Stock Code: 600299 Stock Abbreviation: Adisseo No.: 2023-021

Bluestar Adisseo Company

Announcement of Construction of New Powder Methionine Plant

The Board of Directors and all its members guarantee the authenticity, accuracy, and completeness of the contents of this proposal. They confirm that there are no false records, misleading statements, or major omissions, and assume legal responsibilities for the truthfulness, accuracy, and completeness of the contents.

Important Notice:

- Project name: Bluestar Adisseo Company (hereinafter referred to as "the Company") plans to construct the powder methionine plant with an annual production capacity of 150,000 tons in Quanhui Petrochemical Industrial Zone, Quanzhou City, Fujian Province, China.
- Investment amount: estimated investment amount is approximately RMB 4.9 billion.
- The project has been approved by the Company's Board of Directors while approval of the General Meeting of Shareholders is not required. The transaction does not constitute a connected transaction, nor does it constitute a material asset reorganization as stipulated in Measures for the Administration of Material Asset Reorganization of Listed Companies.
- Special risk notice: The project can only be implemented after obtaining approval from the authorities such as environmental approval and safety approval, which are uncertain. The implementation of the project is also subject to uncertainty and is affected by factors such as the market condition, the prices, and the competitive environment. Please refer to Part 4 "Risk Factors" for details.

Part I. Project Overview

The Company held the twelfth meeting of the 8th Board of Directors on 4th August 2023 with the approval of the Proposal on Construction of New Powder Methionine Plant. The Company plans to construct the powder methionine plant with an annual production capacity of 150,000 tons in Quanhui Petrochemical Industrial Zone, Quanzhou City, Fujian Province, China. The total investment amount is expected to be RMB 4.9 billion.

According to the *Listing Rules of Shanghai Stock Exchange*, *Articles of Association* and etc., the Board of Directors owns the decision-making rights of signing this investment agreement with no need to submit to the General Meeting of Shareholders for approval. The project can only be implemented after obtaining approvals from the authorities such as environmental approval and safety approval, which still has uncertainty.

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Part II. Basic Information of the Project

2.1 Methionine Market Analysis

2.1.1 Global Methionine Market

Methionine is one of the essential amino acids for animals, and it is also the first limiting amino acid for poultry production. Poultry cannot naturally synthesize methionine and must obtain it through their diet. Adding methionine to feed can balance the ration according to the physiological requirements of the animals for amino acids, thereby reducing feed costs, which has high economic value. According to public research, if each unit weight of feed is supplemented with 0.2% methionine, producers will save more than 20% of total production cost assuming consistent intake of nutrients, which significantly enhances the profitability of poultry production sector.

Driven by continuous growth of global population and increasing demand for high-quality protein in developing countries as economic conditions improve, it is anticipated to be sustained growth in the consumption of meats globally. Among all the meats, poultry meat is widely acceptable and unrestricted by religion and region, also with low production cost and low cholesterol content. As a result, it is favored in developing countries where low-cost meat is necessary and in developed countries where there is greater attention to healthy diet. Besides, 60% of global consumption of feed-used methionine is used for poultry feeding, thus the increasing of poultry meat consumption forms the basis of methionine growth. In 2022, global demand of methionine exceeded 1.6 million tons. Based on historical data, there will be an additional demand of approximately 0.15 million tons every two years if the market continues to track an increasing trend.

2.1.2 Powder Methionine Market

Powder methionine and liquid methionine are the main kinds of methionine supplied in the market. Currently, the global market penetration rate of liquid methionine is around 40%, while powder methionine exceeds 60%. Customers with large scale and high degree of automation prefer liquid methionine, such as in US, Mexico and other mature markets with penetration rate of liquid methionine exceeding 60%. However, demand of powder methionine is still strong in China, India and other emerging markets. The global demand for various types of methionine is expected to continue especially in China and other APAC regions.

2.2 Adisseo’s Position in the Market

Adisseo started to produce methionine in 1946 and has routed in this industry for around 80 years, becoming a global leader in methionine production. Adisseo is also one of the few global manufacturers that are capable of producing both powder and liquid methionine. Adisseo has significant positions in all regional markets worldwide, providing services to over 4,200 customers in 110 countries and regions.

Adisseo currently operates two methionine production platforms, which located in Europe and Nanjing, China. Both platforms are world-class methionine factories and leaders in terms of production stability, ESG performance and production cost in the world. In 2009, Adisseo established its liquid methionine plant in Nanjing, China, and

became the first international methionine manufacturer establishing production base in China. In January 2018, the Company decided to construct Phase 2 project in Nanjing (adjacent to the existing Nanjing plant) which has already gone into production in 2022 Q3. The total production capacity of liquid methionine in Nanjing production platform has reached 350,000 tons. Currently, the Nanjing platform is one of the largest, most technologically advanced, and most competitive liquid methionine production platforms in the world. This marks a pivotal stride in Adisseo's strategy to establish a comprehensive global industry blueprint.
The Nanjing plant now has no production capacity for powder methionine, while Europe is currently the production center of Adisseo's powder methionine of which production capacity is relatively low and stability of supply might be influenced by international political situation and other factors, making the Company challenging to meet the market demands for various types of methionine, especially for China, other APAC regions and emerging markets. Through establishing a powder methionine domestic production line, Adisseo can optimize its product portfolios and domestic and international capacity layout, and enhance product competitiveness, in order to strengthen its global market leadership.

3. Project Introduction

The project is located in Quanhui Petrochemical Industrial Zone, Quanzhou City, Fujian Province, China and will fully leverage the construction and operation experience of the Company's production platform in Nanjing. In addition, the location of the project is adjacent to Sinochem Quanzhou Petrochemical Co., Ltd. and is expected to benefit from the strong synergies with Sinochem Group and the enterprises around the industrial zone in the supply of raw materials and energy.
The total investment amount of this project is approximately RMB 4.9 billion, which will be financed by the Company's own funds and bank loans. The construction period is around 26 months and the first year of project operation is expected to be 2027 with a designed annual capacity of 150,000 tons of powder methionine. The payback period of the project is approximately 9 years (including the construction period) according to the preliminary business estimation.
The project can only be implemented after obtaining approvals from the authorities such as environmental approval and safety approval, which are uncertain. The Company will leverage its extensive experience in the under-approval process, production management and project construction of its Nanjing production platform and other similar projects to facilitate the successful completion.

Part III. Investment Purpose and Impacts on the Company

The project plays an important role in the Company's implementation of its "two-pillar" development strategy, which will strengthen the Company's leading position in the methionine industry as well as optimize its methionine product structure and global production capacity layout.
Animal feed additives are critical to boosting meat, egg and milk production and ensuring food security. This project is an important initiative for the Company to practice the national development strategy and guarantee national food security, which is highly in line with the industry policy. In addition, Europe is the current production place of Adisseo's powder methionine. The fluctuations of methionine's main raw materials and energy price may have a certain impact on its production costs. Therefore, the project will optimize the Company's methionine production structure both at home

and abroad, achieve cost reduction with improved efficiency and ensure supply stability. The project will fully utilize the experience of Nanjing production platform in production management and supporting facility with the integration of Adisseo's global industry-leading technology and profound domestic production experience. The project will also help release full synergies in technology, channel and industry chain to reduce capital expenditure and operating expense. The Company will be empowered to further strengthen and enhance its competitiveness in the methionine industry and promote business development, thereby creating value for the shareholders.

The investment scale of this project are large, which will increase the capital expenditure and operating expenses of the Company. The Company will coordinate the investment arrangement and make reasonable planning according to its actual funding situation to ensure the completion of the project. This investment will have a positive impact on the sustainable development of the Company's main business. In the long run, it is expected to bring great benefits to the Company's global business layout and financial performance, which is in line with the interests of all shareholders of the Company.

Part IV. Risk Factors

4.1. Risks that May Arise from Financial Performance, Market, Technology, Environmental Policies, Project Management, Organization and Implementation of the Project

4.1.1 Risks of Construction and Implementation

The production process for chemically synthesized methionine is complex and requires a significant upfront financial investment as well as a great deal of professional knowledge, the Company has prioritized safety and environmental protection during the whole construction process to avoid neglecting any issues. As a result, the commencement of the project may be delayed.

4.1.2 Risks of Return on Investment

Despite that the Company has carried out a detailed market investigation and rigorous feasibility study for the project by making relatively prudent calculation and assessment of the return on investment (ROI) and the payback period, etc., changes in market, policy, project schedule, competitive environment and technology during the implementation process may occur. Therefore, it may have an adverse impact on the investment return and the Company's overall performance.

4.1.3 Risks of Fluctuations in Project Investment

This project involves upgrading of production process, uncontrollable factors such as design changes, unsatisfactory research progress, and increased construction scope may occur during the project construction proces, resulting in investment costs exceeding the expected amount. Meanwhile, project construction will also be affected to some extent by market supply and demand and macroeconomic environment, which may lead to fluctuations in project investment. The changes in project investment scale caused by the aforementioned factors are usually within ± 30%.

4.1.4 Risks of Project Financing

The investment amount of the projected is expected to be large, which may have an impact on the Company's cash flow. The project would be financed by the Company's own funds and bank loans, which is still uncertain. Therefore, there may be a risk that the actual progress or amount of financing will not meet expectations, which will affect the investment amount and construction progress of the project. The Company will coordinate the cash arrangements and reasonably determine the sources of funding to ensure the completion of the project.

4.1.5 Risks of Imbalance in Product Supply and Demand

The Company mainly produces methionine. If the methionine market is affected by changes in global production capacity, supply-demand imbalances, fluctuations in raw material supply and prices, and other external factors such as global macroeconomic conditions, the Company may fail to respond in a timely and effective manner, which may adversely affect the Company's performance.

4.1.6 Risks of Multinational Operations and Business Expansion

As a global animal feed additive manufacturer, the Company's assets and business are distributed worldwide. The risks of multinational operations include changes in market conditions, economic or political situations, population, public opinion, regulations, taxation, rate fluctuations, trade barriers, foreign exchange controls, foreign investment restrictions, wars, and other complex factors. Despite its extensive global operational experience, policy and legal changes in the locations of the Company's assets and business can potentially impact its local operations. Additionally, escalating geopolitical tensions may impose additional restrictions on the Company's cross-border trade, which may have adverse effects on its production and operations.

4.1.7 Risks of Market Competition

The Company competes against a variety of companies, including large and well-known companies with substantial financial resources as well as new entrants in the regional or local market. The Company will enhance its competitiveness by enhancing cost control, improving production process, providing value-added services and expanding the production capacity of its plants in Nanjing and Europe.

4.1.8 Risks Related to Environmental Policies.

As a manufacturer of feed additives, the Company continuously pursues sustainable development and is subject to high standards of regulations and controls by the government in the discharge of effluents, pollutants, and solid wastes. As the public awareness of environmental protection increases, if government modifies current environmental laws or regulations for the discharge of pollutants, the Company may be required to establish new environmental protection facilities with extra cost. In addition, violation of any environmental regulations may result in the suspension or revocation of the Company's business license.

4.1.9 Risks Related to Hazardous Chemicals

The Company's production adopts extremely complex processes and involves hazardous chemicals, which requires specialized production, transportation, and storage. It is also evitable to produce waste liquid, waste gas, and solid waste during the process of research and production. Despite the Company's commitment to strict health, environmental and safety policies and the implementation of necessary safety measures in accordance with laws and regulations, it may still face the risks of the leakage of hazardous chemicals and excessive emissions of exhaust gases, waste liquids and solid wastes during the production, transportation and storage process. These risks could lead to significant civil or criminal liabilities, and economic compensation, thereby having a major adverse impact on the Company's business, financial condition, and overall performance.

4.1.10 Risks of Raw Materials and Energy Supply

The Company operates in a volatile, uncertain, and challenging environment characterized by extremely high inflation in raw materials, energy, and logistics costs. The Company's products primarily rely on raw materials such as propylene, sulfur, methanol, ammonia, and natural gas. Due to the difficulties in transporting these raw materials, the Company can only source various raw materials from limited suppliers. If those suppliers fail to provide the relevant raw materials, or if the prices of those raw materials fluctuate significantly, or if the Company fails to obtain sufficient raw materials at reasonable prices, the Company's business, financial condition, and performance will be adversely affected.

4.1.11 Risks of R&D, Technological Upgrades, and the Substitution of Production Technology for Methionine

The Company and its competitors continuously pursue innovation to maintain its competitiveness by introducing innovative products to meet customer needs as well as developing a highly efficient and competitive production process. The New Powder Methionine project has conducted upgrading research on the original production process, but the upgrade of production process and product development may be delayed or terminated due to changes in market conditions, technology, regulatory policies or other factors. If the Company fails to continuously launch new products or improve its production process, or if competitors spearhead producing new products or improve their production process more effectively, the Company's market position will be challenged, which may affect its business, financial condition, and performance. For example, the application of other production technologies for methionine such as fermentation may have a negative impact on the Company's production and operation.

4.1.12 Risks of Accidents and Disasters (Including Disease Outbreaks)

The Company would regularly inspect its production facilities to minimize the potential risks of shutdowns or production accidents that could adversely affect it.
However, it cannot be guaranteed that negative impacts caused by production accidents or natural disasters will be completely avoided or minimized. For example, the global outbreaks of avian influenza, foot-and-mouth disease, mad cow disease and African swine fever are frequent in recent years. The outbreaks of poultry or livestock diseases can adversely affect the number of poultry and livestock, leading to a lower consumer acceptance and shrinking demand of meat and feed additives. If poultry or livestock diseases frequently erupt on a global scale, it will have a significantly adverse impact on the Company's business, financial condition, and overall performance.
Accidents such as property damage and/or personal injury at production sites, or system failures in information systems, would also disrupt the Company's normal operation. It may lead to significant losses and reputation damage, which may affect the Company's business and financial conditions.

4.1.13 Risks of Improper Production Planning

The Company's production capacity may constrain its performance. Although the

Company has successively invested in capacity expansion and has actively managed inventory in the past few years, risks such as improper production planning, production equipment failure or maintenance, inability to smoothly start up new production capacity, unexpected plant shutdowns due to fire or mechanical failures, etc., can potentially lead to the Company's inability to meet customer demands on time. This would damage the Company's reputation and customer relationships, leading customers to choose products from competitors, which may adversely affect the Company's future sales.

Furthermore, if the Company expands production capacity based on the overestimation of the future market demand while the estimated market demand is not realized, it will have significant adverse effects on the Company's business, financial condition, and overall performance. Other unexpected accidents, such as a fire or mechanical failure, can also lead to downtime.

4.1.14 Risks of the Exchange Rate Fluctuation

The Company prepares consolidated statements in RMB. The Company has its production, sales, and business activities overseas and its daily operations mainly involve currencies such as the Euro and the US Dollar. Risks related to the exchange rate mainly include risks of daily exchange transactions and risks of exchange conversion when preparing financial statements in RMB. Exchange rate fluctuations may expose the Company to exchange risks in its day-to-day operations and have adverse effects on the Company's financial condition and operating performance.

4.1.15 Risks of Customer Credit

The Company may encounter risks of customer credit. Customer credit risk cannot be fully eliminated despite the Company's implementation of various measures such as establishing customer accounts, setting credit limits, collecting deposits and guarantees, and tracking customer credit history to manage credit exposure from customers.

4.1.16 Risks of Tax and Tariff Changes

As a global group, the Company faces the risk of being investigated by tax authorities in various jurisdictions for taxation issues. Potential tax audit and investigations of the Company may probably result in the loss of previous tax benefits, deductions, incentives and other favorable provisions, which would ultimately lead to a higher effective tax rate. Although the Company has not encountered any significant tax-related outstanding matters to date, it cannot be assured that the Company won't encounter insufficient provision for expected liabilities or higher tax rates along with significant changes in tax laws and regulations in the countries where the Company operates.

4.2 Risks that the Project May Not Be Approved by Relevant Authorities

The project can only be implemented after obtaining approvals from the authorities such as environmental approval and safety approval, which are uncertain.

Please refer to China Securities Journal, Shanghai Securities News and the website of Shanghai Stock Exchange (http://www.sse.com.cn) for more information of the project construction. Please make prudent decisions and pay attention to investment risks.

It is hereby announced.

Board of Directors of Bluestar Adisseo Company
4th August 2023