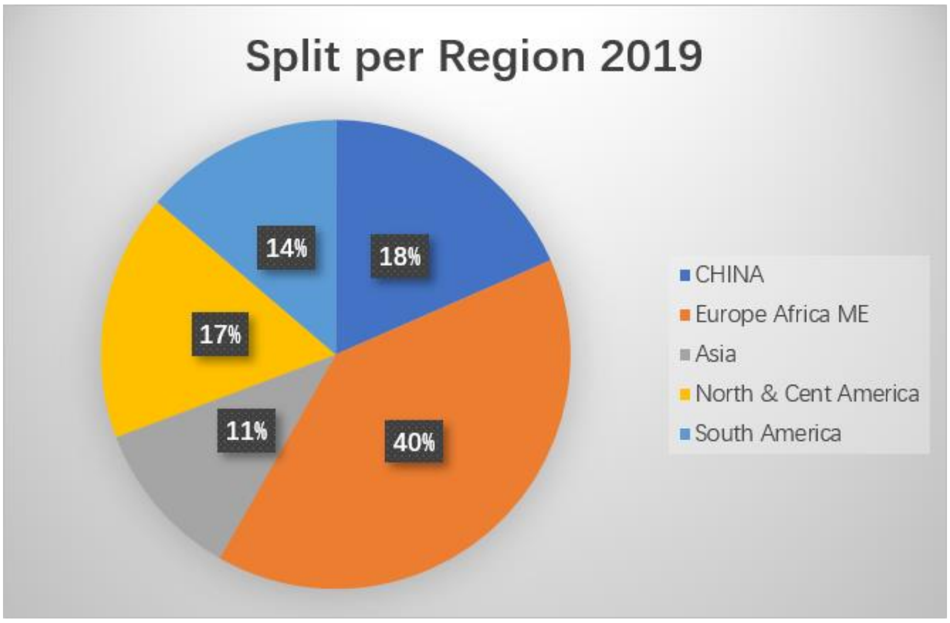
(2) Product and production

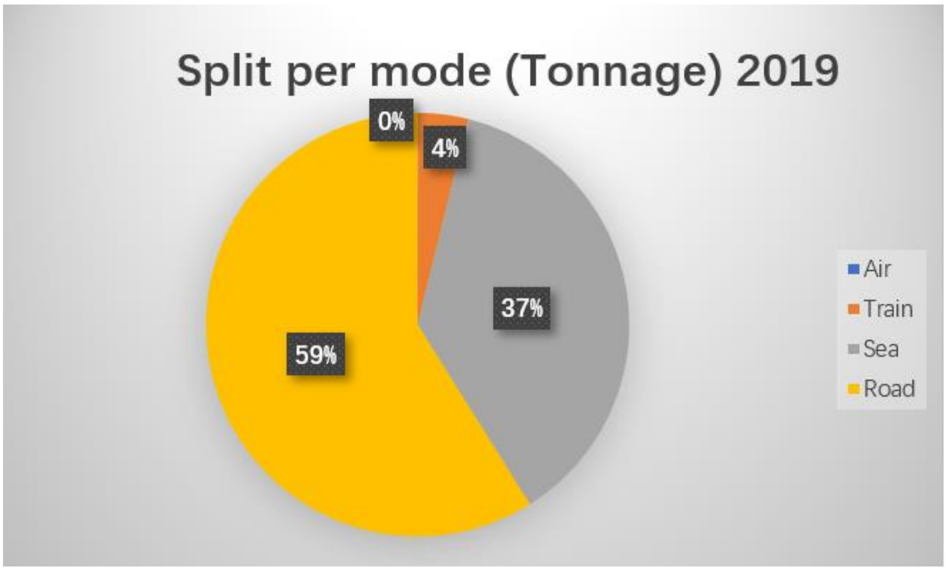
a. Main operating mode

√ Applicable ☐ Not applicable

Adisseo still adapt its distribution network as per the evolution of flows of goods and production and sales.

Raw materials transportation is entirely managed by its suppliers.
For intermediary products Adisseo moved mainly by railway for safety and security reasons, 283 500 MT specifically in Europe in dedicated Tank rail car fleet.
In 2019 for the finished products, Adisseo moved worldwide around 858 200 MT compared to 865 800 MT in 2018.
Adisseo ships the finished goods with all the transportation modes. The main one is the road transport.
The transport unit are various: truck, dry and reefer containers for packed goods and tank truck, rail tank cars, isotanks and parcel tankers for bulk.
Below the split per region and per mode in terms of number of shipments in 2019:





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

Change of main operating mode during the reporting period

☐ Applicable √ Not applicable

b. Information of principal product

√ Applicable ☐ Not applicable

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

Adisseo is a major player in the feed ingredient industry sector. As such, the company portfolio encompasses more than 300 products, available for sale at customers worldwide.

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

In the absence of harmonized standards and requirements as well as differing national standards across countries, feed business operators need to be aware of the regulations for each country they want to access. Some countries and jurisdictions impose specific technical restrictions such as product testing, certification and shipment inspection requirements. In addition, the complex regulatory framework in some countries is constantly being updated and expanded.
In this complex technical and sanitary trade environment, Adisseo ensures products market access in more than 110 countries, resulting in more than 1150 official registrations approvals worldwide.

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

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

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

c. R&D and innovation

√ Applicable ☐ Not applicable

Adisseo R&D program is structured into 3 activities:

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

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

Adisseo promotes a policy of reinforced and continuous research and innovation for its products, production processes as well as its businesses, work and organization methods. There are 10 research and development centers focused on several different areas such as analytical, nutrition, formulation, biotechnology, chemical processes, chemistry, formulation. During its first full year, Innov'L@b, dedicated to disruptive technologies, has seen and analyzed several hundreds of POCs (Proof of Concepts) and build up a start up deal flow, and realized several investments up till now in the areas of contaminants detection, insect and parasite control, smartfarming and in the field of antibiotic replacement respectively. In 2019, the Company's total research and development expenditures amounted to RMB 353,844,079 (including expenditure capitalized for the period) and its proportion to net assets and operating revenue was 2.6% and 3.2%, respectively.

Please refer to Section 4, Part II.1.(2) R&D expenditures for detailed figures.

d. Manufacturing techniques

√ Applicable ☐ Not applicable

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

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

Adisseo manufacturing network for performance products includes seven plants: five in France, one in Spain and one in China. In the main regional markets, Adisseo associates to this network some toll-manufacturers for specific products or operations. From those plants, it delivers its finished products directly or indirectly to its customers in the world. It either ships direct to its customers or regional warehouses.

On the Chinese market, for example, in order to ensure to all of the products safely delivered to customers all over the country on time, Adisseo has established a multipurpose supply chain with a center distribution in Nanjing, combined with ten distribution warehousing centers national-wide according to where and how much the customers are concentrated. At the same time, this organization allows to Adisseo to export worldwide their products from China.

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

e. Production capacity and operation situation

√ Applicable ☐ Not applicable

Main Plant or projects	New Plant/Capacity under construction (Ton)	Expected completion date

Nanjing plant expansion	20,000	Completed
New Nanjing Plant	180,000	Early 2022
European platform expansion (including A-dry project)	50,000	Completed

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

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

To meet the continuously growing demand of customers and thus consolidate its leadership role, the Board of Directors of Bluestar Adisseo Company has approved the construction of a new liquid methionine plant with a capacity of 180 KT per year, on January 16, 2018. The new facility locates in the Nanjing Liuhe Chemical Park, adjacent to the existing Adisseo plant in Nanjing. The project is progressing, and it is expected to start in 2022 with the purpose to meet the ever-increasing demand on environment protection as well as the further optimization of production process.

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

After completion of debottlenecking project in current Nanjing plant, and synergies with Second Nanjing Plant, the new nameplate capacity of the Nanjing Plant will achieve 360 KT per year.

Description of unusual production halts
☐ Applicable √ Not applicable

(3) Purchasing of raw material

a. Basic information of principal raw material

√ Applicable ☐ Not applicable

Unit: RMB

Raw material	Purchasing pattern	Purchase value of raw material	Prices Fluctuation vs 2018	Impact on operating cost of the company due to the fluctuation in the purchase price
Propylene 95%	Long-term contract	955,554,790	-9%	Decrease in operating cost
turMethanol	Long-term contract	181,201,715	-22%	Decrease in operating cost
Sulphur	Long-term contract	223,775,807	-3%	Decrease in operating cost

b. Measures to address the risk of price variation of raw materials

Description of financing approaches (including derivatives deals)
√ Applicable ☐ Not applicable

One hedging deal on Propylen helped us to ensure part of our volume was secured at a price below budget level prior to the beginning of the year.

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

(4) Description of sales of product

a. Sales pattern

√ Applicable ☐ Not applicable

Adisseo manages different kinds of contracts depending on the customers' needs and the product.

For methionine sales, Adisseo could propose spot sales, simple contract between 1 and 12 months with prices fixed at the order, or long-term contract over many years with fixed volumes and prices defined by quarter/month.

b. Basic information of main business by subdivided sectors industry

√ Applicable ☐ Not applicable

Information on Adisseo's main operations by business are specified above in Adisseo's "Income and Cost analysis". Refer to Section 4. II. Analysis of results of operations of main businesses in the reporting period. Adisseo' industry is "Health and Nutrition".

Pricing strategy and price variation of principal product

√ Applicable ☐ Not applicable

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

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

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

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

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

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

c. Basic information of main operating by sales channel

√ Applicable ☐ Not applicable

Sales through distributors represent less than 15% of Adisseo total turnover (2018: 15%). The main part is performed directly by Adisseo own commercial network.

Accounting policy of revenue recognition of every marketing channel

√ Applicable ☐ Not applicable

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

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

√ Applicable ☐ Not applicable

Product	Capacity of production for the year	Pricing methods	Main customers	Proportion to total operating revenue
Sodium sulfate	Not disclosed	Market prices	Feed and chemical producers	Not disclosed
Ammonium sulfate	Not disclosed	Market prices	Fertilizers producers and Planters	Not disclosed
Carbon sulphur	Not disclosed	Market prices	Viscose, rubber vulcanization, agrochemicals producers	Not disclosed

Explanation

☐ Applicable √ Not applicable

(5) Environmental protection and safety production

a. Description of significant accidents happened in safety production

☐ Applicable √ Not applicable

b. Investment in environmental protection during the reporting period

√ Applicable ☐ Not applicable

Every year, Adisseo conducts new surveys and initiates new projects to reduce the environmental impact arising from its activities. From the supply chain to the water and energy consumption of production plants, office buildings and sales activities, every part of Adisseo is covered by the company's environmental policy. Adisseo is taking account of all the complaints with utmost care and strives to take the innovative route to addressing these issues.

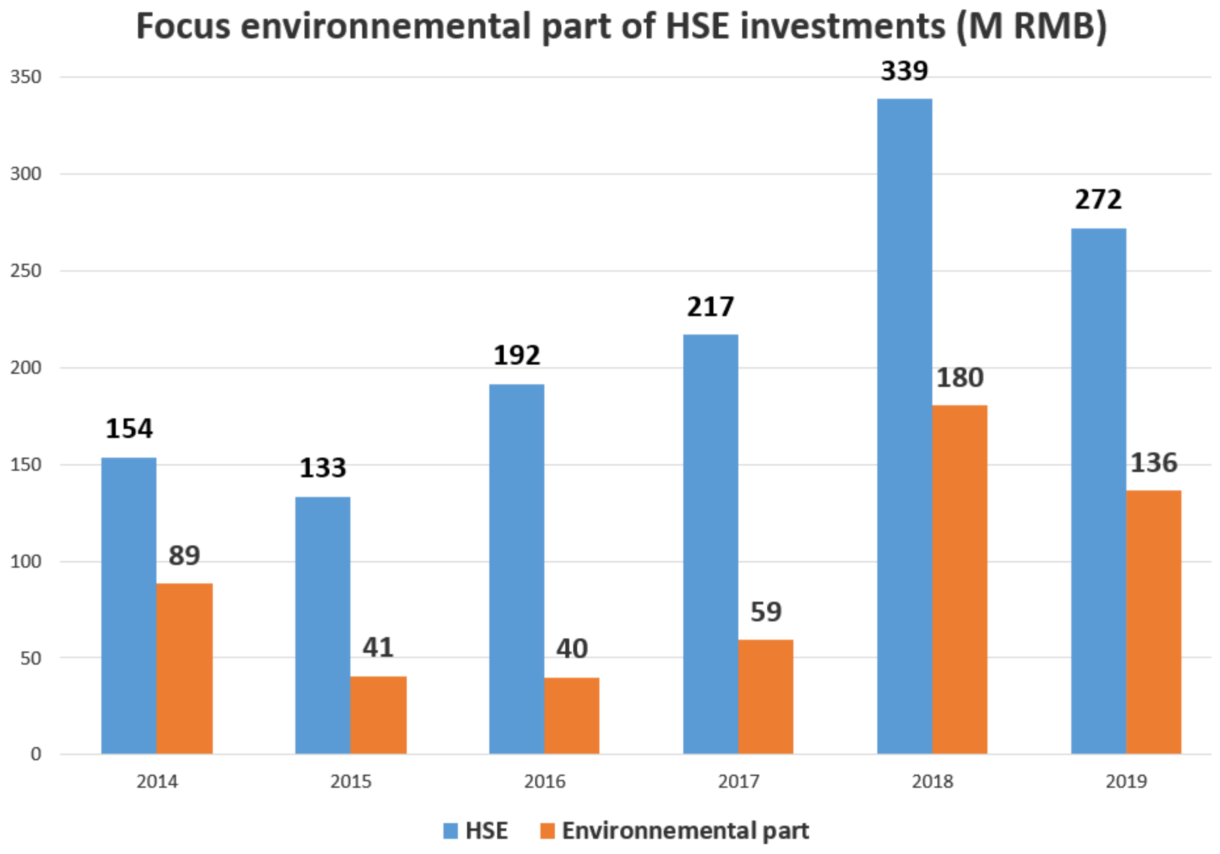
In an effort to promote sustainable growth, each industrial project is used to strengthen our control of safety and environmental risks and reduce their impact.

A new water treatment plant was implemented with success at Nanjing to minimize TOC in wastewater.

The construction of a new water treatment plant is on going in Commentry (Allier, France). A new effluent treatment furnace on a methionine intermediate production unit has been started-up in Saint Clair du Rhône (Isère, France) with an objective on energy recovery.

For the first time, Adisseo has also signed a Sustainability Linked Loan which interest rate will be adjusted following the achievement of 4 indicators related to occupational safety, research and development on bio-sourced processes investments, and water & energy consumption.

Adisseo follows up the achievement of ambitions targets on water consumption, energy efficiency and Green House Gases emissions per unit of manufactured product. (see indicators in our digital Sustainable Development report www.sustainability.adisseo.com/en/).



HSE: Health and Safety Environment

Important environmental related investments in 2019 were mainly due to the major projects mentioned above.

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

c. Others

☐ Applicable √ Not applicable

5. Summary of Analysis of overall investments

☐ Applicable √ Not applicable

(1) Significant equity investment acquired in the reporting period

☐ Applicable √ Not applicable

<u>Buy back of 15% of BANG from Bluestar</u>
On October 23, 2019, Adisseo held the 8th meeting of the 7th session of the board, deliberated and passed the proposal on related-party acquisition of 15% common shares in Bluestar Adisseo Nutrition Group Limited. On December 6, 2019, this proposal has been deliverated and passed by the second extraordinary shareholders' meeting held and is now in the filing procedures from / with relevant regulators.

(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 48 “Hedging” in Section 11.

6. Sales of Major Assets and Equity

☐ Applicable √ Not applicable

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

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

Company Name	Registered/Subscribed Capital	Business	Total assets	Net assets	Net profit	Change
Adisseo France S.A.S	EUR 83,417,000	R&D, production and distribution	8,109,651,974	4,930,421,125	805,233,720	*NA*
Bluestar Adisseo Nanjing Co., Ltd	RMB 2,839,460,570	R&D, production and distribution	4,464,137,017	4,031,857,129	182,254,425	*NA*
Adisseo Life Science (Shanghai) Co., Ltd	USD 700,000	Distribution & Sourcing	1,398,035,446	633,283,150	54,954,011	*NA*
Adisseo USA Inc.	USD 3,139,000	Distribution	520,385,055	337,129,482	-9,521,901	*NA*
Adisseo Brasil Nutriçao Animal Ltda	BRL 1,987,106	Distribution	323,383,862	-1,850,812	8,429,390	*NA*

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

Company Name	Adisseo France S.A.S	Bluestar Adisseo Nanjing Co., Ltd
Business	R&D, production and distribution	R&D, production and distribution
Revenue	8,493,672,881	1,773,877,506

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

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

8. Structured entities controlled by the Company

☐ Applicable √ Not applicable

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

1. Economic trends in the industry

√ Applicable ☐ Not applicable

(1) Global Economic

The main global economies have implemented positive economic policies to stimulate economic growth. Employment rate and inflation are maintained within a reasonable range. The European and U.S. economies have slowly recovered. Several markets, including China, India, are expected to grow. Trade pacts and trade conflicts, especially between USA and China, will not change the global industry growth. It will only influence the trade volumes and speed between the parties. Although unsure at the moment for the animal feed and food production industry we see a strong tendency in establishing new trade pacts.

(2) Emerging Economies Present Growth Opportunities in Protein Demand

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

The impact of African Swine Fever on Chinese and Asian pork production has an unprecedent scale and affecting the entire animal production industry, far beyond China and pork. Substitution of the lost pork production is primarily stimulating poultry production worldwide, the main animal species for methionine consumption. Strong prices for all meat types reinforces the investment in the industry.

2. Development strategy of the Company

√ Applicable ☐ Not applicable

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

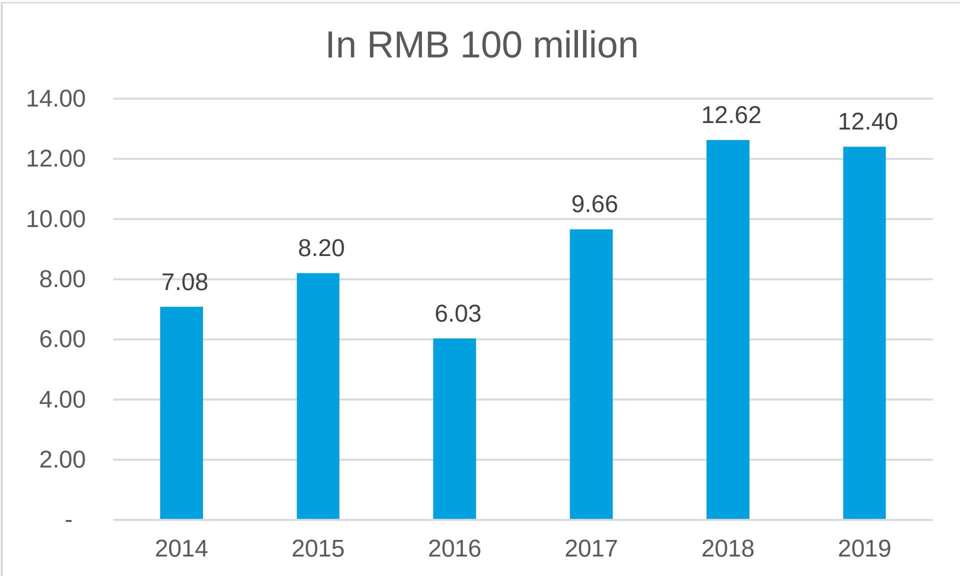
The Company has actively implemented its "two-business-pillar" strategy in recent years, i.e. continuous consolidating its leadership in Methionine (liquid in particular), while at the same time accelerating its development in Specialty business.

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

- Innovation: 10 R&D centers focused on several different areas such as analytical model, nutrition, formulation, biotechnology, chemical processes and formulation with key partnerships with leading Universities and Academics:
    - Development of Value-added Services to Customers : answering customers global needs beyond products;
    - Creation of new Sustainable Product: Products contributing to reduce the impact of animal production on the Environment. Three major research directions: antibiotics replacement, reduction of emissions and waste, and yield improvement;
    - Process improvement: Sustainable investment in projects aiming to improve production process and technologies to maintain competitiveness and reduce environment impact;
    - Launch of a new product every year: Selisseo®, a specialty product based on selenium and a new thermostable enzyme, Advance®, in 2014, a new Non-Starch Polysaccharide enzyme, in 2015, Alterion®, a new probiotic, in 2016. In 2017, an incubator (Innov'L@b)

has been created to get access to breakthrough innovations by partnering with hi-tech start-ups in key technologies and launched Rhodimet® A-Dry+. In 2018, Adisseo has lauched Rumensmart® and in 2019 Smartamine ML and Rovabio Advance Phy.

- Industrial investments: Adisseo's investment strategy enabled significant gains in methionine market shares in the last several years and strong value creation. Adisseo is actively preparing to pursue this growth line with customer demands by combining extensions & debottlenecking of existing production facilities and construction of a new facility in Nanjing.
    - Methionine
        - Further capacities expansions both in Nanjing & Burgos, creation of the Rumensmart®, Rhodimet® A-Dry+ production unit in Burgos
        - Construction of Second Nanjing Plant, with a capacity of 180 KT per year, located in the Nanjing Liuhe Chemical Park, adjacent to the existing Adisseo plant in Nanjing
    - Specialty products
        - Reinforcing rumen-protected methionine business to leverage Adisseo's market leadership.
        - Reinforce industrial partnership for specialties development
    - Capital expenditures



- M&A and partnerships: To reinforce its core businesses and diversify its portfolio in high growth segments in feed specialties and animal health by nutrition.
    - Leverage competitive advantages of business partners through partnerships
    - Accelerate growth and create value with acquisitions supported by available financial means given by fortress balance sheet with minimal debt, acquisition of Nutriad, a global feed additives producer for more than 50 years is a good example. Nutriad has a solid product range in palatability, mycotoxin management and digestive performance. Next to poultry and swine they are also present in aqua, dairy and cattle. This transaction is part of the Adisseo Group's strategy to become one of the worldwide leaders of specialty additives in animal nutrition. Nutriad's product range, the species addressed, and its target markets are highly complementary to Adisseo's and allows to implement integrated solutions to offer even more value to customers.
- Emerging markets footprint: a sales network with a focus on high-growth emerging markets and development of specialties; Adisseo has reinforced its commercial presence in the Middle East and in India.

Thanks to these levers, Adisseo is confident in its ability to manage its businesses growth and performance challenges with confidence, by expanding its product portfolio and reinforcing overall competitiveness in a sustainable way.

3. Business plan

√ Applicable ☐ Not applicable

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

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

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

- Further methionine capacities to support sales growth;
- R&D expenditures on innovation of products as well as optimization of manufacturing process;
- Close connection with disruptive new technology via AVF (professional private equity investment fund managed by Seventure Partners and in which Adisseo is the cornerstone investor);
- Additional enhancement of the Health, Safety and Environment policies.

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

4. Possible risks in the future

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

As an international company, Adisseo provides products and services to around 3,900 customers in over 110 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 other companies in regional or local markets as well as newcomers. 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 and Business expansion

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. In addition, confirmed or suspected breach of any environmental regulation may prompt governmental authorities to temporarily suspend – or to cancel – permits to operate the manufacturing plants.

(6) Risks related to hazardous chemicals

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

(7) Risks related to raw materials and energy

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

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

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

(9) Risks related to Human Resources

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

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

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

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

Adisseo's performance may be restrained by its production capacity. Adisseo has made progressive investments over the last years to increase its production capacities and proactively manage its inventories. However, customers' orders may not be fulfilled in a timely manner as a result of inappropriate production planning, malfunction of the production facilities, repairs of the production facilities or failure to convert the new production capacity into actual production. Failure to meet customers' needs may damage Adisseo's reputation and image as well as its relationship with its main customers, which may result in customers choosing its competitors' products. This may adversely affect future sales of the Company.
Furthermore, if Adisseo over-estimates the future demand of its products and increases its production capacity based on such estimates but if such future demand fails to materialize, Adisseo's business, financial condition and results of operations could be materially and adversely affected. Certain loss events – such as fire or machinery breakdown – may result in a temporary incapacity to operate productions facilities.

(12)Risks related to exchange rate

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

BANG (with functional currency in EUR) issued, on March 27, 2014, 400,000,000 preferred shares with nominal value of 1 US Dollar per share recorded at the historical value for RMB 2,416,862,000 as an equity instrument. It has been agreed with these shareholders that BANG would redeem 70,000,000 preferred shares on January 4, 2019 at nominal value (i.e. USD 70 million), generated a foreign exchange loss of RMB 80,063,511. As of December 31 2019, the net exposure on shareholders' equity amounts to a potential loss of RMB 235,707,116.

(13)Risks related to customer credit

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

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

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

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

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

(16)Product liability claims and litigation

During the normal course of its business, Adisseo may be subject to actual or threatened legal proceedings, arbitration or administrative penalties arising from disputes with respect to product liability, patents and other intellectual property rights or any other claim or action brought during the course of its business. Such disputes, legal proceedings or arbitration may adversely affect Adisseo's operations and reputation. If any of the judgments or arbitral awards or decisions of the authorities is made against Adisseo, Adisseo may need to recall its products, change the formula of its products or stop selling its products. In addition, even without a court decision, confirmed or suspected defectiveness of a batch of product may prompt a Adisseo or client to launch a recall of products.

(17)Risks related to insurance policy coverage

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

(18)Risks related to intellectual property

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

(19)Risks related to labor disputes

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

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

(20)Risk related to cross-border oversight

Of Adisseo's 45 subsidiaries, 40 are located outside China Mainland, over 80% of its sales and a significant part of its production are outside China. Adisseo fails to properly sustain those oversight and internal control policies to ensure the Group's normal operations, the Company's business, financial position, and results from operations may be materially and adversely affected.

(21)Risks related to Compliance, law, and the regulatory framework

Compliance means lawful business conduct. The principal compliance rules are set out in the Adisseo's Code of Ethics, which explicitly prohibits e.g., all forms of corruption, including "facilitation payments," and violation of antitrust regulations. Risks could result from failure to comply with the corresponding regulations. To minimize compliance risks, extensive training and sensitization of employees is undertaken at face-to-face training sessions and/or through e-learning programs. In its operating business, the Adisseo Group is exposed to liability risks, especially in connection with product liability, patent law, tax law, competition law, antitrust law, and environmental law. Changes in public law could also give rise to legal risks or materially alter such risk positions.

(22)Acquisitions and equity alliances

Adisseo is engaging in domestic and international acquisitions and equity alliances with the aim of expanding its business and enhancing its competitiveness. Adisseo, however, may not be able to generate the synergies or other positive effects it originally expected due to changes in the business environment surrounding the Company or its acquisition.

(23)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.

(24)Risks related to Accidents and disasters

In order to minimize the potential risks of the shutdown of production facilities or accidents involving the production facilities which will adversely affect the company, the local Companies conduct periodic inspections for manufacturing facilities.

However, there is no guarantee that such accidents arising out of production facilities or negative effects caused by natural disasters will be completely prevented or reduced. In addition, the business activities of the Companies are becoming increasingly dependent on computer network systems, and although the Companies are working to protect their systems or data by means of sophisticated security systems, there is still the possibility that system network failures may occur owing to electric power interruptions, natural disasters, or criminal attacks on the system, including computer viruses and hackers.

In the event of an accident that causes property damage and/or human injury near the plant, or a system network failure, such circumstances may, in addition to undermining the Company's business activities, involve major costs and have a significant impact on market perceptions of the Company, which, in turn, may adversely affect the operational results and financial condition of the Company.

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

√ Applicable ☐ Not applicable

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

Section 5 Significant Matters

I. Profit distribution or capitalization of reserves

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

(1) Policy for profit distribution

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

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

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

(2) Policy for profit distribution in the reporting period

√ Applicable ☐ Not applicable

- The Board of the Company as of March 20, 2019 has proposed a final dividend distribution for year 2018 amounting to RMB 463,968,920.23, which represent 50% of the distributable profit. It has been approved by the General Shareholders' Meeting on April 25, 2019. On June 6, 2019, the Company made an announcement of the dividend implementation. The Company has completed the final dividend distribution on June 13, 2019.

- The Board of the Company as of October 23, 2019 has proposed a dividend distribution for Q3 2019 amounting to RMB 276,235,828.60. It has been approved by the Second Extraordinary Shareholders' Meeting on December 6, 2019. On December 13, 2019, the Company made an announcement of the dividend implementation. The Company has completed the dividend distribution on December 19, 2019.

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

Unit: Yuan Currency: RMB

Year for dividend distribution	Bonus issue every 10 shares	Cash dividend every 10 shares(tax included)	Shares convert every 10 shares	Amount of cash dividends (tax included)	Net profit for the year attribute to common shareholders	% compared to net profit attributed to shareholders (%)
2019	0	2.59	0	694,612,427.19	992,382,202	70%
2018	0	1.73	0	463,968,920.23	926,130,660	50%

2017	0	1.73	0	463,968,920.23	1,323,315,773	35%

Note: The above 2019 cash dividend includes 2019 interim dividend of RMB 276,235,828.60 and 2019 final dividend of RMB 418,376,598.59.

Preliminary Plan for 2019 dividend: As audited by KPMG Huazhen LLP, the net profit attributable to the shareholders of the Company at the consolidated level for the year ended December 31, 2019 amounted to RMB 992,382,202 and the accumulated profits available for distribution at parent company level as at December 31, 2019 amounted to RMB 423,586,890.

Therefore, in order to share the Company's operation achievements with all shareholders, as well as enabling the Company for further development in consideration of the Company's actual operation situations, the Company proposes that: based on the Company's total share capital on registration date, the Company will distribute to all shareholders, cash dividend of RMB 1.56 yuan per 10 shares (inclusive of tax). The total amount of the cash dividends to be distributed is RMB 418,376,598.59.

If the total share capital of the Company changes before the date of registration, it is proposed to maintain the same distribution ratio per share and adjust the total amount of distribution accordingly. An announcement shall be released accordingly.

The above proposal is still subject to the approval of 2019 Annual General Shareholders' Meeting.

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

☐ Applicable √ Not applicable

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

☐ Applicable √ Not applicable

II. Fulfilment of Commitments

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

☐ Applicable √ Not applicable

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

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

3. Completion of performance commitment and its impact on goodwill impairment

☐ Applicable √ Not applicable

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

☐ Applicable √ Not applicable

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

☐ Applicable √ Not applicable

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

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

☐ Applicable √ Not applicable

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

☐ Applicable √ Not applicable

3. Description of communication with predecessor auditor

☐ Applicable √ Not applicable

4. Others

☐ Applicable √ Not applicable

VI. Appointment and resignation of Statutory Auditor

Unit: Ten Thousand Yuan Currency: RMB

	Current accounting firm
Name of domestic accounting firm	KPMG Huazhen LLP
Fees paid to domestic accounting firm	159
Audit period under review by the domestic accounting firm (in year)	5
Name of overseas accounting firm	KPMG outside mainland China
Fees paid to overseas accounting firm	359
Audit period under review by the overseas accounting firm	5

	Name	Fee
Accounting firm in charge of internal control audit	KPMG Huazhen LLP	70
	KPMG offices outside mainland China	104

Engagement and Dismissal of the accounting firm:

☐ Applicable √ Not applicable

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

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

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

☐ Applicable √ Not applicable

2. The responsive measures adopted by the Company

☐ Applicable √ Not applicable

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

☐ Applicable √ Not applicable

IX. Restructuring matters relating to bankruptcy

☐ Applicable √ Not applicable

X. Significant lawsuits and arbitrations

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

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

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

☐ Applicable √ Not applicable

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

☐ Applicable √ Not applicable

3. Other statements

☐ Applicable √ Not applicable

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

☐ Applicable √ Not applicable

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

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

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

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

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

☐ Applicable √ Not applicable

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

Descriptions of equity incentive measures
☐ Applicable √ Not applicable

Others:
☐ Applicable √ Not applicable

Employee stock
☐ Applicable √ Not applicable

Other incentive measures
√ Applicable ☐ Not applicable

In order to help attract and retain "highly qualified" executives with expertise and experience, the Company has set up a long-term incentive plan that can lead to global growth and to motivate executives to create long-term shareholder value and achieve interim milestones. The fifth Meeting of 7th Session of the Board deliberated and approved the proposal on 2019 Short Term Remuneration Policy. The sixth Meeting of 7th Session of the Board deliberated and approved the proposal on listed company's executive management remuneration policy, which ensured the compensation more directly tied to the market value.

For details, please refer to related footnotes No. 26 in Section 11.

XIV. Significant related-party transactions

1. Related-party transactions in association with daily transactions

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

☐ Applicable √ Not applicable

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

☐ Applicable √ Not applicable

(3) Undisclosed items in interim announcement

☐ Applicable √ Not applicable

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

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

√ Applicable Not applicable

On October 23, 2019, Adisseo held the 8th meeting of the 7th session of the board, deliberated and passed the proposal on related-party acquisition of 15% common shares in Bluestar Adisseo Nutrition Group Limited. Please refer to the Announcement on Related-party Transaction and External Investment (No. 2019-033) and Announcement on Updated Information on Related-Party Transaction (2019-038) for more transaction details.

On December 6, 2019, this proposal has been deliverated and passed by the second extraordinary shareholders' meeting held (Please refers to the No. 2019-039).

(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

Applicable √ Not applicable

3. Related Party transactions in association with external investments

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

☐ Applicable √ Not applicable

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

☐ Applicable √ Not applicable

(3) Undisclosed items in interim announcements

☐ Applicable √ Not applicable

4. Related Party transactions in association with loans and debt

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

☐ Applicable √ Not applicable

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

☐ Applicable √ Not applicable

(3) Undisclosed items in interim announcements

☐ Applicable √ Not applicable

5. Other Related Party transactions

☐ Applicable √ Not applicable

XV. Major Contracts and Implementation

1. Custody, contracting, leasing

(1) Entrusted Assets

☐ Applicable √ Not applicable

(2) Subcontracted Assets

☐ Applicable √ Not applicable

(3) Leasing Assets

☐ Applicable √ Not applicable

2. Guarantees

☐ Applicable √ Not applicable

3. Cash management entrusted to third parties

(1) Entrusted Funds Investment

☐ Applicable √ Not applicable

(2) Entrusted Loans

☐ Applicable √ Not applicable

(3) Other Investments in funds and derivatives

☐ Applicable √ Not applicable

4. Other major contracts

☐ Applicable √ Not applicable

XVI. Description of Other Important Matters

☐ Applicable √ Not applicable

XVII. Active Implementation of Social Responsibilities

1. Description of anti-poverty work

√ Applicable ☐ Not applicable

While pursuing market development and expansion, Adisseo aims to give back to the community. Adisseo has raised fund to help 40 disadvantaged students from Sichuan Huili area to continue their education. Adisseo is helping those children to make a different life through the program as we believe education will help them to realize their dreams in the future.

(1) Anti-poverty work plan

√ Applicable ☐ Not applicable

Adisseo actively participated in targeted poverty alleviation projects. Focusing on enhancing the self-development ability of poor areas, Adisseo actively provided financial, material and intellectual support, earnestly fulfilled the social responsibilities of listed companies, and made every effort to help the poor people out of poverty as soon as possible. According to the target city's natural environment and economy, society and education, technology and resource, as well as people's living hood and development needs of poor households in the target city, Adisseo, by virtue our expertise, made full use of its advantages in technology, talents and industry to promotes green growth solutions in target city and to realize the poverty alleviation through modernization of agriculture.

(2) An overview of anti-poverty work during the reporting period

√ Applicable ☐ Not applicable

Adisseo has raised a fund to help 40 disadvantaged students from Sichuan Huili area to continue their education. Adisseo is also follow up closely about the 40 disadvantaged students' development in terms of education and living. All the fund is used exactly as it designed.

(3) Anti-poverty achievement

√ Applicable Not applicable

Unit: 10,000 Yuan Currency: RMB

Category	Achievement
1. General information	
1.1 Capital	8.25
1.2 Goods	
1.3 Number of people out of poverty (person)	
2. Sub-investment	
2.1 Industrial poverty alleviation	
a. Type of projects	☐ Agriculture and forestry ☐ Tourism ☐ E-commerce ☐ Asset poverty alleviation ☐ Technology ☐ Others
b. Number of projects	
c. Capital investment	
d. Number of people out of poverty (person)	
2.2 Added employment	
a. Investment in vocational skills training	
b. Number of trained people (person/time)	
c. Number of people out of poverty (person)	
2.3 Relocation	
a. Number of people out of poverty (person)	
2.4 Education	
a. Funding for students	8.25
b. Number of students	40
c. Investment in improving educational resources	
2.5 Health	
a. Capital investment	
2.6 Ecological protection	
a. Type of projects	☐Ecological protection and construction ☐ Establish compensation methods for ecological protection ☐ Create ecological public welfare jobs ☐ Others
b. Capital investment	
2.7 Helping for maintain basic living standard	
a. Funding for left-behind people	
b. Number of left-behind people	
c. Funds for disable people	
d. Number of disable people	
2.8 Social poverty alleviation	
a. Capital investment in west area	
b. Capital investment in targeted area	
c. Charity fund	
2.9 Others	
a. Number of projects	
b. Capital investment	
c. Number of people out of poverty (person)	
d. Illustration	
3. Award	

(4) Follow-up of the anti-poverty work plan

√ Applicable ☐ Not applicable

Adisseo will continue on strengthening self-development capabilities in impoverished areas, actively providing financial, material, and intellectual support, conscientiously fulfilled the central corporate social responsibility, and made every effort to help poor people get out of poverty.

2. Fulfilment of social responsibility

√ Applicable ☐ Not applicable

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

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

To guarantee a sustainable growth method that harmoniously balances social cohesion, economic growth and environmental, the Company is:

- **Keeping safety as the number one priority in all activities**. The Company has one constant goal: zero accident. Six golden rules, annual safety day, safety observation tool and culture program have been adopted to improve safety performance. The Company ensures all actions and activities work towards improving the safety of our employees, our customers, our production units, our products, transport of products, as well as protection of the environment.
- **Investing in the future**. The Company has an active investment policy for its international industrial development and for innovation. Over the past several years, Adisseo has significantly invested to sustain the growth of its global industrial tool and to accelerate innovation regarding products, services, and processes, to achieve customers, employees, and shareholders satisfaction, and more generally civil society expectations.
- **Implementing Corporate Social Responsibility**, which has resulted in a number of initiatives in the areas of governance, staff development, awareness modules, training, SD week, creation of multi-cultural teams, diversity, equality and inclusion commitment, development of the Company's corporate values and behaviors. The Company listens to its employees and considers their satisfaction to be a key indicator in its success. Employee satisfaction is measured, and action plans are implemented after having listened carefully to their expectations. The Company is now focusing on facilitating training, mobility, health and well-being at work. The Company is also engaged with the communities around it and lends its support to education and assistance for the most disadvantaged or in protection of biodiversity.

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

- Engage and empower all employees in sustainable development initiatives and company strategy;
- Improve environmental footprint of our activities;
- Ensure wellbeing of our employees and local communities;
- Promote access to health and sustainable food;
- Identify our stakeholders' expectations and enter into dialogue with them.

In the novel coronavirus pneumonia period, Adisseo fully leveraged its internationalization and professional advantages in animal nutrition, and continued paying attention to and support the epidemic prevention and control through a series of measures.

a. Description of environmental information

(1) Environmental issues of listed companies and their main 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 and continuous environment excellence projects since its establishment. BANC has been continuously making investment in the area of environment protection and is endeavored to contribute to the sustainability green development of advanced chemical industry. This year BANC is firstly listed among the 23 companies which are Environmentally Trusted and Protected in Nanjing.

a. Information about discharge

√ Applicable ☐ Not applicable

BANC has been implementing strictly environment protection policies, and reducing impact on environment has been a top priority.

b. Information about anti-pollution facilities' construction and operation

√ Applicable ☐ Not applicable

With one year VOC comprehensive management by controlling from the source, process management, and in-depth cleaning for tail gas, BANC's effluent concentration is far below national standard. All the disorganized waste gas is collected for treatment and OU at battery limit ＜20. BANC is the first plant in NCIP that installed online monitors and released the data to public. With plasma process, organized OU＜750. BAND continuously reduces disorganized odorous material by updating tank, pipelines, valves and flanges. No odor with Adisseo feature is spotted during patrols. With sulfur stripping process optimization, SO2 effluent concentration ＜20mg/m3. WESP project passed acceptance test and effluent concentration ＜10mg/m3, which improved effectively tailing with traditional ammonia process of desulfurization.

BANC started to build WWPT facility from January 2019, now it is officially in use. It adopts international benchmark technology from Veolia, ensuring stable outlet COD far below NCIP new standard.

c. Environmental impact assessment and other environmental protection administrative permits of construction projects

√ Applicable Not applicable

PANDA 2 EIA was granted on January 28, 2019.
BANC2 EIA was granted on October 31, 2019.
WESP Acceptance Report is published on November 8, 2019 on BAC website.

d. Prepared plan for environmental emergencies

√ Applicable ☐ Not applicable

No environment emergent accident happened in BANC this year. BANC has established environment emergency plan, executed emergency drill regularly, to continuously improve its' capability handling emergent environment incidents.

e. Environment related self-monitoring program

√ Applicable ☐ Not applicable

Based on climate information of NCIP area and plot plan of BANC, BANC set up 6 disorganized online monitoring points on nearby sensitive location to monitor OU of H2S, dimethyl sulfide, methanthiol, CS2, NH3. 7 monitoring substations (one reserved for BANC2) are networked to continuously monitor disorganized discharge of gas emission 24h. The result, together with safety and environment commitment letter, are released to the public. BANC is the first one in NCIP and sets up a model compliant with the latest safety and environment supervision request in Jiangsu Province.

f. Other environmental information

☐ Applicable √ Not applicable

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

√ Applicable ☐ Not applicable

In the reporting period, the Company and its subsidiaries pay special attention to the education and implementation of environmental protection laws and regulations. The Company emphasized the management and employees the importance of learning the newly revised laws and regulations.

(3) Listed Companies not declared as major pollutant discharge units, whose reasons for not disclosing environmental information

☐ Applicable √ Not applicable

(4) A description of the subsequent progress or changes in the disclosure of environmental information during the reporting period

☐ Applicable √ Not applicable

3. Others

√ Applicable ☐ Not applicable

Every year, Adisseo conducts new surveys and initiates new projects to reduce the environmental impact arising from its activities. From the supply chain to the water and energy consumption of production plants, office buildings and sales activities, every part of Adisseo is covered by the company's environmental policy. Adisseo is taking account of all the complaints with utmost care and strives to take the innovative route to addressing these issues.

In an effort to promote sustainable growth, each industrial project is used to strengthen our control of safety and environmental risks and reduce their impact.

A new water treatment plant was implemented with success at Nanjing to minimize TOC in wastewater.
The construction of a new water treatment plant is on going in Commentry (Allier, France)
A new effluent treatment furnace on a methionine intermediate production unit has been started-up in Saint Clair du Rhône (Isère, France) with an objective on energy recovery.

For the first time, Adisseo has also signed a Sustainability Linked Loan which interest rate will be adjusted following the achievement of 4 indicators related to occupational safety, research and development on bio-sourced processes investments, and water & energy consumption.

Adisseo follows up the achievement of ambitions targets on water consumption, energy efficiency and Green

House Gases emissions per unit of manufactured product. (see indicators in our digital Sustainable Development report www.sustainability.adisseo.com/en/).

XVIII. Convertible corporate bonds

☐ Applicable √ Not applicable

Section 6 Share Change and Shareholders

I. Change in share capital in the reporting period

1. Changes in ordinary shares

(1) Table of change in ordinary shares

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

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

Applicable √ Not applicable

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

No additional information needs to be disclosed to the market.

2. Changes in shares with trading restrictions

☐ Applicable √ Not applicable

II. Securities Issuance and Listing

1. Securities issued as of the reporting period

Unit: Share Currency: RMB

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

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

Applicable √ Not applicable

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

Applicable √ Not applicable

3. Existing employee shares

Applicable √ Not applicable

III. Shareholders and ultimate controlling shareholder

1. Total number of shareholders

Total number of shareholders by the end of reporting period	29,394
Total number of shareholders at the end of the last month before the date when the annual report was published	26,854

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.	-680,000,000	1,709,387,160	63.74	0	Frozen	10,000,000	Stated owned legal entity
Blusstar-GTJA-19BluestarEB guarantee and trust property account	680,000,000	680,000,000	25.36	0	Unknown	0	Unknown
China Securities Finance Corporation Limited	0	13,794,697	0.51	0	Unknown	0	Unknown
Jiangsu Juhe Chuangyi Emerging Industry Investment Fund LLP	0	6,607,000	0.25	0	Unknown	0	Unknown
Changshi Investment Company Ltd	0	6,563,822	0.24	0	Unknown	0	Unknown
China Electronic Investment Holding Company	0	5,185,185	0.19	0	Unknown	0	Unknown
Beijing Research and Design Institute of Rubber Industry	0	3,737,262	0.14	0	Unknown	0	Unknown
Hong Kong central clearing limited	1,970,352	3,096,939	0.12	0	Unknown	0	Unknown
Bo Chen	723,910	2,831,412	0.11	0	Unknown	0	Unknown

Shares held by top ten shareholders							
Name of shareholder (full name)	Change in the reporting period	Number of shares held by end of the period	Proportion of shares held (%)	Number of shares with trading restrictions	Status of pledged or frozen shares		Type of shareholder
					Share status	Number	
Peng Weiyan	2,627,200	2,627,200	0.10	0	Unknown	0	Unknown

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

Unit: share

Name of shareholder	Number of shares without trading restrictions held	Type and number of shares	
		Type	Number
China National Bluestar (Group) Co., Ltd.	1,709,387,160	RMB ordinary shares	1,709,387,160
Blusstar-GTJA-19BluestarEB guarantee and trust property account	680,000,000	RMB ordinary shares	680,000,000
China Securities Finance Corporation Limited	13,794,697	RMB ordinary shares	13,794,697
Jiangsu Juhe Chuangyi Emerging Industry Investment Fund LLP	6,607,000	RMB ordinary shares	6,607,000
Changshi Investment Company Ltd	6,563,822	RMB ordinary shares	6,563,822
China Electronic Investment Holding Company	5,185,185	RMB ordinary shares	5,185,185
Beijing Research and Design Institute of Rubber Industry	3,737,262	RMB ordinary shares	3,737,262
Hong Kong central clearing limited	3,096,939	RMB ordinary shares	3,096,939
Bo Chen	2,831,412	RMB ordinary shares	2,831,412
Peng Weiyan	2,627,200	RMB ordinary shares	2,627,200
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. Bluestar-GTJA-19BluestarEB guarantee and trust property account (who owns 680,000,000 shares) is a special account for China National Bluestar (Group) Co., Ltd. to guarantee and trust some of its shares when issuing exchangeable bonds. For more information, please refer to the announcements 2019-008, 2019-014, 2019-029 and 2019-034. Except for the above mentioned shareholders, the Company does not know whether any related relationship exists among other shareholders, or whether the other shareholders have acted in concert as regulated by the Administrative Measures for Purchasing of Listed Companies.		
Description for the participation in margin trading business of the top 10 shareholders (If any)	Not applicable		

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

Applicable √ Not applicable

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

Applicable √ Not applicable

IV. Changes in Controlling Shareholder and Ultimate controlling shareholder

1. Controlling shareholder

(1) Corporation

Unit: Ten Thousand Yuan Currency: RMB

Name	China National Bluestar (Group) Co., Ltd.
The entity's person responsible or legal representative	Zhigang HAO
Date of creation	1989-04-03
Main businesses	To research and develop chemical new materials, chemical cleaning, anti-corrosion, and water treatment technologies and fine chemical products; research, manufacture and apply reverse osmosis membrane and its equipment; promote and transfer technologies, undertake domestic and overseas various cleaning businesses; deal with automation engineering design, application and service; engage in the import and export businesses of self-operated and acting various commodities and technologies (excluding the commodities and technologies that are restricted by China from the Company's operation or forbidden from import and export); contract foreign chemical engineering and domestic international bidding engineering, as well as export of equipment and materials needed for the above-mentioned foreign projects, consulting services, house leasing.
Shareholding interest in other domestic and overseas listed companies controlled and shared in the reporting period	In the reporting period, China Bluestar held, directly or indirectly: 377,249,406 shares of Shenyang Chemical Co., Ltd. (Stock Code 000698), accounting for 46.03%. and 338,338,536 shares of ELkem ASA (Stock Code: ELK), accouting for 58.2%.
Others	NA

(2) Natural Person

Applicable √ Not applicable

(3) Explanation if there is no controlling shareholders

Applicable √ Not applicable

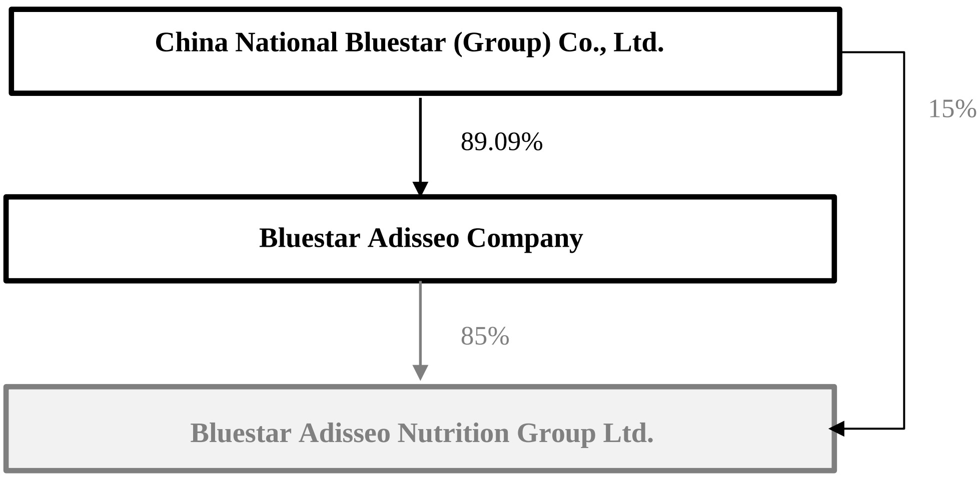
(4) Index reference related with change the controlling shareholders and the corresponding date

Applicable √ Not applicable

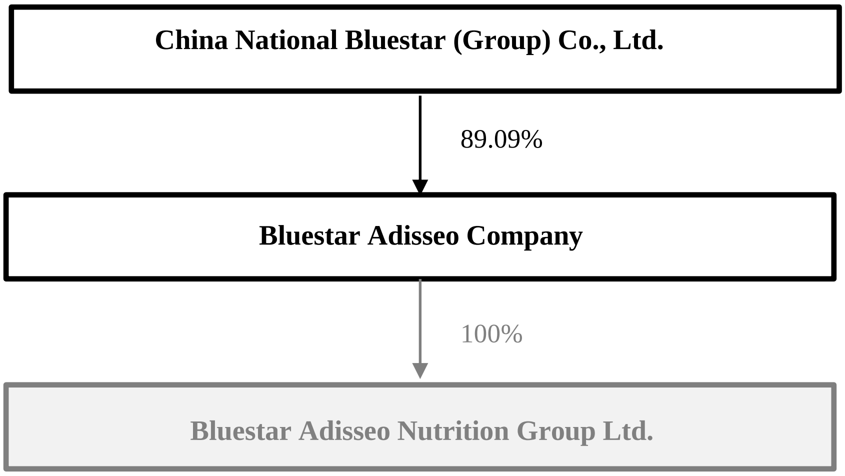
(5) Block diagram of the shareholding interest and control relationship between the Company and its controlling shareholders

√ Applicable Not applicable

Before transaction completed:



After transaction completed:



2. Ultimate controlling shareholder

(1) Corporation

Unit: Ten Thousand Yuan Currency: RMB

Name	China National Chemical Group Co., Ltd.
The entity's person responsible or legal representative	Gaoning Ning
Date of foundation	May 9, 2004
Main businesses	Permitted operating items: Production of dangerous chemical products (valid until Dec. 26, 2013). General operating items: The production and sale of chemical raw materials, chemical products, chemical mines, chemical fertilizers, pesticides (Excluding dangerous chemical products), plastics, tire, rubber products, membrane equipment, chemical equipment; production and sale of mechanical products, electronic products, instruments and meters, building materials, textiles, light industry products, forest products, forestry chemical products; research, development, design and construction of chemical equipment, chemical cleaning, anti-corrosion, petrochemical, water treatment technologies; technical consulting, information service, equipment leasing (excluding dangerous chemicals).
Shareholding interest in other domestic and overseas listed companies controlled or shared by the Company in the reporting period	In the reporting period, ChemChina directly or indirectly held: 47.23% of Shenyang Chemical Co., Ltd (stock code 000698); 71.16% of Sichuan Tianyi Science & Technology Co., Ltd.(stock code 600378); 78.65% of KraussMaffei Company Limited (stock code 600579; 46.25% of Hebei Cangzhou Dahua Co., Ltd. (stock code 600230); 78.91% of Hubei Sanonda Co., Ltd. (stock code 000553); 44.58% of Aeolus Tyre Co., Ltd. (stock code 600469); 12.75% of Guangxi Hechi Chemical Co., Ltd. (stock code 000953); 9.67% of Shanghai Carthane (stock code 603037); 45.52% of Pirelli & C.S.p.A.; 58.2% of Elkem.
Description about other situations	

(2) Natural Person

Applicable √ Not applicable

(3) Explanation if there is no controlling shareholder

Applicable √ Not applicable

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

Applicable √ Not applicable

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

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

☐ Applicable √ Not applicable

3. Other information regarding controlling shareholder and ultimate controlling shareholder

☐ Applicable √ Not applicable

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

☐ Applicable √ Not applicable

VI. Introduction of limit on share disposal

☐ Applicable √ Not applicable

Section 7 Information on Preferred Shares

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

Section 8 Directors, Supervisors, Senior Management, and Employees

I. Compensation and changes in shares held

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

Name	Position	Gender	Age	Start date of term of office	Termination date of term of office	Shares held at beginning of the year	Shares held at end of the year	Changes in share ownership during the period	Reason for change	Total compensation for the reporting period (RMB ‘0000) (before tax)	Has any part of compensation been paid by related parties of the Company
Zhigang Hao	Chairman	Male	41	2017.12.15	2021.10.16						Y
Michael Koenig	Vice Chairman	Male	56	2017.5.19	2020.2.14						Y
Gérard Deman	Director	Male	73	2015.10.22	2021.10.16						Y
Jean- Marc Dublanc	Director, General Manager	Male	65	2015.10.22	2021.10.16					970	
Dengjie Gu	Director, Deputy General Manger	Male	55	2018.10.17	2021.10.16					339	
Yougen Ge	Director	Male	51	2018.10.17	2021.10.16						Y
Yuan Ding	Independent director	Male	51	2018.10.17	2021.10.16					20	
Lixin Song	Independent director	Female	52	2015.10.22	2021.10.16					20	
Jean Falgoux	Independent director	Male	68	2015.10.22	2021.10.16					20	
Yan Wang	Chairman of the Board of supervisors	Male	51	2018.10.17	2021.10.16						Y
Wei Lu	Supervisor	Male	43	2018.10.17	2021.10.16						Y
Yong Pan	Supervisor	Male	42	2018.09.28	2021.10.16					54	
Yun Cai	Chief financial Officer	Female	45	2015.10.23	2021.10.16					130	
Qinan Liang	Secretary to the Board of Directors	Female	32	2018.03.20	2021.10.16					78	
Total	/	/		/	/				/	1,631	/

Name	***Professional background and main work experience***
Zhigang Hao	Dr. Hao was born in 1978, Chinese, member of the Communist Party of China. He obtained a Ph.D. in Chemical Engineering from the Institute of Process Engineering, Chinese Academy of Science, and a MBA from The Open University of Hong Kong. Dr. Hao used to work in Shanxi Synthetic Rubber Group and ChemChina. And he used to be a engineer, Board Secretary, Director of Administration Office and Deputy Party Secretary at China National Bluestar (Group) Co., Ltd, and now works as Party Secretary, Chairman in China National Bluestar (Group) Co., Ltd. Dr. Hao was elected as Vice Chairman of Bluestar Adisseo Company on 15th Dec 2017 via the first general shareholders meeting of 2017, and elected as chairman of 7th session of BOD in 2018.

Name	Professional background and main work experience
Michael Koenig	Mr. Koenig graduated from the Chemical Engineering Department of the TU Dortmund University in Germany. He used to work in Bayer for years, and has accumulated rich experience in running large multinational corporations, with outstanding performance in corporate strategy formulation, structural adjustment, team building, business analysis, and production technology. Mr. Koenig's career experience and expertise highly match Bluestar's strategic direction. He was the chief executive officer of China National Bluestar (Group) Co., Ltd. since 2016 to 2019, and has been the Chief Executive Officer of Elkem ASA since December 2019. Mr. Koenig has spent nearly a decade in China. On the 2016 annual General Assembly held on 19th May 2017, Mr. Michael Koenig was appointed as director of the Company. In 2018, he was elected as vice chairman of 7th session of the BOD. Due to change of work, Mr. Michael Koenig tendered his resignation as deputy chairman of the 7th session of the Board of Directors of the Company, and the member of Remuneration and Appraisal Committee and the Strategy Committee on 14th February 2020 (Announcement 2020-003).
Gérard Deman	Mr. Deman was born in1946, bachelor of Chemical Engineering, Polymer Polymer Engineering. Mr. Deman has nearly 45 years of experience in the global chemical industry, and is an expert in government relationship. He used to be a professor of organic chemistry in University of Algiers, and worked in the animal nutrition division of Rhone Poulenc as Director of Operations. Then in 2002, he took part alongside CVC at the leveraged buyout that gave birth to Adisseo. In 2006, he became president of Adisseo at its acquisition by Bluestar till 2010. He is the Chairman of the management board at Adisseo France and member of the 6th session of the board of directors and strategic advisor for Bluestar Group since 2010. Now he is a member of 7th board of directors.
Jean- Marc Dublanc	Mr. Dublanc, born in 1954, French. He graduated from the ESCP in 1979. Mr. Dublanc began his career at Indosuez Bank and then joined the financial management of Rhone-Poulenc in 1981. He subsequently held senior operational and management positions in several subsidiaries in France and the USA. Before joining Adisseo, he was in charge of a subsidiary in the field of human nutrition. He joined Adisseo in 2006 as director of innovation, marketing and sales, since 2010 he was nominated as the CEO of Adisseo France and Bluestar Adisseo Nutrition Group Limited. Since 2015, Mr. Dublanc is the CEO of Adisseo. In 2018, he was elected as a member of 7th board of directors.
Dengjie Gu	Mr. Gu was born in 1964, Chinese. Mr. Gu holds a bachelor's degree from Zhejiang University and a master's degree and doctorate from China University of Mining and Technology (Beijing). He also completed a mini-MBA training course at ESSEC Business School in France. Mr. Gu has successively worked for China Huaneng Group as Engineer, Senior Engineer, Rhône-Poulenc (China) Co., Ltd as Project Manager, Bohai (Tianjin) Rhône-Poulenc Methionine Co., Ltd as Deputy General Manager and Aventis International Trade (Shanghai) Co., Ltd as Sales Manager China. Mr. Gu is the Deputy General Manager of Bluestar Adisseo Company since October 2015. Mr. Gu has been working with Adisseo Life Science (Shanghai) Co., Ltd. as General Manager since 2002. In 2018, Mr. Gu was elected as a member of 7th board of directors and deputy manager of the Company.
Ge Yougen	Mr. Gewas born in 1969, Chinese, member of the Communist Party of China, obtained a bachelor degree in chemistry from Lanzhou University and an MBA from the Open University of Hong Kong. Mr. GE used to be a Deputy Director and engineer of Bluestar Xinghuo Factory; a General Manager of Bluestar (Tianjin) Chemical Co., Ltd.; a Deputy Director of organic silicon division of China National Bluestar (Group) Co, Ltd.; a Deputy General Manager and party committee member of China Bluestar Chemical Co., Ltd. He is currently serving as the Assistant General Manager of the China Bluestar (Group) Co., Ltd. Mr. Ge was elected as a member of 7th board of directors in 2018.
Ding Yuan	Dr. Ding was born in 1969, French. Dr. Ding received his Ph.D. from the Institute of Enterprises Administration at the University Montesquieu Bordeaux IV, France in May 2000. Mr. Ding has over 10 years of experience in teaching and research in financial accounting, financial statement analysis, corporate governance and mergers and acquisitions. From September 1999 to September 2006, Mr. Ding is a tenured professor of accounting and management control at HEC School of Management, Paris, France. Since joined CEIBS in September 2016, Mr. Ding is Vice President and Dean, Cathay Capital Chair Professor in Accounting. He has also served and continues to serve on the Boards of Directors of several listed firms and financial institutions: Landsea Group (2013.07-, stock code:106), Man Wah Holdings Limited (2016.12-, stock code: 1999), Gujing Group (2008.07-2011.06, stock code: 000596), TCL (2008.06 - 2014.06, stock code: 000100), MagIndustries Corp. (2011.07 – 2015.06, stock code: MAA), Red Star Macalline (2012.03–, stock code: 1528(HK), 601828(SH)) and serves as a director in Jaccar Holdings. Mr. Ding was elected as an Independent Director of the Company in 2018, and also serves as the Chairman of Audit Committee.

Name	*Professional background and main work experience*
Lixin Song	Ms. Song was born in 1967, obtained her bachelor's degree in law (major in News Media) from China Renmin University in 1989 and her master's degree in business administration (MBA) from Tsinghua University in 2006. Ms. Song worked at the China Talents magazine as a Chief Editor and President since 1997. She has been working in the media industry for more than 22 years with extensive experience in the fields of culture, finance and economics. She created the "China Annual Management Assembly" in 2001, which has been held annually until now. She was an Independent Non-Executive Director at Bluestar Adisseo Nutrition Group Limited from November 8, 2010 and Alibaba Pictures Group Limited since December 22, 2014. Ms. Song is an Independent Director of Bluestar Adisseo Company since October 2015, and servers as the Chairman of Remuneration and Appraisal Committee.
Jean Falgoux	Mr. Falgoux was born in 1952, French. He is an agricultural engineer . He graduated from the institute of statistics at paris jussieu sciences university and as well holds a MBA from the institute for enterprise administration at paris sorbonne university. Mr. Falgoux has more than 40 years of experience in global operations in industries such as animal nutrition additives, animal health protection, crop protection, food additives, pharmaceutical drugs and green chemistry. Mr. Falgoux has been a Director of Carbios sas. Mr. Falgoux is a former CEO of roussel uclaf animal health and a former Corporate Executive Officer of Ajinomoto co., inc., and President of Ajinomoto Eurolysine sas. Mr. Falgoux is an Independent Director of Bluestar Adisseo Company since october 2015, and servers as the Chairman of Nomination Committee.
Wang Yan	Mr. Wang was born in 1969, Chinese, member of the Communist Party of China, obtained a bachelor degree from Lanzhou University. He used to work as the Assistant Engineer in Bluestar Cleaning Corporation, Engineer in Bluestar Engineering Company, Project Manager in Bluestar Petrochemical Corporation, Assistant General Manager and Deputy General Manager in Bluestar Chemical Company, Deputy Director of silicone in Bluestar Group. Currently. Now Mr. Wang is the Director of production management office in Bluestar Group. Mr. Wang is the Chairman of the Board of Supervisors of Bluestar Adisseo Company since 2018.
Lu Wei	Mr. Lu was born in 1977, member of the Communist Party of China, obtained a bachelor degree in accounting in Northwest Normal University. Mr. Lu has the title of senior accountant. He used to work as the Accountant in Bluestar Cleaning Corporation, Assistant of the financial management officer and Director of the finance department in Bluestar Group. Currently. Mr. Lu is a Senior Deputy Director of finance in Bluestar Group. Mr. Lu is a member of the Board of Supervisors of Bluestar Adisseo Company since 2018.
Pan Yong	Mr. Pan was born in 1978, Chinese, major in applied chemistry, bachelor degree. He used to work as Shift Supervisor in DSM Oriental Nanjing chemical co. LTD, Operation Supervisor in Bayer polyurethane Shanghai co., LTD., Assistant Plant Manager in Wacker chemical Nanjing co., LTD. He joined Bluestar Adisseo Nanjing co., LTD. and worked as Intermediate Section Manager since June 2014. And now works as Process and Project department Manager since July 2018. Mr. Pan is the Employee Representative Supervisor of the 7^{th} Board of Supervisors of the company.
Yun Cai	Ms. Cai was born in 1974, Chinese. She has a bachelor's degree in international economics from Fudan University and is a CICPA member. She also completed a mini-MBA training course at ESSEC Business School in France. Previously, Ms. Cai has successively worked in PwC Shanghai Branch as an Auditor and then as a Senior Auditor. Finally, she became Finance & HR manager, Deputy General Manager at Adisseo Life Science (Shanghai) Co., Ltd. (Previously: Aventis International Trading (Shanghai) Co., Ltd). Ms. Cai has been Group Project & Internal Audit Director since April 2015. She is the Chief Financial Officer of Bluestar Adisseo Company since October 2015.
Qinan Liang	Ms. Liang was born in 1987, Chinese, member of China National Democratic Construction Association. She graduated from Aston University with master degree in Finance and Investment and she is a full member of the Association of Chartered Certified Accountants (ACCA). Ms. Liang has successively worked as Auditor at PwC Beijing Branch, then became IR Manager of China Distance Education Holdings Limited. (NYSE: DL), and then IR Director in board office in Universal Medical (HK,2666). Ms. Liang hold Board Secretary Certificate and Independent Board Director Qualification, and Ms. Liang is now studying advanced course of Finance at China Academy of Social Science. Ms. Liang was appointed as Board Secretary of Bluestar Adisseo Company in March 2018.

Other:

Applicable √ Not applicable

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

☐ Applicable √ Not applicable

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

1. Position assumed in shareholding entities

√ Applicable ☐ Not applicable

Name	Name of the shareholding entity Position	Position	Starting date of office term	Expiry date of office term
Zhigang Hao	China Bluestar	Party Secretary, Chairman of the board	September 2017	To date
Michael Koenig	China Bluestar	Chief Executive Officer	January 2016	December 2019
Michael Koenig	China Bluestar	Director	January 2016	To date
Gérard Deman	China Bluestar	Director	September 2008	To date
GE Yougen	China Bluestar	Assistant General Manager	August 2011	To date
Wang Yan	China Bluestar	Director of the production management office	January 2014	To date
Lu Wei	China Bluestar	Senior deputy director of the finance department	January 2015	To date

2. Position assumed in other entities

√ Applicable ☐ Not applicable

Name	Name of the entity	Position	Starting date of office term	Expiry date of office term
Zhigang Hao	Bluestar (Beijing) Technology Center Co., Ltd.	Executive Director	April 2017	To date
Zhigang Hao	Qenos Holding Co. Ltd	Chairman	November 2016	To date
Zhigang Hao	REC Solar	Director	January 2019	To date
Zhigang Hao	Elkem AS	Chairman	December 2019	To date
Zhigang Hao	Elkem AS	Director	September 2017	December 2019
Zhigang Hao	TAL/BSF	Director	September 2017	To date
Zhigang Hao	Bluestar Adisseo Nutrition Group	Deputy Chairman	September 2017	To date
Zhigang Hao	Bluestar Finance Holdings Limited	Director	April 2016	To date
Zhigang Hao	Bluestar Fibres Investment co. Limited	Director	October 2017	To date
Zhigang Hao	Bluestar Elkem Investment Co. Limited	Director	October 2017	To date
Zhigang Hao	China National Chemical (Hong Kong) Investment Co. Limited	Director	December 2016	To date
Zhigang Hao	ChemChina International Holding (Hong Kong) Co., Limited	Director	December 2016	To date

Zhigang Hao	Bluestar Silicones Investment co. Limited	Director	October 2017	To date
Zhigang Hao	Elkem Luxembourg	Director	December 2019	To date
Zhigang Hao	REC Luxembourg	Director	December 2019	To date
Michael Koenig	REC Solar	Chairman	January 2019	To date
Michael Koenig	REC Luxembourg	Director	January 2016	December 2019
Michael Koenig	Elkem Luxembourg	Director	May 2016	December 2019
Michael Koenig	Elkem AS	Chairman	April 2016	September 2019
Michael Koenig	Elkem AS	CEO	December 2019	To date
Michael Koenig	Qenos Holding Co. Ltd.	Director	May 2016	December 2019
Michael Koenig	TAL/BSF	Director	May 2016	December 2019
Michael Koenig	Bluestar Adisseo Nutrition Group	Director	May 2017	December 2019
Michael Koenig	Bluestar Finance Holdings Limited	Director	April 2016	November 2019
Michael Koenig	Bluestar Fibres Investment Co. Limited	Director	May 2016	November 2019
Michael Koenig	Bluestar Elkem Investment Co. Limited	Director	May 2016	November 2019
Michael Koenig	China National Chemical (Hong Kong) Investment Co. Limited	Director	May 2016	November 2019
Michael Koenig	ChemChina International Holding (Hong Kong) Co., Limited	Director	May 2016	November 2019
Michael Koenig	Bluestar Silicones Investment Co. Limited	Director	May 2016	November 2019
Ge Yougen	Elkem AS	Director	January 2019	To date
Ge Yougen	REC Solar	Director	January 2019	To date
Ge Yougen	Bluestar Elkem Investment Co. Limited	Director	January 2011	To date
Ge Yougen	Bluestar Silicones Investment Co. Limited	Director	November 2006	To date
Ge Yougen	REC Luxembourg	Director	December 2019	To date
Wang Yan	Qenos Holding Co. Ltd.	Director	December 2019	To date
Wang Yan	REC Solar	Director	January 2019	To date
Wang Yan	TAL/BSF	Director	December 2019	To date
Lu Wei	China National Chemical (Hong Kong) Investment Co. Limited	Director	December 2019	To date
Lu Wei	ChemChina Finance Co., Ltd.	Director	December 2019	To date
Gérard Deman	GDEM conseil	Chairman	October 2011	To date
Ding Yuan	HEC School	Tenured professor of accounting and management control	September 2006	To date
Jean Falgoux	Carbios S.A	Director	Jan 2019	To date
Lixin Song	Talent Magazine	President	March 1999	To date

III. Compensation for directors, supervisors and senior management

Procedures for deciding the compensation for directors, supervisors, and senior management	The compensation for directors and supervisors is determined by the General Shareholders' Meeting and for senior management is determined by the Board of Directors.
Basis of compensation for directors, supervisors, and senior management	The Company is responsible for applying the basic salary and performance bonus system for directors and senior management. Compensation is determined according to the results of the Company, in line with the principle and method of linking compensation with working performance. Compensation for independent directors is determined using an annual allowance.
Compensation payments for directors, supervisors, and senior management	Determined in line with the above-mentioned principles.
Total compensation of all directors, supervisors, and senior management in the reporting period	After performance review and according to the payment plan, 1,631 (10 thousand) yuan is paid in the reporting period.

Note: The Company subscribed to a Directors & Officers (D&O) liability insurance to protect the members of the Board of Directors, Supervisors and senior officers who perform obligations in connection with their positions. The Company plans to insure these directors, supervisors and senior officers. The net annual premium is around RMB 287,575 and the limits are RMB 132,340,000. The D&O proposal was approved by the Shareholders' General Meeting on April 25, 2019. On March 20, 2020, the Board has approved the renewal of the D&O policy, and this proposal will presented to the upcoming Shareholders' General Meeting for approval.

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

Applicable √ Not applicable

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

Applicable √ Not applicable

VI. Employees of the Company and its main subsidiaries

1. Employees

Number of on-job employees of the Company	5
Number of on-job employees of major subsidiaries	2,183
Total number of on-job employees	2,188
Number of retirees whose expenditures should be borne by the Company and major subsidiaries	0
Professional structure	
Classifications of Profession	Number of people
Production personnel	1,188
Sales personnel	267
Technical personnel	463
Finance and Administration personnel	228
Management personnel	42
Total	2,188
Degree of Education	
Education background	Number of people
Doctor	54
Master	441
Bachelor	635
Senior college	695
Other	363

Total	2,188

2. Compensation policy

√ Applicable Not applicable

The 2019 compensation policy for senior executives of the Company and the listed company's executive management remuneration policy were approved st several 7^{th} session of board meetings as follows:

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

Guiding Principles

- **Pay Comparator Group**—The comparator group will be comprised taking into consideration, comparability of size (primarily based on revenue, as well as market capitalization and assets), industry, international geographic scope (including in terms of location of assets), and complexity of business.
- **Total Compensation Positioning to Pay Comparator Group—**In general, the Company will position ***target*** total compensation referring to the 50^{th} percentile and 60^{th} percentile. An individual executive's target total compensation may be outside of this range based on any of the position's responsibilities relative to the market standard; his/her experience in the position; sustained performance contributions, or potential for promotion. The range of award opportunities will be structured to provide superior actual compensation in return for superior performance and below-market actual compensation for low performance levels.
- **Compensation Mix—**The Company intends to target a mix of salary, annual bonus, and long-term incentive that places a significant portion of pay at risk.
- **Performance Comparator Group**—To reduce the impact of exogenous risk factors on corporate or business unit performance, the company may assess performance against comparators exposed to similar risk factors.
- **Performance Measures and Goal-Setting**— Long-term performance criteria will be aligned with sustainable shareholder value creation, and therefore could include total shareholder return, return on existing assets, profitable growth, and the quality of corporate earnings. Long-term performance goals will be aligned with shareholder expectations of company performance. Annual performance measure(s) will emphasize line of sight, and link to the value-drivers that can be materially impacted by individual executives in a one-year timeframe. Annual performance goals will be based on the Company's approved business plan. For all incentive plans, actual payouts should be superior to target when expectations are exceeded, and should be below target when actual performance falls short of objectives.
- **Emphasis Organizational Linkage—**The primary determinant of executive long-term incentive compensation will be performance at corporate level, while annual executive incentives will emphasize line of sight through the granularity of performance metrics and individual performance objectives. Overall individual performance will be recognized through base salary increases and annual incentive payouts.

3. Training program

√ Applicable Not applicable

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

4. Labor outsourcing

Applicable √ Not applicable

VII. Others

Applicable √ Not applicable

Section 9 Corporate Governance

I. Governance of the Company and insider registration management

√ Applicable Not applicable

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

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

1. Shareholders and General Shareholders' Meetings

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

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

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

2. Directors and Board of Directors

All the Directors can, based on the rules of Procedure of the Meetings of the Board of Directors and other rules, attend the Board meetings earnestly and all independent directors may perform their duties in good faith and with diligence. The current term of the Board of Directors comprises 9 directors, 3 of whom are independent directors. The Board of Directors set up four special committees, namely the Audit, Risk and Compliance Committee, the Strategic Committee, the Nomination Committee, the Compensation and Evaluation Committee, three of which are headed by independent directors, except for the Strategic Committee, headed by the Board Chairman. Committee Chairmen made their own working rules, and gave fully performed heir specialty functions in the operational management of the Company.

3. Supervisors and the Board of Supervisors

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

4. Information disclosure and transparency

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

Meanwhile, the Company amended the Articles of Association and the Management System of Related-party Transactions. During the reporting period, the Company was not criticized, condemned, or punished by any regulatory institution for violation of rules regarding information disclosure.

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

Applicable √ Not applicable

II. Brief introduction to General Shareholders' Meetings of shareholders

Meetings	Convening Date	Index Reference for the Resolutions published on the website	Disclosure date of the resolution published
2018 Annual General Meeting	April 25, 2019	2019-019	April 26, 2019
2019 1st Extraordinary Shareholders Meeting	August 8, 2018	2019-029	August 9, 2019
2019 2nd Extraordinary Shareholders Meeting	December 6, 2019	2019-039	December 7, 2019

The company held three shareholders meetings this year: General Assembly of Shareholders for FY2018, First Extraordinary Shareholders' Meeting in FY 2019 and Second Extraordinary Shareholders' Meeting in FY 2019. The meeting reviewed and approved proposals on periodic reports, board working reports, profit distribution plan, appointment of auditor and internal control auditor, and related party transactions. For the resolution of these meetings, please refer to the relevant announcement above.

III. Fulfilment of duties by Directors

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

Name of directors	Independent directors	Attendance at Board meetings						Attendance at general shareholders' meetings
		Required attendance at Board meetings in the term of office this year	Attendance in Person	Participation by other communications	Attendance by proxy	Absence	Consecutively Absent From two meetings	Attendance frequency at the general meeting of shareholders
Hao Zhigang	N	6	3	3	0	0	N	3
Michael Koenig	N	6	4	2	0	0	N	0
Jean-Marc Dublanc	N	6	3	3	0	0	N	2
Gérard Deman	N	6	3	3	0	0	N	1
Gu Dengjie	N	6	1	5	0	0	N	0
Ge Yougen	N	6	4	2	0	0	N	0
Ding Yuan	Y	6	1	5	0	0	N	0
Jean Falgoux	Y	6	1	5	0	0	N	3
Song Lixin	Y	6	1	5	0	0	N	2

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

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

Applicable √ Not applicable

3. Others

Applicable √ Not applicable

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

Applicable √ Not applicable

V. Risks identified by the Board of Supervisors

Applicable √ Not applicable

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

Applicable √ Not applicable

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

Applicable √ Not applicable

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

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

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

√ Applicable Not applicable

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

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

Explanation if there is material deficiency noted during reporting period

Applicable √ Not applicable

IX. Information related to Audit Report on Internal Control

√ Applicable Not applicable

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

Whether to disclose the audit report on Internal Control: Yes

X. Others

Applicable √ Not applicable

Section 10 Corporate bonds

Applicable √ Not applicable

Section 11 Financial Report

I. Audit report

√ Applicable Not applicable

II. Financial Statements

Consolidated Balance Sheet

December 31, 2019

Prepared by: Bluestar Adisseo Company

Unit: Yuan Currency: RMB

	Notes	Current year closing balance 2019	Current year opening balance 2018
Current Assets:			
Cash at bank and on hand	VII.1	5,295,065,807	5,282,336,110
Financial assets at fair value through profit or loss			
Derivative financial assets	VII.2	7,784,238	6,772,220
Notes receivable			
Accounts receivable	VII.3	1,537,943,360	1,655,198,111
Receivable financing			
Advances to suppliers	VII.4	60,862,071	46,697,860
Other receivables		41,123,604	40,992,988
Including: interests receivable		10,627,617	12,600,350
dividend receivable			
Inventories	VII.5	1,678,375,682	1,769,193,112
Other current assets	VII.6	380,980,363	583,989,258
Total current assets		**9,002,135,125**	**9,385,179,659**
Non-current Assets:			
Available-for-sale financial assets	VII.7		25,627,615
Long-term receivables	VII.8	62,752,154	59,891,031
Long-term equity investments			
Investments in other equity instruments	VII.9	11,479,649	
Other non-current financial assets	VII.10	32,676,606	
Investment properties			
Fixed assets	VII.11	7,379,447,515	6,346,723,686
Construction in progress	VII.12	612,534,221	1,410,987,041
Assets from right of use			
Intangible assets	VII.13	2,154,707,108	2,277,382,580
Development costs	VII.14	79,629,097	88,608,667
Goodwill	VII.15	1,619,510,083	1,626,099,606
Long-term prepaid expenses		9,821,481	0
Deferred tax assets	VII.16	113,975,411	143,248,146
Other non-current assets		48,589,640	89,614,318
Total non-current assets		**12,125,122,965**	**12,068,182,690**
TOTAL ASSETS		**21,127,258,090**	**21,453,362,349**
Current Liabilities:			
Short-term borrowings			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities	VII.17	2,063,292	67,384,765
Notes payable			
Accounts payable	VII.18	1,099,192,221	1,225,671,845
Advances from customers		7,568,111	7,076,771
Wages and benefits payable	VII.19	452,038,262	412,554,992
Taxes payable	VII.20	212,310,116	207,006,243
Other payables	VII.21	531,710,168	480,809,430
Including: interests payable		5,581,432	5,731,676
dividends payable		123,094,125	3,531,285
Current portion of non-current liabilities	VII.22	161,462,854	135,567,900
Other current liabilities	VII.23	11,611,670	7,037,948
Total current liabilities		**2,477,956,694**	**2,543,109,894**

	Notes	Current year closing balance 2019	Current year opening balance 2018
Non-current Liabilities:			
Long-term borrowings	VII.24	25,759,966	30,592,778
Lease liabilities			
Long-term payables	VII.25	14,635,305	8,350,312
Long-term employee benefits payable	VII.26	408,752,154	424,096,220
Provisions	VII.27		1,630,551
Deferred income	VII.28	167,565,777	180,730,672
Deferred tax liabilities	VII.16	818,061,803	866,478,848
Other non-current liabilities		0	
Total non-current liabilities		**1,434,775,005**	**1,511,879,381**
Total liabilities		**3,912,731,699**	**4,054,989,275**
SHAREHOLDERS' EQUITY:			
Paid-in capital	VII.29	2,681,901,273	2,681,901,273
Other equity instruments			
Capital reserve	VII.30	2,111,544,529	2,179,598,513
Other comprehensive income	VII.31	(440,874,572)	(455,324,355)
Special reserve			
Surplus reserve	VII.32	435,642,094	358,037,159
Undistributed profits	VII.33	9,009,359,024	8,838,211,161
Total equity attributable to equity holders of the Company		**13,797,572,348**	**13,602,423,751**
Non-controlling interests		3,416,954,043	3,795,949,323
Total owners' equity		**17,214,526,391**	**17,398,373,074**
TOTAL LIABILITIES AND OWNERS' EQUITY		**21,127,258,090**	**21,453,362,349**

Legal Representative: Jean-Marc Dublanc Person in Charge of the Accounting Body: Jean-Marc Dublanc

Chief Accountant: Yun Cai

Balance Sheet of the Company

December 31st, 2019

Prepared by: Bluestar Adisseo Company

Unit: Yuan Currency: RMB

Item		Closing balance	Opening balance
Current Assets:			
Cash at bank and on hand	XVIII.1	2,058,211,716	2,697,734,689
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable			
Accounts receivable			
Receivable financing			
Advances to suppliers		109,470	79,652
Other receivables		707,043,375	32,320,615
Including: interest receivable		9,510,000	12,310,000
dividend receivable	XVIII. 2	697,533,375	20,010,615
Inventories			
Assets held for sale			
Other current assets			
Total Current Assets		2,765,364,561	2,730,134,956
Non-current Assets:			
Available-for-sale financial assets			
Long-term receivables			
Long-term equity investments	XVIII. 3	7,492,295,416	7,492,295,416
Investment properties			
Fixed assets		77,801	53,339
Construction in progress			
Assets from right of use			
Intangible assets			10,808
Development costs			
Goodwill			
Long-term prepaid expenses			
Deferred tax assets			
Other non-current assets		3,267,167	2,726,153
Total Non-current Assets		7,495,640,384	7,495,085,716
TOTAL ASSETS		**10,261,004,945**	**10,225,220,672**
Current Liabilities:			
Short-term borrowings			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable			
Accounts payable			
Advances from customers			
Wages and benefits payable		84,000	84,000
Taxes payable		261,692	79,487
Other payables		37,971,368	38,213,891
Including: interest payable			
dividend payable			
Liabilities held for sale			
Current portion of non-current liabilities			
Other current liabilities			
Total Current Liabilities		38,317,060	38,377,378
Non-current Liabilities:			
Long-term borrowings			
Notes payables			
Lease liabilities			
Long-term payables			
Long-term employee benefits payable			
Provisions			

Deferred income			
Deferred tax liabilities			
Other non-current liabilities			
Total Non-current Liabilities			
Total Liabilities		**38,317,060**	38,377,378
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 reserve			
Surplus reserve		435,642,094	358,037,159
Undistributed profits		423,586,890	465,347,234
Total Owners' Equity		**10,222,687,885**	**10,186,843,294**
Total Liabilities And Owners' Equity		**10,261,004,945**	**10,225,220,672**

Legal Representative: Jean-Marc Dublanc　　Person in Charge of the Accounting Body: Jean-Marc Dublanc

Chief Accountant: Yun Cai

Consolidated Income Statement

January- December 2019

Unit: Yuan Currency: RMB

Items	Notes	Amount incurred during the current period	Amount incurred during the last period
I. Total operating revenue		**11 135 489 839**	**11,417,981,750**
Including: Operating revenue	VII.34	11 135 489 839	11,417,981,750
II. Total operating costs		**9 576 242 500**	**9,651,212,879**
Including: Cost of sales	VII.34	7 357 134 517	7,433,746,398
Taxes and surcharge	VII.35	86 802 248	87,172,944
Selling and distribution expenses	VII.36	1 282 742 038	1,214,491,598
General and administrative expenses	VII.37	618 844 949	662,060,522
Research and development expenses	VII.38	294 254 663	298,112,113
Financial expenses –net	VII.39	(63 535 915)	(44,370,696)
Including: Interest expenses		15 216 772	3,683,193
Interest income		119 243 322	102,176,926
Add: Other income	VII.52	17 449 442	28,206,497
Investment income (loss)		1 328 184	(5,388,913)
Including: Income from investments in associates and joint ventures			
Gains (losses) from disposal of financial assets at amortized cost			
Gains (losses) from changes in fair value	VII.40	20 407 258	(93,813,504)
Credit losses	VII.41	(4 175 419)	
Asset impairment losses	VII.42	542 959	(20,182,641)
Gain (loss) from disposal of assets		(6 213 963)	(8,577,642)
III. Operating profit (loss)	VII.47	**1 588 585 800**	**1,667,012,668**
Add: Non-operating income	VII.43	234,531,655	10,462,638
Including: Gains from disposal of non-current assets			
Less: Non-operating expenses	VII.44	91,252,637	680,177
Including: Losses from disposal of non-current assets		85,118,169	
IV. Total profit (Total loss)		**1 731 864 818**	**1,676,795,129**
Less: Income tax expenses	VII.45	474 465 003	461,108,010
V. Net profit (Net loss)		**1 257 399 815**	**1,215,687,119**
Net profit classified by continuity			
Net profit (loss) from continuing operations		1 257 399 815	1,215,687,119
Net profit (loss) from discontinued operations		0	0
Net profit classified by ownership			
Net profit attributable to equity holders of the Company		992 382 202	926,130,660
Net profit attributable to non-controlling interests		265 017 613	289,556,459
VI. Net other comprehensive income		**4,537,582**	**44,615,604**
Other comprehensive income (net of tax) attributable to the owners of the Company	VII.31	**11,167,933**	**28,808,041**
1. Other comprehensive income which will not be reclassified subsequently to profit or loss		**(9,897,841)**	**5,531,062**
1) Actuarial differences on defined benefits plans		(5,303,251)	5,531,062
3) Profit/Loss from changes in fair value of Investments in other equity instruments		(4,594,590)	
2. Other comprehensive income which will be reclassified subsequently to profit or loss		**21,065,774**	**23,276,979**

Items	Notes	Amount incurred during the current period	Amount incurred during the last period
1) Effective hedging portion of gains or losses arising from cash flow hedging instruments		28,604,605	(28,996,078)
2) Differences on translation arising on translation of foreign currency financial statements		(7,538,831)	52,273,057
Net other comprehensive income attributable to non-controlling interests after tax	VII.31	**(6,630,351)**	**15,807,563**
VII. Total comprehensive income		**1,261,937,397**	**1,260,302,723**
Total amount of comprehensive income attributable to equity holders of the Company		1,003,550,135	954,938,701
Total amount of comprehensive income attributable to non-controlling interests		258,387,262	305,364,022
VIII. Earnings per share:			
(I) Basic earnings per share (Yuan/ share)	VII.46	0.37	0.35
(II) Diluted earnings per share (Yuan/ share)	VII.46	0.37	0.35

Legal Representative: Jean-Marc Dublanc Person in Charge of the Accounting Body: Jean-Marc Dublanc

Chief Accountant: Yun Cai

Income Statement of the Company

January- December 2019

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		13,758,709	16,900,991
Research and development expenses			
Financial expenses – net		(94,349,985)	(61,707,137)
Including: Interest expenses			
Interest income		92,649,314	92,199,929
Add: Other income			
Investment income (loss)	XVIII.4	695,540,465	19,978,485
Including: Income from investments in associates and joint ventures			
Gains (losses) from disposal of financial assets at amortized cost			
Gains from changes in fair values (losses)			
Credit losses			
Asset impairment losses			
Gain (loss) from disposal of assets			
II. Operating profit (loss)		776,131,741	64,784,631
Add: Non-operating income		99	60,000
Less: Non-operating expenses		82,500	80,000
III. Total profit (Total Loss)		776,049,340	64,764,631
Less: Income tax expenses			
IV. Net profit (Net Loss)		776,049,340	64,764,631
Net profit classified by continuity			
Net profit (loss) from continuing operations		776,049,340	64,764,631
Net profit (loss) from discontinued operations			
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		776,049,340	64,764,631
VII. Earnings per share:			
(I) Basic earnings per share			
(II) Diluted earnings per share			

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

Chief Accountant: ___________

Consolidated Cash Flow Statement

January- December 2019

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		11,674,776,709	11,826,276,530
Refunds of taxes and surcharges		245,068,172	7,205,509
Cash received relating to other operating activities	VII.48(1)	360,232,920	81,810,030
Subtotal of cash inflows from operating activities		**12,280,077,801**	**11,915,292,069**
Cash paid for goods and services		8,045,476,166	7,801,212,181
Cash paid to and on behalf of employees		1,304,690,912	2,053,364,427
Payments of taxes and surcharges		289,433,108	518,378,366
Cash paid relating to other operating activities	VII.48(2)	89,876,432	100,641,048
Subtotal of cash outflows for operating activities		**9,729,476,618**	**10,473,596,022**
Net cash flow generated from operating activities		**2,550,601,183**	**1,441,696,047**
II. Cash flows from investing activities:		0	
Cash received from disposals of investment		1,351,350	
Cash received from investment income and interest income		107,093,495	98,998,103
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		3,097,368	2,120,861
Net cash received from disposals of subsidiaries and other business units		0	
Cash received relating to other investing activities		6,715,817	3,678,647
Subtotal cash inflows from investing activities		**118,258,030**	**104,797,611**
Cash paid to purchase fixed assets, intangible assets and other long-term assets		1,240,180,718	1,263,888,093
Cash paid to acquire investments		23,991,241	8,616,058
Net cash paid for acquisitions of subsidiaries	VII.49(2)	0	1,210,333,531
Cash paid relating to other investing activities		14,482,226	6,318,137
Subtotal of cash outflows for investing activities		**1,278,654,185**	**2,489,155,819**
Net amount of cash flow from investing activities		**(1,160,396,155)**	**(2,384,358,208)**
III. Cash flow from financing activities:		0	
Cash received from capital contributions		0	
Including: cash received from capital contributions by non-controlling interests of subsidiaries		0	
Cash received from borrowings		7,698,834	7,086,395
Cash received from issuance of debentures			
Cash received relating to other financing activities		0	
Subtotal of cash inflows from financing activities		**7,698,834**	**7,086,395**
Cash repayments of borrowings		14,204,594	94,148,918
Cash payments for interest expenses and distribution of dividends or profits		877,213,555	769,213,153
Including: dividends and profits paid to non-controlling shareholders of subsidiaries		107,489,792	288,302,501
Cash paid relating to other financing activities	VII.48(4)	479,785,145	517,192,516
Subtotal of cash outflows for financing activities		**1,371,203,294**	**1,380,554,587**
Net cash flow from financing activities		**(1,363,504,460)**	**(1,373,468,192)**
IV. Effect of Foreign exchange rate changes on Cash and Cash Equivalents		**(13,970,871)**	**(61,042,849)**

Items	Notes	Amount incurred during the current period	Amount incurred during the last period
V. Net increase in cash and cash equivalents		**12,729,697**	**(2,377,173,202)**
Add: Opening balance of cash and cash equivalents		5,282,336,110	7,659,509,312
VI. Closing balance of cash and cash equivalents	**VII.49(4)**	**5,295,065,807**	**5,282,336,110**

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

Chief Accountant: ___________

Cash Flow Statement of the Company

January- December 2019

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		6,392,156	23,515,884
Subtotal of cash inflows from operating activities		6,392,156	23,515,884
Cash paid for goods and services			
Cash paid to and on behalf of employees		2,771,328	2,382,053
Payments of taxes and surcharges		2,409,434	1,705,516
Cash paid relating to other operating activities		15,854,898	33,902,692
Subtotal cash outflows from operating activities		21,035,660	37,990,261
Net cash flow generated from operating activities		(14,643,504)	(14,474,377)
II. Cash flow from investing activities:			
Cash received from disposals of investments			
Cash received from investment income and interest income		115,382,663	934,538,149
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		115,382,663	934,538,149
Cash paid to purchase fixed assets, intangible assets and other long-term assets		16,900	13,749
Cash paid to acquire investments			
Net cash paid for acquisitions of subsidiaries and other business units			
Net cash decrease due to disposal of subsidiaries			
Cash paid relating to other investing activities			
Subtotal of cash outflows from investing activities		16,900	13,749
Net amount of cash flow from investing activities		115,365,763	934,524,400
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		740,204,749	463,968,920
Cash payments relating to other financing activities			
Subtotal of cash outflows from financing activities		740,204,749	463,968,920
Net cash flow from financing activities		(740,204,749)	(463,968,920)

Items	Notes	Amount incurred during the current period	Amount incurred during the last period
IV. Effect of Foreign Exchange rate changes on cash and cash equivalents		(40,483)	42,892
V. Net increment of cash and cash equivalents		(639,522,973)	456,123,995
Add: Opening balance of cash and cash equivalents		2,697,734,689	2,241,610,694
VI. Closing balance of cash and cash equivalents		2,058,211,716	2,697,734,689

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

Chief Accountant: ___________

Consolidated Statement of Changes in Owners' Equity

January- December2019

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**	**2,179,598,513**	**(455,324,355)**	**0**	**358,037,159**	**8,838,211,161**	**3,795,949,323**	**17,398,373,074**
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**	**2,179,598,513**	**(455,324,355)**	**0**	**358,037,159**	**8,838,211,161**	**3,795,949,323**	**17,398,373,074**
3.Increase/(decrease) for current period(	**0**	**0**	**(68,053,984)**	**14,449,783**	**0**	**77,604,935**	**171,147,863**	**(378,995,280)**	**(183,846,683)**
(1)Total comprehensive income				**11,167,933**			**992,382,202**	**258,387,262**	**1,261,937,397**
(2)Owner's contributions and withdrawals of capital			**(68,053,984)**					**(411,731,161)**	**(479,785,145)**
(a)Common stock contributed by owners									
(b)Capital contributed by other equity instruments holders									0
(c)Share-based payment recorded in owner's equity									
(d) Others			(68,053,984)					(411,731,161)	**(479,785,145)**

Items	Current period								
	Equity attributable to shareholders of the company							Non-controlling interests	Total
	Paid-in capital	Other equity instruments	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits		
(3)Profits distribution						**77,604,935**	**(817,809,684)**	**(225,636,392)**	**(965,841,141)**
(a)Appropriation of surplus reserve						77,604,935	(77,604,935)		
(b)Distribution to owner/shareholder							(740,204,749)	(225,636,392)	(965,841,141)
(c)Others									
(4)Transfer within owner's equity				**3,281,850**			**(3,281,850)**		
(a)Capitalization of capital reserve									
(b)Capitalization of surplus reserve									
(c)Loss offset by surplus reserve									
(d)Other comprehensive income transferred to retained earnings				3,281,850			(3,281,850)		
(5) Special reserve									
(a)Transfer to special reserve in the period									
(b) Amount used in the period									
(6) Other							(142,805)	(14,989)	(157,794)
4.Ending balance of current period	**2,681,901,273**	**0**	**2,111,544,529**	**(440,874,572)**	**0**	**435,642,094**	**9,009,359,024**	**3,416,954,043**	**17,214,526,391**

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**	**(484,132,396)**	**0**	**351,560,696**	**8,382,492,815**	**4,092,794,115**	**17,257,073,851**
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**	**(484,132,396)**	**0**	**351,560,696**	**8,382,492,815**	**4,092,794,115**	**17,257,073,851**
3.Increase/(decrease) for current period(			**(52,858,835)**	**28,808,041**		**6,476,463**	**455,718,346**	**(296,844,792)**	**141,299,223**
(1)Total comprehensive income				28,808,041			926,130,660	305,364,022	1,260,302,723
(2)Owner's contributions and withdrawals of capital			(52,858,835)					(464,333,681)	(517,192,516)
(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			(52,858,835)					(464,333,681)	(517,192,516)
(3)Profits distribution						6,476,463	(470,445,383)	(137,287,361)	(601,256,281)

Items	Last period								
	Equity attributable to shareholders of the company							Non-controlling interests	Total
	Paid-in capital	Other equity instruments	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits		
(a)Appropriation of surplus reserve						6,476,463	(6,476,463)		
(b)Distribution to owner/shareholder							(463,968,920)	(137,287,361)	(601,256,281)
(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							33,069	(587,772)	(554,703)
4.Ending balance of current period	**2,681,901,273**	**0**	**2,179,598,513**	**(455,324,355)**	**0**	**358,037,159**	**8,838,211,161**	**3,795,949,323**	**17,398,373,074**

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

Chief Accountant: ___________

Statement of Changes in Owners' Equity of the Company

January- December 2019

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				358,037,159	465,347,234	10,186,843,294
II. Opening balance of current year	2,681,901,273				6,681,557,628				358,037,159	465,347,234	10,186,843,294
III. Amount increased or decreased of current period (decrease filled out with "-")									77,604,935	(41,760,344)	35,844,591
(I) Total amount of comprehensive income										776,049,340	776,049,340
(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									77,604,935	(817,809,684)	(740,204,749)
1. Withdrawal of surplus reserve									77,604,935	(77,604,935)	0
2. Distribution to owners (or shareholders)										(740,204,749)	(740,204,749)

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				435,642,094	423,586,890	10,222,687,885

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**				**351,560,696**	**871,027,986**	**10,586,047,583**
II. Opening balance of last year	**2,681,901,273**				**6,681,557,628**				**351,560,696**	**871,027,986**	**10,586,047,583**
III. Amount increased or decreased of last period (decrease filled out with "-")									**6,476,463**	**(405,680,752)**	**(399,204,289)**
(I) Total amount of comprehensive income										64,764,631	64,764,631
(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									6,476,463	(470,445,383)	(463,968,920)
1. Withdrawal of surplus reserve									6,476,463	(6,476,463)	0
2. Distribution to										(463,968,920)	(463,968,920)

owners (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 last period											
2. Used in last period											
(VI) Others											
IV. Closing balance of last period	**2,681,901,273**				**6,681,557,628**				**358,037,159**	**465,347,234**	**10,186,843,294**

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

Chief Accountant: ___________

III. Basic Information on the Company

1. Basic information on the Company

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

In 2015, the Company completed an exchange of assets. The asset replacement and purchase have been paid through cash payment and the issuance of new shares (issuance of 2,159,193,713 ordinary shares). After the transaction, the total share capital increased to RMB 2,681,901,273.

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

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

2. Scope of consolidated financial statements

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

IV. Basis for Preparation of Financial Statements

Basis of accounting and principle of measurement

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

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

The Group has adopted “Accounting for Business Enterprises No. 22-Financial Instruments : Recognition and Measurement” and related new financial instruments standards, issued by the Ministry of Finance (“MOF”) of the People’s Republic of China in 2017, since 1 January 2019 (see Note V.32). The group has not adopted the revises “Accounting Standard for Business Enterprises No. 14-Revenue” issued by the MOF in 2017 or the revised “Accounting Standard for Business Enterprises No. 21-Leases” issued by the MOF in 2018”.

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 (9)), inventory valuation method (Note V (10)), amortization/depreciation for fixed/intangible assets (Note V (12) (15)), condition for capitalized development expenditure (Note V (15)), revenue recognition (Note V (23)), etc.

See Note V (31) 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, 2019 to December 31, 2019.

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 (16)). 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 other comprehensive income with respect to a foreign operation is transferred to profit or loss in the period when the foreign operation is disposed.

9. Financial instruments

The Group has applied "Accounting for Business Enterprises No. 22-*Financial Instruments : Recognition and Measurement*" and related new financial instruments standards since 1 J.anuary 2019. The news standards are described herafter.
Financial instruments include cash at bank and on hand, equity securities other than those classified as long-term equity investments (see Note V (11)), 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.

A financial assets (unless it is a trade receivable without a significant financing component) and financial liabilities is 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. A trade receivable without a significant financing component is initially measured at the transaction price according to Note V.(23).

(2) Classification and subsquent measurement of financial assets

a) Classification of financial assets

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. On initial recognition, a financial asset is classified as measured at amortised cost, at fair value through other comprehensive income ("FVOCI"), or at fair value through profit or loss ("FVTPL").

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and

interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The business model refers to how the Group manages its financial assets in order to generate cash flows. That is, the Group’s business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Group determines the business model for managing the financial assets according to the facts and based on the specific business objective for managing the financial assets determined by the Group’s key management personnel.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The Group also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

b) Subsequent measurement of financial assets

- Financial assets at FVTPL

These financial assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss unless the financial assets are part of a hedging relationship.

- Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. A gain or loss on a financial asset that is measured at amortised cost and is not part of a hedging relationship shall be recognised in profit or loss when the financial asset is derecognised, through the amortisation process or in order to recognise impairment gains or losses.

- Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, impairment and foreign exchange gains and losses are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

- Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

(3) Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at FVTPL or amortised cost.

- Financial liabilities at FVTPL

A financial liability is classified as at FVTPL if it is classified as held-for-trading (including derivative financial liability) or it is designated as such on initial recognition.

Financial liabilities at FVTPL are subsequently measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss, unless the financial liabilities are part of a hedging relationship.

- Financial liabilities at amortised cost

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

(4) 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.

(5) Derecognition of financial assets and financial liabilities

Financial asset is derecognised when one of the following conditions is met:

- the Group's contractual rights to the cash flows from the financial asset expire;

- the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or

- the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

- the carrying amount of the financial asset transferred measured at the date of derecognition;

- the sum of the consideration received from the transfer and, when the transferred financial asset is a debt investment at FVOCI, any cumulative gain or loss that has been recognised directly in other comprehensive income for the part derecognised.

The Group derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is extinguished.

(6) Impairment of financial assets

The Group recognises loss allowances for expected credit loss (ECL) on:

- financial assets measured at amortised cost; and
- debt investments measured at FVOCI

Financial assets measured at fair value, including debt investments or equity securities at FVPL, equity securities designated at FVOCI and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period (including extension options) over which the group is exposed to credit risk.
Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the balance sheet date (or a shorter period if the expected life of the instrument is less than 12 months).

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the balance sheet date.

Except for trade receivables, the Group measures loss allowance at an amount equal to 12-month ECL for the following financial instruments, and at an amount equal to lifetime ECL for all other financial instruments.

- If the financial instrument is determined to have low credit risk at the balance sheet date;
- If the credit risk on a financial instrument has not increased significantly since initial recognition.

Financial instruments that have low credit risk

The credit risk on a financial instrument is considered low if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the balance sheet date with that assessed at the date of initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort, including forward-looking information. In particular, the following information is taken into account:
- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

Credit-impaired financial assets

At each balance sheet date, the Group assesses whether financial assets carried at amortised cost and debt investments at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- for economic or contractual reasons relating to the borrower's financial difficulty, the Group having granted to the borrower a concession that would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Presentation of allowance for ECL

ECLs are remeasured at each balance sheet date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt investments that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(7) Equity instrument

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

10. 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.

11. Long-term equity investments

(1) Investment cost of long-term equity investments

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

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

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

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

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

(2) Subsequent measurement of long-term equity investment

a. Investments in subsidiaries

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

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

For the impairment of the investments in subsidiaries, refer to Note V (17).

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 (17).

(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.

12. 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 (14), 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.

13. 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 (17).

14. Borrowing costs

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

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

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

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

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

15. 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 (17). For an intangible asset with finite useful life, its cost less estimated residual value and accumulated impairment losses is amortized using the straight-line method over its estimated useful life, unless the intangible asset is classified as held for sale.

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

	Amortization period
Land use right	50 years
Trademark	20-40 years
Software	3-5 years
Patents	The legal protection (10-15years) or the useful life if shorter
Technology	Expected benefit life (15-25)
Customer relationships	Expected benefit life (8-20)

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 (17). Other development expenditure is recognized as an expense in the period in which it is incurred.

16. 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 (17). 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.

17. 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

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 (17) 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.

18. 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.

19. Employee benefits

(1) Short-term employee benefits

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

(2) Profit sharing plan

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

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

(3) Post-employment benefits – defined contribution plans

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

(4) Post-employment benefits – defined benefit plans

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

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

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

(5) Long-term bonus payment

In order to retain and engage Executives Committee Members, the Group has set up a a three years period plan, based on presence and performance business plan achievement on the period (Matrix ROCE/EBITDA reviewed

annually), also based on the Company's phantom stocks and a personal co-investment
This incentive plan entitles the executives to a cash payment after three years, with business plan performance conditions. The fair values of the incentive plan payment are based on the Company's stock price at the date of the evaluation for the incentive plan.
For incentive plan do not vest until the completion of services for a period, and/or until the achievement of a specified performance condition, the Group recognizes costs or expenses as services are received, with a corresponding increase in liability, at an amount equal to the fair value of the liability based on the best estimate of the outcome of vesting. Until the liability is settled, the enterprise shall remeasure the fair value of the liability at each balance sheet date and at the date of settlement, with changes recognized in profit or loss for the current period.

One shot long-term incentive for market share introduction

In order to retain and engage high qualified executives with expertise and experience to succeed in market share introduction and share value increase, the Group has set up a one shot incentive plan based on BANG's (the Company's subsidiary, which is a Hong-Kong company) phantom stocks. This incentive plan entitles the executives to a cash payment after three years and half or four years of service, with certain performance conditions. The fair value of the incentive plan is based on BANG's share value, with reference to BAC's stock value at the date of the evaluation. The bonus will be paid out from April 1, 2018 to June 30, 2020.
For incentive plan do not vest until the completion of services for a period, and/or until the achievement of a specified performance condition, the Group recognizes costs or expenses as services are received, with a corresponding increase in liability, at an amount equal to the fair value of the liability based on the best estimate of the outcome of vesting. Until the liability is settled, the enterprise shall remeasure the fair value of the liability at each balance sheet date and at the date of settlement, with changes recognized in profit or loss for the current period.

20. 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.

21. 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.

22. 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.

23. Revenue recognition

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

(1) Sale of goods

Revenue is recognized when the general conditions stated above and the following conditions are satisfied:

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

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

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

(2) Interest income

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

24. Government grants

Government grants are non-reciprocal transfers of monetary or non-monetary assets from the government to the

Group except for capital contribution from the government in the capacity as an investor in the Group.

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

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

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

25. 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 balance sheet 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.

26. 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 (12) and V (17), 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 (14)).

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.

27. Discontinued operations

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

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

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

28. Hedge accounting

Hedge accounting is a method which recognizes in profit or loss (or other comprehensive income) the gain or loss on the hedging instrument and the hedged item in the same accounting period(s) to represent the effect of risk management.

Hedged items are the items that expose the Group to risks of changes in fair value or cash flows and that are designated as being hedged and can be reliably measured. 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 financial instrument 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 Group assesses at the inception of a hedging relationship, and on an ongoing basis, whether the hedging relationship meets the hedge effectiveness requirements. A hedging relationship is regarded as having met the hedge effectiveness requirements if all of the following conditions are satisfied:
- There is an economic relationship between the hedged item and the hedging instrument,
- The effect of credit risk does not dominate the value changes that result from the economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of the hedged item.

When a hedging relationship no longer meets the hedge effectiveness requirements due to the hedge ratio, but the risk management objective of the designated hedging relationship remains unchanged, the Group rebalances the hedging relationship. Rebalancing refers to the adjustments made to the designated quantities of the hedged item or the hedging instrument of an already existing hedging relationship for the purpose of maintaining the hedge ration that complies with the hedge effectiveness requirements.

The Group discountinues applying hedge accounting in any of the following circumstances :

- The hedging relationship no longer meets the risk management objective on the basis of which it qualified for hedge accounting.
- The hedge instrument expires or is sold, terminated or exercised.
- There is no longer an economic relationship between the hedged item and the hedging instrument or the effect of credit risk starts to dominate the value changes that result from the economic relationship.
- The hedging relationship no longer meets other criteria for applying hedge accounting.

(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 a hedging instrument that is determined to be an effective hedge is recognised directly in other comprehensive income as a cash flow hedge reserve. The amount of the cash flow hedge reserve is adjusted to the lower 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 change in the amount of the cash flow hedge reserve is recognised in other comprehensive income in each period.

The portion of the gain or loss on the hedging instrument that is determined to be ineffective is recognised in profit or loss.

If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a hedged forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value accounting is applied, the Group removes that amount from the cash flow hedge reserve and includes it in the initial costs or other carrying amount of the asset or liability.

For cash flow hedges other than those covered above, that amount is reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected guture cash flows affect profit or loss.

When the Group discountinues hedge accounting for a cash flow hedge, the amount of the accumulated cash flow hedge reserve recognised in other comprehensive income is accounted for as follows:

- If the hedged future cash flows are still expected to occur, that amount will remain in the cash flow hedge reserve, and be accounted for in accordance with the above policy.
- It the hedged cash flows are not longer expected to occur, that amount is immediately reclassified from the cash flow hedge reserve to profit or loss a reclassification adjustement.

(2) Fair value hedges

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

The gain or loss from re-measuring the hedging instrument 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 recognised hedged item not measured at fair value and is recognised in profit or loss.

Any adjustment to the carrying amount of a hedged item is amortised to profit or loss if the hedged item is a financial instrument (ora component thereof) measured at amortised cost. The amortization is based on a recalculated effective interest rate at the date that amortised begins.

29. 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.

30. 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.

31. 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 (12) and (15) and provision for impairment of various types of assets (see Notes VII (3), (5), (11), (12), (13) and (15)). Other significant accounting estimates are as follows:

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

32. Change of important accounting policies and accounting estimates

(1) Change of important accounting policies

√ Applicable ☐ Not applicable

The Group has adopted the following revised accounting standards issued by the MOF recently:

- CAS No.22 - Financial Instruments: Recognition and Measurement (Revised), CAS No.23 - Transfer of Financial Assets (Revised), CAS No.24 - Hedge Accounting (Revised) and CAS No.37 - Presentation and Disclosures of Financial Instruments (Revised) (collectively “new financial instruments standards”)
- Notice on Revision of the 2019 Illustrative Financial Statements (Caikuai [2019] No.6)
- Notice on Revision of the 2019 Consolidation Financial Statements (Caikuai [2019] No.16)
- CAS No.7 – Exchange of Non-monetary Assets (Revised) (“CAS 7 (2019)”)
- CAS No.12 – Debt Restructuring (Revised) (“CAS 12 (2019)”)

The Group has applied the above new/revised regulations and interpretations since 1 January 2019 and adjusted the related accounting policies.

Major impacts of the adoption of the above new/revised regulations and interpretations are as follows:

a. Presentation of financial statements

The Group has prepared financial statements for the period ended 31 december 2019 in accordance with the presentation format of the financial statements specified in Caikuai [2019] No.6 related interpretation. The Group has applied the new presentation requirements retrospectively.

Affected assets and liabilities items in the consolidated balance sheet and company balance sheet as at 31 December 2018:

	The Group		
	Before adjustment	Adjustment	After Adjustment
Notes receivable & Accounts receivable	1,655,198,111	(1,655,198,111)	0
Accounts receivable	0	1,655,198,111	1,655,198,111
Notes payable & accounts payable	1,225,671,845	(1,225,671,845)	0
Accounts payable	0	1,225,671,845	1,225,671,845
Other current liabilities	20,449,970	(13,412,022)	7,037,948
Deferred income	167,318,650	13,412,022	180,730,672
Total		**0**	

(2) Change of important accounting estimates

☐ Applicable √ Not applicable

(3) Adjustments of relevant opening accounts when first implementation of the new financial instruments standards, new revenue standards and new leases standards.

(a) New financial instrument standards

New financial instruments standards revise CAS No.22 - Financial instruments: Recognition and measurement, CAS No.23 - Transfer of Financial assets and CAS No.24 - Hedging issued by the MOF in 2006 and CAS No.37 - Presentation and Disclosures of Financial Instruments (collecting "previous financial instruments standards") issued by the MOF in 2014.

New financial instruments standards contain three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under new financial instruments standards is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. New financial instruments standards cancel the previous categories of held to maturity investments, loans and receivables and available for sale financial assets under previous financial instruments standards. Under new financial instruments standards, derivatives embedded in contracts where the host is a financial asset are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

The adoption of new financial instruments standards have not had a significant effect on the Group's accounting policies for financial liabilities.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2019.

New financial instruments standards replace the "incurred loss" model in previous financial instruments standards with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in previous financial instruments standards.

The Group applies the new ECL model to the following items:
- financial assets measured at amortised cost;
- and
- debt investments measured at FVOCI

The new ECL model do not apply to investments in equity instruments.

Except for certain circumstances, the Group has applied the classification and measurement requirements (including impairment) of new financial instruments standards retrospectively. The Group recognized any difference between the previous carrying amount under previous financial instruments standards and the carrying amount at the beginning of the annual reporting period that includes the date of initial application (on 1 January 2019) in the opening retained earnings or other comprehensive income. Comparative information has not been restated.

The impact of adoption new financial instruments standard on the consolidated and company balance sheets after retrospective adjustments in accordance with Caikuai [2019] No.6 and Caikuai [2019] No.16 are summarised as follows

Consolidated Balance Sheet

Unit: Yuan Currency: RMB

	2018/12/31	**2019/01/01**	**Adjustment amount**
Current Assets:			
Cash at bank and on hand	5,282,336,110	5,282,336,110	
Financial assets held for trading	0	0	
Financial assets at fair value through profit or loss	0	0	
Derivative financial assets	6,772,220	6,772,220	
Notes receivable	0	0	
Accounts receivable	1,655,198,111	1,655,198,111	
Advances to suppliers	46,697,860	46,697,860	
Other receivables	40,992,988	40,992,988	
Including: interest receivable	12,600,350	12,600,350	
dividend receivable	0	0	
Inventories	1,769,193,112	1,769,193,112	
Contract assets	0	0	
Other current assets	583,989,258	583,989,258	
Total current assets	**9,385,179,659**	**9,385,179,659**	
Non-current Assets:			
Available-for-sale financial assets	25,627,615	0	(25,627,615)
Debt investments	0	0	
Other debt investments	0	0	
Long-term receivables	59,891,031	59,891,031	
Long-term equity investments	0		
Investments in other equity instruments	0	16,964,196	16,964,196
Other non-current financial assets	0	8,663,419	8,663,419
Investment properties	0	0	
Fixed assets	6,346,723,686	6,346,723,686	
Construction in progress	1,410,987,041	1,410,987,041	
Construction materials	0	0	
Fixed assets pending for disposal	0	0	
Right-of-use assets	0	0	
Intangible assets	2,277,382,580	2,277,382,580	

	2018/12/31	2019/01/01	Adjustment amount
Development costs	88,608,667	88,608,667	
Goodwill	1,626,099,606	1,626,099,606	
Long-term prepaid expenses	0	0	
Deferred tax assets	143,248,146	143,248,146	
Other non-current assets	89,614,318	89,614,318	
Total non-current assets	**12,068,182,690**	**12,068,182,690**	
TOTAL ASSETS	**21,453,362,349**	**21,453,362,349**	
Current Liabilities:			
Short-term borrowings	0	0	
Financial liabilities held for trading	0	0	
Financial liabilities at fair value through profit or loss	0	0	
Derivative financial liabilities	67,384,765	67,384,765	
Notes payable	0	0	
Accounts payable	1,225,671,845	1,225,671,845	
Advances from customers	7,076,771	7,076,771	
Contract liabilities	0	0	
Wages and benefits payable	412,554,992	412,554,992	
Taxes payable	207,006,243	207,006,243	
Other payables	480,809,430	480,809,430	
Including: interest payable	5,731,676	5,731,676	
dividends payable	3,531,285	3,531,285	
Current portion of non-current liabilities	135,567,900	135,567,900	
Other current liabilities	7,037,948	7,037,948	
Total current liabilities	**2,543,109,894**	**2,543,109,894**	
Non-current Liabilities:			
Long-term borrowings	30,592,778	30,592,778	
Lease liabilities	0	0	
Long-term payables	8,350,312	8,350,312	
Long-term employee benefits payable	424,096,220	424,096,220	
Special payables	0	0	
Provisions	1,630,551	1,630,551	
Deferred income	180,730,672	180,730,672	
Deferred tax liabilities	866,478,848	866,478,848	
Other non-current liabilities	0	0	
Total non-current liabilities	**1,511,879,381**	**1,511,879,381**	
Total liabilities	**4,054,989,275**	**4,054,989,275**	
SHAREHOLDERS' EQUITY:			
Paid-in capital	2,681,901,273	2,681,901,273	
Other equity instruments			
Capital reserve	2,179,598,513	2,179,598,513	
Other comprehensive income	(455,324,355)	(455,324,355)	
Special reserve	0	0	
Surplus reserve	358,037,159	358,037,159	
Undistributed profits	8,838,211,161	8,838,211,161	
Total equity attributable to equity holders of the Company	**13,602,423,751**	**13,602,423,751**	
Non-controlling interests	3,795,949,323	3,795,949,323	
Total owners' equity	**17,398,373,074**	**17,398,373,074**	
TOTAL LIABILITIES AND OWNERS' EQUITY	**21,453,362,349**	**21,453,362,349**	

Explanation on adjustment items:

☑Applicable ☐ Not applicable

On January 1, 2019, Adisseo began to apply the new financial instrument standards, and according to the new financial instrument standards guidelines, for the equity investments originally classified as available for sale financial assets was designated as fair value through other comprehensive income, therefore these equity investments were classified to investments in other equity instruments. However, according to the new financial instrument standards, units in mutual funds are not eligible to the option for fair value through other comprehensive income measurement; they are now measured at fair value through profit or loss.

Balance Sheet of the Company

Unit: Yuan Currency: RMB

Item	2018/12/31	2019/01/01	Adjustment amount
Current Assets:			
Cash at bank and on hand	2,697,734,689	2,697,734,689	
Financial assets held for trading			
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable			
Accounts receivable			
Advances to suppliers	79,652	79,652	
Other receivables	32,320,615	32,320,615	
Including: interest receivable	12,310,000	12,310,000	
dividend receivable	20,010,615	20,010,615	
Inventories			
Contract assets			
Assets held for sale			
Other current assets			
Total Current Assets	2,730,134,956	2,730,134,956	
Non-current Assets:			
Available-for-sale financial assets			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	7,492,295,416	7,492,295,416	
Investments in other equity instruments			
Other non-current financial assets			
Investment properties			
Fixed assets	53,339	53,339	
Construction in progress			
Construction materials			
Fixed assets pending for disposal			
Right-of-use assets			
Intangible assets	10,808	10,808	
Development costs			
Goodwill			
Long-term prepaid expenses			
Deferred tax assets			
Other non-current assets	2,726,153	2,726,153	
Total Non-current Assets	7,495,085,716	7,495,085,716	
Total Assets	**10,225,220,672**	**10,225,220,672**	
Current Liabilities:			
Short-term borrowings			
Financial liabilities held for trading			
Financial liabilities at fair value through profit or loss			

Derivative financial liabilities			
Notes payable			
Accounts payable			
Advances from customers			
Contract liabilities			
Wages and benefits payable	84,000	84,000	
Taxes payable	79,487	79,487	
Interest payable			
Dividends payable			
Other payables	38,213,891	38,213,891	
Including: interest payable			
dividend payable			
Liabilities held for sale			
Current portion of non-current liabilities			
Other current liabilities			
Total Current Liabilities	38,377,378	38,377,378	
Non-current Liabilities:			
Long-term borrowings			
Notes payables			
Lease liabilities			
Long-term payables			
Long-term employee benefits payable			
Special payables			
Provisions			
Deferred income			
Deferred tax liabilities			
Other non-current liabilities			
Total Non-current Liabilities			
Total Liabilities	38,377,378	38,377,378	
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 reserve			
Surplus reserve	358,037,159	358,037,159	
Undistributed profits	465,347,234	465,347,234	
Total Owners' Equity	**10,186,843,294**	**10,186,843,294**	
Total Liabilities And Owners' Equity	**10,225,220,672**	**10,225,220,672**	

(i) Impact of re-classification

On January 1, 2019, Adisseo began to apply the new financial instrument standards, and according to the new financial instrument standards guidelines, for the equity investments originally classified as available for sale financial assets was designated as fair value through other comprehensive income, therefore these equity investments were classified to investments in other equity instruments. However, according to the new financial instrument standards, units in mutual funds are not eligible to the option for fair value through other comprehensive income measurement; they are now measured at fair value through profit or loss.

The results of classification and measurement of financial assets in accordance with the original financial instrument standards and the new financial instrument standards are compared as follows:

the original financial instrument standards (Dec 31, 2018)			the new financial instrument standards (Jan 01, 2019)		
Item	Measurement category	Book value	Item	Measurement category	Book value
Cash at bank and on hand	Amortised cost (Loans and receivables)	5,282,336,110	Cash at bank and on hand	Amortised cost	5,282,336,110
Derivative financial assets	Fair value through profit or loss (Hedge instruments)	6,772,220	Derivative financial assets	Fair value through profit or loss (Standards required)	6,772,220
Accounts receivable	Amortised cost (Loans and receivables)	1,655,198,111	Accounts receivable	Amortised cost	1,655,198,111
Other receivables	Amortised cost (Loans and receivables)	40,992,988	Other receivables	Amortised cost	40,992,988
Available-for-sale financial assets	Cost (Equity investments)	25,627,615	Other non-current financial assets	Fair value through profit or loss (Standards required)	8,663,419
			Investments in other equity instruments	Fair value through other comprehensive income	16,964,196
Long-term receivables	Amortised cost (Loans and receivables)	59,891,031	Long-term receivables	Amortised cost	59,891,031

The adjustment of the book value of the original financial assets to the book value of the new financial assets classified and measured in accordance with the new financial instruments is as follows

	Book value in accordance with the original financial instrument standards (Dec 31, 2018)	Reclassification	Remeasurement	Book value in accordance with the new financial instrument standards (Jan. 1, 2019)
Amortised cost				
Cash at bank and on hand				
Balance in accordance with the original financial instrument standards and the new financial instrument standards	5,282,336,110	-	-	5,282,336,110
Accounts receivable				
Balance in accordance with the original financial instrument standards and the new financial instrument standards	1,655,198,111	-	-	1,655,198,111
Other receivables				
Balance in accordance with the original financial instrument standards and the new financial instrument standards	40,992,988	-	-	40,992,988
Long-term receivables				
Balance in accordance with the original financial instrument standards and the new financial instrument standards	59,891,031	-	-	59,891,031

Total financial assets measured at amortized cost	**7,038,418,240**	**-**	**-**	**7,038,418,240**
Fair value through profit or loss				
Derivative financial assets				
Balance in accordance with the original financial instrument standards and the new financial instrument standards	6,772,220	-	-	6,772,220
Other non-current financial assets				
Balance in accordance with the original financial instrument standards	-	-	-	-
Add：transfered from available for sale financial assets (original financial instruments criteria)	-	8,663,419	-	
Balance in accordance with the new financial instrument standards				8,663,419
Total financial assets measured at fair value through profit or loss	**6,772,220**	**8,663,419**	**-**	**15,435,639**

	Book value in accordance with the original financial instrument standards (Dec 31, 2018)	Reclass	Remeasure	Book value in accordance with the new financial instrument standards (Jan. 1, 2019)
Fair value through other comprehensive income				
Investments in other equity instruments				
Balance in accordance with the original financial instrument standards	-			
Add:Transfer in from available for sale financial assets (original financial instruments criteria)	-	16,964,196	-	
Balance in accordance with the new financial instrument standards				16,964,196
Available-for-sale financial assets				
Balance in accordance with the original financial instrument standards	25,627,615			
Minus:Transfer out to as required must be classified as measured at fair value though profits and losses (new financial instrument standards)		8,663,419	-	
Minus：Transfer out to classified as measured at fair		16,964,196	-	

value though other comprehensive income (new financial instrument standards)				
Balance in accordance with the new financial instrument standards				-
Total financial assets measured at fair value through other comprehensive income	25,627,615	(8,663,419)	-	16,964,196

(ii) Impact of expected credit loss model

As at December 31, 2019, no significant impact has been identified.

(iii) Hedge accounting

On January 1, 2019, the Group has evaluated the impact of new financial instruments standards on hedge accounting. As the determined impact is not significant, the financial statements have not been restated at the beginning of the annual period.

The Group has applied the following new accounting policy on hedge accounting.
Therefore, Spot rate documentation is used for forward and, intrinsic value documentation for optional derivatives instruments (Intrinsic value is defined based on the spot method. Time value is excluded from the hedging relationship), in order to maximize the hedging relationship effectiveness and neutralize the time value volatility in the P&L.

- Intrinsic value
When the hedging instrument is documented in Cash Flow Hedge (CFH) on an intrinsic value basis, changes in the fair value of the intrinsic value are recognized in OCI and reclassified on P&L in the same period which the hedged item affect the P&L or recognized as an adjustment to the basis of a non-financial item (not concerned) .
When the hedging is documented in Fair Value Hedge (FVH) on an intrinsic value basis, changes in the fair value of intrinsic value are recognized in P&L.

- Time value of options (premiums)
The Group designates only the change in Fair Value of the intrinsic value of a purchased option in a Fair Value Hedge or in Cash Flow Hedge as the hedging instrument. The time value is excluded of the hedging documentation and is separately accounted for as a “cost of hedging”. Therefore, the change in fair value is recognized in OCI. The hedged items (future sales and trade receivables) are both transaction and time period related. The Group applies the transaction related approach and recognize the initial time value of the option (premium) in P&L at the settlement of the derivative.

- Forward points
The Group designates only the change in Fair Value of the intrinsic value of a forward contract in Fair Value Hedge or in Cash Flow Hedge as the hedging instrument. The time value is excluded of the hedging documentation and is separately accounted for as a “cost of hedging”. Therefore, the change in fair value is recognized in OCI. The hedged items (future sales and trade receivables) are both transaction and time

period related. The Group applies the transaction related approach and recognize the initial time value of forward points in P&L at the settlement of the derivative.

- **impacts of adopting the CAS 7 (2019) and CAS 12**

a) CAS 7 (2019)

CAS 7 (2019) further clarifies the scope of the standard, specifies the timing for recognition of assets received and derecognition of assets given up, and the accounting treatment for cases in which the timing of recognition and derecognition are inconsistent. The standard modifies the principle of measurement for multiple assets received or given up simultaneously in exchanges of non-monetary assets measured at fair value. It also requires the disclosure of whether exchanges of non-monetary assets have commercial substance and the reasons why they do or do not have commercial substance.
The effective date of CAS 7 (2019) is 10 June 2019. Exchanges of non-monetary assets that occurred between 1 January 2019 and the effective date shall be adjusted according to CAS 7 (2019). Retrospective adjustment is not required for exchanges of non-monetary assets prior to 1 January 2019. [According to the requirements of article 15 of CAS 28, an entity is required to disclose the impact of changes in its accounting policies.][The adoption of CAS 7 (2019) has no material effect on the financial position and financial performance of the Group.]

(b) CAS 12 (2019)

CAS 12 (2019) modifies the definition of debt restructuring to specify the scope of this standard, as well as the application of relevant financial instruments standards with respect to the recognition, measurement and presentation of financial instruments involved in debt restructuring. For debt restructuring in which a debt is settled by the transfer of assets, CAS 12 (2019) modifies the principle of measurement for initial recognition of non-financial assets received by the creditor, and gains or losses of the debtor from debt restructuring are recognised without distinguishing whether they are gains or losses from asset transfer or debt restructuring. For debt restructuring in which a debt is settled by the issuance of equity instruments to the creditor, CAS 12 (2019) revises the principle of measurement for initial recognition of its share of equity by the creditor, and provides more guidance on the principle of measurement for initial recognition of equity instruments by the debtor.
The effective date of CAS 12 (2019) is 17 June 2019. Debt restructuring that occurred between 1 January 2019 and the effective date shall be adjusted according to CAS 12 (2019). Retrospective adjustment is not required for debt restructuring prior to 1 January 2019. [According to the requirements of article 15 of CAS 28, an entity is required to disclose the impact of changes in its accounting policies.][The adoption of CAS 12 (2019) has no material effect on the financial position and financial performance of the Group.]

VI. Taxes

1. Main tax type and tax rate

√ Applicable Not applicable

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

Category	Tax base	Tax rate
(1) Enterprise income tax	Taxable income	15% to 34.43%
(2) Value added tax (“VAT”)	Taxable value added amount (Tax payable is calculated using the taxable sales amount multiplied by the effective tax rate less deductible VAT input of current period)	5% to 21%
(3) Business tax	Taxable turnover (for French affiliates)	1.5%
(4) Stamp tax	Taxable sales amount, transactions between shareholders, Property,…	0.02% to 2%
(5) Property tax	Rental value (France) or cost of the property (China)	0 to 1.2%

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

Name of the company	Enterprise income tax rate
Adisseo France S.A.S	34.43%
Adisseo Espana S.A.	25%
Bluestar Adisseo Company	25%
Bluestar Adisseo Nanjing Co., Ltd	15%
Adisseo Life Science (Shanghai) Co., Ltd	25%
Adisseo USA Inc.	21%
Adisseo Brasil Nutriçao Animal Ltd	34%
Nutriad Europe N.V.	28.8%

2. Tax preferences

The Group have a new tax preferences in BANC, Nanjing and the tax rate decrease from 25% to 15% in 2019. In December BANC receive officially publication from JiangSu science and technology committee for second batch name list of high new technology enterprises and BANC have the qualification on the HNTE.

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	5,295,065,807	5,282,336,110
Other monetary funds		
Total	**5,295,065,807**	**5,282,336,110**

As at December 31, 2019 and December 31, 2018, no restricted funds within the Group.

2. Derivative financial assets

√ Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Ending balance	Opening balance
Derivative financial instruments held at fair value through profit or loss		
Cash flow hedge instruments	6,299,293	6,254,298
Fair value hedge instrument	1,484,945	517,922
Total	**7,784,238**	**6,772,220**

3. Accounts receivable

Items		Closing balance	Opening balance
Accounts receivable	(2)	1,537,943,360	1,655,198,111
Total		1,537,943,360	**1,655,198,111**

(1) Accounts receivable by customer type are as follows Accounts receivable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Accounts receivable for related parties	9,425,493	9,514,036
Accounts receivable from third parties	1,579,130,841	1,693,831,478
Less: provision for bad debts	50,612,974	48,147,403
Total	**1,537,943,360**	**1,655,198,111**

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

Unit: Yuan Currency: RMB

The ageing is counted starting from the date when accounts receivable are recognised	Closing balance	Opening balance
Within 1 year	1,548,046,920	1,646,157,290
1 to 2 years	3,987,642	15,930,735
Over 2 years	36,521,772	41,257,489
Subtotal	1,588,556,334	1,703,345,514
Less: provision for bad debts	50,612,974	48,147,403
Total	**1,537,943,360**	**1,655,198,111**

Ageing is counted starting from the date when accounts receivable are recognised.

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

√ Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Amounts incurred in the current period	Amounts incurred in the previous period
Balance at the beginning of the year	48,147,403	22,298,216
Addition during the year	8,023,154	6,863,985
Recovery or reversal during the year	(3,847,735)	(3,638,833)
Write-off during the year	(1,508,915)	(294,234)
Currency translation difference	(200,933)	(1,387,431)
Acquisition of subsidiary companies or businesses	0	24,305,700
Balance at the end of the year	**50,612,974**	**48,147,403**

Important recovery or reversal of provision for bad and doubtful debt during the period:

Applicable √ Not applicable

(4) Accounts receivable by provisioning method

Unit: Yuan Currency: RMB

Category	2019					2018				
	Book Value		Provision for bad and doubtful debts		Carrying amount	Book Value		Provision for bad and doubtful debts		Carrying amount
	Amount	Percentage	Amount	Percentage		Amount	Percentage	Amount	Percentage	
Individual Assessment										
Collective Assessment	1,588,556,334	100%	50,612,974	100%	1,537,943,360	1,703,345,514	100%	48,147,403	100%	1,655,198,111
Total	**1,588,556,334**	**100%**	**50,612,974**	**100%**	**1,537,943,360**	**1,703,345,514**	**100%**	**48,147,403**	**100%**	**1,655,198,111**

a. Addition, recovery or reversal of provision for bad and doubtful debts during the period

At all times the Group measures the impairment loss for accounts receivable at an amount equal to lifetime ECLs, and the ECLs are based on the number of overdue days and the loss given default. According to the historical experience of the Group, there are no significant differences in the losses of different customer groups. Therefore, different customer groups are no further distinguished when calculating impairment loss based on the overdue information.

Current Period

Unit: Yuan Currency: RMB

	Provision rate (Impairment loss/ Book value)	*Book value at the end of the period*	*Impairment loss at the end of the period*
Current	0%	1,440,024,488	0
Past due within 60 days	0%	80,928,006	0
[61] - [90] days past due	5.9%	6,919,006	408,209
[91] - [180] days past due	55.79%	6,745,419	3,763,209
Over [180] days past due	86.10%	53,939,415	46,441,556
Total		**1,588,556,334**	**50,612,974**

(5) Write-off during the period

√ Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Write-off amount
Write-off amount in accounts receivable	(1,508,915)

Important write-off of provision for bad and doubtful debit during the period:
Applicable √ Not applicable

(6) Top five accounts receivable by debtors

The top five accounts receivable in the group's year-end balance total is RMB 376,496,260, accounting for 23.7% of the total year-end balance of accounts receivable, and the total year-end balance of bad debt reserves accrued is RMB 31,262.

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

Adisseo Group derecognizes receivables for which the contractual rights to receive the cash flows have been transferred along with substantially all of the risks and rewards of ownership. Transferred receivables are not derecognized when the default risk is retained by the Group. Costs incurred in transferring a receivable are recognized in financial expenses.
As at December 31, 2019, the derecognized account receivables amounted to RMB 123,260,552 (2018: RMB 118,108,887). Cost incurred and recognized as financial expenses amounted to RMB 314,186 (2018: RMB 296,913).

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	57,906,329	95.14%	44,014,345	94.26%
1-2 years	1,593,082	2.62%	1,631,902	3.49%
2-3 years	423,563	0.70%	1,003,683	2.15%
More than 3 years	939,097	1.54%	47,930	0.10%
Total	**60,862,071**	**100%**	**46,697,860**	**100%**

As at December 31, 2019, the advances to suppliers with an account age of more than one year were RMB 2,955,742 (Dec. 31, 2018: RMB 2,683,515), 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	17,156,435	28.19%

5. Inventories

(1) Inventories by category

Unit: Yuan Currency: RMB

Items	Closing balance			Opening balance		
	Book value	Provision for decline in value of	Carrying amount	Book value	Provision for decline in value of	Carrying amount

		inventories			inventories	
Raw materials	484,790,922	25,443,868	459,347,054	480,744,383	29,009,250	451,735,133
Work in progress	147,682,001	7,502,880	140,179,121	136,632,719	8,836,060	127,796,659
Finished goods	1,093,087,360	14,237,853	1,078,849,507	1,218,543,648	28,882,328	1,189,661,320
Total	**1,725,560,283**	**47,184,601**	**1,678,375,682**	**1,835,920,750**	**66,727,638**	**1,769,193,112**

At the period end, the inventories pledged as security by the Group amounted to RMB 0 (2018: RMB 0).

(2) Provision for impairment of inventories

Current Period

Unit: Yuan Currency: RMB

Items	Opening balance	Increase in the current period	Decreased in the current period		Currency translation difference	Acquisition of subsidiary companies and businesses	Closing balance
		Provision	Reversal or write-off	Others			
Raw materials	29,009,250	1,567,566	(5,003,856)		(129,092)		25,443,868
Work in progress	8,836,060	2,231,658	(3,513,510)		(51,328)		7,502,880
Finished goods	28,882,328	9,622,474	(23,995,535)		(271,414)		14,237,853
Total	**66,727,638**	**13,421,698**	**(32,512,901)**		**(451,834)**		**47,184,601**

Last Period

Unit: Yuan Currency: RMB

Items	Opening balance	Increase in the current period	Decreased in the current period		Currency translation difference	Acquisition of subsidiary companies and businesses	Closing balance
		Provision	Reversal or write-off	Others			
Raw materials	25,490,340	2,272,694	(489,822)	0	158,701	1,577,337	29,009,250
Work in progress	6,304,258	2,481,799	0	0	50,003	0	8,836,060
Finished goods	16,345,819	25,931,774	(13,566,742)	0	171,477	0	28,882,328
Total	**48,140,417**	**30,686,267**	**(14,056,564)**	**0**	**380,181**	**1,577,337**	**66,727,638**

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

6. Other current assets

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Value added tax deductible	238,729,928	316,096,979
Income tax receivable	142,250,435	267,892,279
Total	**380,980,363**	**583,989,258**

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				25,627,615		25,627,615
Measured at fair value						
Measured at cost				25,627,615		25,627,615
Total				**25,627,615**	**0**	**25,627,615**

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

Applicable √ Not applicable

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	62,750,521		62,750,521	59,889,391		59,889,391	
Loans to suppliers	1,633		1,633	1,640		1,640	
Others	0		0	0		0	
Total	**62,752,154**	**0**	**62,752,154**	**59,891,031**	**0**	**59,891,031**	

As at December 31, 2019, the part due within one year was RMB 1,688,148 (as at December 31, 2018 it was RMB 1,027,996).

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

☐ Applicable √ Not applicable

9. Investments in other equity instruments

√ Applicable Not applicable

(1) Details of investments in other equity instruments

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Alderys S.A.S	781,550	784,730
Osiris G.I.E	1,963,590	1,971,579

Well Eating Sustainable Territory S.A.S		23,542
Nor-Feed Holding S.A.S	7,815,422	7,847,222
Metabolium Ltd.		3,923,681
Applifarm S.A.S		1,569,397
Other	919,087	844,045
Total	**11,479,649**	**16,964,196**

(2) Details of equity investments held not for sale

√ Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Dividend income recognized in the current period	Accumulated gains	Accumulated losses	Other comprehensive income transfers to retained earnings	The reason to designate these investments as fair value through other comprehensiveincome	The reason that Other comprehensive income transfers to retained earnings
Metabolium Ltd.			(3,861,031)	3,861,031	The equity investment that is not held for trading	The company is unable to operate continuously, no possibility to get back the investment
Applifarm SAS			(1,544,338)		Management decision	
Well Eating Sustainable Territory S.A.S			(23,542)		Management decision	

10. Other non-current financial assets

√ Applicable Not applicable

Unit: Yuan Currency: RMB

Items		Closing balance	Opening balance
Animal feed & health Venture Fund (AFV FCPI)		32,676,606	8,663,419
Total		**32,676,606**	**8,663,419**

11. Fixed assets

(1) Fixed assets

Unit: Yuan Currency: RMB

Items	Houses and buildings	Freehold land	Machinery equipment and Others	Total
I. Original book value				
1. Opening balance	2,904,455,832	103,296,364	8,922,243,139	11,929,995,335
2. Increase in current period				
1) Purchasing	14,323,453	77,220	87,434,889	101,835,562
2) Transfer from construction	363,252,481		1,415,540,422	1,778,792,903

Items	Houses and buildings	Freehold land	Machinery equipment and Others	Total
in process				
3) Acquisition of subsidiary companies and businesses				
4) Others increase				
3. Decrease in current period				
1) Disposal or retirement	(115,659,580)		(136,584,061)	(252,243,641)
2) Disposal of subsidiary companies and businesses				
3) Other decrease	(3,704,604)		3,704,604	
4. Currency translation	(3,109,443)	(417,658)	(12,815,108)	(16,342,209)
5. Closing balance	**3,159,558,139**	**102,955,926**	**10,279,523,885**	**13,542,037,950**
II. Accumulated depreciation				
1. Opening balance	(839,799,276)		(4,604,865,450)	(5,444,664,726)
2. Increase in current period				
1) Current period depreciation	(130,672,566)		(626,390,865)	(757,063,431)
2) Other				
3) Acquisition of subsidiary companies and businesses				
3. Decrease in current period				
1) Disposal or retirement	30,541,410		134,616,188	165,157,598
2) Disposal of subsidiary companies and businesses				
3) Other decrease	3,704,604		(3,704,604)	
4. Currency translation	1,421,620		14,136,287	15,557,907
5. Closing balance	**(934,804,208)**		**(5,086,208,444)**	**(6,021,012,652)**
III. Impairment reserve				
1. Opening balance			(138,606,923)	(138,606,923)
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			(2,970,860)	(2,970,860)
5. Closing balance			**(141,577,783)**	**(141,577,783)**
IV. Carrying amount				
1. Closing carrying amount	**2,224,753,931**	**102,955,926**	**5,051,737,658**	**7,379,447,515**
2. Opening carrying amount	2,064,656,556	103,296,364	4,178,770,766	6,346,723,686

(2) Temporarily idle fixed assets

There are no significant temporarily idle fixed assets.

(3) Fixed assets held under finance lease

√ Applicable Not applicable

Current period

Unit: Yuan Currency: RMB

Items	Original book value	Accumulated depreciation	Impairment reserve	Book value
Buildings	23,235,482	(13,450,476)		9,785,006
Machinery equipment	0	0		0
Total	**23,235,482**	**(13,450,476)**	**0**	**9,785,006**

Last period

Unit: Yuan Currency: RMB

Items	Original book value	Accumulated depreciation	Impairment reserve	Book value
Buildings	32,825,923	(21,949,565)		10,876,358
Machinery equipment	445,723	(392,754)		52,969
Total	**33,271,646**	**(22,342,319)**	**0**	**10,929,327**

(4) Fixed assets held under operating lease

☐ Applicable √ Not applicable

(5) Fixed assets held with unattained certificate

☐ Applicable √ Not applicable

12. Construction in progress

Unit: Yuan Currency: RMB

Items		Closing balance	Opening balance
Construction in progress	(1)	612,534,221	1,410,987,041
Construction materials	(2)		
Total		**612,534,221**	**1,410,987,041**

(1) Construction in progress

√ Applicable Not applicable

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				815,489,062		815,489,062
Project F				178,689,337		178,689,337
Project G				29,842,069		29,842,069
Project H	86,346,000		86,346,000			
Project I	57,609,614		57,609,614			
Others	468,578,607		468,578,607	386,966,573		386,966,573
Total	**612,534,221**		**612,534,221**	**1,410,987,041**	**0**	**1,410,987,041**

a. Movements of major construction projects in progress during the period

√ Applicable Not applicable

Current period

Unit: Yuan Currency: RMB

Project name	Budget	Opening balance	Increase in current period	Transfer to fixed assets	Currency translation differences	Acquisition of subsidiary companies and businesses	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	859,705,000	815,489,062	21,026,234	(823,494,157)	(13,021,139)			96%	100%				100% equity
Project F	380,000,000	178,689,337	93,675,000	(272,364,337)	-			72%	100%				100% equity
Project G	462,577,873	29,842,069	239,233,000	(269,075,069)	-			58%	100%				100% equity
Project H	3,499,803,000		86,346,000	-	-		86,346,000	2%	2%				100% equity
Project I	78,389,465		56,920,406	-	689,208		57,609,614	73%	73%				100% equity

Others		386,966,573	495,653,242	(413,859,340)	(181,868)		468,578,607						100% equity
Total	**5,280,475,338**	**1,410,987,041**	**992,853,882**	**(1,778,792,903)**	**(12,513,799)**		**612,534,221**						

b. Provision for impairment of construction in progress

Applicable √ Not applicable

Unit: Yuan Currency: RMB

Items	Amounts incurred in the current period	Reason for provision
Project E	0	
Project F		
Project G		
Others		
Total	**0**	

(2) Construction materials

Applicable √ Not applicable

13. 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	716,334,762	460,843,954	1,091,515,725	1,488,612,230	358,554,737	**4,226,638,408**
2. Increase in current period							-
1) Purchasing	42,367,120		555,274			48,554,495	**91,476,889**
2) Transferred from construction in process							-
3) Acquisition of subsidiary companies and businesses							-
4) Other increase							-
3. Decrease in current period							
1) Disposal			(5,366,790)			(25,289,629)	**(30,656,419)**
2) Disposal of subsidiary companies and businesses							-
3) Other decrease							
4. Currency translation		518,986	(2,251,165)	(137,503)	11,655,409	2,214,034	**11,999,761**
5. Closing balance	**153,144,120**	**716,853,748**	**453,781,273**	**1,091,378,222**	**1,500,267,639**	**384,033,637**	**4,299,458,639**
							-

II. Accumulated amortization							
1. Opening balance	(19,218,550)	(179,496,242)	(420,827,097)	(450,377,680)	(639,086,887)	(240,249,372)	**(1,949,255,828)**
2. Increase in current period							
1) Current period depreciation	(2,622,570)	(18,915,923)	(4,514,621)	(44,526,936)	(99,079,388)	(50,476,615)	**(220,136,053)**
2) Others increase							-
3) Acquisition of subsidiary companies and businesses							-
3. Decrease in current period							
1) Disposal						25,266,661	**25,266,661**
2) Disposal of subsidiary companies and businesses							-
3) Other decrease							
4. Currency translation		(36,370)	2,029,445	41,029	(1,186,420)	(1,473,995)	**(626,311)**
5. Closing balance	**(21,841,120)**	**(198,448,535)**	**(423,312,273)**	**(494,863,587)**	**(739,352,695)**	**(266,933,321)**	**(2,144,751,531)**
							-
III. Impairment reserve							-
1. Opening balance							-
2. Increase in current period							-
1) Current period depreciation							-
3. Decrease in current period							-
1) Disposal of subsidiary companies and businesses							-
4. Currency translation							-
5. Closing balance							
IV. Carrying amount							
1. Closing carrying amount	**131,303,000**	**518,405,213**	**30,469,000**	**596,514,635**	**760,914,944**	**117,100,316**	**2,154,707,108**
2. Opening carrying amount	91,558,450	536,838,520	40,016,857	641,138,045	849,525,343	118,305,365	**2,277,382,580**

(2) Land use rights held with unattained certificate

Applicable √ Not applicable

14. Development costs

√ Applicable Not applicable

Current period

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	88,608,667	4,177,602	0	0	(12,694,968)	0	(462,204)	79,629,097
Total	**88,608,667**	**4,177,602**	**0**	**0**	**(12,694,968)**	**0**	**(462,204)**	**79,629,097**

15. Goodwill

√ Applicable Not applicable

(1) Changes in goodwill

Current period

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")	733,652,991	-	-	(3,403,525)	730,249,466
Specialties	698,880,538	-	-	(2,401,600)	696,478,938
Innov'ia S.A. ("Innov'ia")	193,566,077	-	-	(784,398)	192,781,679
Total	**1,626,099,606**	**-**	**-**	**(6,589,523)**	**1,619,510,083**

The Goodwill on Drakkar Group S.A. concerns Performance Products. The Goodwill of Innov'ia is related to the services of processing powder included in the Other products segment. The Goodwill on specialties is related to the acquisition of Nutriad during the year 2018.

(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")							
Specialties							
Innov'ia S.A. ("Innov'ia")							
Total	**0**						**0**

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	Specialities
Growth rate of sales	3.5%	2.0%	2.5%
Operating margin	33.7%	33.9%	46.2%
Discount rate	9.0%	9.0%	9.0%

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.

16. 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 tax assets
Deductible losses	151,802,273	43,901,217	252,123,947	76,071,321
Accrued expenses	126,079,510	36,462,194	105,164,660	26,064,051
Balance in fair value of derivative financial instruments	1,783,620	515,823	66,356,816	21,245,688
Property plant equipment and intangible assets	48,857,899	14,129,704	72,113,819	21,324,322
Unrealized profits of internal transactions	216,626,372	62,648,347	198,670,304	49,819,599
Payroll	316,730,525	91,598,468	290,097,078	88,648,406
Others	38,725,924	11,197,759	20,479,200	7,352,885
Total before offsetting	**900,606,123**	**260,453,512**	**1,005,005,824**	**290,526,272**

(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	3,315,988,279	958,983,810	3,737,400,861	1,007,378,010
Balance in fair value of derivative financial instruments	8,296,537	2,399,359	7,094,353	2,271,612
Changes in fair value of Investments in other equity instruments				
Others	10,915,406	3,156,735	14,774,257	4,107,352
Total before offsetting	**3,335,200,222**	**964,539,904**	**3,759,269,471**	**1,013,756,974**

(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	(146,478,101)	113,975,411	(147,278,126)	143,248,146
Deferred tax liabilities	(146,478,101)	818,061,803	(147,278,126)	866,478,848

(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	1,876,974	1,511,093
Total	**1,876,974**	**1,511,093**

(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	1,876,974	1,511,093
Total	**1,876,974**	**1,511,093**

17. Derivative financial liabilities

√ Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Ending balance	Opening balance
Derivative financial instruments held at fair value through profit or loss	609,609	2,895,654
Cash flow hedge instruments	1,313,004	57,528,556
Fair value hedge instruments	140,679	6,960,555
Total	**2,063,292**	**67,384,765**

18. Accounts payable

a. Details of accounts payable are as follows

√ Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Payable for suppliers	1,099,192,221	1,225,671,845
Total	**1,099,192,221**	**1,225,671,845**

b. Important accounts payable with account age of more than 1 year

√ Applicable Not applicable

As at December 31, 2019, the accounts payable with account age of more than one year were RMB 70,879 (as at December 31, 2018: RMB 0).

19. Wages and benefits payable

(1) Wages and benefits payable

√ Applicable Not applicable

Current period

Unit: Yuan Currency: RMB

Items	Opening balance	Increased in current period	Decreased in current period	Reclassification	Acquisition of subsidiary companies and businesses	Currency translation difference	Closing balance
Short-term employee benefits	278,055,503	1,202,983,888	(1,177,808,187)	2,037,789	0	(319,452)	304,949,541
Post-employment benefits	13,126,653	60,065,253	(64,328,823)	421,764	0	(53,565)	9,231,282
Termination benefits	0						
French profit-sharing plans – short term	65,477,871	48,563,658	(34,193,016)	8,370,648	0	10,019	88,229,180
Long-term bonus payments – short term	55,894,965	0	(23,193,133)	17,071,051	0	(144,624)	49,628,259
Total	**412,554,992**	**1,311,612,799**	**(1,299,523,159)**	**27,901,252**	**0**	**(507,622)**	**452,038,262**

(2) Short-term employee benefits

√ Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Opening balance	Increased in current period	Decrease in current period	Reclassification	Acquisition of subsidiary companies and businesses	Currency translation difference	Closing balance
I. Salary, bonus, allowance and subsidy	203,388,219	948,218,636	(893,506,058)	2,459,554	0	319,502	260,879,853
II. Employee welfare benefit							
III. Social insurance premium	37,420,075	195,026,079	(206,318,798)	(421,765)	0	(290,414)	25,415,177
Wherein: Medical insurance premium	37,418,225	194,131,626	(205,422,825)	(421,765)	0	(290,414)	25,414,847
Industrial injury insurance premium	860	454,231	(454,761)	0	0	0	330
Maternity insurance premium	990	440,222	(441,212)	0	0	0	0
IV. Housing fund	39,140	7,948,004	(7,987,144)	0	0	0	0
V. Labor union outlay and employee education outlay	272,892	326,000	(344,000)				254,892
VI. Others	36,935,177	51,465,169	(69,652,187)	0	0	(348,540)	18,399,619
Total	**278,055,503**	**1,202,983,888**	**(1,177,808,187)**	**2,037,789**	**0**	**(319,452)**	**304,949,541**

(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	13,126,653	60,065,253	(64,328,823)	421,764	(53,565)	9,231,282

20. Taxes payable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Value-added-tax	26,058,152	33,547,956
Business tax	15,789,568	3,305,521
Enterprise income tax	154,668,199	156,861,528
Individual income tax	1,000,686	1,099,407
City maintenance and construction tax	391,210	326,620
Others	14,402,301	11,865,211
Total	**212,310,116**	**207,006,243**

21. Other payables

Unit: Yuan Currency: RMB

Items		Closing balance	Opening balance
Interest payable	(1)	5,581,432	5,731,676
Dividends payable	(2)	123,094,125	3,531,285
Others	(3)	403,034,611	471,546,469
Total		**531,710,168**	**480,809,430**

Unit: Yuan Currency: RMB

(1) Dividends payable

√ Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Dividends for ordinary shares	123,094,125	3,531,285
Dividends for preferred shares	0	0
Total	**123,094,125**	**3,531,285**

Dividends payable as at December 31, 2019 and 2018 correspond to dividends distributed by BANG to the non-controlling shareholders.

(2) Others

a. Details of other payables listed by nature

√ Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Loans due to related parties	19,678,986	18,425,853
Payables for acquisition of property, plant and equipment	312,653,552	404,287,859
Professional fees payables related to restructuring	0	0
Cautions and guaranties received	18,357,417	16,258,027
Others	52,344,656	32,574,730
Total	**403,034,611**	**471,546,469**

b. Significant others with ageing of more than one year

√ Applicable Not applicable

As at December 31, 2019, other payables with an account age of more than one year were RMB 7,987,194 (as at December 31, 2018: RMB 10,086,415), which were mainly the cash deposit as collateral and loans from related parties. Such loans from associated parties did not have interest and fixed repayment period, and the other parties did not require repayment, so they were not settled yet; such cash deposit as collateral did not come due, and was not settled yet.

22. Current portion of non-current liabilities

√ Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Current portion of long-term borrowings	5,123,943	4,640,564
Current portion of long-term payables	1,492,761	1,629,735
Current portion of provisions*	154,846,150	129,297,601
Current portion of lease liabilities		
Total	**161,462,854**	**135,567,900**

* The current portion of provisions mainly represents fiscal, custom risks and litigations. The Company made relevant provisions according to its best estimate based on the current available information. Any increase or decrease in such provisions will be charged to profits or losses.

23. Other current liabilities

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Government subsidy		
Others	11,611,670	7,037,948
Total	**11,611,670**	**7,037,948**

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	30,883,909	35 233 342
Less: the part due within one year	(5,123,943)	(4 640 564)
Total	**25,759,966**	**30 592 778**

As at December 31, 2019, the range of interest rate for long-term loans was 0%-3.22% (as at December 31, 2018:0%-4.9%).

25. Long-term payables

Unit: Yuan Currency: RMB

Items		Closing balance	Opening balance
Financial lease	(1)	1,750,672	3,356,141
Other long-term payable		14,377,394	6,623,906
Less : the part to be paid in one year		(1,492,761)	(1,629,735)
Sub-total		**14,635,305**	**8,350,312**
Special payables	**(2)**	0	0
Total		**14,635,305**	**8,350,312**

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

√ Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Within one year	1,492,761	1,640,086
Between 1 and 2 years	273,543	1,498,834
Between 2 and 3 years	0	274,656
Over 3 years	0	0
Sub-total	**1,766,304**	**3,413,576**
Less: unrecognized finance charges	(15,632)	(57,435)
Total	**1,750,672**	**3,356,141**

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.

(2) Special payables

Applicable √ Not applicable

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	229,423,195	213,195,988
French profit-sharing plans	247,813,874	244,333,533
Long-term bonus payments	69,372,524	87,939,535
Less: The part to be paid in one year	(137,857,439)	(121,372,836)
Total	**408,752,154**	**424,096,220**

The part due within one year includes the short term part of French profit-sharing plan RMB 88,229,180, and the short term part of long term bonus payments RMB 49,628,259.

(2) Change of defined benefit plan

√ Applicable Not applicable

a. Change of defined benefit plan

Present value of defined benefit plan obligation

Unit: Yuan Currency: RMB

Items	Amount incurred during the current period				Amount incurred during the last period			
	IFC	GA	Others	Total	IFC	GA	Others	Total
I. Opening balance	**136,213,433**	**55,048,810**	**21,933,745**	**213,195,988**	**145,879,603**	**56,160,955**	**19,080,601**	**221,121,159**
II. Defined benefit plan recognized through profit and loss for the period in which they occur	12,610,026	5,034,744	3,368,010	21,012,780	11,503,685	5,010,425	1,940,664	18,454,774
1. Service cost of current period	10,478,754	4,393,818	3,329,400	18,201,972	9,427,715	4,487,530	1,901,642	15,816,887
2. Previous service								

Items	Amount incurred during the current period				Amount incurred during the last period			
cost								
3. Settlement losses (gains)								
4. Net amount of interest	2,131,272	640,926	38,610	2,810,808	2,075,970	522,895	39,022	2,637,887
III. Re-measurement of the net liabilities of defined benefit plans	5,189,184	2,293,434	667,696	8,150,314	(13,657,700)	(1,693,555)	5,707,844	(9,643,411)
1. Actuary losses (profit)	5,189,184	2,293,434	667,696	8,150,314	(13,657,700)	(1,693,555)	5,707,844	(9,643,411)
IV. Other movements	(5,518,143)	(3,229,284)	(4,188,460)	(12,935,887)	(7,512,155)	(4,429,015)	(4,795,364)	(16,736,534)
1. Price paid during settlement	(4,733,586)	(664,092)	(2,477,860)	(7,875,538)	(7,500,028)	(4,784,097)	(5,646,745)	(17,930,870)
2. Currency translation differences	(398,457)	(171,372)	56,327	(513,502)	783,922	355,082	178,859	1,317,863
3. Other movements	(386,100)	(2,393,820)	(1,766,927)	(4,546,847)	(796,049)		672,522	(123,527)
V. Closing balance	**148,494,500**	**59,147,704**	**21,780,991**	**229,423,195**	**136,213,433**	**55,048,810**	**21,933,745**	**213,195,988**

Plan assets

☐ Applicable √ Not applicable

Net liabilities (net assets) of defined benefit plan

☐ Applicable √ Not applicable

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

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

b. Main actuarial assumptions

Items	Closing balance	Opening balance
End of Career Benefits (IFC)		
Discount rate	0.70%	1.50%
Inflation rate	2.00%	2.00%
Wages increase rate *(including inflation rate)*	2.80%	2.80%
Mortality Table (1)	TH/TF 00-02	TH/TF 00-02
Retirement age	62 years - 64 years	62 years - 64 years
Bonuses of Seniority (GA)		
Discount rate	0.35%	1.10%
Inflation rate	2.00%	2.00%
Wages increase rate *(including inflation rate)*	2.80%	2.80%
Mortality Table (1)	TH/TF 00-02	TH/TF 00-02
Retirement age	62 years - 64 years	62 years - 64 years

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

c. Sensitivity analysis

Discount rate	Assumption volatility	Impact on the present value of the defined benefit obligation	
		assumption increase	assumption decrease
End of career benefits (IFC)			
Current period	+/- 0,25 %	(4,375,461)	4,582,275
Bonuses of Seniority (GA)			
Current period	+/- 0,25 %	(1,291,121)	1,343,438

(3) French profit-sharing plans

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

(4) Long-term bonus payments

a. Yearly Mid-term incentive for executives and critical leaders for business plan

Long-term bonus payments includes two types of bonus.

The first one is a bonus only based on Adisseo's results.

The second one is detailed below:

In order to retain and engage Executives Committee Members, the Group has set up a three years period plan, based on presence and performance business plan achievement on the period (Matrix ROCE/EBITDA reviewed annually), also based on the Company's phantom stocks and a personal co-investment.
The fair values of the incentive plan are based on the Company's stock price at the date of the evaluation for the incentive plan based on the Company's phantom stocks.
For incentive plan do not vest until the completion of services for a period, and/or until the achievement of a specified performance condition, the Group recognizes costs or expenses as services are received, with a corresponding increase in liability, at an amount equal to the fair value of the liability based on the best estimate of the outcome of vesting. Until the liability is settled, the enterprise shall remeasure the fair value of the liability at each balance sheet date and at the date of settlement, with changes recognized in profit or loss for the current period.

The 2018 mid-term incentive plan has been approved by April 24th 2018 and October 24th 2018, board of directors of the Company on the proposal of Remuneration Committee.
For Executive Committee members, it includes

- category A phantom shares, acquired only with co-investment from the Executives Committee Members. The personal investment is caped at 50% of the maximum of individual variable remuneration, and the amount invested is converted in phantom shares.
- category P phantom shares, granted for 3 years under performance conditions and to be present at the date of payment (January 2021).

Category P phantom shares is 361,036 Phantom stocks of the Company. This management incentive plan entitles relevant senior management to a cash payment after completing a 3-year service period from 2018 to 2020 with certain performance conditions (ROCE/EBITDA matrix) to be achieved by the the Group during the service period. The amount of the cash payments are to be determined based on the share price of the Company at the time when the relevant senior management exercise the phantom stocks. These phantom stocks of the Company can be exercised during the period from January 1, 2021 to December 31, 2022.

The amount accounted for the plan are:

Current period

Unit: Yuan Currency: RMB

Items	Current period
Accumulated amounts of the liabilities	5,653,652
Expenses accrued/(reversed) during the period	-2,047,068

The Company has, in accordance with Board of BAC, set out terms and conditions under which a right to receive discretionary variable cash settled compensations would be awarded. These terms and conditions are described below, in the Management Incentive Plan 2019-2021 (« the Plan »).

Eligibility to the Executive Committee and non Executive Committee, the Management Incentive Plan 2019-2021 does not predetermine eligibility to a later Plan and is not predetermined by the eligibility to a previous Plan. Neither eligibility nor the benefit of the Plan can be interpreted as an employment contract giving rise to obligation on the Company or its subsidiaries.

- **Unit Award**: a discretionary variable deferred number of phantom shares defined on share price and currency as of May 17th, 2019, and that will be definitively acquired subject to Presence Conditions. The Unit Award is not subject to Performance Conditions (One Unit Award value = the fair market value of BLUESTAR ADISSEO COMPANY (BAC) at closing on May 17, 2019 converted in Euros (€) on May 17, 2019, i.e. € 1.38 ("one euro and thirty-eight cents").
- **Cash Award**: a discretionary variable cash settled compensation that will be definitely acquired subject to both Presence and Performance Conditions.

Total grant of unit Award is 773,985. This management incentive plan entitles relevant senior management to a cash payment after completing a 3-year service period from 2019 to 2021 with certain performance conditions (ROCE/EBITDA matrix) to be achieved by the the Group during the service period. The amount of the cash payments are to be determined based on the share price of the Company at the time when the relevant senior management exercise the phantom stocks. These phantom stocks of the Company can be exercised from January 1, 2022 to January 31, 2022.

The amount accounted for the plan are:

Unit: Yuan Currency: RMB

Items	Current period
Accumulated amounts of the liabilities	9,319,544
Expenses accrued/(reversed) during the period	9,319,544

b. One shot long-term incentive for market share introduction – payment

In order to retain and engage high qualified executives with expertise and experience to succeed in market share introduction and share value increase, the Group has set up a one shot incentive plan based on BANG's (the Company's subsidiary, which is a Hong-Kong company) phantom stocks. This incentive plan entitles the executives to a cash payment after three years and half or four years of service, with certain performance conditions. The fair value of the incentive plan is based on BANG's share value, with reference to BAC's stock value at the date of the evaluation. The bonus will be paid out from April 1, 2018 to June 30, 2020. As the exercise is at the option of grantees and all the phantom stocks have been vested, all the balance of long-term bonus payment is classified as current liabilities as of December 31, 2019.

The amount accounted for the plan are:

Current period

Unit: Yuan Currency: RMB

Items	Current period
Accumulated amounts of the liabilities	29,543,224
Expenses accrued/(reversed) during the period	-2,351,066

(5) Undiscounted maturity analysis of defined benefit plans

Current period

Unit: Yuan Currency: RMB

	Within one year	One to two years	Two to five years	More than five years	Total
IFC	3,048,045	6,690,068	25,892,752	118,475,165	154,106,030
GA	5,064,444	5,939,780	11,582,571	38,632,017	61,218,812
Others	3,011,490	10,535,238	4,231,423	4,547,290	22,325,441

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	1,630,551	0	(1,606,176)	(24,375)	0	Provision for liabilities and charges
Total	**1,630,551**	**0**	**(1,606,176)**	**(24,375)**	**0**	

28. Deferred income

√ Applicable Not applicable

Current period

Unit: Yuan Currency: RMB

Items	Opening balance	Increase in current period	Decrease in current period	Acquisition of subsidiary companies and businesses	Currency translation differences	Closing balance
Government subsidies	180,730,672	185,328	(13,249,532)	0	(100,691)	167,565,777
Total	**180,730,672**	**185,328**	**(13,249,532)**	**0**	**(100,691)**	**167,565,777**

Government subsidies:

Current period

Unit: Yuan Currency: RMB

Liability projects	Opening balance	Amount of newly increased subsidy in current period	Amount recognized in other income	Acquisition of subsidiary companies and businesses	Currency translation differences	Closing balance	Related to assets / Income
Project B	19,523,782	0	(1,053,212)	0	(88,514)	18,382,056	Assets
Project C	157,104,000	0	(11,733,000)	0	0	145,371,000	Assets
Others	4,102,890	185,328	(463,320)	0	(12,177)	3,812,721	Assets
Total	**180,730,672**	**185,328**	**(13,249,532)**	**0**	**(100,691)**	**167,565,777**	

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	Increased in current period	Decreased in current period	Ending balance
Capital premium (capital stock premium)	842,805,917			842,805,917
Other capital reserve	1,336,792,596		(68,053,984)	1,268,738,612
Total	**2,179,598,513**		**(68,053,984)**	**2,111,544,529**

As at January 4, 2019, redemption of the preferred shares, issued on March 27, 2014 by BANG, has been redeemed for USD 70 million and the difference between the actual consideration paid and the book value of the preference shares retrieved due to the change in currency rates is charged to other capital reserve.

31. Other comprehensive income

√ Applicable Not applicable

Current period

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: reclassification of OCI into retained earning	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	**(20,518,296)**	**(11,522,357)**	**3,281,850**	**-**	**1,624,516**	**(6,615,991)**	**(1,167,528)**	**(27,134,287)**
Including: remeasurement of changes in liabilities under defined benefit plans	(20,518,296)	(6,927,767)			1,624,516	(5,303,251)	(935,868)	(25,821,547)
Profit/Loss from changes in fair value Investments in other equity instruments		(4,594,590)	3,281,850			(1,312,740)	(231,660)	(1,312,740)
Items that may be reclassified to profit or loss	**(434,806,059)**	**(5,333,400)**	**-**	**41,423,483**	**(15,024,309)**	**21,065,774**	**(4,883,674)**	**(413,740,285)**
Including: effective portion of gain or loss of cash flow hedge	(26,213,837)	2,205,431		41,423,483	(15,024,309)	28,604,605	5,047,871	2,390,768
Translation difference of foreign financial statements	(408,592,222)	(7,538,831)				(7,538,831)	(9,931,545)	(416,131,053)
Total	**(455,324,355)**	**(16,855,757)**	**3,281,850**	**41,423,483**	**(13,399,793)**	**14,449,783**	**(6,051,202)**	**(440,874,572)**

32. Surplus reserve

Unit: Yuan Currency: RMB

Items	Opening balance	Increase in current period	Decrease in current period	Closing balance
Statutory surplus reserve	358,037,159	77,604,935		435,642,094
Total	**358,037,159**	**77,604,935**		**435,642,094**

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		8,838,211,161	**8,382,492,815**
Total adjustments (increased +/ decreased -)		-	
Undistributed profit at the beginning of period after adjustment		8,838,211,161	8,382,492,815
Add: Net profit attributable to the Company's owners in current period		992,382,202	926,130,660
Appropriation of special reserves			
Others			
Less: Withdrawal of statutory surplus reserve		77,604,935	6,476,463
Dividend distribution	(1)	740,204,749	463,968,920
Other comprehensive income transferred to retained earnings		3,281,850	
Others		142,805	(33,069)
Undistributed profit at the end of period	**(2)**	**9,009,359,024**	**8,838,211,161**

(1). Distribution of dividends of ordinary shares declared during the year:
The dividend distribution, amounting to RMB 740,204,749, in which RMB 463,968,920 has been approved by the General Shareholders' Meeting on April 25, 2019 and paid on June 13, 2019 and RMB 276,235,829 has been approved by the General Shareholders' Meeting on December 6, 2019 and paid on December 19, 2019.
(2). Retained earnings at the end of the year:
As at December 31, 2019, the consolidated retained earnings attributable to the Company included an appropriation of RMB 255,114,439 (as at December 31,2018: RMB 236,006,819) 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	11,135,489,839	7,357,134,517	11,417,981,750	7,433,746,398
Total	**11,135,489,839**	**7,357,134,517**	**11,417,981,750**	**7,433,746,398**

Detail of main businesses

Unit: Yuan Currency: RMB

Items	Amount incurred during the current period		Amount incurred during the last period	
	Revenue	Cost	Revenue	Cost
Performance products	8,086,108,163	5,683,719,046	8,495,564,090	5,909,035,432
Specialties products	2,431,310,166	1,240,507,642	2,261,542,569	1,148,036,033
Other products	618,071,510	432,907,829	660,875,091	376,674,933
Total	**11,135,489,839**	**7,357,134,517**	**11,417,981,750**	**7,433,746,398**

35. Taxes and surcharge

Unit: Yuan Currency: RMB

Items	Amount incurred during the current period	Amount incurred during the last period
Business taxes	35,901,084	37,074,455
Property tax	35,459,642	32,938,201

City maintenance and construction tax	5,801,404	7,809,019
Education surcharge and local education surcharges	3,896,756	4,875,012
Others	5,743,362	4,476,257
Total	**86,802,248**	**87,172,944**

36. Selling and distribution costs

Unit: Yuan Currency: RMB

Items	Amount incurred during the current period	Amount incurred during the last period
Depreciation expense	8,398,893	7,962,101
Transportation expenses	482,646,671	453,348,716
Personnel expenses	305,375,620	245,520,817
Storage expenses	234,450,960	238,694,022
Commission expenses for delegating agent	63,509,519	66,487,847
Travel expenses	45,814,808	55,732,016
Others	142,545,567	146,746,079
Total	**1,282,742,038**	**1,214,491,598**

37. General and administrative expenses

Unit: Yuan Currency: RMB

Items	Amount incurred during the current period	Amount incurred during the last period
Depreciation expense	33,660,207	31,027,887
Amortisation of intangible assets	144,524,890	142,823,001
Employee benefit expenses	252,665,083	273,809,142
Consulting and other expert services	92,137,864	104,198,771
Travel expenses	21,515,728	20,554,790
Rent expenses	10,971,329	21,294,173
Insurance expenses	8,164,144	7,971,926
Others	55,205,704	60,380,832
Total	**618,844,949**	**662,060,522**

38. Research and development expenses

Unit: Yuan Currency: RMB

Items	Amount incurred during the current period	Amount incurred during the last period
Depreciation expense	8,420,711	8,284,806
Amortisation of intangible assets	274,132	303,906
Employee benefit expenses	108,301,916	118,661,367
Consulting and other expert services	41,933,301	54,060,116
Travel expenses	5,067,149	6,258,026
Rent expenses	4,513,928	7,259,449
Insurance expenses	202,648	124,870
Research and exploitation expenses (without Payroll & External Expenses)	107,060,611	86,047,193
Others	18,480,267	17,112,380
Total	**294,254,663**	**298,112,113**

39. Financial expenses

Unit: Yuan Currency: RMB

Items	Amount incurred during the current period	Amount incurred during the last period
Interest expenditure	15,216,772	3,683,193
Less: Interest income	(119,243,322)	(102,176,926)
Net exchange losses / (gains)	16,818,993	33,370,027
Other financial expenses	23,671,642	20,753,010

Total	(63,535,915)	(44,370,696)

40. Gain (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 phantom shares	6,438,160	(78,914,904)
Change in fair value of derivative financial instruments	13,969,098	(14,898,600)
Total	**20,407,258**	**(93,813,504)**

41. Credit Losses

Credit losses	Amount incurred of current period	Amount incurred of comparative period
Accounts receivable	**(4,175,419)**	-
Total	**(4,175,419)**	**-**

42. Asset impairment losses

√ Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Amount incurred during the current period	Amount incurred during the last period
I. Provision for bad debt		(3,225,152)
II. Provision for decline in value of inventories	542,959	(16,957,489)
III. Impairment loss for available-for-sale financial assets		
Total	**542,959**	**(20,182,641)**

43. 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
Gains on disposal of non- current assets		
Including:		
Gains on disposal of fixed assets		
Gains on disposal of intangible assets		
Compensation income	231,660,000	
Government grant	0	
Others	2,871,655	10,462,638
Total	**234,531,655**	**10,462,638**

44. Non-operating expenses

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
Losses on disposal of non-current assets	85,118,169		85,118,169
Including:			

Losses on disposal of fixed assets	85,118,169		85,118,169
Losses on disposal of intangible assets			0
Compensation expenditure			
Donations			
Others	6,134,468	680,177	6,134,468
Total	**91,252,637**	**680,177**	**91,252,637**

45. 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	506,885,348	397,198,399
Deferred income tax	(32,420,345)	63,909,611
Total	**474,465,003**	**461,108,010**

(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	1,731,864,818	1,676,795,129
Income tax expenses calculated at applicable tax rates (1)	**596,281,057**	**577,320,563**
Credit Tax	(27,887,467)	(46,971,159)
Difference of tax rates applicable to subsidiary companies (2)	(106,202,987)	(59,327,626)
Change in tax rate	(1,058,415)	(38,377,878)
Income not subject to tax	(969,679)	(6,661,419)
Costs, expenses and losses not deductible for tax purposes	11,995,480	20,198,063
Tax losses for which no deferred income tax asset was recognized	-	501,227
Utilization of previously unrecognized tax losses	(1,015,533)	(2,399,996)
Others	3,322,547	16,826,235
Income tax expenses	**474,465,003**	**461,108,010**

Income tax expenses calculated at applicable tax rates (1) is calculated at the statutory income tax rate of France, which is the main operation jurisdiction of the Group (34.43% as at December 31, 2019 and December 31, 2018). 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.

46. 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	992,382,202	926,130,660
Common stock	2,681,901,273	2,681,901,273
Basic earnings per share	0.37	0.35
Basic earnings per share from continue operation (i)	0.37	0.35
Basic losses per share from discontinue operation		

(i) The weighted average number of shares used for the calculation of the EPS of December 2019 and 2018 is 2,681,901,273.

Weighted average number of ordinary shares is calculated as follows:

Number of shares	Amount incurred during the current period	Amount incurred during the last period
Issued ordinary shares at January 1	2,681,901,273	2,681,901,273
Effect of new shares		
Weighted average number of ordinary shares at the end of the period	**2,681,901,273**	**2,681,901,273**

(2) Diluted earnings per share

The Company does not have dilutive potential ordinary share in the periods from January 1, 2019 to December 31, 2019 and January 1, 2018 to December 31, 2018. The diluted earnings per share/ (loss) is equal to basic earnings per share/ (loss).

47. Supplement to income statement

Unit: Yuan Currency: RMB

Items	Amount incurred of current period	Amount incurred of last period
Operating revenue	11,135,489,839	11,417,981,750
Less : Changes in inventories of raw materials, finished goods and work-in-progress	104,238,085	(73,500,994)
Raw materials, purchased equipment and consumables purchased	5,243,389,920	5,545,076,382
Employee benefit expenses	1,336,252,931	1,527,802,251
Depreciation/amortization expenses	989,894,452	955,813,249
Transportation expenses	482,646,671	453,348,716
Storage expenses	234,450,960	238,694,022
Consulting and other expert services	178,646,620	212,982,443
Travel expenses	72,397,685	82,544,832
Rent expenses	30,788,543	42,973,839
Insurance expenses	18,712,296	17,216,721
Commission expenses for delegating agent	63,509,519	66,487,847
Research and exploitation expenses	107,060,611	86,047,193
Taxes	86,802,248	87,172,944
Credit losses	4,175,419	
Asset impairment losses	(542,959)	20,182,641
Losses/(gain) arising from changes in fair value	(20,407,258)	93,813,504
Investment loss / (income)	(1,328,184)	5,388,913
Gain/(losses) from asset disposals	6,213,963	8,577,642
Other (income)	(17,449,442)	(28,206,497)
Others	627,451,959	408,553,434
Total Operating profit	**1,588,585,800**	**1,667,012,668**

48. Items in cash flow statement

(1) Cash received relating to other operating activities

Unit: Yuan Currency: RMB

Items	Amount incurred during the current period	Amount incurred during the last period
Others	360,232,920	81,810,030

Total	**360,232,920**	**81,810,030**

The operating activities cash received include the insurance indemnity payment for 231,660,000cny

(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	21,355,572	20,888,089
Rent	12,691,803	20,814,002
Insurances	8,132,108	8,206,235
Others	47,696,949	50,732,722
Total	**89,876,432**	**100,641,048**

(3) Cash received relating to other financing activities

Applicable √ Not applicable

(4) Cash paid relating to other financing activities

√ Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Amount incurred of current period	Amount incurred of last period
Preferred shares reedemption	479,785,145	517,192,516
Total	**479,785,145**	**517,192,516**

49. Supplementary data of cash flow statement

(1) Supplement to cash flow statement

Unit: Yuan Currency: RMB

Items	Amount of current period	Amount of last period
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	**1,257,399,815**	**1,215,687,119**
Add: Impairment provisions for assets	(542,959)	20,182,641
Credit losses	4,175,419	
Depreciation of fixed assets	757,063,431	731,282,316
Amortization of assets from right of use		
Amortization of intangible assets	220,136,053	215,420,170
Amortization of expenditures on research and development	12,694,968	9,110,763
Amortization of long-term deferred expenses	334,617	
Losses (gains) on disposal of fixed assets, intangible assets and other long-term assets	91,332,132	8,577,642
Losses (gains) on changes in fair value	(20,407,258)	93,813,504
Decrease (increase) of deferred tax assets	21,430,989	60,286,777

Items	Amount of current period	Amount of last period
Increase (decrease) of deferred tax liabilities	(53,851,334)	3,622,834
Financial expenses (income)	(81,477,510)	(48,882,692)
Losses (gains) arising from investment	(1,328,184)	5,388,913
Amortization of deferred income	(13,249,532)	(13,406,497)
Decrease (increase) in gross inventories	104,238,085	(73,500,994)
Decrease (increase) in receivable from operating activities	287,133,781	(227,875,796)
Increase (decrease) in payable from operating activities	(34,481,330)	(558,010,653)
Net cash flow from operating activities	**2,550,601,183**	**1,441,696,047**
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	5,295,065,807	5,282,336,110
Less: Opening balance of cash	5,282,336,110	7,659,509,312
Add: Closing balance of cash equivalent		
Less: Opening balance of cash equivalent		
Net increase of cash and cash equivalent	**12,729,697**	**(2,377,173,202)**

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

√ Applicable Not applicable

Unit: Yuan Currency: RMB

	Amount of current period	Amount of last period
Cash and cash equivalents paid this year for acquiring subsidiaries and other business units during the period	0	**1,437,173,206**
Including: Nutriad		1,374,738,014
Including: LC Inodry		62,435,184
Including: LC Immo		8
Including: Capsulae S.A.S.		
Less: Cash and cash equivalents held by acquired subsidiaries and other business units on the date of purchasing	0	**226,839,675**
Including: Nutriad		218,658,393
Including: LC Inodry		7,629,058
Including: LC Immo		552,224
Including: Capsulae S.A.S.		
Add: Cash or cash equivalent paid in current period for acquiring subsidiaries and other business units in previous period	0	
Including: Nutriad		
Including: LC Inodry		
Including: LC Immo		
Including: Capsulae S.A.S.		
Net amount of cash paid for obtaining subsidiary companies	0	1,210,333,531

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

Applicable √ Not applicable

(4) Composition of cash and cash equivalent

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
I. Cash at bank and on hand	5,295,065,807	5,282,336,110
Including: Cash on hand		
Bank deposit available for payment anytime	5,295,065,807	5,282,336,110
Other monetary resources available on demand	-	-
II. Cash equivalents		
III. Closing balance of cash and cash equivalents	5,295,065,807	5,282,336,110
Including: Use-restricted cash and cash equivalent of the Company or its subsidiaries	NA	NA

50. Foreign-currency monetary items

√ Applicable Not applicable

The Group’s exposure to currency risk arising from recognized assets and liabilities denominated in foreign currencies at each affiliate level as at December 31, 2019 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

Current period

Unit: Yuan

Items	Closing balance at foreign currency	Exchange rate for conversion	Closing balance at RMB equivalent
Cash and cash equivalents			
Wherein: EUR	3,419,106	7.8155	26,722,023
RMB	891,014	1.0000	891,014
USD	30,359,840	6.9850	212,063,482
GBP	118,439	9.1723	1,086,358
BRL	2,206,850	1.7250	3,806,816
CAD	21,193	5.3454	113,285
MXN	23,709,120	0.3718	8,815,051
SGD	119,245	5.1799	617,677
OTHER			4,252,301
Total			**258,368,007**
Accounts receivable			
Wherein: EUR	873,021	7.8155	6,823,096
USD	47,424,052	6.9850	331,257,003
GBP	1,056,575	9.1723	9,691,223
BRL	60,362,420	1.7250	104,125,175
SGD	190,826	5.1799	988,460
OTHER			115,484
Total			453,000,441
Accounts payable			
Wherein: EUR	(44,321)	7.8155	(346,391)
USD	(24,127,727)	6.9850	(168,532,173)
GBP	(185,716)	9.1723	(1,703,443)
BRL	(206,512)	1.7250	(356,233)
CAD	(59,946)	5.3454	(320,435)
MXN	(2,198,072)	0.3718	(817,243)
SGD	(391,419)	5.1799	(2,027,511)
OTHER			(1,646,761)
Total			(175,750,190)
Other payables			
Wherein: EUR	(493,057)	7.8155	(3,853,487)
USD	(2,302,107)	6.9850	(16,080,217)
BRL	(1,777,628)	1.7250	(3,066,408)
Total			(23,000,112)
Long-term receivables			
Wherein: BRL	5,709,466	1.7250	9,848,829
SGD	130,793	5.1799	677,495
OTHER			83,820
Total			10,610,144
Gross balance sheet exposure			
Wherein: EUR	3,754,749	7.8155	29,345,241
RMB	891,014	1.0000	891,014
USD	51,354,058	6.9850	358,708,095
GBP	989,298	9.1723	9,074,138
BRL	66,294,596	1.7250	114,358,179
CAD	(38,753)	5.3454	(207,150)
MXN	21,511,048	0.3718	7,997,808
SGD	49,445	5.1799	256,121
OTHER			2,804,844

Items	Closing balance at foreign currency	Exchange rate for conversion	Closing balance at RMB equivalent
Total			523,228,290

(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 Espana S.A.	Spain	EUR	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

51. Hedging

√ Applicable Not applicable

Operations of the Group are exposed to global market risks, including the effect of changes on currency exchange rates, on interest rates and commodity prices. Derivative financial instruments are used to manage these financial exposures as an integral part of the Group's overall risk management program. Derivatives are not used for speculative purposes. For most of those transactions, the Group applies cash flow hedge accounting and documents, at the inception of the hedge, the type of hedging relationship, the hedging instruments, the nature and the term of the hedged item.

Cash flow hedge accounting means that the Group hedges exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

The fair value of derivatives is based on the market price at the balance sheet date. In the balance sheet, they are carried as financial assets when their fair value is positive and as financial liabilities when their fair value is negative.

Applying cash flow hedge accounting has the following consequences:

- The portion of the gain or loss on the hedging instrument that is determined to be effective is recognized directly in equity, while the change in the fair value of the hedged item is not yet recognized in the balance sheet. The amounts directly recognized in equity are reclassified to profit or loss when the hedged transactions occur and are recorded;
- The change in fair value of the ineffective portion recognized directly in the income statement, in net foreign exchange gains/(losses).

From January to December 2019, the change in fair value on these derivatives has a positive impact of RMB 51,328,134 (December 2018: losses of RMB -52,024,130) recorded in other comprehensive income as cash flow hedge accounting, including RMB +2,594,625 of change in fair value and RMB +48,733,509 of reclassification into P&L.

From January to December 2019, the change in fair value on these derivatives has a positive impact of RMB

13,969,098 (December 2018: losses of RMB -14,898,600) charged to the income statement as fair value hedge accounting, cash flow hedge ineffectiveness or non-hedge.

52. Government subsidy

(1) Brief introduction of government grant

√ Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Balance	Presentation of projects	Amount recorded in current profit and loss
Government grants related to assets			
Project B	18,382,056	Industrial investment in Burgos plant	1,053,212
Project C	145,371,000	Land use right and industrial structure adjustment in Nanjing plant	11,733,000
Other projects	3,812,721		463,320
Government grants related to income			
Items offset against operating costs			
Items recognized in other operating income			4,199,910

(2) Refund of government grant

Applicable √ Not applicable

Unit: Yuan Currency: RMB

Items	Amount	Explanation

Other explanation

53. 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 the Subsidiary	Principal place of business	Registration place	Business nature	Shareholding (%)		Acquisition method
				Direct	Indirect	
Bluestar Adisseo Nutrition Group, Ltd	Hong Kong	Hong Kong	Investment holding	85%		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 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

Name of the Subsidiary	Principal place of business	Registration place	Business nature	Shareholding (%)		Acquisition method
				Direct	Indirect	
Casper G.I.E	France	France	Production and sales of chemical products		68%	Business combination under common control
Adisseo Eurasie S.A.R.L	Russia	Russia	Production and sales of chemical products		85%	Business combination under common control
Adisseo Life Science (Shanghai) Co., Ltd	China	China	Production and sales of chemical products		85%	Business combination under common control
Adisseo Canada Inc.	Canada	Canada	Production and sales of chemical products		85%	Business combination under common control
Adisseo Ireland Ltd	Ireland	Ireland	Production and sales of chemical products		85%	Business combination under common control
Adisseo de Mexico S.A. de C.V.	Mexico	Mexico	Production and sales of chemical products		85%	Business combination under common control
Adisseo USA Inc.	USA	USA	Production and sales of chemical products		85%	Business combination under common control
Adisseo Asia Pacific Pte. Ltd	Singapore	Singapore	Production and sales of chemical products		85%	Business combination under common control
Adisseo Trading (Thailand) Co., Ltd	Thailand	Thailand	Production and sales of chemical products		85%	Business combination under common control
Adisseo GMBH	Germany	Germany	Production and sales of chemical products		85%	Business combination under common control
Adisseo Espana S.A.	Spain	Spain	Production and sales of chemical products		85%	Business combination under common control
Adisseo Brasil Nutriçao Animal Ltda	Brazil	Brazil	Production and sales of chemical products		85%	Business combination under common control
Innov'ia S.A.	France	France	Powder designer for chemical industry		84.94%	Business combination under common control
INNOCAPS S.A.R.L	France	France	Powder designer for chemical industry		84.94%	Business combination under common control
IDCAPS S.A.S.U	France	France	Powder designer for chemical industry		84.94%	Business combination under common control
Innov'ia 3I S.A.	France	France	Powder designer for chemical industry		84.94%	Business combination under common control
Innov'ia USA Inc.	USA	USA	Powder designer for chemical industry		84.94%	Business combination under common control
Capsulae S.A.S	France	France	Powder designer for chemical industry		67.95%	Business combination not under common control
LC Immo	France	France	Powder designer for chemical industry		84.94%	Business combination not under common control

Name of the Subsidiary	Principal place of business	Registration place	Business nature	Shareholding (%)		Acquisition method
				Direct	Indirect	
LC Inodry	France	France	Powder designer for chemical industry		84.94%	Business combination not under common control
Bluestar Adisseo Nanjing Co., Ltd	China	China	Production and sales of chemical products		85%	Business combination under common control
Adisseo Philippines Inc.	Philippines	Philippines	Production and sales of chemical products		85%	Business combination under common control
Adisseo Animal Nutrition Pte Ltd	India	India	Production and sales of chemical products		85%	Business combination under common control
Adisseo Malaysia SDN. BHD	Malaysia	Malaysia	Production and sales of chemical products		85%	Established
Adisseo Nutrition & Healthcare (Nanjing) Co. Ltd	China	China	Production and sales of chemical products		85%	Established
Adipex S.A.S	France	France	Production and sales of chemical products		72.25%	Established
Nutriad Holding B.V.	Netherlands	Netherlands	Investment holding		85%	Business combination not under common control
Nutriad Europe N.V.	Belgium	Belgium	Investment holding		85%	Business combination not under common control
Nutriad International N.V.	Belgium	Belgium	Production and sales of chemical products		85%	Business combination not under common control
Nutriad Ltd	UK	UK	Production and sales of chemical products		85%	Business combination not under common control
Nutriad Asia Ltd	Hong Kong	Hong Kong	Production and sales of chemical products		85%	Business combination not under common control
Nutriad Trading Shanghai Co., ltd	China	China	Production and sales of chemical products		85%	Business combination not under common control
Feed Flavor Internationals (Jiangsu) Co., Ltd	China	China	Production and sales of chemical products		85%	Business combination not under common control
Nutriad Nutrição Animal Ltda	Brazil	Brazil	Production and sales of chemical products		85%	Business combination not under common control
Nutriad Polska Sp. Z o.o. Ul.	Poland	Poland	Production and sales of chemical products		85%	Business combination not under common control

Name of the Subsidiary	Principal place of business	Registration place	Business nature	Shareholding (%)		Acquisition method
				Direct	Indirect	
Nutriad España S.A.	Spain	Spain	Production and sales of chemical products		85%	Business combination not under common control
Nutriad Italia srl	Italy	Italy	Production and sales of chemical products		85%	Business combination not under common control
Adisseo Animal Nutrition DMCC	UAE	UAE	Production and sales of chemical products		85%	Established

BFI Innovations Mexico SA de C.V. was merged into Adisseo de Mexico S.A. de C.V. with the effective date of the merger of May 31st 2019
Nutriad, Inc.was merged into Adisseo USA Inc with the effective date of the merger of March 31st 2019"

(2) Important non-wholly owned subsidiaries

Unit: Yuan Currency: RMB

Name of subsidiary	Proportion of ordinary share ownership interest held by non-controlling interests	Profit or loss attributable to non-controlling interests during the period	Dividends declared to distributed to non-controlling interests during the period	Balance of non-controlling interests at the end of the period
Bluestar Adisseo Nutrition Group Limited	15%	265 017 613	225 636 392	3 416 954 043

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	6,931,036,772	12,125,044,754	19,056,081,526	3,007,897,452	1,455,447,003	4,463,344,455	6,672,329,165	12,068,118,133	18,740,447,298	2,408,879,575	1,498,467,359	3,907,346,934

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	11,135,489,839	1,176,890,952	1,181,428,535	2,564,165,564	11,417,981,750	1,170,823,700	1,215,439,304	1,484,810,611

2. Transactions inducing the change of the shares of owners’ equity in subsidiary companies, but remaining the control on subsidiary companies

Applicable √ Not applicable

3. Rights and interests in Associates and joint ventures

Applicable √ Not applicable

4. Important joint operation

Applicable √ Not applicable

5. Rights and interests in the structuralized subjects not taken into the scope of consolidated financial statements

Applicable √ Not applicable

6. Others

None

X. Risks Related to Financial Instruments

√ Applicable Not applicable

The Group's activities expose it to a variety of financial risks as follows:
- foreign exchange risk
- interest rate risk
- raw material risk
- credit risk
- liquidity risk

The Group's risk management objectives are to achieve proper balance between risks and yield, minimize the adverse impacts of risks on the Group's operation performance. Based on these risk management objectives, the Group's basic risk management strategy is to identify and to analyze the industry's exposure to various risks, and seeks to minimize potential adverse effects on the Group's financial performance.

1. Market risk

(1) Foreign exchange risk

The Group's major operational activities are carried out in France, Spain, United States, mainland China and a majority of the transactions are denominated in EURO, US Dollars and RMB. The Group's finance department at its headquarters continuously monitors foreign exchange risk of the Group and combine with the use of derivative financial instruments.

Assets and liabilities denominated in foreign currencies are summarized in Note VII.50.

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:

Current period

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	644,721	52,953,902	-5,403,244	-42,556,872
Other currencies	61,103	3,338,966	-1,056,839	-4,694,234

Non-hedged currencies	Increase of the euro by 10%		Decrease of the euro by 10%	
	Impact P&L	Impact OCI	Impact P&L	Impact OCI
BRL	-11,599,267	0	11,599,267	0
Other currencies	-1,045,537	0	1,045,537	0

Last period

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	-26,904,420	67,590,855	-11,863,884	-69,904,531
Other currencies	384,595	7,818,419	-1,249,571	-3,984,644

Non-hedged currencies	Increase of the euro by 10%		Decrease of the euro by 10%	
	Impact P&L	Impact OCI	Impact P&L	Impact OCI
BRL	-10,892,633	0	10,892,633	0
Other currencies	3,397,602	0	-3,397,602	0

(2) Interest rate risk

The Group's exposure to the interest rate risk is primarily arising from net indebtedness including long-term interest-bearing debt and cash position.

The Group's finance department at its headquarters continuously monitors the interest rate position of the Group.

As at December 31, 2019 and December 31, 2018, the Group's has no more significant floating rate borrowings.

(3) Raw material risk

The raw material risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market commodities. The Group is exposed to fluctuations in mainly propylene, sulphur and gas prices and in order to limit this exposure, the Group enters into some derivative financial instruments (caps and swaps).

As at December 31, 2019, the Group's has no more derivatives contracts on propylene.

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 The Group has a credit policy, approved by the Group Chief Finance Officer (CFO), which is designed to ensure that consistent processes are in place throughout the Group to measure and control credit risk. Such risk is considered as part of the risk-reward balance of doing business. Key requirements of the policy are formal delegated authorities to the sales and marketing teams to incur credit risk and to a specialized credit function to set counterparty limits. Before trading with a new counterparty can start, its creditworthiness is assessed and credit exposure limit is determined. Such exposure limit also depends on the limits of the credit insurer of the Group which is used for clients located in high-risk countries according to the Group. The assessment process takes into account all available qualitative and quantitative information about the counterparty and the group, if any, to which the counterparty belongs. Creditworthiness continues to be evaluated after transactions have been initiated with follow up on payment performances.

3. Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department in its headquarters. The Group's finance department at its headquarters monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institutions so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

The financial liabilities of the Group at the balance sheet date are analyzed by their maturity date below:

Unit: Yuan Currency: RMB

Items	Closing balance				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial liabilities -					
Short-term borrowings					0
Accounts payable	1,099,192,221	0	0	0	1,099,192,221
Derivative financial instruments-liabilities	2,063,292				2,063,292
Other payables	523,722,974	5,483,584	2,503,610	0	531,710,168
Long-term borrowings		4,536,898	4,329,787	16,893,281	25,759,966
Long-term payables		273,543	0	14,377,394	14,650,937
Current portion of long-term payables	1,492,761				1,492,761
Current portion of long-term borrowings	5,123,943				5,123,943
Total	**1,631,595,191**	**10,294,025**	**6,833,397**	**31,270,675**	**1,679,993,288**

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					0
Accounts payable	1,225,671,845	0	0	0	1,225,671,845
Derivative financial instruments-liabilities	67,384,765				67,384,765
Other payables	470,723,015	8,079,226	2,007,189	0	480,809,430
Long-term borrowings		4,974,639	4,370,099	21,248,040	30,592,778
Long-term payables		1,498,779	274,710	6,608,211	8,381,700
Current portion of long-term payables	1,655,780				1,655,780
Current portion of long-term borrowings	4,640,564				4,640,564
Total	**1,770,075,969**	**14,552,644**	**6,651,998**	**27,856,251**	**1,819,136,862**

XI. Disclosure of Fair Value

√ Applicable Not applicable

Based on the lowest level input that is significant to the fair value measurement in its entirety, the fair value hierarchy has the following levels:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

1. Closing fair value of the assets and liabilities measured with fair value

As at December 31, 2019, 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				

Items	Closing fair value			
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
Investments in other equity instruments			11,479,649	11,479,649
Other non-current financial assets			32,676,606	32,676,606
Derivative financial assets		7,784,238		7,784,238
Total amount of assets measured with fair value continuously		**7,784,238**	**44,156,255**	**51,940,493**
(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		2,063,292		2,063,292
Total amount of liabilities measured with fair value continuously		**2,063,292**		**2,063,292**
Net assets	**0**	**5,720,946**	**44,156,255**	**49,877,201**

As at December 31, 2018, 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		6,772,220		6,772,220
Total amount of assets measured with fair value continuously		**6,772,220**		**6,772,220**
(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		67,384,765		67,384,765
Total amount of liabilities measured with fair value continuously		**67,384,765**		**67,384,765**
Net assets	**0**	**(60,612,545)**	**0**	**(60,612,545)**

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. Valuation techniques used and the qualitative and quantitative information of key parameters for recurring and non-recurring fair value measurements categorized within Level 3

The financial assets measured within level 3 mainly includes the Group's investment in equity instruments of non-listed companies. The Group has determined the fair value of relevant equity instruments with reference to the initial investment cost of the companies and considering the development stage of the invested companies, also relevant indicators of comparable companies

4. 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.

5. 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.

6. 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. Subsidiaries of the Company

For details about the enterprise's subsidiary companies, please refer to the Note IX (1).

2. Parent(s) of the Company

Unit: Yuan Currency: RMB

Name of parent company	Registered place	Business nature	Registered capital	Proportion of shares held by the parent company in the enterprise (%)	Proportion of voting right held by the parent company in the enterprise (%)
China National Bluestar (Group) Co, Ltd	Beijing	Research, development of new chemical materials, chemical cleaning, antisepsis, water treatment technology and fine chemical products	18,168,869,029	89.09%	89.09%

The enterprise's ultimate controller is China National Chemical Corporation.

1. Other related parties of the Company

√ Applicable Not applicable

Name of other related parties	Relationship of other related parties with the enterprise
Bluestar Silicon Investment Co., Ltd	Controlled by the same parent company
China National BlueStar (Group) Co., Ltd	Controlled by the same parent company
Bluestar Nanjing Chemical New Materials Co., Ltd	Joint venture of 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
Lanzhou Bluestar Cleaning Co., Ltd	Controlled by the same parent company
Elkem Silicones France SAS	Controlled by the same parent company
Hangzhou Water Treatment Technology Development Center Co., Ltd	Controlled by the same parent company
China Bluestar Lehigh Engineering Corp Co. Ltd	Controlled by the same parent company
ChemChina Finance Co, Ltd	Controlled by the same ultimate controlling shareholder
Bluestar Beijing Cleaning Technology Co., Ltd	Controlled by the same parent company
Bluestar Shangdong Dongda (Nanjing) Co., Ltd	Controlled by the same parent company
Syngenta Crop Protection AG	Controlled by the same ultimate controlling shareholder
GDEM conseil	Other: Company owned by the director of the board

2. 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 party	Contents of Related party transactions	Amount incurred of current period	Amount incurred of last period
Bluestar Nanjing Chemical New Materials Co., Ltd	Purchase of goods		1,793,100
Elkem Silicones France SAS	Purchase of goods	324,324	241,936
Hangzhou Water Treatment Technology Development Center Co., Ltd	Purchase of goods	68,540	203,770
Lanzhou Bluestar Cleaning Co., Ltd	Purchase of services	4,592,810	5,824,640
Bluestar Shanghai Cleaning Technology Co., Ltd	Purchase of services	208,679	2,017,240
Lianyungang Lianyu Construction Supervision Co., Ltd	Purchase of services	4,363,350	2,520,400
Bluestar Beijing Cleaning Technology Co., Ltd	Purchase of services	1,415,540	
China Bluestar Lehigh Engineering Corp Co. Ltd	Purchase of services	1,952,460	292,450
GDEM conseil	Purchase of services	1,417,759	27,498,796

On the last period, the transaction with GDEM conseil includes an exceptional fee of RMB 21,104,963 paid for business and strategic consulting in accordance with a board decision dated on December 11th, 2014.

Sale of commodities/ rendering of labor services

Unit: Yuan Currency: RMB

Related party	Contents of related party transactions	Amount incurred of current period	Amount incurred of last period
Elkem Silicones France SAS (ex-Bluestar Silicones France SAS)	Sales of goods/providing of services	10,741,302	12,221,690
Syngenta Crop Protection AG	Sales of goods	251,513	0

(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	660,683	690,680
Bluestar Nanjing Chemical New Materials Co., Ltd	Office building		342,640
Bluestar Nanjing Chemical New Materials Co., Ltd	Equipment	278,760	1,650,000

Related party	Category of asset	Current period	Last period
Bluestar Shangdong Dongda (Nanjing) Co., Ltd	Capitalized Building	482,094	

(4) Compensation paid for key management personnel

√ Applicable Not applicable

Unit: Ten Thousand Yuan Currency: RMB

Items	Current period	Last period
Remuneration of key management*	1,631	4,642

* The amount for the last period included non-recurring one-off payments that were accrued in 2016

(5) Other related party transactions

√ Applicable Not applicable

ChemChina Finance Co., Ltd. has the financial institution's license in China and the Group accounts for the deposits with ChemChina Finance Co., Ltd.as part of its cash at bank. In the reporting period, total new deposits made to Chemchina Finance Co., Ltd. amounted to RMB 0 and the total amount withdrawn/used amounted to RMB 0. The interest income earned in the current period amount to RMB 43,971,889.18

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.	1,040,356,879	996,384,990

3. 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	7,776,422	-	7,808,064	-
Accounts receivable	Elkem Silicones France SAS	1,649,071	-	1,705,972	-
Other receivables	China National BlueStar (Group) Co. Ltd	432,096	-	431,602	-
Advances to suppliers	China National BlueStar (Group) Co. Ltd	-	-	-	-
Advances to suppliers	Bluestar Nanjing Chemical New Materials Co., Ltd	-	-	-	-
Advances to suppliers	China Bluestar Lehigh Engineering Corp Co. Ltd	-	-	255,000	-

(2) Accounts payable

Unit: Yuan Currency: RMB

Items	Related parties	Closing book value	Opening book value
Other payables	Bluestar Silicones International Co. Ltd	11,500,335	11,314,053
Other payables	China National BlueStar (Group) Co. Ltd	4,456,851	4,456,851
Other payables	Bluestar Shanghai Cleaning Technology co.,ltd.	10,190	89,800
Other payables	Lianyungang Lianyu Construction Supervision Co., Ltd	2,301,080	1,799,057

Items	Related parties	Closing book value	Opening book value
Other payables	Lanzhou Bluestar Cleaning Co., Ltd	372,906	523,769
Other payables	Hangzhou Water Treatment R&D Center		2,830
Other payables	China Bluestar Lehigh Engineering Corp Co. Ltd	555,530	10,000
Other payables	Bluestar Shangdong Dongda (Nanjing) Co., Ltd	482,094	
Other payables	GDEM conseil		229,493

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	30,883,909	35,233,342
Less : Cash at bank and on hand	5,295,065,807	5,282,336,110
Net Debt	(5,264,181,898)	(5,247,102,768)
Total owners' equity	17,214,526,391	17,398,373,074
Total Capital	11,950,344,493	12,151,270,306
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	544,446,206	847,887,944
Total	**544,446,206**	**847,887,944**

(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	86,096,030	62,921,590
Between 1 and 2 years	48,093,568	30,375,524
Between 2 and 3 years	40,838,816	27,069,534
Over 3 years	99,285,759	82,832,579
Total	**274,314,173**	**203,199,227**

Contingencies

Applicable √ Not applicable

2. Other

Buy back of 15% of BANG from Bluestar

On October 23, 2019, Adisseo held the 8th meeting of the 7th session of the board, deliberated and passed the proposal on related-party acquisition of 15% common shares in Bluestar Adisseo Nutrition Group Limited. On December 6, 2019, this proposal has been deliverated and passed by the second extraordinary shareholders' meeting held and is now in the filing procedures from / with relevant regulators.

XVI. Matters after the Date of Balance Sheet

1. Important non-adjustment matters

√ Applicable Not applicable

(1) Strategic Cooperation with Calysta:

The Company has completed its investment of USD 30mil into Calysta Inc. via its Serials D-1 preferred stock financing and Calysseo, the 50:50 joint venture established together with Calysta Inc. has been established in Hongkong by the end of Feb 2020 with its total investment of USD80mil.

(2) Impact of Novel Coronavirus outbreaks on business of the Company:

The outbreak of COVID-19 began in early 2020 and spread rapidly in the next two months and became a global pandemic. The scope and extent of the impact of the epidemic on the Company's business in 2020 are continuously under assessment. The Company has formed a special team to carry out the assessment and put forward a real-time and active response plan. The Company believes that taking advantage of global advantages, the Company will be able to minimize the impact.

2. Profit distribution

√ Applicable Not applicable

On March 20, 2020 the board of directors resolved a cash dividend plan for 0.156 yuan per share (2018: 0.173 yuan), with total amount of 418,376,599 yuan (2018: 463,968,920 yuan). The dividend proposal is subject for approval of 2019 Annual General Shareholders' Meeting. As of balance sheet day, the dividend is not recorded as a liability.

3. Sales return

Applicable √ Not applicable

4. Others

None

XVII. Other Important Matters

1. Corrections of prior period errors

Applicable √ Not applicable

2. Debt restructuring

Applicable √ Not applicable

3. Assets restructuring

Applicable √ Not applicable

4. Annuity plan

Applicable √ Not applicable

5. Discontinued operation

Applicable √ Not applicable

6. Segment information

√ Applicable Not applicable

(1) Identifying reportable segments and accounting policy

Reporting segments are determined according to operating segments, which is in accordance with the Group's internal organization structure, management requirements and internal reporting system. The Group only has one reporting segment – Health and nutrition.

Segment information is disclosed in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to management. The measurement criteria are consistent with the accounting and measurement criteria in the preparation of the financial statements.

(2) Financial information of reportable segments

Current period

Unit: Yuan Currency: RMB

Items	Health and nutrition	Total
Revenue from external customers	11,135,489,839	11,135,489,839
Revenue from transactions with other segments		
Operating cost	7,357,134,517	7,357,134,517
Asset impairment losses	542,959	542,959
Credit Losses	(4,175,419)	(4,175,419)
Interest income	119,243,322	119,243,322
Interest expense	15,216,772	15,216,772
Depreciation, amortization	989,894,452	989,894,452
Profit before income tax	1,731,864,818	1,731,864,818
Income tax expense or benefit	474,465,003	474,465,003
Net profit	1,257,399,815	1,257,399,815
Other items:		
Total assets	21,127,258,090	21,127,258,090
Total liabilities	3,912,731,699	3,912,731,699

Last period

Unit: Yuan Currency: RMB

Items	Health and nutrition	Total
Revenue from external customers	11,417,981,750	11,417,981,750
Revenue from transactions with other segments		
Operating cost	7,433,746,398	7,433,746,398
Impairment for the period	20,182,641	20,182,641
Interest income	102,176,926	102,176,926
Interest expense	3,683,193	3,683,193
Depreciation, amortization	955,813,249	955,813,249
Profit before income tax	1,676,795,129	1,676,795,129
Income tax expense or benefit	461,108,010	461,108,010
Net profit	1,215,687,119	1,215,687,119
Other items:		
Total assets	21,453,362,349	21,453,362,349
Total liabilities	4,054,989,275	4,054,989,275

(3) Explanation of the Group without reportable segment or cannot disclose the total assets or total liabilities of reportable segment

None

(4) Major customers

None single external customer amounts to 10 per cent or more of the consolidated operating income or the Company's operating income.

(5) Other explanation

Operating revenue from external customers by product
Refer to the Note VII.34 - *Detail of main businesses*.

Operating revenue from external customers by geographical location

Unit: Yuan Currency: RMB

Country or region	Amount recognized in the current period	Amount recognized in the prior period
Europe / Africa/MO	3,827,563,212	3,872,245,015
North & Central America	2,360,190,360	2,392,665,760
Asia / Pacific (excluded China)	1,835,864,320	1,913,670,018
South America	1,620,527,191	1,741,032,926
China	1,245,494,832	1,162,201,679
Others	245,849,924	336,166,352
Total	**11,135,489,839**	**11,417,981,750**

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	8,342,696,541	8,362,243,270
North & Central America	129,093,153	127,948,691
Asia / Pacific(excluded China)	58,147,382	50,126,286
South America	15,229,400	14,974,039
China	3,359,072,669	3,284,123,612
Total	**11,904,239,145**	**11,839,415,898**

7. Other important transactions and matters have impact on decision of investors

None

8. Others

None

XVIII. Main Items in the Financial Statements of the Company

1. Cash at bank and on hand

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Cash on hand		
Cash at bank	2,058,211,716	2,697,734,689
Other monetary funds		
Total	2,058,211,716	**2,697,734,689**

As at December 31, 2019 and December 31, 2018, no restricted funds within the company.

2. Other receivables

(1) Other receivables by categories are as follows:

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Interest receivable	9,510,000	12,310,000
Dividends receivable	697,533,375	20,010,615
Other receivables	0	0
Total	**707,043,375**	**32,320,615**

(2) Interest receivable by deposit type

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Fixed term deposit	9,510,000	12,310,000
Entrusted loan	0	0
Bond investments	0	0
Total	**9,510,000**	**12,310,000**

(3) Dividends receivable

Unit: Yuan Currency: RMB

Items (Invested units)	Closing balance	Opening balance
Bluestar Adisseo Nutrition Group Limited	697,533,375	20,010,615
Total	**697,533,375**	**20,010,615**

(4) Other receivables

Applicable √ Not applicable

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	0	0	7,492,295,416	0	0
Total	**7,492,295,416**	**0**	**0**	**7,492,295,416**	**0**	**0**

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	695,540,465	19,978,485
Gain on dividend from investment in other equity instrument		
Gain from disposal of investment in other equity instrument		
Total	**695,540,465**	**19,978,485**

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	(91,332,132)	Scrapping of non-conform or defective equipment
Government grants recognized in profit or loss, other than grants which are closely related to the Company's business and are either in fixed amounts or determined under quantitative methods in accordance with the national standard	17,449,442	Mainly grants for land use right and industrial structure adjustment in Nanjing plant
Other non-operating income or expenses other than the above	228,397,187	mainly insurance claim payment
Impact of income tax	(42,331,088)	
Effects attributable to minority interests (after tax)	(16,827,511)	
Total	**95,355,898**	

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	7.24	0.37	0.37
Net profit attributable to the Company's common shareholders after deduction of non-recurring gain or loss	6.57	0.33	0.33

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

Applicable √ Not applicable

Section 12 Document for Reference

1	Financial statements signed and sealed by principal, person in charge of financial function, person in charge of the financial department.
2	The original copies of all documents and announcements of the Company publicly disclosed in the newspapers designated by the CSRC during the reporting period.

Legal representative: Jean-Marc Dublanc

Approved by the Board for submission on: March 20, 2020