

Bluestar Adisseo Company

2020 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, 2020 amounted to RMB 1,351,600,222 and the accumulated profits available for distribution at parent company level as at December 31, 2020 amounted to RMB 687,241,965.

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 1.76yuan per 10 shares (inclusive of tax). The total amount of the cash dividends to be distributed is RMB 472,014,624 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 2020 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. Has more than half of the directors not guaranteed the authenticity, accuracy and completeness of the annual report disclosed by the company?

No.

X. 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".

XI. 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.

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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
Calysta	Indicates	A US-based technology firm that has developed a proprietary Single Cell Protein and its innovative associated manufacturing process
Calyseo	Indicates	Adisseo has formed a joint-venture company called Calyseo together with Calysta in March 2020
FRAmelco	Indicates	The Franklin Group BV and its subsidiaries acquired by Adisseo in December 2020
Nanjing Plant	Indicate	Bluestar Adisseo Nanjing Co., Ltd.
Group, the Group, or Adisseo	Indicate	Bluestar Adisseo Company and its subsidiaries
ChemChina	Indicates	China National Chemical Corporation
China Bluestar	Indicates	China National Bluestar (Group) Co., Ltd.
BANG	Indicates	Bluestar Adisseo Nutrition Group Ltd
Board of Directors	Indicates	The Board of Directors of Bluestar Adisseo Company
Board of Supervisors	Indicates	The Board of Supervisors of Bluestar Adisseo Company
Shareholders' General Meeting	Indicates	The Shareholders' General Meeting of Bluestar Adisseo Company
Articles of association ("AOA")	Indicate	The Articles of Association of Bluestar Adisseo Company
CSRC	Indicates	China Securities Regulatory Commission
SSE	Indicates	Shanghai Stock Exchange
SASAC	Indicates	State Assets Supervision and Administration Commission of China
Yuan, 10 thousand Yuan, 100 million Yuan	Indicate	RMB Yuan, RMB ten thousand Yuan, RMB one hundred million Yuan
Reporting period	Indicates	1 st Jan 2020 ~ 31 st Dec 2020
Transaction and restructuring	Indicates	In 2015, the company purchased 85% of the common stock of Adisseo through major asset restructuring with related party by issuing shares and cash payment and disposed of all the original businesses of the listed company.
Company Law	Indicates	Company Law of the People's Republic of China
Securities Law	Indicates	Securities Law of the People's Republic of China
Listing Rules	Indicates	Listing Rules of the Shanghai Stock Exchange
b. Technical terms		
Feed additives for animal nutrition	Indicates	Feed additives are food supplements for farm animals that cannot get enough nutrients from regular feeds and have to be added to the feed for nutritional purpose; which could promote the growth, development and wellbeing of animals.

Interpretations of the terms in common use		
Methionine / Methionine product	Indicate	One of the naturally occurring, sulfur-containing essential amino acid, which cannot be synthesized by animals and need to be added to the feed. Methionine product refers to those contain methionine itself or chemicals that can be bio-transformed to methionine in animals.
Liquid methionine (“HMTBA”)	Indicates	A methionine hydroxyl analogue, which can be naturally transformed to methionine in animals and is in a liquid state at ambient temperature.
Powder methionine	Indicates	Methionine in a powdery state at ambient temperature.
Ammonium sulfate	Indicates	A colorless crystalline salt, which is a by-product during the liquid methionine production process, and mainly be used as a fertilizer.
Sodium sulfate	Indicates	A white crystalline compound, which is a by-product during the powder methionine production process, and used especially in detergents as well as the production of paper, glass, fuel and pharmaceutical products.
Enzyme	Indicates	A protein molecule function as a biological catalyst and effectively promote certain biological reactions in animals, and also can be used to accelerate the reaction processes in chemical industrial production. Enzymes can be added to feed to ameliorate the feed utilization and nutrition, health and immune status of animals.
Ruminants	Indicate	Refers to animals whose stomach usually divided into four compartments, namely rumen, reticulum, omasum, and abomasum, and chew a cud consisting of regurgitated, particularly digested food. Ruminants include cattle, sheep, goats, deer, giraffes, camels, etc.
Rumen	Indicates	The first stomach of a ruminant, which receives food or cud from the esophagus, particularly digests it with the aid of bacteria and passes it to the reticulum.
Performance products*	Indicate	The following products: methionine, methionine hydroxyl analogue, vitamins, ammonium sulfate and sodium sulfate.
Specialty products	Indicate	The following products: enzymes preparation, rumen-protected methionine, organic selenium additives, 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.
FeedKind	Indicates	FeedKind protein is a natural, traceable and safe non-animal source of high protein produced using the world's only commercially validated gas fermentation process. It is a sustainable alternative to high protein feed ingredients such as fishmeal.
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

Type of security	Stock exchange on which the securities are listed	Share abbreviation	Share code	Share abbreviation before modification
Ordinary Shares	Shanghai Stock Exchange	Adisseo	600299	BNCM

VI. Other Related Information

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

VII. Main financial data for the latest three reporting periods**Main financial data**

Unit: Yuan Currency: RMB

Main accounting data	2020	2019	Changes in comparison with the same period of last year (%)	2018
Operating revenue	11,910,430,976	11,135,489,839	6.96%	11,417,981,750
Net profit attributable to the shareholders of the Company	1,351,600,222	992,382,202	36.20%	926,130,660
Net profit attributable to the shareholders of the Company after deduction of non-recurring profit or losses	1,371,584,700	897,026,304	52.90%	907,325,102
Net cash flow arising from operating activities	2,708,415,580	2,550,601,183	6.19%	1,441,696,047
	The end of 2020	The end of 2019	Changes in comparison with the end of last year (%)	The end of 2018
Net assets attributable to the shareholders of the Company	13,952,945,387	13,797,572,348	1.13%	13,602,423,751
Total assets	20,617,633,075	21,127,258,090	-2.41%	21,453,362,349

Main financial ratios

Main financial ratios	2020	2019	Change of the present period over the same period of last year (%)	2018
Basic earnings per share (Yuan/ share)	0.50	0.37	36.20%	0.35
Diluted earnings per share (Yuan/ share)	0.50	0.37	36.20%	0.35
Basic earnings per share after deduction of non-recurring profit or loss (Yuan/ share)	0.51	0.33	52.90%	0.34
Weighted average return on net asset (%)	9.97	7.24	+2.73ppt	6.90
Weighted average return on net assets after deduction of non-recurring profit or loss (%)	10.11	6.57	+3.54ppt	6.76

Explanations of main financial data and financial ratios:

√ Applicable ☐ Not applicable

FY2020 net profit contributed to shareholders increased by +36.20% yoy to CNY1.35 billion, and also benefited from the completion of 15% buy-back despite negative foreign exchange impact due to depreciation of US Dollar and emerging countries' currencies. At the same time, net profit attributed to stockholders after deducting of non-recurring profit/loss also realized an increase of +52.90% compared with last year.

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 2020	Q2 2020	Q3 2020	Q4 2020
Operating revenue	2,852,332,039	3,033,443,729	2,995,363,784	3,029,291,424
Net profit attributable to the shareholders of the Company	294,751,633	424,558,562	378,674,080	253,615,947
Net profit attributable to the shareholders of the Company after deduction of non-recurring profits and losses	293,434,215	415,820,643	403,526,786	258,803,056
Net cash flow from operating activities	678,830,693	896,682,548	713,487,284	419,415,055

The increase of revenue in fourth quarter is main attributed to the strong volume growth in liquid methionine (+14%), best-ever revenue reached in Vitamin as well as continued stable growth in specialites. The net profit attributable to shareholders of the Company in the fourth quarter is mainly impacted by higher material cost and lower selling price and by some non-recurring profit and loss items (such as disposal loss of fixed assets of existing fixture for the construction of BANC2).

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 2020	Description (if applicable)	Amount in 2019	Amount in 2018
Net profit or loss on disposal of non-current assets	(52,065,052)	Scrapping of equipments & fixtures	(91,332,132)	(8,577,642)
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	26,690,730	Mainly grants related to assets for land use right and industrial structure adjustment in Nanjing plant	17,449,442	29,311,032
Other non-operating income or expenses other than the above	(1,089,165)		228,397,187	9,782,461
Impacts attributable to minority interests (after tax)	(237,743)		(16,827,511)	(3,318,628)
Impact of income tax	6,716,752		(42,331,088)	(8,391,665)
Total	(19,984,478)		95,355,898	18,805,558

XI. Items measured using fair value

Currency: RMB Unit: Yuan

Item Name	Beginning Balance	Closing Balance	Change in current period
Derivative financial instruments assets	7,784,238	39,884,250	32,100,012
Derivative financial instruments liabilities	(2,063,292)	(2,118,600)	(55,308)
Investments in other equity instruments	11,479,649	235,265,762	223,786,113
Other non-current financial assets	32,676,606	64,553,100	31,876,494
Total	49,877,201	337,584,512	287,707,311

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

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 aggravates 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 animals healthy and feeling well.

Adisseo's mission is to feed the planet in a high-quality, affordable, safe and sustainable way.

The Group is developing in the feed additives market for animal nutrition where it delivers a total solution approach through partnerships, products and services sales, research and innovation.

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, cultural/religious changes and to the industrialization of the feed industry;
- Currency exchange rates. Adisseo sells its products in different countries, mainly in US dollar, partly in Euro and partly in RMB. Regarding cost, its plants are mainly in Europe and China, it purchases a significant portion of its raw material in Euro, US dollar and RMB;
- Brent oil. Adisseo uses raw materials that are partly derivatives of Brent oil.

Adisseo contributes effectively in developing and providing innovative products and services to the feed and food industry contributing to the sustainable growth of the planet already for more than 80 years. Especially, Adisseo currently provides feed additives for animal nutrition including essential nutrients and specialty feed ingredients for digestibility improvement, preserving precious resources and qualitatively formulated feed, 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's feed ingredients contribute to support sustainable production and environmental protection by the reduction of effluent (e.g. nitrogen,

phosphorus and methane), the increase of raw material usage efficiency and the balance of animal productivity and welfare.

Adisseo adheres a strategy to bring solutions to premixers, feed mills, farms, integrations and animals in every food producing category: poultry, swine, ruminants and aqua. A global team serves about 3,900 customers in over 110 countries globally to partner in solving issues related to production efficiency, improve livestock performance, optimize animal nutrition and raw material usage, keep animals healthy and feeling well while reducing/minimizing its environmental impact.

Adisseo is present worldwide and operates on all continents with sales force organized in seven business areas: Europe/CIS, Middle East/Africa, Indian sub-continent, North America, South & Central America, Asia Pacific and China. A team of knowledgeable sales and technical support brings expertise to offer professional consultation on additive application technologies and feed formulation and finished products analysis, strengthening its position as the go-to supplier through its distribution platforms for and its long-term and productive relationships with its customers.

Adisseo developed a Key Account Management sales strategy and invests in continuous sales training to improve customer relation, retention and sales performance. A digital marketing strategy with invests in digital tools such as CRM system, e-customer platform, webinar and video platform, social media and content marketing support the image of Adisseo as an expert and reference in animal nutrition and specialty feed additives.

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.

To do so, Adisseo brings a full range of products and services to the market that supports customers in every step of the feed and animal production: “Performance products” (like methionine, vitamins, ammonium and sodium sulfate), “Feed Digestibility” products (enzymes, lysolecithins), “Ruminant” (protected methionine, Rumensmat), “Aqua and new alternative protein” (aqua feed additive and FeedKind@, the new a safe, healthy, traceable and nutritional protein), “Animal Resilience” (products to support animal performance like gut health products) and “Services and other products” to support customers in raw material evaluation, feed formulation, feed production, storage and animal well-being and performance.

Adisseo is a global leader and organizes the portfolio in its 5 main product lines:

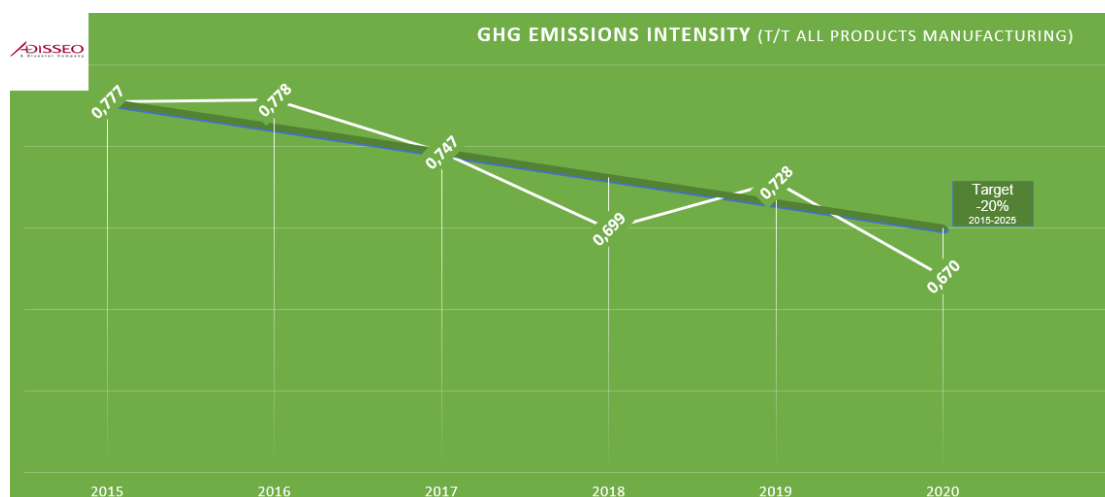
- Performance products:
 - Adisseo is the world leader in liquid methionine and the world’s second largest producer in the global methionine market. Adisseo is one of the few global methionine producers capable of producing methionine in both liquid and powder forms. Adisseo is also one actor with a complete offer of methionine products;
 - Adisseo is the world-leading producer of rumen-protected methionine;
 - Adisseo is uniquely positioned in the vitamin business in the feed industry, who endeavors to provide a full range of vitamin offerings with high quality and complete traceability.

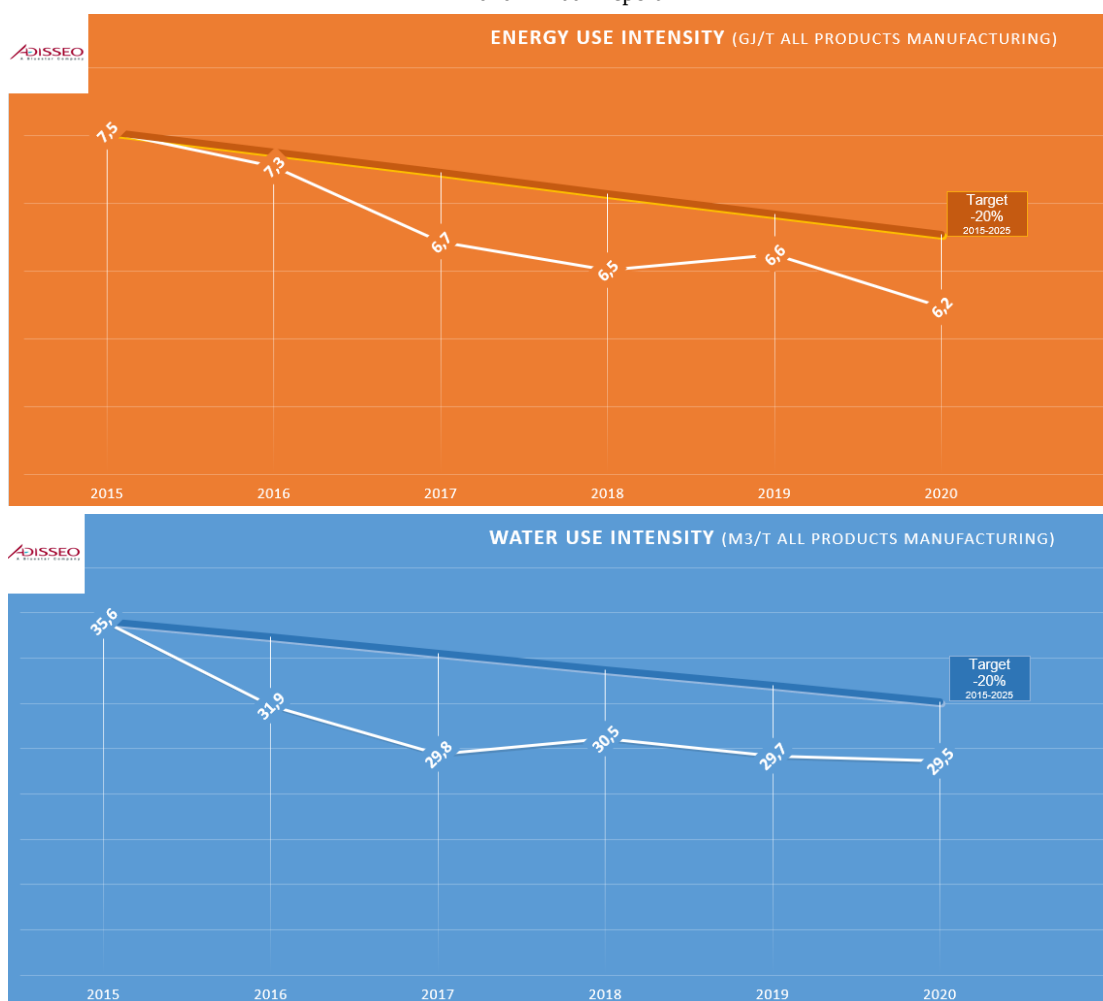
- Feed Digestibility: Adisseo is a world-leading and the most recognized supplier of Non-Starch Polysaccharide enzymes;
- Ruminant: Represented by our star product Protected Methionine with undisputable market positioning
- Aqua and new alternative protein: A new highly promising segment for Adisseo and we aim to be a growing player in aqua with enlarged product portfolio.
- Animal Resilience: Adisseo is one of the world leading companies in animal performance products like gut health. The recent acquisition of FRAmelco will further reinforce Adisseo's position in the promising and fast-growing animal resilience market segment.
- Services & other products: Adisseo brings a comprehensive range of products and services to support customers in every step of the production process of feed and animals.

The 10 R&D centers with around 200 people dedicated to research and innovation, represent true engines of its development to support the “two-business-pillar” strategy.

Adisseo relies on its production sites based in Europe, USA and China to design, produce and market nutritional solutions. 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.

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 greenhouse gas emissions by 20% as well as our water and energy consumptions per kilogram of product over a ten-year period starting from 2015.





II. Major changes to the main assets of the company

☐ Applicable ☒ Not applicable

III. Core competitiveness analysis in the reporting period

☒ Applicable ☐ Not applicable

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 world. 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.

In 2020, in order to follow our growth in AT88, Adisseo launched a new European debottlenecking project (in Les Roches plant and Burgos plant) to increase the AT88 production in Burgos by 30 kT/year, which allows to address the continuously growing market and further improve competitiveness.

- 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. Adisseo is continuously improving its cost competitiveness thanks to its fully integrated manufacturing platform, continuous improvement in the manufacturing process thanks to the research and innovation efforts as well as continuously expanded capacity expansion. 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 Jiangbei New Material Technology Park, adjacent to the existing Adisseo plant in Nanjing. Embedded with some specific changes to production processes to improve environmental performance objectives and to further reduce already world leading production costs, the plant is expected to start in H2 2022. Adisseo is expecting great 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.

Thanks notably to the Nanjing platform, although there was new capacity from both existing players and newcomers, Adisseo managed to increase its market share from 24% to 27% from 2012 to 2017 stabilised since then in a context of continuously growing market. Adisseo expects to keep its leading position in the coming years and is pursuing its investment path, 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 in each regional market across the world. Main competitors are Novus; Evonik, Sumitomo, NHU and CUC.

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 and production has been maintained during 2020 without any disruption despite COVID-19 crisis thanks to efficient safety measures to protect our employees. Adisseo buys raw materials from different sources to avoid supply issues, including large chemical companies to produce its Vitamin A. Production plant had not been impacted by any raw material supply issues.

Some major players in the Vitamin market experienced production difficulties in recent years. As a result, in H1 2020, market has been very active for Vitamins and prices have been maintained at high level compared to average historical levels with a strong demand. Since early Q3, demand has been reduced due to over storage during H1 and almost all vitamin prices collapsed to historical low level, except notably Vitamin A. Nevertheless, at the end of Q4, demand has been increasing again.

➤ **Specialty products**

Specialty products includes feed digestibility (enzymes), rumen-protected amino acids, animal resilience/ health by nutrition (probiotic, butyrate, botanicals, organic selenium), palatants, mycotoxin management, feed preservatives, aqua & new alternative protein, etc. Accelerating the development of Specialty products is the second business-pillar of the Group. Adisseo has the ambition to become one of the worldwide leaders of specialty additives in animal nutrition thanks to the organic growth 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. Consequently feed enzymes contribute strongly to a more sustainable animal production. Feed enzymes market can be divided into different segments:

- 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 nice career thanks an unmatched efficiency.

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 depending on regulatory approvals. 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 Metasart®, 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 enhanced cow longevity.

Adisseo is reinforcing its unique market positioning and leadership by:

- Consolidating its sales network in China, North America, South America, Europe, CIS and MEA;
- Promoting two new products, complementary to the existing range: a new methionine product, RumenSmart® (already launched in North America, Latin America and EU); the other product is a rumen-protected Lysine, Smartamine® ML which benefits from the unique coating technology that made the success of Smartamine® M (already commercialized in North America and Latin America). 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.

3. Animal Resilience (Health by nutrition) including

1) Organic selenium

Since the launch in 2014 of Selisseo® (organic selenium), Adisseo became 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). Sales are growing steadily in the USA, the latest market where the product has been launched.

2) Gut health products

Alterion probiotic is one of the solutions offered by Adisseo to help animal producers to reduce antibiotic usage. Adimix sodium butyrate and Apex botanicals complement nicely Adisseo's offering. The recent acquisition of Framelco will reinforce further Adisseo's position in the promising and fast growing Health by Nutrition market segment.

R&D work is ongoing to develop more products and solutions that will help farmers to produce

poultry, swine, fish and shrimps in a more sustainable way (reduced usage of antibiotics, animal welfare).

4. Aqua & New Alternative Protein

Adisseo offers innovative nutritional and health solutions to sustain fish and shrimp farming in the key markets. Aqua, especially in Asia, represents a great growth opportunity for Adisseo. Adisseo reinforces steadily its field presence in Asia, Latin America as well as in new geographies as Middle East and Africa in order to develop its sales.

The establishment of Calysseo, the joint venture with Calysta, to develop an innovative protein business FeedKind® for the Aquaculture industry in China and Asia, could be a potential game-changer in the aqua feed sector, which allows Adisseo to tap into a new sector: alternative protein business with great potential.

5. Palatability

Palatability products stimulate feed intake and consequently support performance and health of animals (swine, ruminant, horses). On top of swine market, the new segments (dairy cows and calves) are being explored. Sales growth is as well driven by geographic expansion.

6. Mycotoxin management and Feed preservation

Global warming tends to favor development of fungi on the grains and consequently increases the prevalence of mycotoxins in grains and feeds.

Feed preservation products inhibit the development of mold and bacterial pathogens in grains and feeds, thus allowing better use of feed resources and limiting wastes. This product range includes also antioxidants that prevent degradation of fat and thus protect the nutritional value of feed.

Mycotoxin management products alleviate the negative impact of mycotoxins on health, reproduction and performance of poultry, swine, ruminant and aqua species.

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.

Adisseo has integrated Nutriad's product portfolio to offer new solution possibilities to its customers. Recent acquisition of FRAmelco also reinforced our product offering. Solutions are covering a large range of issues faced by farmers, feed millers and integrators including prevention of nutritional loss in grains and feed during storage; reduction of antibiotic usage; improvement of animal welfare (reduction of foot dermatitis incidence); reduction of feed cost; improvement of

cows' longevity etc.

In addition, dedicated customer programs and training sessions are organized to explore a total approach for eg. mycotoxin contamination, gut health issues and preventive measurements for antibiotic reduction and AGP (antibiotic growth promotor) ban in husbandry.

To further improve customer preference and differentiate from competition, Innov'l@b is continuously scouting 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 high-quality, 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);
- Adisseo conducts each year new surveys and initiates new projects to reduce the environmental impact of its activities: high level of environmental investments maintained in past several years, such as new electrostatic filter to reduce dust in fumes and a wastewater pre-treatment plant in Nanjing, new furnace to maximize energy recovery on a MMP (intermediary product in the synthesis of methionine) production unit, investment of a new wastewater treatment unit at Commentry which will be put into use in 2021.

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 reinforces its core businesses and diversifies its portfolio in high growth segments by developing strategic partnerships, innovative products and external acquisition. Main industry drivers include antibiotics replacement, yield improvement, health by nutrition, etc. with target to build a complete, tailor-made feed specialties solution offering 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)

5. Strong Research and Innovation Capabilities

Adisseo’s Research & Innovation programs are organized around the following 4 key domains (Environment and Biosecurity, Raw material and nutrition, Microbiota and gut balance and Protein quality) supported by an innovative stream of new technologies (chemistry, biotechnology and additives formulation).

To run all R&I programs, Adisseo has 10 R&I centers worldwide which represent true engines of its development. Adisseo’s R&I 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 and external technology scouting) and production and engineering departments, to align the objectives of product/service development with its general business objectives. The recent acceleration of the Adisseo R&I Center in China has been formalized through the selection of the future new R&I site in Nanjing city. This new facility should be operational by mid-2021. This laboratory will not only be at the forefront of the group’s strategy for the Chinese market, but will also be part of the global R&I set up, taking in charge the development of some key global technologies.

In particular, the Innov’L@b (created during 2017) seeks, selects and develops innovative disruptive solutions to provide potential solutions to the long term 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&I projects on the different topics/challenges. After partnerships officially started with the Sichuan University in Chengdu on swine nutritional research, with the University of Arkansas in Fayetteville (US) on poultry nutritional research, with the James Cook University in Singapore on aquaculture nutritional research, 2 new long term partnerships have been formalized: one with the University of Wisconsin on ruminant research, and one with INRAe in France on specific critical global nutritional topics.

The new aquaculture Research & Innovation is now up and running. Priorities have been given to the development of Adisseo aquaculture business and to support the new Adisseo-Calysta joint

venture on alternative proteins (Single Cell Proteins). In the meantime, starting from its French experimental farm, Adisseo is fully engaged in the development of new data management techniques to run its experimental farms.

Along with the nutritional competencies, Adisseo remains an industry pioneer through its own prominent Research and Innovation capabilities 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, vitamins, anti-mycotoxin, palatability 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 and international company management 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.

In the context of COVID-19 epidemic, Adisseo has confirmed the priorities were to protect its employees and guarantee business continuity to serve its customers worldwide and feed the planet.

Adisseo is also welcoming a new Executive committee member of Adisseo Group, Mr Gary Wang as the deputy general manager of Bluestar Adisseo Company, (the proposal has been deliberated and passed by 12th board meeting) to lead Adisseo China strategy, and is investing in technical expertise development through the creation of a Sales academy and a Research & Innovation academy.

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 experienced slowing down in 2020 with rising trade barriers, increasing commercial and geopolitical tensions and now further weighted with COVID-19 impact. However, significant disparity exists in different regions: for developed countries, economics declined due to low productivity growth and ageing demographics and for developing countries, strong growth performances tampered by COVID-19 in 2020. Trade imbalances, exchange rate fluctuations and the new norm formed from COVID-19 also increase the uncertainties. The China/Asian African Swine Fever crisis has significantly impacted the Chinese meat sector. The recovery of swine business is on-going. It has shown that the shortfall in pork supply is yet to be fully recovered and it is expected that the demand drivers will continue to sustain in the long run despite all challenges mentioned above although there will be big uncertainties due to COVID-19.

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.

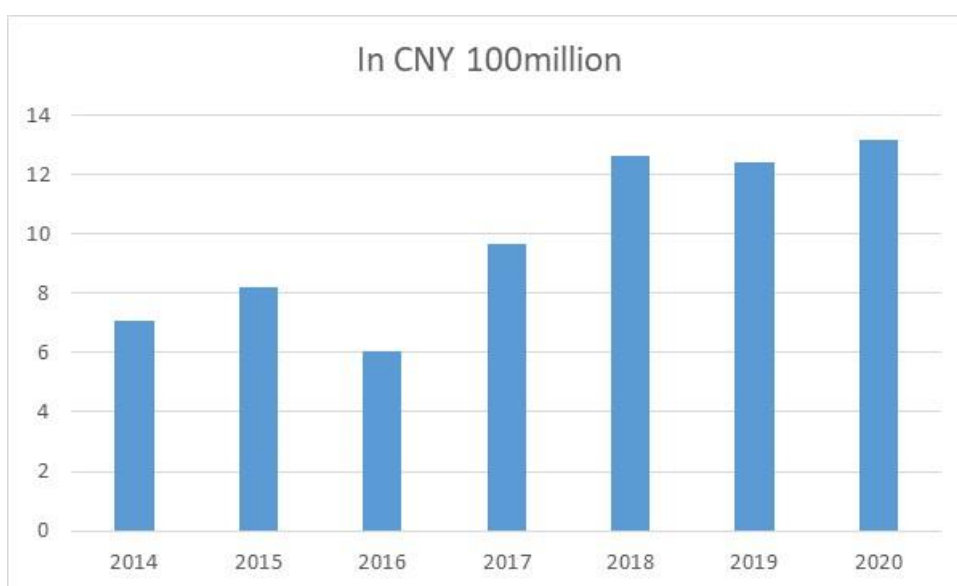
Adisseo faces competition from large and well-known companies with strong financial positions as well as competition from other companies in the regional or local markets. Chinese Newcomers (CUC / NHU) have started their new units during the years 2016-2017. Almost all historical players (Sumitomo, Evonik, 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. In 2021, there could be some new capacities coming into market from Chinese players and also some existing capacities to be adjusted for some historical players.

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 successfully increased 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; Despite COVID-19 situation, the project is well back on track with majority piping and civil work completed and main imported equipment delivered to the site.
- CAPEX expenditure



- 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. After completion of the Research facility lab in Singapore, Adisseo has formed a joint-venture company called Calysseo together with Calysta, a US-based technology firm that has developed a proprietary Single Cell Protein and its innovative associated manufacturing process, in which Adisseo took a minority stake, in early March 2020 with the intention to develop this business opportunity on an exclusive basis in Asia. The first target of this joint-venture will be the construction of a manufacturing facility in China to commence production around late 2022. Its groundbreaking ceremony was organized on 18th December 2020, a milestone in the delivery of a disruptive technology that can benefit China and Southeast Asia's aquaculture market as early as 2022.

- “In science, we trust” mindset is deeply rooted in Adisseo. Innovation is the heritage and a key competitive edge for Adisseo, both for the optimization of the processes of performance products (methionine, Vitamin A) as well as the development of new customer driven solutions for specialty products.
 - 2020 has been dedicated to feed the pipeline of new solutions on one side and the focus on key step-change technologies for the methionine process on the other side.
 - During COVID-19 period, more efforts have been spent on the optimization of R&I organization with 5 pillars identified to implement our strategy, which are Producing Tomorrow, Experimenting Tomorrow, Influencing Tomorrow, Winning Together and Aiming 4 Efficiency.
- To complement the “internal” technologies and solutions developments, Innov’L@b (Adisseo open-innovation structure) is pursuing its investments in new venture through AVF fund. In 2020, AVF has completed 3 new investments:
 - ViroVet, a Belgian company which pioneers in developing novel and innovative vaccines based on a unique proprietary technology platform;
 - Novobind Livestock Therapeutics Inc. a Canadian animal health company using a proven biologics platform to develop precision biologics (NBXs) which are antimicrobial applications against bacteria, viruses and parasites in animals.
 - AnimAb, another Belgium based company which is currently focused on the development of new antibodies targeting enterotoxigenic E.coli in pigs.

Through participation in AgVentures II fund managed by SP Ventures, globally recognized for its specialization in Agfood tech, Adisseo extended its innovation capacity to Latin America.

2020 results

<i>In (100 million) Yuan</i>	2020	2019	Change (%)
Operating revenue	119.10	111.35	7.0%
Net profit attributable to shareholders	13.52	9.92	36.2%
Net profit attributable to the shareholders of the Company after deduction of non-recurring profit or losses	13.72	8.97	52.9%
Basic earnings per share (Yuan/ share)	0.50	0.37	36.2%

In the context of the COVID-19 pandemic, safety is and will remain Adisseo’s first priority while ensuring business continuity the second. Adisseo achieved best-ever yearly safety TRIR result in 2020 at 0.40, a significant improvement compared to 0.71 in 2019.

In a most challenging macro-environment in 2020, Adisseo realized sustainable growth in both operating revenue at CNY11.9 billion (+7%) and gross profit at CNY4.47 billion (+18%), thanks to continued volume growth in liquid methionine, solid contributions from vitamins, strong double-digit revenue growth in specialties.

The gross profit margin was up from 34% to 37.5% thanks to decreased raw material prices, positive

impacts from volume increase and strong reliability of plant production, as well as proactive margin management.

Regarding the methionine business, liquid methionine achieved a +14% volume growth in Q4 2020 vs Q4 2019.

Nanjing plant achieved its production record in Q4 2020, and the new 180KT liquid methionine plant (BANC2 project) is well on track with major piping and civil work completed and main imported equipment delivered on site.

The debottlenecking of European plant (+30KT) is being implemented on schedule.

On Vitamins, thanks to the reliable production and supply, Adisseo realized strong double-digit volume growth in Vitamin A and E and fully benefited from solid market prices in 2020.

The specialty business achieved a robust double-digit growth in FY2020 vs FY2019 in both revenue (+16%) and gross profit (+15%) despite difficulties to visit customers to promote specialty business especially with regard to our new products. The growth was mainly attributed to strong results in the dairy business (+38%) and Aqua business (+31%) as well as other specialties such as Health by Nutrition, etc.

Competitiveness enhancement program allowed to deliver significant savings of more than Euro 30 million..

2021 outlook

- Safety is Adisseo first priority while ensuring business continuity the second. In 2021, 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 an environment where volatility and uncertainty will still prevail, Adisseo is confident and committed to ensuring the safety of its staff, to reinforce its business continuity and to keep investing in sustainable growth.

Key drivers for performance and profitable growth will be:

- Continued volume growth in liquid methionine
- Continued solid growth in specialties
- Catching market opportunities in vitamin business
- Proactive margin and cost optimization thanks to competitiveness enhancement program

- The leverage of innovation capacities and external growth opportunities
- Innov'L@b: Adisseo is accelerating its innovation development leveraging venture capital on top of internal research. In 2021, we are expecting to further amplify its function by participating more venture funds globally to be well-connected with disruptive technologies globally and to prepare for our future.;
- Adisseo will continue the undertaking of competitiveness improvement plan to deliver additional savings;
- US Dollar and raw material cost will still be key factors.

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

Please refer to the following analysis of main business.

1. Analysis of main business

(1) 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	11,910,430,976	11,135,489,839	6.96%
Cost of sales	7,390,596,338	7,357,134,517	0.45%
Selling and distribution expenses	1,322,290,461	1,282,742,038	3.08%
General and administrative expenses	631,397,760	618,844,949	2.03%
Research and development expenditure	301,295,739	294,254,663	2.39%
Financial expenses	146,554,812	(63,535,915)	NA
Net cash flow from operating activities	2,708,415,580	2,550,601,183	6.19%
Net cash flow from investing activities	(2,300,841,296)	(1,160,396,155)	98.28%
Net cash flow from financing activities	(3,027,032,547)	(1,363,504,460)	122.00%

(2) 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/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
Health and Nutrition	11,910,430,976	7,390,596,338	38%	7%	0.5%	4ppt

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	8,522,844,442	5,580,007,586	35%	5%	-2%	5ppt
Specialty products	2,823,663,656	1,416,009,850	50%	16%	14%	1ppt
Other products	563,922,878	394,578,902	30%	-9%	-9%	0ppt
Total	11,910,430,976	7,390,596,338	38%	7%	0.5%	4ppt

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	4,021,631,653			5%		
North & Central America	2,287,407,823			-3%		
Asia / Pacific (excluded China)	1,929,680,402			5%		
South America	2,155,795,884			33%		
China	1,285,502,691			3%		
Other	230,412,523			-6%		
Total	11,910,430,976			7%		

Explanation on main business by industry, by product and by regions

(*) 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 2019	Change in Volume	Change in sales price	Exchange rate impact
Performance products	453,240,715	(65,662,061)	49,157,625
Specialty products	377,935,766	1,262,219	13,155,505

Adisseo's operating revenue in 2020 totaled RMB 11,910,430,976 and increased by 7% at current EUR/CNY rate and increased by 6% at constant EUR/CNY rate, compared to 2019.

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							Explanation
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 (%)	
Health and Nutrition		7,390,596,338	100%	7,357,134,517	100%	0.5%	Favorable raw material price offset by increased sales volume

By product							Explanation
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 (%)	
Performance products	Raw materials, purchased equipment and consumables used (70%), Depreciation and amortization (13%), Other (17%)	5,580,007,586	76%	5,683,719,046	77%	-2%	Decrease of raw material price offset by increased sales volume
Specialty products	Raw materials, purchased equipment and consumables used (75%), Depreciation and amortization (7%), Other (18%)	1,416,009,850	19%	1,240,507,642	17%	14%	Total cost increased in line with increased sales volume
Other products	Raw materials, purchased equipment and consumables used (32%), Depreciation and amortization (20%), Other (48%)	394,578,902	5%	432,907,829	6%	-9%	Decrease of raw material price offset by increased sales volume

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 774 million, accounting for 6% of the Group's total operating revenue, in which the amount of purchasing from the related parties is null..

N°1: RMB 211 million; N°2: RMB 143 million; N°3: RMB 143 million; N°4: RMB 139 million; N°5: RMB 138 million.

The total amount of purchasing from the Company's top 5 suppliers amounted to RMB 1,360 million accounting for around 24% of the Company's total purchase, in which the amount of purchasing from the related parties is null.

N°1: RMB 410 million; N°2: RMB 293 million; N°3: RMB 261 million; N°4: RMB 202 million; N°5: RMB 194 million.

(3) Expenses

☒ Applicable ☐ Not applicable

Unit: Yuan

Items	Amount of current period	Amount in the same period of last year	Change (%)
Selling and distribution expenses	1,322,290,461	1,282,742,038	3.08%
General and administrative expenses	631,397,760	618,844,949	2.03%
Financial expenses/(income) – net	146,554,812	(63,535,915)	NA

The increase of selling and distribution expenses was mainly due to the continuous investment in the acceleration of specialty business offsetting COVID impact on reduced expenses such as travel & expenses.

Limited increase of general and administrative expenses was thanks to the successful implementation competitiveness enhancement plan and COVID impact on reduced expenses such as travel & expenses.

The increase of financial expenses was mainly due to decrease of interest income and increased translation losses on purchases and sales.

(4) R&D expenditures

a. Table of R&D expenditures

☒ Applicable ☐ Not applicable

Unit: Yuan

Research and development expenditure recorded in expenses of current period	367,449,915
Research and development expenditure capitalized of current period	0
Total research and development expenditure	367,449,915
Proportion of total research and development expenditure to operating revenue (%)	3.09%
R&D headcount as of December 31 2020	204
% of R&D headcount over total headcount	9%
% of capitalized R&D expenditure over total amount	0%

b. Explanation

✓ Applicable ☐ Not applicable

The Research and development expenditure in the Income statement are decreased by a tax return effect about RMB 66,154,176.

Adisseo has reinforced its R&D resources in China by establishing a world-class Research & innovation center in Nanjing 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.

(5) Cash flow

✓ Applicable ☐ Not applicable

The Adisseo net cash flow from operating activities amounts to RMB 2,708,415,580 compared to RMB 2,550,601,183 last year.

The increase of net cash flow from operating activities compared to the same period of last year is mainly due to performance improvement..

The operating cash flow generated by Adisseo enabled to partially buy-back the shares for an amount of RMB 3,008,197,130 and pay dividends for an amount of RMB 617,443,591, including dividends paid by BANG to non-controlling interests.

The increase in net cash flow from investing activities in 2020 is mainly due to the completion of the acquisition of Framelco, Calysseo and Calysta.

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

✓ Applicable ☐ Not applicable

(1) Information of assets and liabilities

Unit: Yuan

Items	As at December 31, 2020		As at December 31, 2019		% change	Explanation
	Amount	Percentage to total assets (%)	Amount	Percentage to total assets (%)		
Cash at bank and on hand	2,769,159,642	13%	5,295,065,807	25%	-48%	Cash decreased mainly due to 15% BANG share buy-back payment during the period
Derivative financial assets	39,884,250	0%	7,784,238	0%	412%	Fluctuations is due to the impact of EUR appreciation on derivatives portfolio, in particular options purchases.
Advances to suppliers	77,328,904	0%	60,862,071	0%	27%	Advance increase due to delayed receipt of purchased material
Long-term equity investments	296,291,025	1%	0	0%	NA	Investment in joint venture
Investments in other equity instruments	235,265,762	1%	11,479,649	0%	1949%	Investment increased
Other non-current financial assets	64,553,100	0%	32,676,606	0%	98%	Investment increased
Construction in progress	1,682,054,970	8%	612,534,221	3%	175%	Increase of Capex in projects in progress
Advances from customers	0	0%	7,568,111	0%	-100%	Reclassification due to adoption of new revenue standard
Contract liabilities	7,568,111	0%	0NA	0%		Reclassification due to adoption of new revenue standard
Other payables	782,893,932	4%	531,710,168	3%	47%	Mainly due to increase of payable due to Capex suppliers
Current portion of non-current liabilities	222,890,468	1%	161,462,854	1%	38%	New provisions for risk
Long-term borrowings	61,636,147	0%	25,759,966	0%	139%	Mainly due to financing for the new acquisition
Long-term payables	67,011,559	0%	14,635,305	0%	358%	Payable from FRAMelco acquisition
Capital reserve	1,260,973,699	6%	2,111,544,529	10%	-40%	Impact from 15% BANG share buy-back transaction
Non-controlling interests	1,479,547,234	7%	3,416,954,043	16%	-57%	Impact from 15% BANG share buy-back transaction

(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**☒ Applicable ☐ Not applicable

(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 continuously 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.

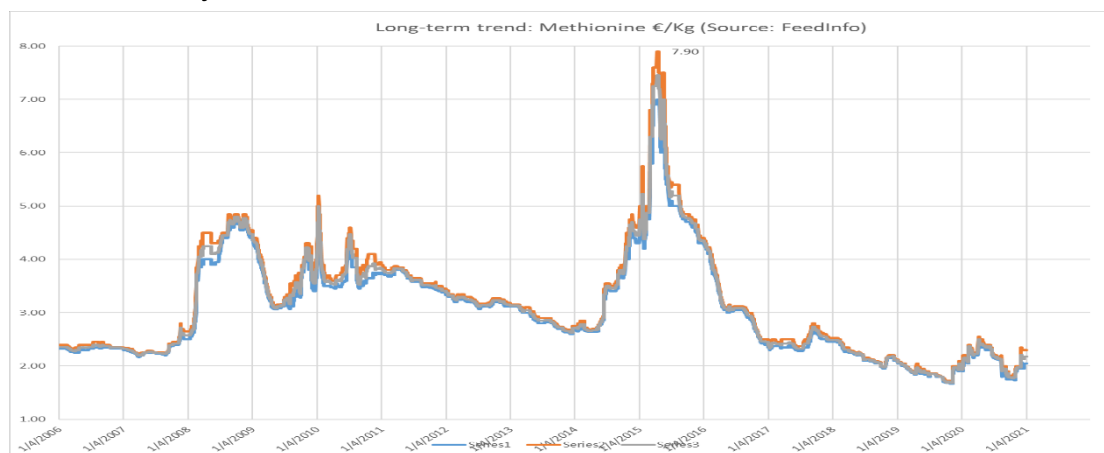
Thanks to the grasp of best available liquid methionine technology as well as our continuous optimization of the process, Adisseo has strong cost leadership and is among one of the few manufactures with lowest production cost.

The Covid crisis had some impact on the demand in 2020, which led to a 3-4% estimated growth in 2020. For 2021 onward, global methionine is expected to continue to grow on a global scale at a rate of 5-6% as shown in past decades.

On the supply side, due to the new capacities from competitors finally came on stream after some delays mid-2015, Adisseo together with the other competitors 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 an increase in early 2020, prices have decreased till a unit price under 1.7Euro in October/November 2020; stabilization and a rebound have been observed on the spot market at the year-end of 2020 and early 2021.



- 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 resilient in 2020 in spite of Covid crisis. As the aforementioned key

methionine players continue to strengthen their global position currently, they have increased investments in Asia in the past years.

Robust demand has been seen in all regions, meaning that global methionine market may have a higher growth rate in 2021, which does not include the impact arising from COVID-19 on meat consumption, which is yet to be followed and monitored. With a global market at 1.4 million tons in DLM equivalent for 2020, a normal market growth would mean an additional need of about 200 KT in 2 years.

Thanks to the successful capacity expansion project in Europe and debottlenecking project in China, Adisseo consolidates its second ranking leadership in global market share in 2020 and enjoyed an extra accelerated growth in China market with historical high volume growth in 2nd half of 2020.

On July 29th, 2020, Novus International filed an antidumping petition against imports of methionine from France, Japan and Spain into the United States. The final decision in this proceeding is expected in September 2021. On 25th Feb, the U.S. Department of Commerce announced the preliminary dumping margins in the methionine antidumping investigations. Spain was assigned a preliminary dumping margin of 31.98%, France was assigned a preliminary dumping margin of 43.82% percent and Japan was assigned a preliminary dumping margin of 135%.

Adisseo remains committed to fighting this trade action, for the benefit of our customers and downstream U.S. consumers. Regardless of the outcome of these cases, Adisseo is committed to remaining a stable and reliable supplier of methionine in the U.S. market

Vitamins

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.

Specialty products

a) Feed Digestibility (Enzymes)

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) Rumen-protected amino-acids

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) Animal Resilience (Health by Nutrition)

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.

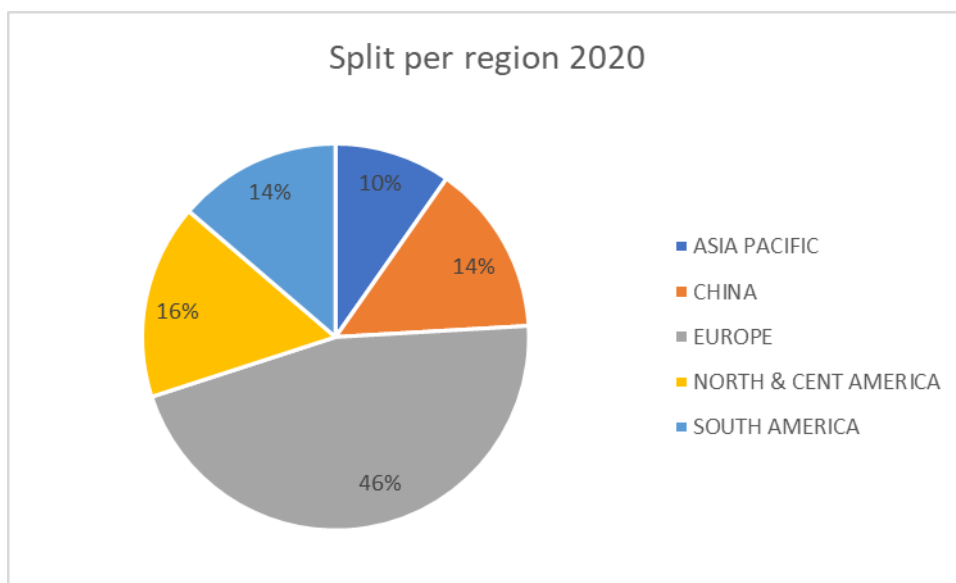
In 2020 for the finished products, Adisseo moved worldwide around 858 200 MT compared to 865 800 MT in 2019.

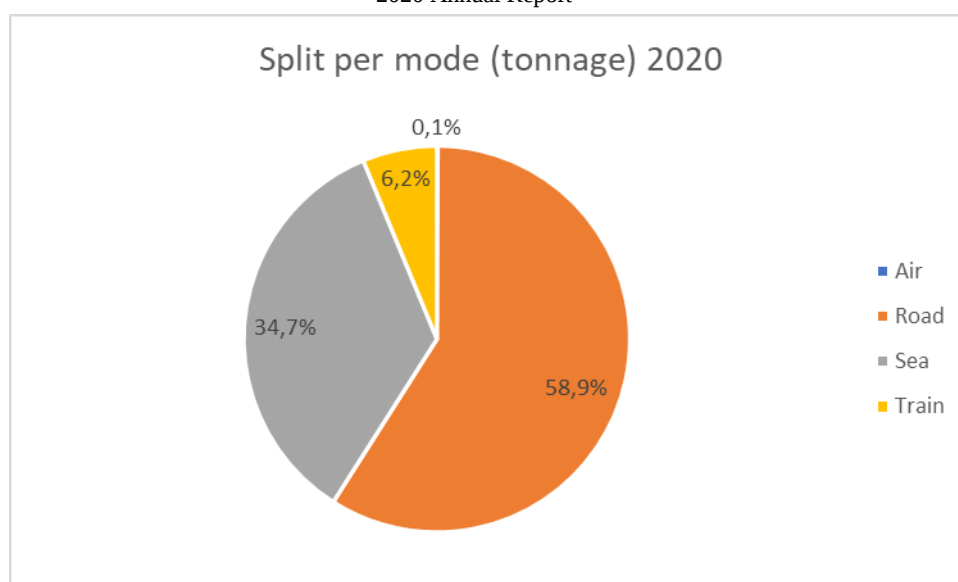
Adisseo ships the finished goods with all the transportation modes. The main one is the road transport.

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.

Our transportation policy aims to give priority to the safest and least polluting means. In order to reduce our carbon footprint and save on our logistics costs, a new multimodal isotank transport mode has been implemented in some transporation routes.

Below the split per region and per mode in terms of number of shipments in 2020:





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 regarding 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.

Products	Subdivided sectors industry	Main raw material	Field of Application	Factors affecting the price
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.

With the trend of deglobalization speeding up in response to the recent global sanitary crisis, trade measures are being tightened and spread and new nation-centric policies started to emerge as well.

In this complex technical and sanitary trade environment, Adisseo ensures products market access in more than 120 countries, resulting in more than 1200 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 stakeholders as a visible and credible global leader, as such the company holds membership and chair positions 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 2020, the Company's total research and development expenditures amounted to RMB 367,449,915 (including expenditure capitalized for the period) and its proportion to net assets attributable to shareholders of the company and operating revenue was 2.6% and 3.1%, respectively.

Please refer to Section 4, Part II.1.(4) 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	30,000	Completed
New Nanjing Plant	180,000	2022
European platform expansion (including A-dry project)	50,000	Completed
European platform expansion (including A-dry project)	30,000	End of 2021

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 2019 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, 2019. The new facility locates 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.

Meanwhile, in order to support customer demand as well as to further enhance competitiveness of

European plant, a debottlenecking project has been approved and is now being implemented according to schedule despite COVID-19 situation. The project is expected to be completed by the end of 2021.

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 principle raw material

✓ Applicable ☐ Not applicable

Unit: RMB

Raw material	Purchasing pattern	Purchase value of raw material	Prices Fluctuation vs 2019	Impact on operating cost of the company due to the fluctuation in the purchase price
Propylene 95%	Long-term contract	899,013,481	-16%	Decrease in operating cost
Methanol	Long-term contract	170,227,569	-17%	Decrease in operating cost
Sulphur	Long-term contract	202,653,336	-16%	Decrease in operating cost

b. Basic information of principle energy used

✓ Applicable ☐ Not applicable

Unit: RMB

Mainly used energy used	Purchase mode (channel)	Settlement (payment) method	Price fluctuation YOY	Purchased volume	Consumption volume
Natural Gas	Yearly Contract	Periodic settlement	-7,5%	2,6 TWh	2,6 TWh
Electricity	Yearly Contract	Periodic settlement	Stable	0,33 TWh	0,33 TWh

Impact to operating cost from the change of price in principle energy used: reduce operating cost

c. 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.

d. Description of other methods (including periodically reserve)

☐ Applicable ☒ Not applicable

(4) Description of sales of product

a. 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's industry is "Health and Nutrition".

b. Basic information of main operating by sales channel

☒ Applicable ☐ Not applicable

Sales through distributors represent less than 15% of Adisseo total turnover (2019: less than 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.

c. 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

(5) Environmental protection and safety production

a. Description of significant accidents happened in safety production

☐ Applicable ☒ Not applicable

b. Major environmental violations

☐ Applicable ☒ Not applicable

.

5. Analysis of investment

(1) Summary of Analysis of overall investments

☒ Applicable ☐ Not applicable

Establishment of Calysseo Limited with Calysta on 2nd March 2020

On 2nd March, 2020, Adisseo established a 50/50 JV (Calysseo Limited) with Calysta in HongKong to develop FeedKind® on an exclusive basis in the Asian market. Both parties invested a total of USD 80 million. Calysseo Limited established its Chinese legal entity, the first commercial FeedKind plant, in Chongqing.

Acquisition of FRAmeclo

On 10th Dec 2020, Adisseo completed the acquisition of FRAmelco, a family owned multinational group headquartered in The Netherlands, who operates 3 plants located in The Netherlands, Spain and Thailand. Please see Section 11 Financial Report, VIII. Change of Consolidation Scope, 1. Business combination not under common control.

a. Significant equity investment acquired in the reporting period

☒ Applicable ☐ Not applicable

Purchase of 15% shares of Bluestar Adisseo Nutrition Group Limited

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 delivered and passed by the second extraordinary shareholders' meeting held and is now in the filing procedures from / with relevant regulators.

On April 28, 2020 the the filing procedures have been completed as reflected in the "Announcement on the completion of the acquisition of assets and related-party transaction" (2020-014).

b. Significant non-equity investment made in the reporting period

☐ Applicable ☒ Not applicable

c. 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 Section 11 Part VII No.54 “Hedging” in Section 10.

6. Sales of Major Assets and Equity

☐ Applicable ☒ Not applicable

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

☒ Applicable ☐ Not applicable

The following figures are based on financial information before elimination of the entities. If not specified, unit in RMB.

Company Name	Registered/Subscribed Capital	Business	Total assets	Net assets	Net profit	Change
Adisseo France S.A.S	EUR 83,417,000	R&D, production and distribution	9,300,180,525	5,412,755,912	1,121,203,016	NA
Bluestar Adisseo Nanjing Co., Ltd	RMB 2,907,860,510	R&D, production and distribution	4,904,521,880	4,306,439,310	206,181,998	NA
Adisseo Life Science (Shanghai) Co., Ltd	USD 700,000	Distribution & Sourcing	1,446,333,756	650,536,365	17,250,906	NA
Adisseo USA Inc.	USD 3,139,000	Distribution	476,530,499	338,646,205	24,530,022	NA
Adisseo Brasil Nutrição Animal Ltda	BRL 1,987,106	Distribution	372,295,701	(2,672,689)	(992,635)	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	9,522,208,834	1,709,286,948

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

Under the context of COVID-19, the global economies have been severely impacted. In 2020, China is the only economic unit has positive GDP growth. 2021 will likely be a year of economic recovery and gradual victory over the COVID-19 pandemic in view of widespread immunization, accommodative monetary and fiscal policy, and limited scarring effects which support a continued recovery in economic activity, though the emergence of new, more infectious virus strains remains a risk.

(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 still exists, 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.

Safety & sustainability is always our priority. The Company has actively implemented its “two-business-pillar” strategy in recent years, i.e. continuously consolidating its leadership in Methionine (liquid in particular), while at the same time accelerating its development in Specialty business. The Company will remain its unique position in Vitamin business.

The Company bases its growth’s strategy on five distinctive capabilities:

- global reach in terms of sales coverage, a global footprint across the world.
- worldwide manufacturing set-up on main markets resulting in a well-balanced organization. The recent acquisition of FRAMelco complements Adisseo’s industrial network with 3 manufacturing plants located in the Netherlands, Spain and Thailand. We will continue to internationalize the manufacturing set-up in our future development.
- cost competitiveness capabilities. Adisseo started from a very competitive base thanks to the grasp of best available methionine technology. All these have been evidenced and further sharpened through the implementation of competitiveness enhancement program launched in 2019. It has helped us to realize cumulated savings of CNY480 million in the past two years, of which CNY330 million has recurring impact. This program will continue in 2021 and beyond to deliver additional savings
- strong Research and Innovation capabilities. “In science, We trust” mindset is deeply rooted in Adisseo. Numerous projects in different phases in the pipeline to fuel organic growth. To complement the “internal” technologies and solution developments, Innov’L@b, Adisseo’s open-innovation structure, is pursuing its investments in venture. Innovative products are expected to fuel 1/4th of specialty revenues by 2025.
- Dedicated China Development Strategy

M&A and partnerships: To reinforce its core businesses and diversify its portfolio in high growth segments in feed specialties and food nutrition. We are willing to continue to seize M&A opportunities to accelerate growth notably in China, to expand innovative product and services range and to create synergies and scale.

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. 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 Innov@lab;
- Additional enhancement of the Health, Safety and Environment policies

Looking forward at the next 5 years, Adisseo aims to deliver sustainable growth. Thanks to sustainable performance product growth and accelerated profitable growth in specialties, product portfolio is rebalancing with specialties revenue to be doubled and its contribution from 24% growing to be more than 1/3 by 2025.

If considering mainly organic growth, the revenue is expected to achieve high-digit CAGR from now to 2025 to realize more than 18bnCNY revenue with solid EBITDA margin in the range of 25% to 30% and net profit margin in the range of 11% to 14%.

The revenue growth is expected to be boosted by a successful M&A to at double-digit level as Adisseo is targeting to accelerate its growth via leveraging external opportunities.

More importantly, ADISSEO is accelerating its development in China to bring its position to the next level by doubling our methionine capacity in NANJING, reinforcing our leading position in Dairy, developing in Aquaculture and alternative protein, reinforcing customer-centricity via leveraging value added services & digital tools, establishing and developing a world-class research & innovation center in China, building a local blending facility, pursuing M&A opportunities to accelerate growth, developing partnerships with Vitamin producers, leveraging our listing position in A-share market and last but not least, building a strong integrated management team under One-China strategy.

Adisseo is heading to become an absolute leader in methionine and a leader in providing high-end specialty solutions in China market with specialty business to be tripled in China in the coming 5 years.

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, which has been impacted in 2020 by the COVID pandemic. Extension of lockdown measures in several countries and general uncertainty on long-term impacts of the pandemic could result in an extended recession. Even if massive vaccination campaigns result in a widespread immunity, subsequent economic recovery in Western countries could be hampered by high public debt and civil unrest resulting from an uneven recovery. 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, oversight 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. For example, of Adisseo's 48 subsidiaries, 44 are located outside China Mainland, over 80% of its sales and a significant part of its production are outside China.

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. In addition, rising geopolitical tensions and measures aimed to contain spread of COVID pandemic could result in additional restrictions to cross-borders trade. 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 compliance, law, the regulatory framework and environmental protection policies

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 (detail please see below). Changes in public law could also give rise to legal risks or materially alter such risk positions.

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. Covid pandemic could result in new administrative shutdowns and restrictions to cross-borders shipments – which could increase the risk of interruption in the sourcing of raw materials.

(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 accidents and disasters including diseases outbreak

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. For example, 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.

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.

(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 as an equity instrument and redeemed 80,000,000 and 70,000,000 shares in 2018 and 2019 respectively. of As of Dec 31 2020, 250,000,000 preferred shares remained and the net exposure on shareholders' equity amounts to a potential loss of RMB 123,081,843.

(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.

As provided under the paragraph (4) above, geopolitical tensions and restrictions to free trade could increase risks and uncertainties regarding import regulations and custom taxes.

(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) Risks related to 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.

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

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

5. Others

☐ Applicable ☒ Not applicable

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

✓ Applicable ☐ Not applicable

(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

The Board of the Company as of March 20, 2020 has proposed a final dividend distribution for year 2019 amounting to RMB 418,376,602.83 which represent 42% of the distributable profit. It has been approved by the General Shareholders' Meeting on April 27, 2020. On June 6, 2020, the Company made an announcement of the dividend implementation. The Company has completed the final dividend distribution on June 12, 2020.

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)

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 (%)
2020	0	1.76	0	472,014,624.05	1,351,600,222	35%
2019	0	2.59	0	694,612,431.43	992,382,202	70%
2018	0	1.73	0	463,968,920.23	926,130,660	50%

Note: The above 2019 cash dividend includes 2019 interim dividend of RMB 276,235,828.60 and 2019 final dividend of RMB 418,376,602.83.

Preliminary Plan for 2020 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, 2020 amounted to RMB 1,351,600,222 and the accumulated profits available for distribution at parent company level as at December 31, 2020 amounted to RMB 687,241,965.

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 1.76 yuan per 10 shares (inclusive of tax). The total amount of the cash dividends to be distributed is RMB 472,014,624.

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 2020 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

Detail please refer to Section 11 Financial Report V.37 Change of important accounting policies and accounting estimates

- 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	198
Audit period under review by the domestic accounting firm (in year)	6
Name of overseas accounting firm	KPMG outside mainland China
Fees paid to overseas accounting firm	432
Audit period under review by the overseas accounting firm	6

	Name	Fee
Accounting firm in charge of internal control audit	KPMG Huazhen LLP	69
	KPMG offices outside mainland China	102

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

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

☐ Applicable ☒ Not applicable

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 thirteenth Meeting of 7th Session of the Board deliberated and approved the proposal on 2020 Remuneration Policy. The incentive plan set up relevant performance indicators, some of which are related to the share price of the company in order to ensure that the interests of management and shareholders are aligned to achieve a win-win situation.

For details, please refer to related footnotes No. 30 in Section 11-VII. Notes to the Items in Consolidated Financial Statements

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, 2020, this proposal has been delivered and passed by the second extraordinary shareholders' meeting held (Please refers to the No. 2019-039).

On April 28, 2020 a notification was received, announcing that the registration for the Transaction has been completed (Please refers to the No. 2020-014).

(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 high-quality development and business diversification, Adisseo actively participates in China's poverty alleviation with focus on "poverty elimination and a moderately prosperous society in all aspects". On the one hand, Adisseo has raised special fund for poverty alleviation of Lixian County, Longnan City, Gansu Province; on the other hand, by charity running using the most fashionable and healthy form of Cloud Running, it has called on the employees and public to join the running group so as to participate in China's poverty alleviation continuously in various ways.

(1) Anti-poverty work plan

☒ Applicable ☐ Not applicable

As a French multinational enterprise founded for 82 years, Adisseo has been developing in China for more than a decade. In response to China's targeted poverty alleviation, it has explored a mode of combining its advantages with local advantages. Adisseo has been promoting the integrated solution of green growth, and pushing ahead the development of agricultural modernization for poverty alleviation through industrial development of poor areas. Adisseo has been fulfilling its

social responsibility in an in-depth and targeted way to make more contributions to the country in comprehensive, coordinated and sustainable development.

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

✓ Applicable ☐ Not applicable

Adisseo has taken multiple measures to support targeted poverty alleviation projects. In July 2020, Adisseo donated 30,000 RMB as the special fund to the Red Cross Society of Lixian County, Longnan City, Gansu Province, to support the poverty alleviation in Luoba Town, Lixian County. This is Adisseo's proactive response to the initiative of the State Administration for Market Regulation for helping and supporting the poor in Lixian County. Considering the natural conditions, economy, social realities, education, science and technology, resources and environment of Lixian County, as well as the livelihood and development needs of poor households, Adisseo will help to develop distinctive industries of the local areas so as to do its best to help the local people get rid of poverty and support poverty alleviation through industrial development in poor areas.

In the process of in-depth participation in poverty alleviation in China, Adisseo gives full play to its strengths and advantages in strength integration, resources deployment and expertise to guides employees and the public to participate in the work of targeted poverty alleviation in a comprehensive and long-term way. On October 16, 2020, while its R&D center in China setting sail, Adisseo announced that the Cloud Running in China with the theme of "Innovative Adisseo Accelerating in China" also kicked off. By using the most fashionable and popular form of "cloud running", Adisseo called on the employees and public to use Adisseo's designated fitness APP to join the running group anytime and anywhere. Based on the final accumulated running mileage of all participants, Adisseo exchanged the result into corresponding public welfare fund to help those in need.

(3) Anti-poverty achievement

Applicable ☒ Not applicable

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

✓ Applicable ☐ Not applicable

In the future, Adisseo will continue to actively participate in targeted poverty alleviation projects in China. Focusing on enhancing the self-development ability of poor areas, it will actively provide financial, material and intellectual support to promote the construction of poverty alleviation projects.

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 2020 Sustainable Development Report 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 (information available on <https://icca-chem.org/focus/responsible-care/>), our CSR implementation program leans on the five following drivers:

- Everyone must be an actor!
- Ensure the health, safety and wellbeing our employees and local communities
- Identify and reduce environmental impacts
- Promote access to healthy and sustainable food
- Know the expectations of our stakeholders and enter into dialogue with them

Our SD Report, published yearly, summarizes the Group's objectives and achievements based on these 5 core areas. This report contributes to build trust with stakeholders based on transparency, benevolence and integrity.

Periodically, on the initial request of some of our own customers, ADISSEO has its CSR approach assessed by the ECOVADIS organization, which allows us to define new areas for future improvements.

ADISSEO is using a materiality map since 2015. Identifying the CSR challenges faced by the company, their importance for external stakeholders and the impact on long-term overall company performance, provides direction for company strategy, taking into account risks and opportunities as well as ethics.

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.

3. 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), Adisseo's plant located in Nanjing, China, has implemented strict environment protection policies since its establishment, continuously making investment in the area of environment protection and is endeavored to contribute to the green sustainability development.

a. Information about discharge

☒ Applicable ☐ Not applicable

BANC has been implementing strict environment protection policies since its establishment with our priority of reducing our impact on the environment at the first place.

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. BANC 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

reduced effluent concentration stably at $<10\text{mg/m}^3$, which improved effectively tailing with traditional ammonia process of desulfurization.

The WWPT facility adopts the world-leading technology of international benchmark water treatment company, which has the advantages of strong impact load resistance, large operation flexibility, and compact land size. At present, the average concentration of effluent fully meets the 500mg/L takeover standard of NCIP.

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

✓ Applicable Not applicable

China R&D Center EIA was granted on July 2nd, 2020.

EIA for "biomass feed lab transformation project" was granted on November 26th, 2020.

d. Prepared plan for environmental emergencies

✓ Applicable ☐ Not applicable

No environment emergent accident happened in BANC this year. BANC has established environment emergency plan, and passed expert assessment on December 12th, 2019. BANC executed emergency drill regularly, to continuously improve its' capability handling emergent environment incidents.

e. Environment related self-monitoring program

✓ Applicable ☐ Not applicable

According to the annual meteorological data of NCIP, and the general layout of BANC, six unorganized emission online monitoring points were set up at the plant boundary, considering the surrounding sensitive target locations. H_2S and other eight malodorous pollutants and malodorous OU values were monitored. There are 7 monitoring sub-stations in this project (including a reserved one for BANC2). Each monitoring sub-station provides real-time continuous monitoring of unorganized emissions of gas pollutants at the plant boundary through a wireless self-organizing monitoring network. 24 hours of stench supervision and control shown on the screen at the northeast gate of the plant, web-linked with NJCUO's environment surveillance network. This is the first in NCIP, which meets the latest requirements of Jiangsu Province for safety and environmental protection supervision.

f. Other environmental information that should be made public

✓ Applicable ☐ Not applicable

Bluestar Adisseo Nanjing Co., Ltd. (hereinafter referred to as "Nanjing Company"), a holding subsidiary of Bluestar Adisseo Co., Ltd. (hereinafter referred to as the "Company"), received the "Administrative Punishment Decision" (Ningxin District Guanhuanzizi [2020] No. 41) from the Bureau of Ecology, Environment and Water Affairs (hereinafter referred to as "EPB") of

the Management Committee of Jiangbei New District of Nanjing City on July 29, 2020. Of. The main contents are as follows:

- Basic information

On May 14, 2020, the law enforcement personnel of EPB monitored on-site the concentration of unorganized odors at the plant boundary, and the results showed that it exceeded the standard. EPB determined that the Nanjing Company violated Article 18 of the "Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution". According to the second paragraph of Article 99 of the "Law of the People's Republic of China on Air Pollution Prevention and Control", EPB imposed a fine on Nanjing Company. At the same time, because Nanjing Company has always attached great importance to environmental protection and has good performance, and the corrective measures are in place with good result, EPB decided to reduce the penalty amount to 277,900 RMB.

- Improvement measures

Nanjing Company has been adhering to the concept of "green production and environmental friendliness", committed to the continuous improvement of environmental protection technology, facilities and operation management, and conduct complete and comprehensive root cause analysis of each suspicious environmental event. Nanjing Company completed the rectification of the odor problems found in the inspection immediately in time, and the on-site production and maintenance were carefully managed to avoid environmental impact to the greatest extent. Nanjing Company actively responds to the requirements of comprehensive improvement of NCIP, strengthens the diagnosis and inspection of effluent gas throughout the plant, and achieves green improvement through source control, process optimization and deep purification of effluent gas.

- Impact on the company

This administrative punishment has no significant impact on the company's production and operation activities. Adisseo has requested each subsidiary to further strengthen the study of laws and regulations related to environmental protection, strictly follow the relevant procedures, and strengthen the control and supervision of environmental protection during the production process to avoid such incidents.

The company's 180,000 tons of liquid methionine project in Nanjing's new plant was not affected.

(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

4. Others

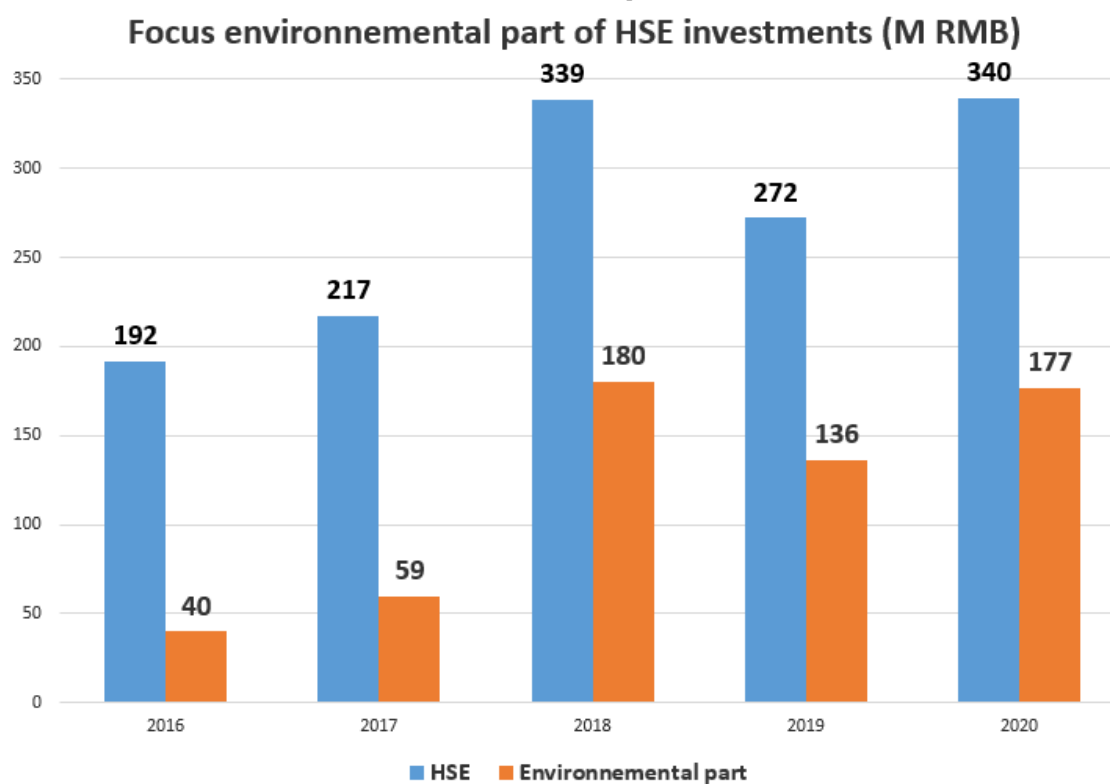
☒ Applicable ☐ Not applicable

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.

To promote sustainable growth, each industrial project is used to strengthen our control of safety and environmental risks and reduce their impact. We also accelerate our investments and initiatives:

- New waste water treatment station (WWTS) in Commentry (France) which will start at the beginning of 2021, Improvement of performance of Burgos (Spain) and Nanjing (China) WWTS
- More ambitious objectives on environmental indicators, including now also our smaller plants, with the definition of a target on absolute greenhouse gas emissions.
- TOURNESOL project, which aims to reduce energy consumption, supported by ISO 50001 certification deployment (energy management system)
- Studies of opportunities to ensure carbon neutrality of Adisseo
- Integration of a sustainable development review for each major investment and innovation projects
- Green project which focus on water use and waste quantities reductions



ADISSEO has defined a deliberate HSE investment strategy of close to RMB 300 million per year over the last three years. Environmental related investments in 2020 represents 50% of the total of HSE investments and related to projects and initiatives mentioned above.

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) Description on change of ordinary shares

Applicable ☐ Not applicable ☒

(3) 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 ☒

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

Applicable ☐ Not applicable ☒

2. Changes in shares with trading restrictions

☐ Applicable ☒ Not applicable

II. Securities Issuance and Listing

1. Securities issued as of the reporting period

☒ Applicable ☐ Not applicable

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	34,398
Total number of shareholders at the end of the last month before the date when the annual report was published	30,683

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

Unit: Share

Shares held by top ten shareholders							
Name of shareholder (full name)	Change in the reporting period	Number of shares held by end of the period	Proportion of shares held (%)	Number of shares with trading restrictions	Status of pledged or frozen shares		Type of shareholder
					Share status	Number	
China National Bluestar (Group) Co., Ltd.	0	1,709,387,160	63.74	0	Frozen	10,000,000	Stated owned legal entity
Blusstar-GTJA-19 Bluestar EB Guarantee and Trust Property Account	38,789,474	641,210,526	23.91	0	Not applied	0	Others
China Securities Finance Corporation Limited	0	13,794,697	0.51	0	Not applied	0	Stated owned legal entity
Hong Kong Central Clearing Limited	5,760,584	8,857,523	0.33	0	Not applied	0	Foreign legal entity

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Shares held by top ten shareholders							
Name of shareholder (full name)	Change in the reporting period	Number of shares held by end of the period	Proportion of shares held (%)	Number of shares with trading restrictions	Status of pledged or frozen shares		Type of shareholder
					Share status	Number	
Jiangsu Juhe Chuangyi Emerging Industry Investment Fund LLP	0	6,607,000	0.25	0	Not applied	0	Others
China Electronic Investment Holding Company	0	5,185,185	0.19	0	Not applied	0	Others
Beijing Research and Design Institute of Rubber Industry	0	3,737,262	0.14	0	Not applied	0	Stated owned legal entity
Zhejiang Dazhong Import and Export Company	3,160,000	3,160,000	0.12	0	Not applied	0	Others
Bank of China - Open-end Index Fund	1,061,619	2,310,834	0.09	0	Not applied	0	Others
Chao Jin Investment - No.12 PE Fund	-524,400	1,961,194	0.07	0	Not applied	0	Others

(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-19 Bluestar EB Guarantee and Trust Property Account	641,210,526	RMB ordinary shares	641,210,526
China Securities Finance Corporation Limited	13,794,697	RMB ordinary shares	13,794,697
Hong Kong Central Clearing Limited	8,857,523	RMB ordinary shares	8,857,523
Jiangsu Juhe Chuangyi Emerging Industry Investment Fund LLP	6,607,000	RMB ordinary shares	6,607,000
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
Zhejiang Dazhong Import and Export Company	3,160,000	RMB ordinary shares	3,160,000
Bank of China - Open-end Index Fund	2,310,834	RMB ordinary shares	2,310,834
Chao Jin Investment - No.12 PE Fund	1,961,194	RMB ordinary shares	1,961,194

Name of shareholder	Number of shares without trading restrictions held	Type and number of shares	
		Type	Number
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 are subsidiaries of China National Chemical Corporation. Bluestar-GTJA-19BluestarEB guarantee and trust property account 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, 2019-034 and 2020-024.. 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		

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

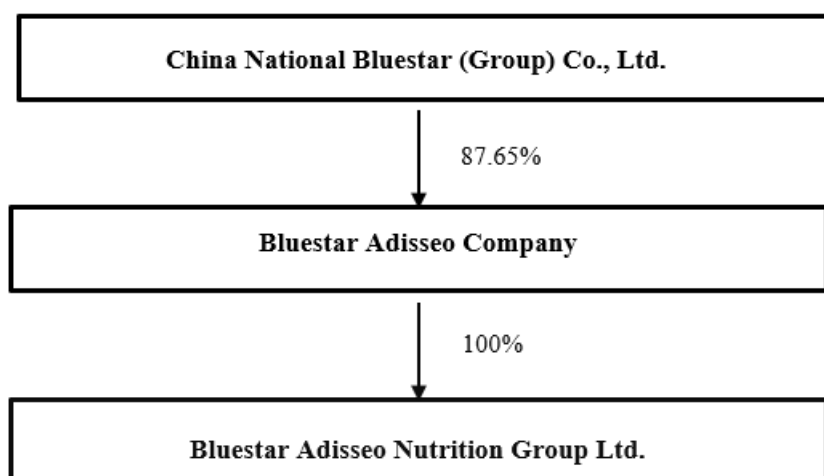
IV. Changes in Controlling Shareholder and Ultimate controlling shareholder

1. Controlling shareholder

(1) Corporation

✓ Applicable Not applicable

Name	China National Bluestar (Group) Co., Ltd.
The entity's person responsible or legal representative	Zhigang Hao
Date of creation	April 3, 1989
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 directly held 158,585,867 shares and indirectly held 228,528,956 shares of Shenyang Chemical Industry Co., Ltd (stock code 000698), accounting for 47.23% in total, and 338,338,536 shares of ELkem ASA (Stock Code: ELK), accounting for 58.2%.
Others	NA

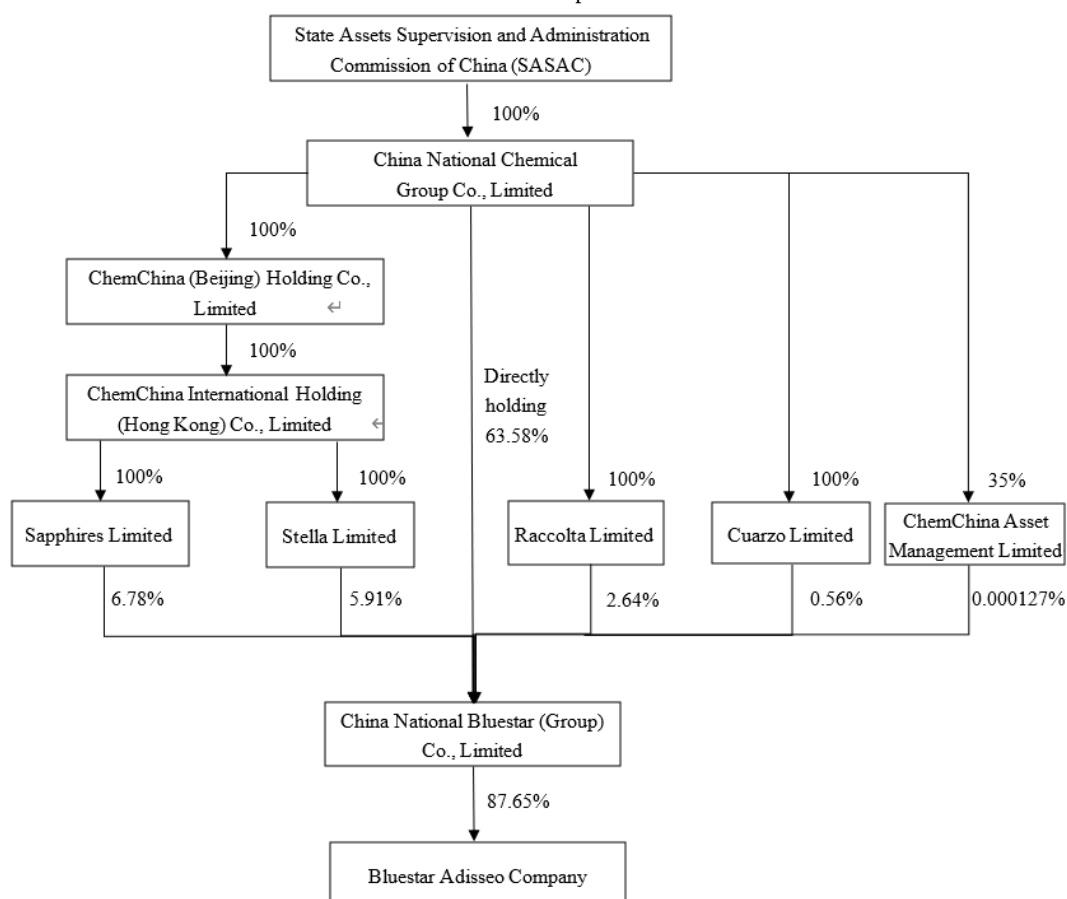
(2) Natural PersonApplicable ☒ Not applicable**(3) Explanation if there is no controlling shareholders**Applicable ☒ Not applicable**(4) Index reference related with change the controlling shareholders and the corresponding date**Applicable ☒ Not applicable**(5) Block diagram of the shareholding interest and control relationship between the Company and its controlling shareholders**☒ Applicable ☐ Not applicable**2. Ultimate controlling shareholder****(1) Corporation**☒ Applicable ☐ Not applicable

Name	China National Chemical Group Co., Ltd.
The entity's person responsible or legal representative	Gaoning Ning
Date of foundation	April 22, 2004
Main businesses	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) , house leasing.

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); 69.50% of Haohua Chemical Science & Technology Corp., Ltd. (stock code 600378); 74.03% of KraussMaffei Company Limited (stock code 600579); 57.37% of Aeolus Tyre Co., Ltd. (stock code 600469); 77.99% of ADAMA Ltd. (stock code 000553); 46.25% of Hebei Cangzhou Dahua Co., Ltd. (stock code 600230); 37.015% of Pirelli & C.S.p.A.; 58.2% of Elkem; 21.50% of Winall Hi-tech Seed Co., Ltd. (stock code 300087); 52.65% of Sinofert Holdings Limited; 10.24% of Guangxi Hechi Chemical Co., Ltd. (stock code 000953); 9.77% of Shanghai Carthane (stock code 603037);
Description about other situations	N/A

(2) Natural PersonApplicable ☒ 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**☒ Applicable ☐ Not applicable

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(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

☐ Applicable ☒ Not applicable

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

√ Applicable Not applicable

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	42	2017.12.15	2021.10.16						Y
Michael Koenig	Vice Chairman (resigned)	Male	57	2017.05.19	2020.02.14						Y
Jean-Marc Dublanc	Vice Chairman, General Manager	Male	66	2015.10.22	2021.10.16					3,509*	
Gérard Deman	Director	Male	74	2015.10.22	2021.10.16						Y
Jingwan Wu	Director	Male	52	2020.04.27	2021.10.16						Y
Dengjie Gu	Director, Deputy General Manager	Male	56	2018.10.17	2021.10.16					373	
Yougen Ge	Director	Male	52	2018.10.17	2021.10.16						Y
Yuan Ding	Independent director	Male	52	2018.10.17	2021.10.16					20	
Lixin Song	Independent director	Female	53	2015.10.22	2021.10.16					20	
Jean Falgoux	Independent director	Male	69	2015.10.22	2021.10.16					20	
Yan Wang	Chairman of the Board of supervisors	Male	52	2018.10.17	2021.10.16						Y
Wei Lu	Supervisor	Male	44	2018.10.17	2021.10.16						Y
Yong Pan	Supervisor	Male	43	2018.09.28	2021.10.16					60	
Hao Wang	Deputy General Manager	Male	48	2020.07.30	2021.10.16					149	
Yun Cai	Chief Financial Officer	Female	46	2015.10.23	2021.10.16					142	
Qinan Liang	Secretary to the Board of Directors	Female	33	2018.03.20	2021.10.16					85	
Total	/	/		/	/				/	4,378	/

*This amount included non-recurring one-off payments that were accrued from 2014 to 2017. The respective one-off payments for Jean-Marc Dublanc were RMB 21,195,263.

<i>Name</i>	<i>Professional background and main work experience</i>
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.
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 2020, and has been the Chief Executive Officer of Elkem ASA since December 2020. 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 2019, 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).
Jean-Marc Dublanc	Mr. Dublanc was 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.
Gérard Deman	Mr. Deman was born in 1946, 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.
Jingwan Wu	Mr. Wu was born in 1969, American. He graduated from the University of International Business and Economics and later received his MBA from the Clannett School of Management, Purdue University and he is a CGA member. Mr. Wu worked for China Geological Technology Development Import and Export Corporation, Shell China, Akzo Nobel, and served successively as CFO of United Technologies Asia, Vice President of Finance of Pearson China, and CFO of Legson Chemicals Asia. He is currently the Group Chief Financial Officer and Director of Finance Department of China Bluestar (Group) Co., Ltd. Mr. Wu has rich experience in team management, accumulated rich experience in accounting, financial planning and analysis, financial control and other aspects, and has experience in merger and acquisition transactions, joint venture management, financial shared services and ERP system implementation
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 has been working with Adisseo Life Science (Shanghai) Co., Ltd. as General Manager since 2002. He was as the Deputy General Manager of Bluestar Adisseo Company from 2015 to 2018. Mr. Gu was elected as a member of 7th board of directors and deputy manager of the Company since 2018.
Yongen Ge	Mr. Gewas was born in 1969, Chinese, member of the Communist Party of China, and 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.

Name	<i>Professional background and main work experience</i>
Yuan Ding	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 20 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: Man Wah Holdings Limited (2016.12-, stock code: 999), Zhuolang Smart Technology limited Company(2018.05-,stock code:600545),Gujing Group (2008.07-2011.06, stock code: 000596), TCL (2008.06 - 2014.06, stock code: 000100), Red Star Macalline (2012.03–2018.12, stock code: 1528(HK), 601828(SH)), MagIndustries Corp. (2011.07 – 2015.06, stock code: MAA), Landsea Group (2013.07-2019.05, stock code:106), 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.
Lixin Song	Ms. Song obtained her bachelor's degree in law (major in News Media) from China Renmin University and her master's degree in business administration (MBA) from Tsinghua University. 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 20 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. 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 rousel 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.
Yan Wang	Mr. Wang was born in 1969, Chinese, member of the Communist Party of China, obtained a bachelor degree from Lanzhou University. Mr. Wang 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 September 2018.
Wei Lu	Mr. Lu was born in 1977, Chinesehinese, 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. Mr. Lu 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, he 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 September 2018.
Yong Pan	Mr. Pan was born in 1978, Chinese, major in applied chemistry, bachelor degree. Mr. Pan 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. From July 2018 to August 2020 worked as Process and Project department Manager, and transferred back to intermediate section as production manager since September 2020. Mr. Pan is the Employee Representative Supervisor of the 7th Board of Supervisors of the company since September 2018.
Hao Wang	Mr. Wang was born in 1973, Chinese, member of the Communist Party of China, Master of Biochemical Engineering of Shanghai University, MBA of Fudan University and is studying in Course of Doctorate of Business Administration in French NEOMA Business School. Mr. Wang has more than 20 years' experience in chemical industry with abundant practical and team management experience in R&D, technical service, sales, marketing and production etc. He used to work for Unilever (China) Co., Ltd. as R&D Assistant Manager, WACKER Chemicals (China) Co., Ltd. as Technical Service Manager, Technical Center Site Director, Business Director, Vice President, Vice Chairman of WACKER Dymatic Silicones (Shunde) Co., Ltd., Chairman of WACKER Silicones (Zhangjiagang) Co., Ltd. and was the Global Executive Team Member of WACKER Group. Mr. Wang joined Adisseo in April 2020 as Executive Vice President of Adisseo Great China.

Name	<i>Professional background and main work experience</i>
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. 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 information

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	Director	January 2016	To date
Gérard Deman	China Bluestar	Director	September 2008	To date
Jingwan Wu	China Bluestar	CFO	January 2018	To date
Yougen Ge	China Bluestar	Assistant General Manager, Director of Planning and Development Department	August 2011	To date
Yan Wang	China Bluestar	Director of the Production and Management office	February 2019	To date
Descriptions on position assumed in shareholding entities	No			

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	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	November 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	Elkem AS	CEO	December 2019	To date
Gérard Deman	GDEM conseil	Chairman	October 2011	To date
Gérard Deman	Bluestar Adisseo Nutrition Group Limited	Chairman	June 2016	To date
Gérard Deman	Drakkar Group S.A.	Director	September, 2006	To date
Gérard Deman	Bluestar Adisseo Nanjing Co., Ltd	Director	June 2009	To date
Gérard Deman	G4	President	July 2011	To date
Gérard Deman	INNOVIA	President of the supervisory board	September 2011	To date
Gérard Deman	Adisseo Life Science (Shanghai) Co., Ltd	Supervisor	October, 2012	To date
Gérard Deman	Nutriad Holding B.V.	Supervisor	March 2018	November 2020
Jingwan Wu	Qenos Holding Co. Ltd	Director	March 2019	To date
Jingwan Wu	TAL/BSF	Director	December 2019	To date
Jingwan Wu	Bluestar Adisseo Nutrition Group	Director	December 2019	To date
Jingwan Wu	Bluestar Fibres Investment co.	Director	November 2019	To date

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Jingwan Wu	ChemChina International Holding (Hong Kong) Co., Limited	Director	November 2019	To date
Jingwan Wu	Elkem Luxembourg	Director	September 2019	To date
Yougen Ge	Elkem AS	Director	January 2019	To date
Yougen Ge	REC Solar	Director	January 2019	To date
Yougen Ge	Bluestar Adisseo Nutrition Group Limited	Director	March 2020	To date
Yougen Ge	Bluestar Elkem Investment Co. Limited	Director	January 2011	To date
Yougen Ge	Bluestar Silicones Investment Co. Limited	Director	November 2006	To date
Yougen Ge	REC Luxembourg	Director	December 2019	To date
Yan Wang	Qenos Holding Co. Ltd.	Director	December 2019	To date
Yan Wang	REC Solar	Director	January 2019	To date
Yan Wang	TAL/BSF	Director	December 2019	To date
Wei Lu	China National Chemical (Hong Kong) Investment Co. Limited	Director	November 2019	To date
Wei Lu	ChemChina Finance Co., Ltd.	Director	December 2019	To date
Jean Falgoux	Carbios S.A	Director	January 2020	To date
Yuan Ding	HEC School	Tenured professor of accounting and management control	September 2006	To date
Lixin Song	Talent Magazine	President	March 1999	To date
Descriptions on position assumed in other entities	No			

III. Compensation for directors, supervisors and senior management

√ Applicable ☐ Not applicable

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, 4,378 (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 27, 2020. On March 30, 2021, the Board has approved the renewal of the D&O policy, and this proposal will be presented to the upcoming Shareholders' General Meeting for approval.

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

✓ Applicable ☐ Not applicable

Name	Position	Description of change
Micheal Koenig	Director, deputy chairman	Resigned
Jean-Marc Dublanc	Deputy chairman	Elected
Jingwan Wu	Director	Elected
Hao Wang	Deputy general manager	Elected

Detailed description on the change of directors, supervisors and senior management

✓ Applicable ☐ Not applicable

- On February 14, 2020, due to change of work, Mr. Michael Koenig tendered his resignation as deputy chairman, the member of Remuneration and Appraisal Committee and the Strategy Committee (please refer to the announcement 2020-003).
- On March 20, 2020, being approved by 9th board meeting, Jean-Marc Dublanc is appointed as deputy chairman of the 7th session of the board (please refer to the announcement 2020-005).
- On March 20, 2020 and March 27, 2020, being approved by the 9th board meeting and general shareholders' meeting for FY2019, Mr. Wu Jingwan has officially been a member of 7th board of director with the same tenure (please refer to the announcements 2020-005 and 2020-012).
- On July 30, 2020, being approved by 12th board meeting, Hao Wang is appointed as deputy general manager of Adisseo (please refer to the announcement 2020-016).

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	15
Number of on-job employees of major subsidiaries	2,330
Total number of on-job employees	2,345
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	1,224
Sales personnel	300
Technical personnel	551
Finance and Administration personnel	237

Management personnel	33
Total	2,345
Degree of Education	
Education background	Number of people
Doctor	88
Master	525
Bachelor	600
Senior college	782
Other	350
Total	2,345

2. Compensation policy

√ Applicable Not applicable

The 2020 compensation policy for senior executives of the Company and the listed company's executive management remuneration policy were approved at several 7th 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 50th percentile and 60th 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.

In addition, the Group review yearly the potential assessment of its employee in order to anticipate 5 years horizon career development. This allows the Group to secure succession plan for critical position for business continuity. Specific individual development plan are developed to prepare the employee for their next step in the company, including a training part, but also mentoring, exposition and exposure.

In 2020, despite COVID19 context, the Group has increased its investment in people, through individual development plan execution and Group training program.

Three main Group programs have been rolled out remotely with success in 2020:

- Research & innovation scientific training, built and delivered by our scientific expert
- Sales academy level 1 and 2, built by our Sales headquarter and released by a consulting firm
- Leadership academy program, tackling the new way of management in and post the COVID-19 context, built with Group top Leaders and released by CEDEP-INSEAD University

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 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 and Development Committee, the Nomination Committee, the Remuneration and Appraisal 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 their 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.

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
2019 Annual General Meeting	April 27, 2020	2020-012	April 28, 2020

Detailed description on general shareholders' meetings of shareholders:

☒ Applicable ☐ Not applicable

The company held one shareholders meeting this year: General Assembly of Shareholders for FY2019. The meeting reviewed and approved proposals on periodic reports, board working reports, profit distribution plan and appointment of auditor and internal control auditor. For the resolution of this meeting, 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
Zhigang Hao	N	5	0	5	0	0	N	1
Michael Koenig *	N	0	0	0	0	0	NA	0
Jean-Marc Dublanc	N	5	0	5	0	0	N	1
Jingwan Wu	N	3	0	3	0	0	N	0
Gérard Deman	N	5	0	5	0	0	N	0
Dengjie Gu	N	5	0	5	0	0	N	1
Yougen Ge	N	5	0	5	0	0	N	0
Yuan Ding	Y	5	0	5	0	0	N	0
Jean Falgoux	Y	5	0	5	0	0	N	1
Lixin Song	Y	5	0	5	0	0	N	1

* 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 February 14, 2020.

Detailed description on consecutively absent from two meetings:

Applicable ✓ Not applicable

Number of Board meetings held this year	5
Including: Number of meetings held on-site	0
Number of meetings held by other communications	5
Number of meetings held on-site combined with other communications	0

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

☒ Applicable ☐ Not applicable

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

Type of audit opinion on the Internal Control Report: Standard unqualified opinion.

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, 2020

Prepared by: Bluestar Adisseo Company

Unit: Yuan Currency: RMB

	Notes	Current year closing balance 2020	Current year opening balance 2019
Current Assets:			
Cash at bank and on hand	VII.1	2,769,159,642	5,295,065,807
Financial assets at fair value through profit or loss		0	
Derivative financial assets	VII.2	39,884,250	7,784,238
Notes receivable		0	
Accounts receivable	VII.4	1,549,836,508	1,537,943,360
Receivable financing			
Advances to suppliers	VII.5	77,328,904	60,862,071
Other receivables		79,153,485	41,123,604
Including: interests receivable		5,468,025	10,627,617
dividend receivable		0	
Inventories	VII.6	1,739,483,644	1,678,375,682
Other current assets	VII.8	429,844,279	380,980,363
Total current assets		6,684,690,712	9,002,135,125
Non-current Assets:			
Available-for-sale financial assets			
Long-term receivables	VII.9	54,602,143	62,752,154
Long-term equity investments	VII.10	296,291,025	
Investments in other equity instruments	VII.11	235,265,762	11,479,649
Other non-current financial assets	VII.12	64,553,100	32,676,606
Investment properties			
Fixed assets	VII.13	7,127,762,153	7,379,447,515
Construction in progress	VII.14	1,682,054,970	612,534,221
Assets from right of use			
Intangible assets	VII.15	2,047,491,145	2,154,707,108
Development costs	VII.16	74,733,711	79,629,097
Goodwill	VII.17	2,080,077,745	1,619,510,083
Long-term prepaid expenses		7,998,253	9,821,481
Deferred tax assets	VII.18	111,252,476	113,975,411
Other non-current assets	VII.19	150,859,880	48,589,640
Total non-current assets		13,932,942,363	12,125,122,965
TOTAL ASSETS		20,617,633,075	21,127,258,090
Current Liabilities:			
Short-term borrowings	VII.20	642,030,162	
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities	VII.21	2,118,600	2,063,292
Notes payable			
Accounts payable	VII.22	1,182,547,468	1,099,192,221
Advances from customers			7,568,111
Contract liabilities		6,870,205	
Wages and benefits payable	VII.23	535,160,023	452,038,262
Taxes payable	VII.24	314,187,728	212,310,116
Other payables	VII.25	782,893,932	531,710,168
Including: interests payable		5,485,297	5,581,432
dividends payable		0	123,094,125
Current portion of non-current liabilities	VII.26	222,890,468	161,462,854

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	Notes	Current year closing balance 2020	Current year opening balance 2019
Other current liabilities	VII.27	2,658,181	11,611,670
Total current liabilities		3,691,356,767	2,477,956,694
Non-current Liabilities:			
Long-term borrowings	VII.28	61,636,147	25,759,966
Lease liabilities			
Long-term payables	VII.29	67,011,559	14,635,305
Long-term employee benefits payable	VII.30	394,396,402	408,752,154
Provisions		0	0
Deferred income	VII.31	172,896,367	167,565,777
Deferred tax liabilities	VII.18	797,843,212	818,061,803
Other non-current liabilities		0	0
Total non-current liabilities		1,493,783,687	1,434,775,005
Total liabilities		5,185,140,454	3,912,731,699
SHAREHOLDERS' EQUITY:			
Paid-in capital	VII.32	2,681,901,273	2,681,901,273
Other equity instruments		0	
Capital reserve	VII.33	1,260,973,699	2,111,544,529
Other comprehensive income	VII.34	(367,582,718)	(440,874,572)
Special reserve		0	
Surplus reserve	VII.35	511,425,425	435,642,094
Undistributed profits	VII.36	9,866,227,708	9,009,359,024
Total equity attributable to equity holders of the Company		13,952,945,387	13,797,572,348
Non-controlling interests		1,479,547,234	3,416,954,043
Total owners' equity		15,432,492,621	17,214,526,391
TOTAL LIABILITIES AND OWNERS' EQUITY		20,617,633,075	21,127,258,090

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, 2020

Prepared by: Bluestar Adisseo Company

Unit: Yuan Currency: RMB

Item		Closing balance	Opening balance
Current Assets:			
Cash at bank and on hand	XVIII.1	411,444,510	2,058,211,716
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable			
Accounts receivable			
Receivable financing			
Advances to suppliers		69,975	109,470
Other receivables	XVIII. 2	5,460,000	707,043,375
Including: interest receivable		5,460,000	9,510,000
dividend receivable		0	697,533,375
Inventories			
Assets held for sale			
Other current assets			
Total Current Assets		416,974,485	2,765,364,561
Non-current Assets:			
Available-for-sale financial assets			
Long-term receivables			
Long-term equity investments	XVIII. 3	10,500,492,549	7,492,295,416
Investment properties			
Fixed assets		42,873	77,801
Construction in progress			
Assets from right of use			
Intangible assets			
Development costs			
Goodwill			
Long-term prepaid expenses			
Deferred tax assets			
Other non-current assets		3,632,057	3,267,167
Total Non-current Assets		10,504,167,479	7,495,640,384
TOTAL ASSETS		10,921,141,964	10,261,004,945
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		157,183	84,000
Taxes payable		47,538	261,692
Other payables	XVIII. 4	358,810,952	37,971,368
Including: interest payable		4,272,778	0
dividend payable			
Liabilities held for sale			
Current portion of non-current liabilities			
Other current liabilities			
Total Current Liabilities		359,015,673	38,317,060
Non-current Liabilities:			
Long-term borrowings			
Notes payables			
Lease liabilities			
Long-term payables			
Long-term employee benefits payable			

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Provisions			
Deferred income			
Deferred tax liabilities			
Other non-current liabilities			
Total Non-current Liabilities			
Total Liabilities		359,015,673	38,317,060
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		511,425,425	435,642,094
Undistributed profits		687,241,965	423,586,890
Total Owners' Equity		10,562,126,291	10,222,687,885
Total Liabilities And Owners' Equity		10,921,141,964	10,261,004,945

Legal Representative: Jean-Marc Dublanc

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

Chief Accountant: Yun Cai

Consolidated Income Statement

January- December 2020

Unit: Yuan Currency: RMB

Items	Notes	Amount incurred during the current period	Amount incurred during the last period
I. Total operating revenue		11,910,430,976	11,135,489,839
Including: Operating revenue	VII.37	11,910,430,976	11,135,489,839
II. Total operating costs		9,906,842,640	9,576,242,500
Including: Cost of sales	VII.37	7,390,596,338	7,357,134,517
Taxes and surcharge	VII.38	114,707,530	86,802,248
Selling and distribution expenses	VII.39	1,322,290,461	1,282,742,038
General and administrative expenses	VII.40	631,397,760	618,844,949
Research and development expenses	VII.41	301,295,739	294,254,663
Financial expenses –net	VII.42	146,554,812	(63,535,915)
Including: Interest expenses		13,824,779	15,216,772
Interest income		59,026,101	119,243,322
Add: Other income	VII.55	20,950,730	17,449,442
Investment income (loss)		12,039,674	1,328,184
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.43	18,265,946	20,407,258
Credit losses	VII.44	507,839	(4,175,419)
Asset impairment losses	VII.45	(9,982,743)	542,959
Gain (loss) from disposal of assets		132,948	(6,213,963)
III. Operating profit (loss)	VII.52	2,045,502,730	1,588,585,800
Add: Non-operating income	VII.46	8,263,426	234,531,655
Including: Gains from disposal of non-current assets			
Less: Non-operating expenses	VII.47	55,810,591	91,252,637
Including: Losses from disposal of non-current assets		52,198,000	85,118,169
IV. Total profit (Total loss)		1,997,955,565	1,731,864,818
Less: Income tax expenses	VII.48	520,943,964	474,465,003
V. Net profit (Net loss)		1,477,011,601	1,257,399,815
<u>Net profit classified by continuity</u>			
Net profit (loss) from continuing operations		1,477,011,601	1,257,399,815
Net profit (loss) from discontinued operations		0	0
<u>Net profit classified by ownership</u>			
Net profit attributable to equity holders of the Company		1,351,600,222	992,382,202
Net profit attributable to non-controlling interests		125,411,379	265,017,613
VI. Net other comprehensive income		243,229,986	4,537,582
Other comprehensive income (net of tax) attributable to the owners of the Company	VII.34	205,967,740	11,167,933
1. Other comprehensive income which will not be reclassified subsequently to profit or loss		2,803,234	(9,897,841)
1) Actuarial differences on defined benefits plans		2,803,234	(5,303,251)
3) Profit/Loss from changes in fair value of Investments in other equity instruments		0	(4,594,590)
2. Other comprehensive income which will be		203,164,506	21,065,774

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Items	Notes	Amount incurred during the current period	Amount incurred during the last period
reclassified subsequently to profit or loss			
1) Effective hedging portion of gains or losses arising from cash flow hedging instruments		10,603,317	28,604,605
2) Differences on translation arising on translation of foreign currency financial statements		192,561,189	(7,538,831)
Net other comprehensive income attributable to non-controlling interests after tax	VII.34	37,262,246	(6,630,351)
VII. Total comprehensive income		1,720,241,587	1,261,937,397
Total amount of comprehensive income attributable to equity holders of the Company		1,557,567,962	1,003,550,135
Total amount of comprehensive income attributable to non-controlling interests		162,673,625	258,387,262
VIII. Earnings per share:			
(I) Basic earnings per share (Yuan/ share)	VII.49	0.50	0.37
(II) Diluted earnings per share (Yuan/ share)	VII.49	0.50	0.37

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 2020

Unit: Yuan Currency: RMB

Items	Notes	Amount incurred during the current period	Amount incurred during the last period
I. Operating revenues		768,335	
Less: Cost of sales		768,335	
Business taxes and surcharge		4,152	
Selling and distribution expenses			
General and Administrative expenses		11,116,975	13,758,709
Research and development expenses			
Financial expenses – net		(53,140,469)	(94,349,985)
Including: Interest expenses			
Interest income		49,161,920	92,649,314
Add: Other income			
Investment income (loss)	XVIII.5	715,590,000	695,540,465
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)		757,609,342	776,131,741
Add: Non-operating income		205,667	99
Less: Non-operating expenses		0	82,500
III. Total profit (Total Loss)		757,815,009	776,049,340
Less: Income tax expenses			
IV. Net profit (Net Loss)		757,815,009	776,049,340
<u>Net profit classified by continuity</u>			
Net profit (loss) from continuing operations		757,815,009	776,049,340
Net profit (loss) from discontinued operations		0	0
V. Net amount of other comprehensive income			
1. Other comprehensive income which will not be reclassified subsequently to profit or loss			
1) Actuarial differences on net defined benefit plan			
2. Other comprehensive income which will be reclassified subsequently to profit or loss			
1) Effective hedging portion of gains or losses arising from cash flow hedging instruments			
2) Difference on translation arising on translation of foreign currency financial statements			
VI. Total comprehensive income		757,815,009	776,049,340
VII. Earnings per share:			
(I) Basic earnings per share		Not applicable	Not applicable
(II) Diluted earnings per share		Not applicable	Not applicable

Legal Representative: _____

Person in Charge of the Accounting Body: _____

Chief Accountant: _____

Consolidated Cash Flow Statement

January- December 2020

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		12,169,575,470	11,674,776,709
Refunds of taxes and surcharges		9,313,628	245,068,172
Cash received relating to other operating activities	VII.51(1)	166,056,557	360,232,920
Subtotal of cash inflows from operating activities		12,344,945,655	12,280,077,801
Cash paid for goods and services		7,532,694,364	8,045,476,166
Cash paid to and on behalf of employees		1,474,169,084	1,304,690,912
Payments of taxes and surcharges		551,825,411	289,433,108
Cash paid relating to other operating activities	VII.51(2)	77,841,216	89,876,432
Subtotal of cash outflows for operating activities		9,636,530,075	9,729,476,618
Net cash flow generated from operating activities		2,708,415,580	2,550,601,183
II. Cash flows from investing activities:			
Cash received from disposals of investment		12,884,422	1,351,350
Cash received from investment income and interest income		64,147,270	107,093,495
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		7,860,480	3,097,368
Net cash received from disposals of subsidiaries and other business units		0	0
Cash received relating to other investing activities		1,347,744	6,715,817
Subtotal cash inflows from investing activities		86,239,916	118,258,030
Cash paid to purchase fixed assets, intangible assets and other long-term assets		1,318,042,548	1,240,180,718
Cash paid to acquire investments		540,905,559	23,991,241
Net cash paid for acquisitions of subsidiaries	VII.52(2)	526,393,973	0
Cash paid relating to other investing activities		1,739,132	14,482,226
Subtotal of cash outflows for investing activities		2,387,081,212	1,278,654,185
Net amount of cash flow from investing activities		(2,300,841,296)	(1,160,396,155)
III. Cash flow from financing activities:			
Cash received from capital contributions			0
Including: cash received from capital contributions by non-controlling interests of subsidiaries			0
Cash received from borrowings		632,465,358	7,698,834
Cash received from issuance of debentures		0	
Cash received relating to other financing activities		0	0
Subtotal of cash inflows from financing activities		632,465,358	7,698,834
Cash repayments of borrowings		10,590,466	14,204,594
Cash payments for interest expenses and distribution of dividends or profits		640,710,309	877,213,555
Including: dividends and profits paid to non-controlling shareholders of subsidiaries		199,066,988	107,489,792
Cash paid relating to other financing activities	VII.51(6)	3,008,197,130	479,785,145

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Items	Notes	Amount incurred during the current period	Amount incurred during the last period
Subtotal of cash outflows for financing activities		3,659,497,905	1,371,203,294
Net cash flow from financing activities		(3,027,032,547)	(1,363,504,460)
IV. Effect of Foreign exchange rate changes on Cash and Cash Equivalents		93,552,098	(13,970,871)
V. Net increase in cash and cash equivalents		(2,525,906,165)	12,729,697
Add: Opening balance of cash and cash equivalents		5,295,065,807	5,282,336,110
VI. Closing balance of cash and cash equivalents	VII.52(4)	2,769,159,642	5,295,065,807

Legal Representative: _____

Person in Charge of the Accounting Body: _____

Chief Accountant: _____

Cash Flow Statement of the Company

January- December 2020

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		5,187,693	6,392,156
Subtotal of cash inflows from operating activities		5,187,693	6,392,156
Cash paid for goods and services			
Cash paid to and on behalf of employees		4,664,121	2,771,328
Payments of taxes and surcharges		4,591,573	2,409,434
Cash paid relating to other operating activities		10,419,918	15,854,898
Subtotal cash outflows from operating activities		19,675,612	21,035,660
Net cash flow generated from operating activities		(14,487,919)	(14,643,504)
II. Cash flow from investing activities:			
Cash received from disposals of investments			
Cash received from investment income and interest income		1,474,288,320	115,382,663
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		1,474,288,320	115,382,663
Cash paid to purchase fixed assets, intangible assets and other long-term assets			16,900
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		3,008,197,130	
Subtotal of cash outflows from investing activities		3,008,197,130	16,900
Net amount of cash flow from investing activities		(1,533,908,810)	115,365,763
III. Cash flows from financing activities:			
Cash received from capital contributions			
Cash received from borrowings		570,000,000	
Cash received from issuance of shares			
Cash received from other financing activities			
Subtotal of cash inflows from financing activities		570,000,000	
Cash repayments of borrowings		250,000,000	
Cash payments for interest expenses and		418,376,603	740,204,749

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Items	Notes	Amount incurred during the current period	Amount incurred during the last period
distribution of dividends or profits			
Cash payments relating to other financing activities			
Subtotal of cash outflows from financing activities		668,376,603	740,204,749
Net cash flow from financing activities		(98,376,603)	(740,204,749)
IV. Effect of Foreign Exchange rate changes on cash and cash equivalents		6,126	(40,483)
V. Net increment of cash and cash equivalents		(1,646,767,206)	(639,522,973)
Add: Opening balance of cash and cash equivalents		2,058,211,716	2,697,734,689
VI. Closing balance of cash and cash equivalents		411,444,510	2,058,211,716

Legal Representative: _____

Person in Charge of the Accounting Body: _____

Chief Accountant: _____

Consolidated Statement of Changes in Owners' Equity

January- December2020

Unit: Yuan Currency: RMB

Items	Current period								Non-controlling interests	Total
	Equity attributable to shareholders of the company									
	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	2,111,544,529	(440,874,572)	0	435,642,094	9,009,359,024	3,416,954,043	17,214,526,391	
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	2,111,544,529	(440,874,572)	0	435,642,094	9,009,359,024	3,416,954,043	17,214,526,391	
3.Increase/(decrease) for current period			(850,570,830)	73,291,854		75,783,331	856,868,684	(1,937,406,809)	(1,782,033,770)	
(1)Total comprehensive income				205,967,740			1,351,600,222	162,673,625	1,720,241,587	
(2)Owner's contributions and withdrawals of capital	-	-	(850,570,830)	(132,675,849)	-	-	-	(2,024,950,451)	(3,008,197,130)	
(a)Common stock contributed by owners									-	
(b)Capital contributed by other equity instruments holders									-	
(c)Share-based payment										

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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		
recorded in owner's equity									-
(d) Others			(850,570,830)	(132,675,849)				(2,024,950,451)	(3,008,197,130)
(3) Profits distribution			-	-		75,783,331	(494,159,934)	(75,117,638)	(493,494,241)
(a) Appropriation of surplus reserve						75,783,331	(75,783,331)		
(b) Distribution to owner/shareholder							(418,376,603)	(75,117,638)	(493,494,241)
(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) Other									
(5) Special reserve			-	-		-	-	-	-
(a) Transfer to special reserve in the period									-
(b) Amount used in the period									-
(6) Other				(37)			(571,604)	(12,345)	(583,986)
4. Ending balance of current period	2,681,901,273		1,260,973,699	(367,582,718)		511,425,425	9,866,227,708	1,479,547,234	15,432,492,621

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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	2,179,598,513	(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									

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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		
(d) Others			(68,053,984)					(411,731,161)	(479,785,145)
(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) Others				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: _____

Statement of Changes in Owners' Equity of the Company

January- December 2020

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
I. Closing balance of last year	2,681,901,273				6,681,557,628				435,642,094	423,586,890	10,222,687,885
II. Opening balance of current year	2,681,901,273				6,681,557,628				435,642,094	423,586,890	10,222,687,885
III. Amount increased or decreased of current period (decrease filled out with "-")									75,783,331	263,655,075	339,438,406
(I) Total amount of comprehensive income										757,815,009	757,815,009
(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									75,783,331	(494,159,934)	(418,376,603)
1. Withdrawal of surplus reserve									75,783,331	(75,783,331)	0
2. Distribution to owners (or shareholders)										(418,376,603)	(418,376,603)
3. Others											
(IV) Internal carry-											

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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				511,425,425	687,241,965	10,562,126,291

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				358,037,159	465,347,234	10,186,843,294
II. Opening balance of last 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 last 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											
(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										(740,204,749)	(740,204,749)

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

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 the revised "Accounting Standard for Business Enterprises No. 14-Revenue" issued by the MOF in 2017, since 1 January 2020 (see Note V.32). The group has not adopted 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 (10)), inventory valuation method (Note V (12)), amortization/depreciation for fixed/intangible assets (Note V (15) (18)), condition for capitalized development expenditure (Note V (18)), revenue recognition (Note V (27)), etc.

See Note V (36) 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, 2020 to December 31, 2020.

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 (9).

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

A transaction constitutes a business combination when the Group obtains control of one or more entities (or a group of assets or net assets). Business combination is classified as either business combinations involving enterprises under common control or business combinations not involving enterprises under common control.

For a transaction not involving enterprises under common control, the acquirer determines whether acquired set of assets constitute a business. The Group may elect to apply the simplified assessment method, the concentration test, to determine whether an acquired set of assets is not a business. If the concentration test is met and the set of assets is determined not to be a business, no further assessment is needed. If the concentration test is not met, the Group shall perform the assessment according to the guidance on the determination of a business.

When the set of assets the group acquired does not constitute a business, acquisition costs should be allocated to each identifiable assets and liabilities at their acquisition-date fair values. It is not required to apply the accounting of business combination described as below.

(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 (19)). 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 acquisitions-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 based on the carrying amounts of the assets and liabilities of the subsidiary in the financial statements of the ultimate controlling party 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 over a subsidiary, any resulting disposal gains or losses are recognised as investment income for the current period.

(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 proportion interests of the subsidiary's net assets being acquired or disposed 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. Joint venture arrangement and accounting treatment

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

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 recognised 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 recognised at the investor's share of the fair value of the investee's identifiable net assets, and the difference is recognised in profit or loss.

8. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily withdrawn 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.

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

When the Group receives capital in foreign currencies from investors, the capital is translated to Renminbi at the spot exchange rate at the date of the receipt. Other foreign currency transactions are, on initial recognition, translated to Renminbi at the spot exchange rates on the dates of the transactions.

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 (17)). 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 and the translation differences in other comprehensive income", 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 are transferred to profit or loss in the period when the foreign operation is disposed.

10. Financial instruments

Financial instruments include cash at bank and on hand, equity securities other than those classified as long-term equity investments (see Note V (14)), 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.(27).

(2) Classification and subsequent 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. The instrument meets the definition of equity from the perspective of the issuer.

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) Offsetting 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

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.

11. Receivables

Please refer to V.10

12. 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.

13. Contract assets

Not applicable.

14. 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 (20).

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 (20).

(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.

15. 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, and any other costs (Note V (16)) 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 is derecognized. The costs of the day-to-day servicing of fixed assets are recognized in profit or loss as 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 (v(17))

(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.

16. 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 (20)).

17. 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.

18. 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 (20)). 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)

The Group reviews the useful life and amortization method of intangible assets with finite useful lives at least at the end of each year.

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 is 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 (20)). Other development expenditure is recognized as an expense in the

period in which it is incurred.

19. 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 (20)). 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.

20. 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
- Longterm prepaid expenses
- 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 (21)) 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.

21. 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.

22. Contract liabilities

Not applicable

23. 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.

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.

24. 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.

25. 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.

26. 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.

27. 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.

(1) Sales of goods

Revenue is recognised when the Group satisfies the performance obligation in the contract by transferring the control over relevant goods or services to the customers.

Where a contract has two or more performance obligations, the Group determines the stand-alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocates the transaction price in proportion to those stand-alone selling prices. The Group recognises as revenue the amount of the transaction price that is allocated to each performance obligation. The stand-alone selling price is the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group considers all information that is reasonably available to the entity, maximises the use of observable inputs to estimate the stand-alone selling price.

For the contract with a warranty, the Group analyses the nature of the warranty provided, if the warranty provides the customer with a distinct service in addition to the assurance that the product complies with agreed-upon

specifications, the Group recognises for the promised warranty as a performance obligation. Otherwise, the Group accounts for the warranty in accordance with the requirements of CAS No.13 – Contingencies.

The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The Group recognises the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Where the contract contains a significant financing component, the Group recognises the transaction price at an amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when (or as) they transfer to the customer. The difference between the amount of promised consideration and the cash selling price is amortised using an effective interest method over the contract term.

The Group satisfies a performance obligation over time if one of the following criteria is met; or otherwise, a performance obligation is satisfied at a point in time:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the customer can control the asset created or enhanced during the Group's performance; or
- the Group's performance does not create an asset with an alternative use to it and the Group has an enforceable right to payment for performance completed to date.

For performance obligation satisfied over time, the Group recognises revenue over time by measuring the progress towards complete satisfaction of that performance obligation. When the outcome of that performance obligation cannot be measured reasonably, but the Group expects to recover the costs incurred in satisfying the performance obligation, the Group recognises revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

A performance obligation is satisfied when « controlling right » of the promised good or service is transferred to the customer. In order to determine the point in time at which control transfers (i.e., and the point at which revenue recognition will occur), entities shall consider the transfer of the significant risks and rewards of ownership as one of the indicators in this assessment.

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.

- the Group has a present right to payment for the goods or services;
- the Group has transferred physical possession of the goods to the customer;
- the Group has transferred the legal title of the goods or the significant risks and rewards of ownership of the goods to the customer; and
- the customer has accepted the goods or services.

A contract asset is the Group's right to consideration in exchange for goods or services that it has transferred to a customer when that right is conditional on something other than the passage of time. The Group recognises loss allowances for expected credit loss on contract assets. Accounts receivable is the Group's right to consideration that is unconditional (only the passage of time is required). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

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 revenue

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

28. Contract costs

Contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer.

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained ,e.g. an incremental sales commission. The Group recognises as an asset the incremental costs of obtaining a contract with a customer if it expects to recover those costs. Other costs of obtaining a contract are expensed when incurred.

If the costs to fulfil a contract with a customer are not within the scope of inventories or other accounting standards, the Group recognises an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- the costs relate directly to an existing contract or to a specifically identifiable anticipated contract, including direct labour, direct materials, allocations of overheads (or similar costs), costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract
- the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

Assets recognised for the incremental costs of obtaining a contract and assets recognised for the costs to fulfil a contract (the “assets related to contract costs”) are amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate and recognised in profit or loss for the current period. The Group recognises the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the entity otherwise would have recognised is one year or less.

The Group recognises an impairment loss in profit or loss to the extent that the carrying amount of an asset related to contract costs exceeds:

- remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates; less
- the costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

29. 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.

30. 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.

31. 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 (15)(2) and V (20), 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 (17)).

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.

32. 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.

33. 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 ratio that complies with the hedge effectiveness requirements.

The Group discontinues 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 hedge 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 future cash flows affect profit or loss.

When the Group discontinues 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.
- If the hedged future cash flows are no longer expected to occur, that amount is immediately reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment.

(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 (or a component thereof) measured at amortised cost. The amortization is based on a recalculated effective interest rate at the date that amortised begins.

34. 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.

35. 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.

36. 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 (15) and (18) and provision for impairment of various types of assets (see Notes VII (4), (6), (13), (14), (15) and (17)). Other significant accounting estimates are as follows:

Note VII (30) – Post-employment benefits – defined benefit plans

Note XI - Fair value of financial instruments.

37. Change of important accounting policies and accounting estimates

(1) Change of important accounting policies

✓ Applicable ☐ Not applicable

The following accounting standards take effect for annual periods beginning on or after 1 January 2020 and are relevant to the Company:

- CAS No.14 - Revenue (Revised) (“new revenue standard”)
- CAS Bulletin No.13 (Caikuai [2019] No.21)
- The Accounting Treatment of COVID-19-Related Rent Concessions (Caikuai [2020] No.10)

(a) New revenue standard

New revenue standard replaces CAS No.14 – Revenue and CAS No.15 - Construction Contracts issued by the MOF in 2006 (“previous revenue standard”).

Under previous revenue standard, the Group recognised revenue when the risks and rewards had passed to the customers. The Group's revenue from sales of goods was recognised when the following conditions were met: the significant risks and rewards of ownership of the goods had been transferred to the customer, the amount of revenue and related costs could be reliably measured, the relevant economic benefits would probably flow to the Group and the Group retained neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold. Revenue from rendering of services and revenue from construction contracts were recognised by reference to the stage of completion of the transaction at the balance sheet date.

Under new revenue standard, revenue is recognised when the customer obtains control of the promised goods or services in the contract:

- Revenue is recognised when the Group satisfies the performance obligation in the contract by transferring the control over relevant goods or services to the customers. The Group satisfies a performance obligation over time if certain criteria is met; or otherwise, a performance obligation is satisfied at a point in time. Where a contract

has two or more performance obligations, the Group determines the stand-alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocates the transaction price in proportion to those stand-alone selling prices. The Group recognises as revenue the amount of the transaction price that is allocated to each performance obligation. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The Group recognises the transaction price only to the extent that it is highly

probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Where the contract contains a significant financing component, the Group recognises the transaction price at an amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when (or as) they transfer to the customer. The difference between the amount of promised consideration and the cash selling price is amortised using an effective interest method over the contract term.

- The Group have adjusted the relevant accounting policies in accordance with the specific provisions on specific matters or transactions under new revenue standard, such as contract costs, warranties, principal versus agent considerations, sale with a right of return, customer options for additional goods or services, licensing, repurchase agreements, advance receipts, non-refundable upfront fee, etc.

- Under new revenue standard, the Group presents a contract asset or a contract liability in the balance sheet based on the relationship between the Group's performance and the customer's payment. At the same time, the Group provides more disclosures on revenue and related information based on the disclosure requirements under new revenue standard, such as relevant accounting policies, significant judgements (measurement of variable consideration, the method used to allocate the transaction price to each performance obligation, the assumption used for estimating stand-alone selling price of each performance obligation, etc.), information of contracts with customers (revenue recognised in current period, contract balance, performance obligation, etc.), information of assets related to contract costs, etc.

(b) CAS Bulletin No.13

CAS Bulletin No.13 has amended the three elements of constituting a business, provides specific guidance on the determination of a business, and introduces an optional concentration test when the acquirer determine whether an acquired set of assets that not involving enterprises under common control constitute a business.

In addition, CAS Bulletin No.13 takes effect on 1 January 2020. The Company has adopted the accounting policy change prospectively. The adoption of CAS Bulletin No.13 does not have any significant effect on the financial position, financial performance probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Where the contract contains a significant financing component, the Group recognises the transaction price at an amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when (or as) they transfer to the customer. The difference between the amount of promised consideration and the cash selling price is amortised using an effective interest method over the contract term.

- The Group have adjusted the relevant accounting policies in accordance with the specific provisions on specific matters or transactions under new revenue standard, such as contract costs, warranties, principal versus agent considerations, sale with a right of return, customer options for additional goods or services, licensing, repurchase agreements, advance receipts, non-refundable upfront fee, etc.

- Under new revenue standard, the Group presents a contract asset or a contract liability in the balance sheet based on the relationship between the Group's performance and the customer's payment. At the same time, the Group provides more disclosures on revenue and related information based on the disclosure requirements under new revenue standard, such as relevant accounting policies, significant judgements (measurement of variable consideration, the method used to allocate the transaction price to each performance obligation, the assumption used for estimating stand-alone selling price of each performance obligation, etc.), information of contracts with

customers (revenue recognised in current period, contract balance, performance obligation, etc.), information of assets related to contract costs, etc.

(c) Caikuai [2020] No.10

Caikuai [2020] No.10 provides a practical expedient under certain conditions for rent concessions occurring as a direct consequence of the Covid-19 pandemic. If an entity elects to apply the practical expedient, the entity does not need to assess whether a lease modification has occurred or to reassess the lease classification.

Caikuai [2020] No.10 takes effect on 24 June 2020 (the implementation date). The entity is allowed to adjust the related rent concessions that occurred between 1 January 2020 and the implementation date. The adoption of Caikuai [2020] No.10 does not have any significant effect on the financial position or financial performance of the Company.”

(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 revenue standard

Adopted the new revenue standards did not have a material impact on retained earnings as at 1 January 2020 and the Group did not adjust the comparative financial statement.

The items of the Consolidated Income Statement and the Income Statement of the Company for the year ended 2020, the items of the balance sheet of the Company as at December 31, 2020 and the items of the Consolidated Cash Flow Statement and the statement of cash flow of the Company for the year ended 2020 prepared by adopting the changed accounting policy have not changed significantly compared with the statement items prepared with pre-change accounting policy.

The following table provide the effect of adjustments: Affected assets and liabilities items in the consolidated balance sheet and company balance sheet as at 31 December 2020:

	The Group		
	Before adjustment	Adjustment	After Adjustment
Advance from customer	6,870,205	(6,870,205)	-
Contract liabilities	-	6,870,205	6,870,205
Total		0	

The following table provide the effect of adjustments: Affected assets and liabilities items in the consolidated balance sheet as at 31 December 2019:

	The Group		
	Before adjustment	Adjustment	After Adjustment
Advance from customer	7,568,111	(7,568,111)	0
Contract liabilities		7,568,111	7,568,111
Total		0	

The implementation of the new revenue guidelines has no impact on the balance sheet of the company as at 1 January 2020.

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%
(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	32.02%
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 Nutricao Animal Ltd	34%
Nutriadi Europe N.V.	28.8%

2. Tax preferences

The Group have a new tax preferences in BANC, Nanjing and uses the tax rate of 15% since 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.

3. Other

Applicable ✓ Not applicable

VII. Notes to the Items in Consolidated Financial Statements

1. Cash at bank and on hand

Unit: Yuan Currency: RMB		
Items	Closing balance	Opening balance
Cash on hand		
Cash at bank	2,769,159,642	5,295,065,807
Other monetary funds		
Total	2,769,159,642	5,295,065,807

As at December 31, 2020 and December 31, 2019, 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	21,852,075	6,299,293
Fair value hedge instrument	18,032,175	1,484,945
Total	39,884,250	7,784,238

3. Notes receivable

Applicable ✓ Not applicable

4. Accounts receivable

Items		Closing balance	Opening balance
Accounts receivable	(2)	1,549,836,508	1,537,943,360
Total		1,549,836,508	1,537,943,360

(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	10,263,975	9,425,493
Accounts receivable from third parties	1,586,039,922	1,579,130,841
Less: provision for bad debts	46,467,389	50,612,974
Total	1,549,836,508	1,537,943,360

(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	1,546,336,806	1,548,046,920
1 to 2 years	5,519,745	3,987,642
Over 2 years	44,447,346	36,521,772
Subtotal	1,596,303,897	1,588,556,334

Less: provision for bad debts	46,467,389	50,612,974
Total	1,549,836,508	1,537,943,360

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	50,612,974	48,147,403
Addition during the year	7,905,174	8,023,154
Recovery or reversal during the year	(8,413,013)	(3,847,735)
Write-off during the year	0	(1,508,915)
Currency translation difference	(3,637,746)	(200,933)
Acquisition of subsidiary companies or businesses	0	0
Balance at the end of the year	46,467,389	50,612,974

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	2020					2019				
	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	1,596,303,897	100%	46,467,389	100%	1,549,836,508	1,588,556,334	100%	50,612,974	100%	1,537,943,360
Total	1,596,303,897	100%	46,467,389	100%	1,549,836,508	1,588,556,334	100%	50,612,974	100%	1,537,943,360

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.

Unit: Yuan Currency: RMB

	Provision rate (Impairment loss/ Book value)	Closing balance	
		Book value at the end of the period	Impairment loss at the end of the period
Current	0%	1,488,656,745	0
Past due within 60 days	0%	47,069,124	0
[61]-[180] days past due	38.41%	9,033,367	3,469,382
Over [180] days past due	83.42%	51,544,661	42,998,007
Total		1,596,303,897	46,467,389

	Provision rate	Opening balance
--	----------------	-----------------

	(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]-[180] days past due	30.53%	13,664,425	4,171,418
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	-

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 330,542,215, accounting for 20.7% of the total year-end balance of accounts receivable.

(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, 2020, the derecognized account receivables amounted to RMB 278,935,629 (2019: RMB 123,260,552). Cost incurred and recognized as financial expenses amounted to RMB 2,459,585 (2019: RMB 314,186).

5. 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	71,112,502	91.96%	57,906,329	95.14%
1-2 years	4,967,002	6.42%	1,593,082	2.62%
2-3 years	608,515	0.79%	423,563	0.70%
More than 3 years	640,885	0.83%	939,097	1.54%
Total	77,328,904	100%	60,862,071	100%

As at December 31, 2020, the advances to suppliers with an account age of more than one year were RMB 6,216,402 (Dec. 31, 2019: RMB 2,955,742), 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	20,662,290	26.72%

6. Inventories

(1) Inventories by category

Unit: Yuan Currency: RMB

Items	Closing balance			Opening balance		
	Book value	Provision for decline in value of inventories	Carrying amount	Book value	Provision for decline in value of inventories	Carrying amount
Raw materials	479,561,740	29,800,736	449,761,004	484,790,922	25,443,868	459,347,054
Work in progress	148,162,605	9,959,025	138,203,580	147,682,001	7,502,880	140,179,121
Finished goods	1,169,122,170	17,603,110	1,151,519,060	1,093,087,360	14,237,853	1,078,849,507
Total	1,796,846,515	57,362,871	1,739,483,644	1,725,560,283	47,184,601	1,678,375,682

At the period end, the inventories pledged as security by the Group amounted to RMB 0 (2019: 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	25,443,868	3,639,413	0		717,455	0	29,800,736
Work in progress	7,502,880	3,407,623	(1,196,210)		244,732	0	9,959,025
Finished goods	14,237,853	9,420,422	(6,484,715)		429,550	0	17,603,110
Total	47,184,601	16,467,458	(7,680,925)		1,391,737	0	57,362,871

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	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

Basis for provision

Raw materials

Estimated selling price less estimated costs incurred at completion of construction, estimated selling expenses

Products in process

Estimated selling price less estimated costs incurred at completion of construction, estimated selling expenses

Reason for reversal

Increase in net realizable value/used

Increase in net realizable value/finished and sold

Finished goods Estimated selling less estimated selling expenses

Increase in net realizable
value/sold.

7. Contract assests

Applicable ✓ Not applicable

8. Other current assets

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Value added tax deductible	290,794,306	238,729,928
Income tax receivable	139,049,973	142,250,435
Total	429,844,279	380,980,363

9. 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	54,600,466	0	54,600,466	62,750,521		62,750,521	
Loans to suppliers	1,677	0	1,677	1,633		1,633	
Others	0	0	0	0		0	
Total	54,602,143	0	54,602,143	62,752,154	0	62,752,154	

As at December 31, 2020, the part due within one year was RMB 2,102,550 (as at December 31, 2019 it was RMB 1,688,148).

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

☐ Applicable ✓ Not applicable

10. Long-term equity investments

Items	Closing Balance	Opening Balance
Joint ventures		
Calyseo Limited	296,291,025	0
Sub-total	296,291,025	0
Sub-total		
-		
Sub-total	0	0
Total Long-term equity investments	296,291,025	0

Investee	Balance at the beginning of the year	Movements during the year Increase in capital	Investment income recognised under equity method	Balance at the end of the year
Calyseo Limited	0	296,291,025	0	296,291,025

11. 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	0	781,550
Osiris G.I.E	2,016,225	1,963,590
Nor-Feed Holding S.A.S	8,024,920	7,815,422
Calysta Inc	224,281,954	
Other	942,663	919,087
Total	235,265,762	11,479,649

12. Other non-current financial assets

✓ Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Animal feed & health Venture Fund (AFV FCPI)	64,553,100	32,676,606
Total	64,553,100	32,676,606

13. 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	3,159,558,139	102,955,926	10,279,523,885	13,542,037,950
2. Increase in current period				
1) Purchasing	4,644,307	0	27,993,826	32,638,133
2) Transfer from construction in process	71,838,952	5,902,350	385,535,162	463,276,464
3) Acquisition of subsidiary companies and businesses	47,354,114	0	39,335,411	86,689,525
4) Others increase				0

Items	Houses and buildings	Freehold land	Machinery equipment and Others	Total
3. Decrease in current period				
1) Disposal or retirement	(40,161,942)	0	(83,517,320)	(123,679,262)
2) Disposal of subsidiary companies and businesses	0	0	0	0
3) Other decrease				0
4. Currency translation	38,885,069	2,876,207	205,872,566	247,633,842
5. Closing balance	3,282,118,639	111,734,483	10,854,743,530	14,248,596,652
II. Accumulated depreciation				
1. Opening balance	(934,804,208)	0	(5,086,208,444)	(6,021,012,652)
2. Increase in current period				
1) Current period depreciation	(138,555,572)	0	(755,905,123)	(894,460,695)
2) Other				0
3) Acquisition of subsidiary companies and businesses				
3. Decrease in current period				
1) Disposal or retirement	13,457,712	0	57,725,109	71,182,821
2) Disposal of subsidiary companies and businesses	0	0	0	0
3) Other decrease	0	0	0	0
4. Currency translation	(16,874,248)	0	(114,296,848)	(131,171,096)
5. Closing balance	(1,076,776,316)	0	(5,898,685,306)	(6,975,461,622)
III. Impairment reserve				
1. Opening balance			(141,577,783)	(141,577,783)
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			(3,795,094)	(3,795,094)
5. Closing balance			(145,372,877)	(145,372,877)
IV. Carrying amount				
1. Closing carrying amount	2,205,342,323	111,734,483	4,810,685,347	7,127,762,153
2. Opening carrying amount	2,224,753,931	102,955,926	5,051,737,658	7,379,447,515

(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	23,858,325	(16,395,075)	0	7,463,250
Machinery equipment	0	0	0	0
Total	23,858,325	(16,395,075)	0	7,463,250

Last period

Unit: Yuan Currency: RMB

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

(4) Fixed assets held under operating lease

☐ Applicable ☒ Not applicable

(5) Fixed assets held with unattained certificate

☐ Applicable ☒ Not applicable

14. Construction in progress

Unit: Yuan Currency: RMB

Items		Closing balance	Opening balance
Construction in progress	(1)	1,682,054,970	612,534,221
Construction materials	(2)		
Total		1,682,054,970	612,534,221

(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 H	715,697,000	0	715,697,000	86,346,000	0	86,346,000
Project I	884,034	0	884,034	57,609,614	0	57,609,614
Project J	107,428,268	0	107,428,268	0	0	0
Project K	49,014,293	0	49,014,293	0	0	0
Project L	135,164,273	0	135,164,273	104,737,860	0	104,737,860
Project M	319,395,000	0	319,395,000	128,174,200	0	128,174,200
Others	354,472,102	0	354,472,102	235,666,547	0	235,666,547
Total	1,682,054,970	0	1,682,054,970	612,534,221	0	612,534,221

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	Acquisition of subsidia	Closing balance	Proportion of	Progre	Accumula	Includi	Capit	Source of funds
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					differences	y companies and businesses		expendit ures incurred to budgete d amount (%)	ss of con str uct ion	ted capit alize d borro wing costs	capitali zed in current period	ion rate (%)	
Project H	3,343,320,000	86,346,000	629,351,000	-	-		715,697,000	19%	21%				100% equity
Project I	68,417,138	57,609,614	7,576,335	(64,719,268)	417,353		884,034	96%	95%				100% equity
Project J	192,600,000	-	105,350,652	-	2,077,616		107,428,268	66%	64%				100% equity
Project K	112,350,000	-	48,066,377	-	947,916		49,014,293	51%	50%				100% equity
Project L	154,882,500	104,737,860	27,084,704		3,341,709		135,164,273	87%	87%				100% equity
Project M	335,445,000	128,174,200	184,153,320		7,067,480		319,395,000	95%	95%				100% equity
Others		235,666,547	509,119,106	(398,557,196)	8,243,645		354,472,102						100% equity
Total	4,207,014,638	612,534,221	1,510,701,494	(463,276,464)	22,095,719		1,682,054,970						

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 H	0	
Project I	0	
Project J	0	
Project K	0	
Others	0	
Total	0	

(2) Construction materials

Applicable ☒ Not applicable

15. 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	153,144,120	716,853,748	453,781,273	1,091,378,222	1,500,267,639	384,033,637	4,299,458,639
2. Increase in current period							-
1) Purchasing			361,539			47,023,035	47,384,574
2) Transferred from construction in process							
3) Acquisition of subsidiary companies and businesses		15,013,576			84,227,644		99,241,220

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4) Other increase			(110,177)			110,177	
3. Decrease in current period							
1) Disposal						(8,653,362)	(8,653,362)
2) Disposal of subsidiary companies and businesses							
3) Other decrease							
4. Currency translation		(1,240,972)	10,816,386	905,878	(35,888,302)	1,467,475	(23,939,535)
5. Closing balance	153,144,120	730,626,352	464,849,021	1,092,284,100	1,548,606,981	423,980,962	4,413,491,536
							-
II. Accumulated amortization							
1. Opening balance	(21,841,120)	(198,448,535)	(423,312,273)	(494,863,587)	(739,352,695)	(266,933,321)	(2,144,751,531)
2. Increase in current period							
1) Current period depreciation	(3,046,240)	(18,923,633)	(4,440,812)	(44,569,502)	(99,101,226)	(52,086,017)	(222,167,430)
2) Others increase			(5,783)				(5,783)
3) Acquisition of subsidiary companies and businesses							
3. Decrease in current period							
1) Disposal						1,224,271	1,224,271
2) Disposal of subsidiary companies and businesses							
3) Other decrease							
4. Currency translation		131,318	(10,211,696)	(552,736)	6,168,346	4,164,850	(299,918)
5. Closing balance	(24,887,360)	(217,240,850)	(437,970,564)	(539,985,825)	(832,285,575)	(313,630,217)	(2,366,000,391)
							-
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	128,256,760	513,385,502	26,878,457	552,298,275	716,321,406	110,350,745	2,047,491,145

2. Opening carrying amount	131,303,000	518,405,213	30,469,000	596,514,635	760,914,944	117,100,316	2,154,707,108
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(2) Land use rights held with unattained certificateApplicable ☒ Not applicable**16. 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	79,629,097		5,775,655		(12,709,727)		2,038,686	74,733,711
Total	79,629,097		5,775,655		(12,709,727)		2,038,686	74,733,711

17. 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")	730,249,466	-	-	20,016,900	750,266,366
Specialties	696,478,938	406,265,321	-	29,117,791	1,131,862,050
Innov'ia S.A. ("Innov'ia")	192,781,679	-	-	5,167,650	197,949,329
Total	1,619,510,083	406,265,321	-	54,302,341	2,080,077,745

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 and Framelco during the year 2020.

(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	39.1%	27.8%	48.3%
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.

18. 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	115,159,748	33,304,199	151,802,273	43,901,217
Accrued expenses	178,463,676	51,611,695	126,079,510	36,462,194
Balance in fair value of derivative financial instruments	19,745,882	5,710,509	1,783,620	515,823
Property plant equipment and intangible assets	40,662,299	11,759,537	48,857,899	14,129,704
Unrealized profits of internal transactions	226,809,711	65,593,368	216,626,372	62,648,347
Payroll	354,459,802	102,509,775	316,730,525	91,598,468
Others	37,722,833	10,909,443	38,725,924	11,197,759
Total before offsetting	973,023,951	281,398,526	900,606,123	260,453,512

(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	3,291,297,057	951,843,109	3,315,988,279	958,983,810
Balance in fair value of derivative financial instruments	50,197,873	14,517,225	8,296,537	2,399,359
Changes in fair value of Investments in other equity instruments				
Others	5,632,532	1,628,928	10,915,406	3,156,735
Total before offsetting	3,347,127,462	967,989,262	3,335,200,222	964,539,904

(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	(170,146,050)	111,252,476	(146,478,101)	113,975,411
Deferred tax liabilities	(170,146,050)	797,843,212	(146,478,101)	818,061,803

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

√ Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Deductible temporary differences		
Deductible losses	0	1,876,974
Total	0	1,876,974

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

√ Applicable Not applicable

Unit: Yuan Currency: RMB

Year	Closing balance	Opening balance
No expiration date	0	1,876,974
Total	0	1,876,974

19. Other non-current assets

Items	Closing balance	Opening balance
Advance payments to CAPEX suppliers	150,859,880	48,589,640
Total	150,859,880	48,589,640

20. Short-term borrowings

Items	Closing balance	Opening balance
Pledged loan		
Guarantee loan		
Mortgage loan		
Unsecured	642,030,162	0
TOTAL	642,030,162	0

21. Derivative financial liabilities

✓ Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Derivative financial instruments held at fair value through profit or loss	770,400	609,609
Cash flow hedge instruments	1,043,250	1,313,004
Fair value hedge instruments	304,950	140,679
Total	2,118,600	2,063,292

22. 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	1,182,547,468	1,099,192,221
Total	1,182,547,468	1,099,192,221

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

✓ Applicable Not applicable

As at December 31, 2020, the accounts payable with account age of more than one year were RMB 1,319,966 (as at December 31, 2019: RMB 70,879).

23. 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	304,949,541	1,295,439,559	(1,274,521,563)	0	1,352,082	4,496,787	331,716,406
Post-employment benefits	9,231,282	60,793,701	(59,054,603)	0	0	13,299	10,983,679
Termination benefits							
French profit-sharing plans – short term	88,229,180	111,940,039	(72,472,988)	45,652,710	0	4,043,684	177,392,625
Long-term bonus payments – short term	49,628,259	0	(49,669,843)	14,865,286	0	243,611	15,067,313
Total	452,038,262	1,468,173,299	(1,455,718,997)	60,517,996	1,352,082	8,797,381	535,160,023

(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	260,879,853	1,024,560,225	(983,529,062)	0	171,941	3,993,800	306,076,757
II. Employee welfare benefit							
III. Social insurance premium	25,415,177	238,552,044	(252,297,416)	0	1,180,141	469,995	13,319,941
Wherein: Medical insurance premium	25,414,847	237,900,628	(251,645,670)	0	1,180,141	469,995	13,319,941
Industrial injury insurance premium	330	216,302	(216,632)	0	0	0	0
Maternity insurance premium	0	435,114	(435,114)	0	0	0	0
IV. Housing fund	0	9,623,887	(9,550,707)	0	0	0	73,180
V. Labor union outlay and employee education outlay	254,892	3,882,435	(1,975,920)				2,161,407
VI. Others	18,399,619	18,820,968	(27,168,458)	0	(0)	32,992	10,085,121
Total	304,949,541	1,295,439,559	(1,274,521,563)	0	1,352,082	4,496,787	331,716,406

(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	9,231,282	60,793,701	(59,054,603)		13,299	10,983,679

24. Taxes payable

Unit: Yuan Currency: RMB		
Items	Closing balance	Opening balance
Value-added-tax	81,763,646	26,058,152
Business tax	16,582,253	15,789,568
Enterprise income tax	197,869,831	154,668,199
Individual income tax	817,924	1,000,686
City maintenance and construction tax	0	391,210
Others	17,154,074	14,402,301
Total	314,187,728	212,310,116

25. Other payables

Unit: Yuan Currency: RMB			
Items		Closing balance	Opening balance
Interest payable		5,485,297	5,581,432
Dividends payable	(1)	0	123,094,125
Others	(2)	777,408,635	403,034,611
Total		782,893,932	531,710,168

Unit: Yuan Currency: RMB

(1) Dividends payable

✓ Applicable Not applicable

Unit: Yuan Currency: RMB		
Items	Closing balance	Opening balance
Dividends for ordinary shares	0	123,094,125
Dividends for preferred shares	0	0
Total	0	123,094,125

Dividends payable as at December 31, 2019 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	14,093,400	19,678,986
Payables for acquisition of property, plant and equipment	685,739,700	312,653,552
Cautions and guaranties received	20,478,993	18,357,417
Others	57,096,542	52,344,656
Total	777,408,635	403,034,611

b. Significant others with ageing of more than one year

✓ Applicable Not applicable

As at December 31, 2020, other payables with an account age of more than one year were RMB 27,080,474 (as at December 31, 2019: RMB 7,987,194), 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.

26. Current portion of non-current liabilities

✓ Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Current portion of long-term borrowings	4,649,797	5,123,943
Current portion of long-term payables	272,850	1,492,761
Current portion of provisions*	217,967,821	154,846,150
Total	222,890,468	161,462,854

* 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.

27. Other current liabilities

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Government subsidy		
Others	2,658,181	11,611,670
Total	2,658,181	11,611,670

28. 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	66,285,944	30,883,909
Less: the part due within one year	(4,649,797)	(5,123,943)
Total	61,636,147	25,759,966

As at December 31, 2020, the range of interest rate for long-term loans was 0%-3.22% (as at December 31, 2019: 0%-3.22%).

29. Long-term payables

Unit: Yuan Currency: RMB

Items		Closing balance	Opening balance
Financial lease	(1)	272,850	1,750,672
Acquisition of financial assets		48,150,000	0
Other long-term payable		18,861,559	14,377,394
Less : the part to be paid in one year		(272,850)	(1,492,761)
Sub-total		67,011,559	14,635,305
Special payables	(2)	0	0
Total		67,011,559	14,635,305

(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	280,875	1,492,761
Between 1 and 2 years	0	273,543
Between 2 and 3 years	0	0
Over 3 years	0	0
Sub-total	280,875	1,766,304
Less: unrecognized finance charges	(8,025)	(15,632)
Total	272,850	1,750,672

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

30. Long-term employee benefits payable

✓ Applicable Not applicable

(1) Long-term employee benefits payable

✓ Applicable Not applicable

		Unit: Yuan Currency: RMB
Items	Closing balance	Opening balance
Defined benefit plans	239,210,747	229,423,195
French profit-sharing plans	296,547,825	247,813,874
Long-term bonus payments	51,097,768	69,372,524
Less: The part to be paid in one year	(192,459,938)	(137,857,439)
Total	394,396,402	408,752,154

The part due within one year includes the short term part of French profit-sharing plan RMB 177,392,625, and the short term part of long term bonus payments RMB 15,067,313.

(2) Change of defined benefit plan

✓ Applicable Not applicable

a. Change of defined benefit plan

Present value of defined benefit plan obligation

		Unit: Yuan Currency: RMB						
Items	Amount incurred during the current period				Amount incurred during the last period			
	IFC	GA	Others	Total	IFC	GA	Others	Total
I. Opening balance	148,494,500	59,147,704	21,780,991	229,423,195	136,213,433	55,048,810	21,933,745	213,195,988
II. Defined benefit plan recognized through profit and loss for the period in which they occur	17,431,607	5,469,511	2,564,403	25,465,521	12,610,026	5,034,744	3,368,010	21,012,780
1. Service cost of current period	16,321,965	5,249,157	2,564,403	24,135,525	10,478,754	4,393,818	3,329,400	18,201,972

Items	Amount incurred during the current period				Amount incurred during the last period			
2. Previous service cost			0					
3. Settlement losses (gains)	0	0	0	0	0	0	0	0
4. Net amount of interest	1,109,642	220,354	0	1,329,996	2,131,272	640,926	38,610	2,810,808
III. Re-measurement of the net liabilities of defined benefit plans	(8,395,967)	3,053,482	2,044,563	(3,297,922)	5,189,184	2,293,434	667,696	8,150,314
1. Actuary losses (profit)	(8,395,967)	3,053,482	2,044,563	(3,297,922)	5,189,184	2,293,434	667,696	8,150,314
IV. Other movements	(8,850,965)	(3,013,272)	(515,810)	(12,380,047)	(5,518,143)	(3,229,284)	(4,188,460)	(12,935,887)
1. Price paid during settlement	(13,252,743)	(4,674,661)	(522,683)	(18,450,087)	(4,733,586)	(664,092)	(2,477,860)	(7,875,538)
2. Currency translation differences	4,401,778	1,661,389	251,069	6,314,236	(398,457)	(171,372)	56,327	(513,502)
3. Other movements	0	0	(244,196)	(244,196)	(386,100)	(2,393,820)	(1,766,927)	(4,546,847)
V. Closing balance	148,679,175	64,657,425	25,874,147	239,210,747	148,494,500	59,147,704	21,780,991	229,423,195

Plan assets

☐ Applicable ☒ Not applicable

Net liabilities (net assets) of defined benefit plan

☐ Applicable ☒ Not applicable

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

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

b. Main actuarial assumptions

Items	Closing balance	Opening balance
End of Career Benefits (IFC)		
Discount rate	0.40%	0.70%
Inflation rate	2.00%	2.00%
Wages increase rate (including inflation rate)	2.00%	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	0.25%	0.35%
Inflation rate	2.00%	2.00%
Wages increase rate (including inflation rate)	2.00%	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 %	(4,391,475)	4,600,754
Bonuses of Seniority (GA)			
Current period	+/- 0,25 %	(1,408,197)	1,465,422

(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 capped 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		15,238,035
Expenses accrued/(reversed) during the period		9,235,394

The Company has, in accordance with Board of BAC, set out terms and conditions under which a right to receive a) discretionary variable cash settled compensations based on variable number of phantom shares and b) another discretionary variable cash settled compensation based on presence and certain performance conditions of the Group would be awarded. These terms and conditions are described below, in the Management Incentive Plan 2019-2021 (« the Plan »).

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		17,640,001
Expenses accrued/(reversed) during the period		8,320,457

The Company has, in accordance with Board of BAC, set out terms and conditions under which a right to receive a) discretionary variable cash settled compensations based on variable number of phantom shares and b) another discretionary variable cash settled compensation based on presence and certain performance conditions of the Group would be awarded. These terms and conditions are described below, in the Management Incentive Plan 2020-2022 (« the Plan »).

Total grant of unit Award is 793,924 This management incentive plan entitles relevant senior management to a cash payment after completing a 3-year service period from 2020 to 2022 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, 2023 to January 31, 2023.

The amount accounted for the plan are:

		Unit: Yuan Currency: RMB
Items	Current period	
Accumulated amounts of the liabilities		12,538,457
Expenses accrued/(reversed) during the period		12,538,457

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 was paid in August 2020.

The amount accounted for the plan are:

Unit: Yuan Currency: RMB

Items	Current period
Accumulated amounts of the liabilities	0
Expenses accrued/(reversed) during the period	(2,658,786)

(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	6,034,800	2,471,700	27,028,200	120,720,075	156,254,775
GA	6,452,100	4,477,950	12,743,700	41,930,625	65,604,375
Others	3,643,411	12,304,817	1,731,353	9,232,704	26,912,285

31. 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	167,565,777	17,069,596	(12,649,689)	0	910,683	172,896,367
Total	167,565,777	17,069,596	(12,649,689)	0	910,683	172,896,367

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	18,382,056	17,069,596	(436,931)	0	816,904	35,831,625	Assets
Project C	145,371,000	0	(11,732,700)	0	0	133,638,300	Assets
Others	3,812,721	0	(480,058)	0	93,779	3,426,442	Assets
Total	167,565,777	17,069,596	(12,649,689)	0	910,683	172,896,367	

32. 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

33. 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	1,268,738,612		(7,764,913)	1,260,973,699
Total	2,111,544,529		(850,570,830)	1,260,973,699

As of April 28, 2020, the group has completed the acquisition of 15% equity of subsidiary Bluestar Adisseo Nutrition Group. The total consideration was CNY 3.008 billion. The difference between the consideration and the 15% share of the subsidiary's net assets continuously calculated from the date of acquisition of the subsidiary was RMB 850,570,830 and was to offset the capital reserve.(see Note IX (2))

34. 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
		Acquisition of NCI	Before tax amount	Less: reclassification of OCI into retained earnings	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	(27,134,287)	(4,788,324)	3,297,922		-	(494,688)	2,803,234	-	(29,119,377)
Including: remeasurement of changes in liabilities under defined benefit plans	(25,821,547)	(4,556,664)	3,297,922			(494,688)	2,803,234	-	(27,574,977)
Profit/Loss from changes in fair value Investments in other equity instruments	(1,312,740)	(231,660)					-	-	(1,544,400)
Items that may be reclassified to profit or loss	(413,740,285)	(127,887,562)	203,898,930		2,646,894	(3,381,318)	203,164,506	37,262,246	(338,463,341)
Including: effective portion of gain or loss of cash flow hedge	2,390,768	(1,013,038)	11,337,741		2,646,894	(3,381,318)	10,603,317	(1,435,000)	11,981,047
Translation difference of foreign financial statements	(416,131,053)	(126,874,524)	192,561,189				192,561,189	38,697,246	(350,444,388)
Total	(440,874,572)	(132,675,886)	207,196,852		2,646,894	(3,876,006)	205,967,740	37,262,246	(367,582,718)

35. Surplus reserve

Unit: Yuan Currency: RMB

Items	Opening balance	Increase in current period	Decrease in current period	Closing balance
Statutory surplus reserve	435,642,094	75,783,331		511,425,425
Total	435,642,094	75,783,331		511,425,425

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.

36. Undistributed profit

Unit: Yuan Currency: RMB

Items	Note	Current period	Last period
Undistributed profit of last period before adjustment		9,009,359,024	8,838,211,161
Total adjustments (increased +/- decreased -)		-	-
Undistributed profit at the beginning of period after adjustment		9,009,359,024	8,838,211,161
Add: Net profit attributable to the Company's owners in current period		1,351,600,222	992,382,202
Appropriation of special reserves			
Others			
Less: Withdrawal of statutory surplus reserve		75,783,331	77,604,935
Dividend distribution	(1)	418,376,603	740,204,749
Other comprehensive income transferred to retained earnings		-	3,281,850
Others		571,604	142,805
Undistributed profit at the end of period	(2)	9,866,227,708	9,009,359,024

(1). Distribution of dividends of ordinary shares declared during the year:

The dividend distribution, amounting to RMB 418,376,603, which has been approved by the General Shareholders' Meeting on April 27, 2020 and paid on June 12, 2020.

(2). Retained earnings at the end of the year:

As at December 31, 2020, the consolidated retained earnings attributable to the Company included an appropriation of RMB 292,663,229 (as at December 31, 2019: RMB 255,114,439) to surplus reserve made by the Company's subsidiaries.

37. Operating revenue and operating cost**(1) Operating income and operating costs**

Items	Amount incurred during current period		Amount incurred during last period	
	Income	Cost	Income	Cost
Principal activities	11,910,430,976	7,390,596,338	11,135,489,839	7,357,134,517
Other operating activities				
Total	11,910,430,976	7,390,596,338	11,135,489,839	7,357,134,517
Including: revenue from contracts with customers	11,910,430,976	7,390,596,338	11,135,489,839	7,357,134,517
Other income	0	0	0	0

(2) Adjustment to revenue in the reporting period

Applicable ☒ Not applicable

(3) Disaggregation of revenue from contracts with customers

Applicable ☒ Not applicable

(4) Information related to transaction price allocated to the remaining performance obligations

Applicable ☒ Not applicable

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	11,910,430,976	7,390,596,338	11,135,489,839	7,357,134,517
Total	11,910,430,976	7,390,596,338	11,135,489,839	7,357,134,517

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	8,522,844,442	5,580,007,586	8,086,108,163	5,683,719,046
Specialties products	2,823,663,656	1,416,009,850	2,431,310,166	1,240,507,642
Other products	563,922,878	394,578,902	618,071,510	432,907,829
Total	11,910,430,976	7,390,596,338	11,135,489,839	7,357,134,517

Revenue generated from contracts

Contract Classifications	Segment Health and nutrition	Total
By product		
- Performance products	8,522,844,442	8,522,844,442
- Specialties products	2,823,663,656	2,823,663,656
- Other products	563,922,878	563,922,878
By territory		
- EUROPA / AFRICA / MO	4,021,631,653	4,021,631,653
- NORTH AMERICA	2,287,407,823	2,287,407,823
- ASIA / PACIFIC	1,929,680,402	1,929,680,402
- SOUTH AMERICA	2,155,795,884	2,155,795,884
- CHINA	1,285,502,691	1,285,502,691
- Others	230,412,523	230,412,523
Total	11,910,430,976	11,910,430,976

38. Taxes and surcharge

Unit: Yuan Currency: RMB

Items	Amount incurred during the current period	Amount incurred during the last period
Business taxes	11,521,387	35,901,084
Property tax	36,635,594	35,459,642
City maintenance and construction tax	6,713,991	5,801,404
Education surcharge and local education surcharges	4,516,892	3,896,756
Others	55,319,666	5,743,362
Total	114,707,530	86,802,248

39. Selling and distribution costs

Unit: Yuan Currency: RMB

Items	Amount incurred during the current period	Amount incurred during the last period
Depreciation expense	8,658,761	8,398,893
Transportation expenses	553,858,393	482,646,671
Personnel expenses	309,963,647	305,375,620
Storage expenses	242,329,430	234,450,960
Commission expenses for delegating agent	64,836,649	63,509,519
Travel expenses	27,928,496	45,814,808

Others	114,715,085	142,545,567
Total	1,322,290,461	1,282,742,038

40. General and administrative expenses

Unit: Yuan Currency: RMB

Items	Amount incurred during the current period	Amount incurred during the last period
Depreciation expense	28,960,388	33,660,207
Amortisation of intangible assets	144,302,468	144,524,890
Employee benefit expenses	291,193,173	252,665,083
Consulting and other expert services	86,050,228	92,137,864
Travel expenses	10,756,037	21,515,728
Rent expenses	14,188,921	10,971,329
Insurance expenses	14,721,319	8,164,144
Others	41,225,226	55,205,704
Total	631,397,760	618,844,949

41. Research and development expenses

Unit: Yuan Currency: RMB

Items	Amount incurred during the current period	Amount incurred during the last period
Depreciation expense	16,645,747	8,420,711
Amortisation of intangible assets	448,447	274,132
Employee benefit expenses	111,701,129	108,301,916
Consulting and other expert services	53,217,242	41,933,301
Travel expenses	2,156,706	5,067,149
Rent expenses	9,753,580	4,513,928
Insurance expenses	384,642	202,648
Research and exploitation expenses (without Payroll & External Expenses)	102,864,789	107,060,611
Others	4,123,457	18,480,267
Total	301,295,739	294,254,663

42. Financial expenses

Unit: Yuan Currency: RMB

Items	Amount incurred during the current period	Amount incurred during the last period
Interest expenditure	13,824,779	15,216,772
Less: Interest income	(59,026,101)	(119,243,322)
Net exchange losses / (gains)	172,412,487	16,818,993
Other financial expenses	19,343,647	23,671,642
Total	146,554,812	(63,535,915)

43. 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	960,256	6,438,160
Change in fair value of derivative financial instruments	17,305,690	13,969,098
Total	18,265,946	20,407,258

44. Credit Losses

Credit losses	Amount incurred of current period	Amount incurred of comparative period
Accounts receivable	507,839	(4,175,419)
Total	507,839	(4,175,419)

45. 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		
II. Provision for decline in value of inventories	(9,982,743)	542,959
III. Impairment loss for available-for-sale financial assets	0	0
Total	(9,982,743)	542,959

46. 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	0	231,660,000
Government grant	5,740,000	0
Others	2,523,426	2,871,655
Total	8,263,426	234,531,655

47. 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	52,198,000	85,118,169	52,198,000
Including:			
Losses on disposal of fixed assets	52,198,000	85,118,169	52,198,000
Losses on disposal of intangible assets			
Compensation expenditure			
Donations			
Others	3,612,591	6,134,468	3,612,591
Total	55,810,591	91,252,637	55,810,591

48. 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	592,986,641	506,885,348
Deferred income tax	(72,042,677)	(32,420,345)
Total	520,943,964	474,465,003

(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	1,997,955,565	1,731,864,818
Income tax expenses calculated at applicable tax rates (1)	639,745,372	596,281,057
Credit Tax	(26,768,201)	(27,887,467)
Difference of tax rates applicable to subsidiary companies (2)	(87,290,063)	(106,202,987)
Change in tax rate	(1,977,405)	(1,058,415)
Income not subject to tax	(101,477)	(969,679)
Costs, expenses and losses not deductible for tax purposes	5,099,996	11,995,480
Tax losses for which no deferred income tax asset was recognized	-	-
Utilization of previously unrecognized temporary differences	0	(1,015,533)
Others	(7,764,258)	3,322,547
Income tax expenses	520,943,964	474,465,003

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 (32,02% as at December 31, 2020 and 34,43% as at December 31, 2019). 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.

49. Basic earnings per share**(1) Basic earnings per share**

Unit: Yuan Currency: RMB

Items	Amount incurred during the current period	Amount incurred during the last period
Total amount of composite benefits attributable to the Company's owners	1,351,600,222	992,382,202
Common stock	2,681,901,273	2,681,901,273
Basic earnings per share	0.50	0.37
Basic earnings per share from continue operation (i)	0.50	0.37
Basic losses per share from discontinue operation		

- (i) The weighted average number of shares used for the calculation of the EPS of December 2020 and 2019 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, 2020 to December 31, 2020 and January 1, 2019 to December 31, 2019. The diluted earnings per share/ (loss) is equal to basic earnings per share/ (loss).

50. Supplement to income statement

Unit: Yuan Currency: RMB

Items	Amount incurred of current period	Amount incurred of last period
Operating revenue	11,910,430,976	11,135,489,839
Less : Changes in inventories of raw materials, finished goods and work-in-progress	(10,252,020)	104,238,085
Raw materials, purchased equipment and consumables purchased	5,168,100,092	5,243,389,920
Employee benefit expenses	1,494,599,076	1,336,252,931
Depreciation/amortization expenses	1,129,337,852	989,894,452
Transportation expenses	553,858,393	482,646,671
Storage expenses	242,329,430	234,450,960
Consulting and other expert services	166,490,683	178,646,620
Travel expenses	40,841,239	72,397,685
Rent expenses	37,697,501	30,788,543
Insurance expenses	27,032,656	18,712,296
Commission expenses for delegating agent	64,836,649	63,509,519
Research and exploitation expenses	102,864,789	107,060,611
Taxes	114,707,530	86,802,248
Credit losses (reverse)	(507,839)	4,175,419
Asset impairment losses (reverse)	9,982,743	(542,959)
Gain arising from changes in fair value	(18,265,946)	(20,407,258)
Investment loss income	(12,039,674)	(1,328,184)
Gain/(losses) from asset disposals	(132,948)	6,213,963
Other income	(20,950,730)	(17,449,442)
Others	774,398,770	627,451,959
Total Operating profit	2,045,502,730	1,588,585,800

51. 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	166,056,557	360,232,920
Total	166,056,557	360,232,920

The operating activities cash during 2019 received include the insurance indemnity payment for RMB 231,660,000.

(2) Cash paid relating to other operating activities

Unit: Yuan Currency: RMB

Items	Amount incurred during the current period	Amount incurred during the last period
Travel expenses	10,756,037	21,355,572

Rent	14,188,921	12,691,803
Insurances	14,721,319	8,132,108
Others	38,174,939	47,696,949
Total	77,841,216	89,876,432

(3) Cash received relating to other investing activities

Applicable ✓ Not applicable

(4) Cash paid relating to other investing activities

Applicable ✓ Not applicable

(5) Cash received relating to other financing activities

Applicable ✓ Not applicable

(6) 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 redemption		479,785,145
Share buy-back 15%	3,008,197,130	
Total	3,008,197,130	479,785,145

52. 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	1,477,011,601	1,257,399,815
Add: Impairment provisions for assets	9,982,743	(542,959)
Credit losses	(507,839)	4,175,419
Depreciation of fixed assets	894,460,695	757,063,431
Amortization of assets from right of use		
Amortization of intangible assets	222,167,430	220,136,053
Amortization of expenditures on research and development	12,709,727	12,694,968
Amortization of long-term deferred expenses	2,046,148	334,617
Losses on disposal of fixed assets, intangible assets and other long-term assets	52,065,052	91,332,132
Gains on changes in fair value	(18,265,946)	(20,407,258)
Decrease (increase) of deferred tax assets	(27,227,828)	21,430,989
Increase (decrease) of deferred tax liabilities	(44,814,849)	(53,851,334)
Financial expenses (income)	34,995,445	(81,477,510)
Losses (gains) arising from investment	(12,039,674)	(1,328,184)
Amortization of deferred income	(12,649,689)	(13,249,532)

Items	Amount of current period	Amount of last period
Decrease (increase) in gross inventories	(10,252,020)	104,238,085
Decrease (increase) in receivable from operating activities	(66,743,496)	287,133,781
Increase (decrease) in payable from operating activities	195,478,080	(34,481,330)
Net cash flow from operating activities	2,708,415,580	2,550,601,183
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	2,769,159,642	5,295,065,807
Less: Opening balance of cash	5,295,065,807	5,282,336,110
Add: Closing balance of cash equivalent	0	
Less: Opening balance of cash equivalent	0	
Net increase of cash and cash equivalent	(2,525,906,165)	12,729,697

(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	532,591,665	
Including: FRAMELCO	532,591,665	
Less: Cash and cash equivalents held by acquired subsidiaries and other business units on the date of purchasing	6,197,692	
Including: FRAMELCO	6,197,692	
Add: Cash or cash equivalent paid in current period for acquiring subsidiaries and other business units in previous period		
Net amount of cash paid for obtaining subsidiary companies	526,393,973	

(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	2,769,159,642	5,295,065,807
Including: Cash on hand		
Bank deposit available for payment anytime	2,769,159,642	5,295,065,807
Other monetary resources available on demand	-	-
II. Cash equivalents		
III. Closing balance of cash and cash equivalents	2,769,159,642	5,295,065,807
Including: Use-restricted cash and cash equivalent of the Company or its subsidiaries	NA	NA

53. 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, 2020 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	7,805,311	8.0250	62,637,620
RMB	230,157	1.0000	230,157
USD	12,594,967	6.5345	82,301,815
GBP	454,257	8.8861	4,036,575
THB	0	0.2154	0
BRL	4,601,457	1.2582	5,789,553
CAD	464,753	5.1111	2,375,400
MXN	21,283,863	0.3282	6,985,364
SGD	410,366	4.9363	2,025,690
OTHER			4,261,109
Total			170,643,283
Accounts receivable			
Wherein: EUR	8,739,641	8.0250	70,135,617
RMB	0	1.0000	0
USD	56,691,691	6.5345	370,451,855
GBP	2,152,077	8.8861	19,123,575
THB	0	0.2154	0
BRL	100,177,766	1.2582	126,043,665
CAD	0	5.1111	0
MXN	0	0.3282	0
SGD	201,212	4.9363	993,242
OTHER			0
Total			586,747,954
Accounts payable			
Wherein: EUR	-152,721	8.0250	-1,225,583
RMB	0	1.0000	0
USD	-24,118,571	6.5345	-157,602,805
GBP	-143,805	8.8861	-1,277,869
THB	-856,894	0.2154	-184,575
BRL	-1,495,733	1.2582	-1,881,931
CAD	-73,795	5.1111	-377,175
MXN	-756,581	0.3282	-248,310
SGD	-243,572	4.9363	-1,202,345
OTHER			-2,370,930
Total			-166,371,523
Other payables			
Wherein: EUR	-4,847,402	8.0250	-38,900,400
RMB	-29,387,550	1.0000	-29,387,550
USD	-2,092,095	6.5345	-13,670,795
GBP	0	8.8861	0
THB	0	0.2154	0
BRL	-1,661,926	1.2582	-2,091,035
CAD	0	5.1111	0

Items	Closing balance at foreign currency	Exchange rate for conversion	Closing balance at RMB equivalent
MXN	0	0.3282	0
SGD	-374,055	4.9363	-1,846,449
OTHER			-39,337
Total			-85,935,566
Long-term receivables			
Wherein: EUR	0	8.0250	0
RMB	0	1.0000	0
USD	25,790	6.5345	168,525
GBP	0	8.8861	0
THB	0	0.2154	0
BRL	5,790,773	1.2582	7,285,950
CAD	0	5.1111	0
MXN	0	0.3282	0
SGD	109,872		542,362
OTHER			182,966
Total			8,179,803
Gross balance sheet exposure			
Wherein: EUR	11,544,829	8.0250	92,647,254
RMB	-29,157,393	1.0000	-29,157,393
USD	43,101,782	6.5345	281,648,595
GBP	2,462,529	8.8861	21,882,281
THB	-856,894	0.2154	-184,575
BRL	107,412,337	1.2582	135,146,202
CAD	390,958	5.1111	1,998,225
MXN	20,527,282	0.3282	6,737,054
SGD	103,823	4.9363	512,500
OTHER			2,033,808
Total			513,263,951

(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 Nutricao Animal Ltd	Brazil	USD	Currency of principal flows of business
Adisseo Asia Pacific Pte Ltd	Singapore	USD	Currency of principal flows of business

54. 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 2020, the change in fair value on these derivatives has a positive impact of RMB 13,984,635 (December 2019: gains of RMB 51,328,134) recorded in other comprehensive income as cash flow hedge accounting, including RMB 11,337,741 of change in fair value and RMB 2,646,894 of reclassification into P&L.

From January to December 2020, the change in fair value on these derivatives has a positive impact of RMB 17,305,690 (December 2019: gains of RMB 13,969,098) charged to the income statement as fair value hedge accounting, cash flow hedge ineffectiveness or non-hedge.

55. 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	0	Industrial investment in Burgos plant	436,931
Project C	133,638,300	Land use right and industrial structure adjustment in Nanjing plant	11,732,700
Project D	35,831,625	Water purification plant in Commentary plant	0
Other projects	3,426,442		480,058
Government grants related to income			
Items offset against operating costs			

Items recognized in other operating income			8,301,041
--	--	--	-----------

(2) Refund of government grant

Applicable ✓ Not applicable

VIII. Change of Consolidation Scope**1. Business combination not under common control**

✓ Applicable Not applicable

For the record, Franklin Group B.V. (FRAmelco Group), is a family owned multinational group headquartered in The Netherlands which operates 3 plants located in The Netherlands, Spain and Thailand.

Most of FRAmelco sales are made of Glycerides (short and medium chain fatty acids) to enhance animal resilience and improve animal performance and Lysolecithins to increase feed digestibility.

The group employs 75 persons and is active in over 60 countries. The business generates gross sales close to € 30 million per year. This transaction contributes to Adisseo's strategy to become one of the worldwide leaders of specialty additives in animal nutrition.

	Acquisition date of equity investment	Cost of equity investment	Shareholding acquired (%)	Acquisition method	Acquisition date	Basis of acquisition date determination	Acquiree from acquisition date to 31 December 2020	
							Income	Net profit
FRAmelco	10/12/2020	575,806,963	100%	Business combination not under common control	10/12/2020	The date on which the Group obtain the control of FRAmelco	0	0

Acquisition cost and goodwill

Acquisition cost	FRAmelco
Cash	532,591,665
Non-cash assets	
Debts issued or assumed	43,215,298
Equity securities issued	
Contingent consideration	
Equity interests held before acquisition date	
Others	
Total acquisition cost	575,806,963
Less: share of the fair value of the identifiable net assets acquired	169,541,642
[Goodwill]/[Amount of acquisition cost less than share of the fair value of the identifiable net assets acquired]	406,265,321

Identifiable assets and liabilities of the acquiree at the acquisition date

	FRAmelco	
	<i>Fair value</i>	<i>Carrying amount</i>
Assets		
Cash at bank and on hand	6,197,692	6,197,692
Receivables	43,188,453	43,188,453
Inventories	26,697,748	26,697,748
Fixed assets	86,689,525	82,265,953
Development costs	5,775,655	5,775,655
Intangible assets	99,241,220	1,031,646
Other current assets	13,778,727	13,778,726
Liabilities		
Long-term borrowings	38,788,327	38,788,327
Payables	43,477,626	43,477,626
Wages and benefit payables	1,352,082	1,352,082
Deferred tax liabilities	25,658,287	0
Current portion of non-current liabilities	2,751,056	2,751,056
Less: Non-controlling interests	0	0
Net assets acquired	169,541,642	92,566,782

On the acquisition date, the difference between the fair value of FRAmelco's identifiable net assets and Carrying amount is mainly reflected in the customer relationship and trademark value classified as intangible assets.

If there is an active market for the above identifiable assets, the quoted prices in the active market are used to establish their fair value; if there is no active market, their fair values are estimated based on the market prices of the same or similar types of assets which have an active market; if there is no active market for the same asset or similar types of assets, valuation techniques are used to determine the fair value.

The evaluation of fair value of customer relationship adopts the multi-period excess income method, and the evaluation of fair value of trademark rights adopts the royalty saving method. The multi-period excess income method considers the present value of the expected future net cash flow from the customer relationship, excluding the cash flow impact of other contributory assets. The royalty savings method considers the present value of royalties expenses that can be avoided by owning a trademark.

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.

New subsidiaries

Adisseo Yem Katkilari Ltd

Adisseo Venture

Calyseo Limited

Framelco Group

Merger

Nutriad Europe NV was merged into Nutriad International N.V. with the effective date of the merger of January 1st 2020.

Liquidation

Nutriad Trading Shanghai

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	100%		Business combination under common control
Drakkar Group S.A.	Belgium	Belgium	Investment holding		100%	Business combination under common control
G4 S.A.S	France	France	Investment holding		100%	Business combination under common control
Fondoir de Bayonne Blancpignon S.A.S	France	France	Production and sales of chemical products		100%	Business combination under common control
Adisseo France S.A.S	France	France	Production and sales of chemical products		100%	Business combination under common control
Casper G.I.E	France	France	Production and sales of chemical products		80%	Business combination under common control
Adisseo Eurasie S.A.R.L	Russia	Russia	Production and sales of chemical products		100%	Business combination under common control
Adisseo Life Science (Shanghai) Co., Ltd	China	China	Production and sales of chemical products		100%	Business combination under common control
Adisseo Canada Inc.	Canada	Canada	Production and sales of chemical products		100%	Business combination under common control

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Adisseo Ireland Ltd	Ireland	Ireland	Production and sales of chemical products		100%	Business combination under common control
Adisseo de Mexico S.A. de C.V.	Mexico	Mexico	Production and sales of chemical products		100%	Business combination under common control
Adisseo USA Inc.	USA	USA	Production and sales of chemical products		100%	Business combination under common control
Adisseo Asia Pacific Pte. Ltd	Singapore	Singapore	Production and sales of chemical products		100%	Business combination under common control
Adisseo Trading (Thailand) Co., Ltd	Thailand	Thailand	Production and sales of chemical products		100%	Business combination under common control
Adisseo GMBH	Germany	Germany	Production and sales of chemical products		100%	Business combination under common control
Adisseo Espana S.A.	Spain	Spain	Production and sales of chemical products		100%	Business combination under common control
Adisseo Brasil Nutricao Animal Ltda	Brazil	Brazil	Production and sales of chemical products		100%	Business combination under common control
Innov'ia S.A.	France	France	Powder designer for chemical industry		99.93%	Business combination under common control
INNOCAPS S.A.R.L	France	France	Powder designer for chemical industry		99.93%	Business combination under common control
IDCAPS S.A.S.U	France	France	Powder designer for chemical industry		99.93%	Business combination under common control
Innov'ia 3I S.A.	France	France	Powder designer for chemical industry		99.93%	Business combination under common control
Innov'ia USA Inc.	USA	USA	Powder designer for chemical industry		99.93%	Business combination under common control
Capsulae S.A.S	France	France	Powder designer for chemical industry		82.94%	Business combination not under common control
LC Immo	France	France	Powder designer for chemical industry		99.93%	Business combination not under common control
LC Inodry	France	France	Powder designer for chemical industry		99.93%	Business combination not under common control
Bluestar Adisseo Nanjing Co., Ltd	China	China	Production and sales of chemical products		100%	Business combination under common control
Adisseo Philippines Inc.	Philippines	Philippines	Production and sales of chemical products		100%	Business combination under common control
Adisseo Animal Nutrition Pte Ltd	India	India	Production and sales of chemical products		100%	Business combination under common control
Adisseo Malaysia SDN. BHD	Malaysia	Malaysia	Production and sales of chemical products		100%	Established
Adisseo Nutrition & Healthcare (Nanjing) Co. Ltd	China	China	Production and sales of chemical products		100%	Established
Adipex S.A.S	France	France	Production and sales of chemical products		85.00%	Established
Nutriad Holding B.V.	Netherlands	Netherlands	Investment holding		100%	Business combination not under common control
Nutriad International	Belgium	Belgium	Production and sales of chemical products		100%	Business combination not under common control
Nutriad Ltd	UK	UK	Production and sales of chemical products		100%	Business combination not under common

						control
Nutriad Asia Ltd	Hong Kong	Hong Kong	Production and sales of chemical products		100%	Business combination not under common control
Feed Flavor Internationals (Jiangsu) Co., Ltd	China	China	Production and sales of chemical products		100%	Business combination not under common control
Nutriad Nutrição Animal Ltda	Brazil	Brazil	Production and sales of chemical products		100%	Business combination not under common control
Nutriad Polska Sp. Z o.o. Ul.	Poland	Poland	Production and sales of chemical products		100%	Business combination not under common control
Nutriad España S.A.	Spain	Spain	Production and sales of chemical products		100%	Business combination not under common control
Nutriad Italia srl	Italy	Italy	Production and sales of chemical products		100%	Business combination not under common control
Adisseo Animal Nutrition DMCC	UAE	UAE	Production and sales of chemical products		100%	Established
Adisseo Yem Katkiları Ltd	Turkey	Turkey	Production and sales of chemical products		100%	Established
Adisseo Venture	Belgium	Belgium	Investment holding		100%	Established
Framelco BV	Netherlands	Netherlands	Production and sales of chemical products		100%	Business combination not under common control
Franklin Group BV	Netherlands	Netherlands	Production and sales of chemical products		100%	Business combination not under common control
Functional Lipids BV	Netherlands	Netherlands	Production and sales of chemical products		100%	Business combination not under common control
Fra CIS ooc	Russia	Russia	Production and sales of chemical products		100%	Business combination not under common control
Sustainable Nutrition SL	Spain	Spain	Production and sales of chemical products		100%	Business combination not under common control
Franklin Asia Co Ltd	Thailand	Thailand	Production and sales of chemical products		100%	Business combination not under common control

Nutriad Europe NV was merged into Nutriad International N.V. with the effective date of the merger of January 1st 2020.

Nutriad Trading Shanghai Co., Ltd was liquidated on February 25th 2020

(2) Important non-wholly owned subsidiaries

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	0%	125,411,379	75,117,638	1,479,547,234

Non-controlling interests include 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	6,267,716,227	13,929,267,433	20,196,983,660	3,560,583,645	1,493,783,687	5,054,367,332	6,931,036,772	12,125,044,754	19,056,081,526	3,007,897,452	1,455,447,003	4,463,344,455

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	11,910,430,976	1,404,786,599	1,648,016,587	2,722,903,499	11,135,489,839	1,176,890,952	1,181,428,535	2,564,165,564

2. Transactions inducing the change of the shares of owners' equity in subsidiary companies, but remaining the control on subsidiary companies

✓ Applicable Not applicable

As of April 28, 2020, the group has completed the acquisition of 15% equity of subsidiary Bluestar Adisseo Nutrition Group. The total consideration was CNY 3.008 billion. The group hold the 100% equity of this subsidiary after the acquisition completed.

	Bluestar Adisseo Nutrition Group Limited
Purchase consideration	3,008,197,130
--Cash	3,008,197,130
--Fair value of non-cash assets	
Total of purchase consideration	
Minus: Net equity portion calculated by purchased/sold % of shares of the subsidiary	2,024,950,451
Difference	983,246,679
Including: Adjustment in Capital reserve	850,570,830
Adjustment in other comprehensive income	132,675,849

3. Rights and interests in Associates and joint ventures

✓ Applicable Not applicable

Financial information of unimportant joint ventures and associates

<i>Item</i>	<i>2020</i>	<i>2019</i>
Joint venture		
Calysseo Limited	296,291,025	
Less: Provision for impairment		
Total		

In early March 2020, Adisseo and Calystar established a joint venture in Hong Kong called Calysseo Limited, each with a 50% shares and a total investment of US\$80 million. The aim is to use the joint venture to develop Feedkind innovative protein products in the Asian market.

	<i>2020</i>	<i>2019</i>
Joint ventures:		
Aggregate carrying amount of investments	296,291,025	
Aggregate amount of share of		
- Net profit	0	
- Other comprehensive income	0	
- Total comprehensive income	0	

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.53.

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	53,424,272	71,899,438	-16,870,740	-34,768,851
Other currencies	595,129	2,988,988	-879,456	-2,661,943

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	-14,507,862	0	14,507,862	0
Other currencies	2,085,086	0	-2,085,086	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	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

(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, 2020 and December 31, 2019, 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, 2020, 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 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	642,030,162				642,030,162
Accounts payable	1,182,547,468	0	0	0	1,182,547,468
Derivative financial instruments- liabilities	2,118,600				2,118,600
Other payables	755,813,457	26,251,936	555,431	273,108	782,893,932
Long-term borrowings		4,449,997	3,771,750	53,414,400	61,636,147
Long-term payables		49,709,891	1,651,072	15,650,596	67,011,559
Current portion of long-term payables	280,875				280,875
Current portion of long-term borrowings	4,649,797				4,649,797
Total	2,587,440,359	80,411,824	5,978,253	69,338,104	2,743,168,540

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	1,099,192,221	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

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, 2020, 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				
Investments in other equity instruments			235,265,762	235,265,762
Other non-current financial assets			64,553,100	64,553,100
Derivative financial assets		39,884,250		39,884,250

Items	Closing fair value			
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
Total amount of assets measured with fair value continuously		39,884,250	299,818,862	339,703,112
(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		2,118,600		2,118,600
Total amount of liabilities measured with fair value continuously		2,118,600		2,118,600
Net assets		37,765,650	299,818,862	337,584,512

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				
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

2. Market value definition for recurring and non-recurring fair value measurements categorized within Level 1

Applicable ✓ Not applicable

3. 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.

4. 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

5. Sensitivity analysis of adjustment information and unobservable parameters between opening and closing book value for recurring and non-recurring fair value measurements categorized within Level 3

Applicable ✓ Not applicable

6. 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.

7. 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.

8. 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.

9. Other

Applicable ✓ Not applicable

XII. Related party relationships and transactions

1. Parent(s) of the Company

		Unit: Yuan Currency: RMB			
Name of parent company	Registered place	Business nature	Registered capital	Proportion of shares held by the parent company in the enterprise (%)	Proportion of voting right held by the parent company in the enterprise (%)
China National Bluestar (Group) Co, Ltd	Beijing	Research, development of new chemical materials, chemical cleaning, antiseptis, water treatment technology and fine chemical products	1,536,558.9192	87.65%	87.65%

The enterprise's ultimate controller is China National Chemical Corporation.

2. Subsidiaries of the Company

For details about the enterprise's subsidiary companies, please refer to the Note IX (1).

3. Important joint venture of the Company

Applicable ✓ Not applicable

4. Other related parties of the Company

✓ Applicable Not applicable

Bluestar Silicon Investment 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 parent company
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
Shandong Lanxing Dongda (Nanjing) Co. LTD	Controlled by the same parent company
Haohua Chemical Technology Group Co. LTD Shuang Liu Branch	Controlled by the same ultimate controlling shareholder
Haohua Zhongyi Hebei New Materials Co. LTD	Controlled by the same ultimate controlling shareholder
Zhonghao Chenguang Chemical Research Institute Co. LTD	Controlled by the same ultimate controlling shareholder
GDEM Conseil	Other: Company owned by the Director of the Board
Sinofert Company Limited	Controlled by the same ultimate controlling shareholder
Changsha Huaxing Construction Supervision Co., Ltd	Controlled by the same ultimate controlling shareholder
Syngenta Crop Protection AG	Controlled by the same ultimate controlling shareholder
China National Chemical Information Center Co.,Ltd.	Controlled by the same ultimate controlling shareholder

5. 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
Elkem Silicones France SAS	Purchase of goods	251,834	324,324
Hangzhou Water Treatment Technology Development Center Co., Ltd	Purchase of goods	38,610	68,540
Haohua Chemical Technology Group Co. LTD Shuang Liu Branch	Purchase of goods	428,650	
Zhonghao Chenguang Chemical Research Institute Co. LTD	Purchase of goods	171,040	
Lanzhou Bluestar Cleaning Co., Ltd	Purchase of services	4,275,740	4,592,810
Bluestar Shanghai Cleaning Technology co.,Ltd.	Purchase of services		208,679
Lianyungang Lianyu Construction Supervision Co., Ltd	Purchase of services	1,561,320	4,363,350
Changsha Huaxing Construction Supervision Co., Ltd.d	Purchase of services	1,461,720	
China Bluestar Lehigh Engineering Corp Co. Ltd	Purchase of services	2,125,750	1,952,460
Bluestar BeiJing Cleaning Technology Co. LTD	Purchase of services	2,396,700	1,415,540
Haohua Zhongyi Hebei New Materials Co. LTD	Purchase of services	23,450	
GDEM conseil	Purchase of services	895,758	1,417,759
China National Chemical Information Center Co.,Ltd.	Purchase of services	508,000	

On the last period, the transaction with GDEM conseil includes no exceptional fee 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	10,978,371	10,741,302
Syngenta Crop Protection AG	Sales of goods	628,391	251,513
Sinofert Company Limited	Sales of goods	12,648,000	0

(2) Trust / contracting with related partiesApplicable ☒ 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	720,000	660,683
Bluestar Nanjing Chemical New Materials Co., Ltd	Equipment		278,760
Bluestar Shangdong Dongda (Nanjing) Co., Ltd	Capitalized Building	523,000	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*	4,378	1,631

* The amount for this period include non-recurring one-off payments that were accrued in 2016 for 26 MRMB.

(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 400,100,000 and the total amount withdrawn/used amounted to RMB 1,060,537,936. The interest income earned in the current period amount to RMB 27,530,667.

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.	407,449,610	1,040,356,879

6. 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	7,984,875		7,776,422	-
Accounts receivable	Elkem Silicones France SAS	2,279,100		1,649,071	-
Other receivables	China National BlueStar (Group) Co. Ltd	443,678		432,096	-
Advances to suppliers	Hangzhou Water Treatment Technology Development Center Co., Ltd	1,554,980		-	-
Advances to suppliers	Haohua Chemical Technology Group Co. Ltd	2,332,740		-	-

(2) Accounts payable

Unit: Yuan Currency: RMB

Items	Related party	Closing book balance	Opening book balance
Other payables	Bluestar Silicones International Co. Ltd	7,852,180	11,500,335
Other payables	China National BlueStar (Group) Co. Ltd	4,185,830	4,456,851
Other payables	Bluestar Shanghai Cleaning Technology co.,ltd.		10,190
Other payables	Lianyungang Lianyu Construction Supervision Co., Ltd	1,241,890	2,301,080
Other payables	Changsha Huaxing Construction Supervision Co., Ltd	176,090	
Other payables	Lanzhou Bluestar Cleaning Co., Ltd	345,610	372,906
Other payables	China Bluestar Lehigh Engineering Corp Co. Ltd	30,660	555,530

Other payables	Bluestar BeiJing Cleaning Technology Co. LTD	189,250	
Other payables	Bluestar Shangdong Dongda (Nanjing) Co., Ltd		482,094
Other payables	Haohua Chemical Technology Group Co. LTD	48,440	
Other payables	Haohua Zhongyi Hebei New Materials Co. LTD	23,450	

7. Commitment to related partiesApplicable ☒ Not applicable**8. Other**Applicable ☒ Not applicable**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	708,316,106	30,883,909
Less : Cash at bank and on hand	2,769,159,642	5,295,065,807
Net Debt	(2,060,843,536)	(5,264,181,898)
Total owners' equity	15,432,492,621	17,214,526,391
Total Capital	13,371,649,085	11,950,344,493
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	1,691,187,650	544,446,206

equipment		
Total	1,691,187,650	544,446,206

(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	64,789,884	86,096,030
Between 1 and 2 years	51,218,745	48,093,568
Between 2 and 3 years	43,036,013	40,838,816
Over 3 years	84,373,320	99,285,759
Total	243,417,962	274,314,173

2. Contingencies

Applicable ✓ Not applicable

3. Other

In November 2020, Drakkar Group S.A , a subsidiary of the Group, received a correction notice from the tax authorities of the country in which the subsidiary is located in connection with its annual tax returns for 2018 and 2019, potentially involving the payment of approximately EUR 49 million (RMB 393 million). After the Group's assessment, the relevant matters raised by the local tax office involving approximately 48 million euros (RMB 385 million) were not established and therefore the projected liabilities were not taken into account accordingly.

XVI. Matters after the Date of Balance Sheet**1. Important non-adjustment matters**

Applicable ✓ Not applicable

2. Profit distribution

✓ Applicable Not applicable

On March 30, 2020 the board of directors resolved a cash dividend plan for 0.176 yuan per share (2019: 0.156 yuan), with total amount of 472,014,624 yuan (2019: 418,376,599 yuan). The dividend proposal is subject for approval of 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 & Nutrition	Total
Revenue from external customers	11,910,430,976	11,910,430,976
Revenue from transactions with other segments		
Operating cost	7,390,596,338	7,390,596,338
Asset impairment losses	(9,982,743)	(9,982,743)
Credit losses	507,839	507,839
Interest income	59,026,101	59,026,101
Interest expense	13,824,779	13,824,779
Depreciation, amortization	1,129,337,852	1,129,337,852
Profit before income tax	1,997,955,565	1,997,955,565
Income tax expense or benefit	520,943,964	520,943,964
Net profit	1,477,011,601	1,477,011,601
Other items:		

Total assets	20,617,633,075	20,617,633,075
Total liabilities	5,185,140,454	5,185,140,454

Last 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

(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.37 - *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	4,021,631,653	3,827,563,212
North & Central America	2,287,407,823	2,360,190,360
Asia / Pacific (excluded China)	1,929,680,402	1,835,864,320
South America	2,155,795,884	1,620,527,191
China	1,285,502,691	1,245,494,832
Others	230,412,523	245,849,924
Total	11,910,430,976	11,135,489,839

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	9,127,148,061	8,342,696,541

North & Central America	130,342,287	129,093,153
Asia / Pacific(excluded China)	50,639,569	58,147,382
South America	14,852,730	15,229,400
China	4,144,286,235	3,359,072,669
Total	13,467,268,882	11,904,239,145

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	411,444,510	2,058,211,716
Other monetary funds		
Total	411,444,510	2,058,211,716

As at December 31, 2020 and December 31, 2019, 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	5,460,000	9,510,000
Dividends receivable	0	697,533,375
Other receivables	0	0
Total	5,460,000	707,043,375

(2) Interest receivable by deposit type

Unit: Yuan Currency: RMB		
Items	Closing balance	Opening balance
Fixed term deposit	5,460,000	9,510,000
Entrusted loan	0	0
Bond investments	0	0
Total	5,460,000	9,510,000

(3) Dividends receivable

Unit: Yuan Currency: RMB		
Items (Invested units)	Closing balance	Opening balance
Bluestar Adisseo Nutrition Group Limited	0	697,533,375
Total	0	697,533,375

(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	10,500,492,549		10,500,492,549	7,492,295,416		7,492,295,416
Investments in joint ventures and associates						
Total	10,500,492,549		10,500,492,549	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	3,008,197,133	0	10,500,492,549	0	0
Total	7,492,295,416	3,008,197,133	0	10,500,492,549	0	0

4. Other payables

✓ Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Amount incurred of current period	Amount incurred of last period
Loans due to subsidiaries	332,038,002	0
Interest due to subsidiaries	7,742,551	0
Others	19,030,399	37,971,368
Total	358,810,952	37,971,368

5. 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	715,590,000	695,540,465
Gain on dividend from investment in other equity instrument		
Gain from disposal of investment in other equity instrument		
Total	715,590,000	695,540,465

6. Other

Applicable ✓ Not applicable

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	(52,065,052)	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	26,690,730	Mainly grants for land use right and industrial structure adjustment in Nanjing plant
Other non-operating income or expenses other than the above	(1,089,165)	
Impact of income tax	6,716,752	
Effects attributable to minority interests (after tax)	(237,743)	
Total	(19,984,478)	

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	9.97	0.5	0.5
Net profit attributable to the Company's common shareholders after deduction of non-recurring gain or loss	10.11	0.51	0.51

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

Applicable ✓ Not applicable

4. Other

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 30, 2021