

JIUTIAN CHEMICAL GROUP LIMITED

(Company Registration Number: 200415416H)

Quarterly Financial Statement Announcement for the Quarter Ended 31 March 2014.

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Unaudited Group Three months ended 31-Mar-14 RMB'000	Unaudited Group Three months ended 31-Mar-13 RMB'000	Increase/ (Decrease) %
Revenue	254,154	223,007	14
Cost of sales	(234,930)	(206,019)	14
Gross profit	19,224	16,988	13
Other income	1,655	1,615	2
Distribution costs	(4,179)	(7,055)	-41
Administrative expenses	(5,009)	(6,205)	-19
Share of results of associated company	3,815	1,856	106
Profit loss before tax	15,506	7,199	115
Tax expense	-	-	n/m
Profit and total comprehensive income for the period	15,506	7,199	115
Profit and total comprehensive income for the period attributable to:			
Equity holders of the company	15,506	7,199	115

n/m – not meaningful

(ii) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the income statement or in the notes to the income statement for the current financial period reported on and the corresponding period of the immediately preceding financial year:-

	Unaudited Group Three months ended 31-Mar-14 RMB'000	Unaudited Group Three months ended 31-Mar-13 RMB'000	Increase/ (Decrease) %
Profit before tax is arrived at after charging/(crediting):			
Interest income	(282)	(10)	2720%
Depreciation of property, plant and equipment	7,534	6,658	13%
Amortisation of land use rights	234	234	0%
Amortisation of deferred income	17	17	0%
Foreign exchange loss	32	91	-65%

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Unaudited Group 31-Mar-14 RMB'000	Group 31-Dec-13 RMB'000	Unaudited Company 31-Mar-14 RMB'000	Company 31-Dec-13 RMB'000
ASSETS				
<u>Current assets</u>				
Cash and cash equivalents	36,613	70,888	9,436	11,448
Trade and other receivables	529,475	478,707	64	64
Inventories	51,320	43,972	-	-
Total current assets	617,408	593,567	9,500	11,512
<u>Non-current assets</u>				
Land use rights	8,846	9,080	-	-
Property, plant and equipment	289,987	297,291	-	-
Investment in subsidiary companies	-	-	87,027	87,027
Investment in associated companies	340,040	336,225	339,709	339,709
Deferred tax assets	8,476	8,476	-	-
Total non-current assets	647,349	651,072	426,736	426,736
Total assets	1,264,757	1,244,639	436,236	438,248
LIABILITIES AND EQUITY				
<u>Current liabilities</u>				
Trade and other payables	809,944	805,315	1,388	1,541
<u>Non-current liabilities</u>				
Deferred income	436	453	-	-
<u>Capital and reserves</u>				
Share capital	661,153	661,153	661,153	661,153
Accumulated losses	(206,776)	(222,282)	(226,305)	(224,446)
Total equity	454,377	438,871	434,848	436,707
Total liabilities and equity	1,264,757	1,244,639	436,236	438,248

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

	<u>As at 31 March 2014</u>		<u>As at 31 December 2013</u>	
	<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loan	-	-	-	-

Amount repayable after one year

	<u>As at 31 March 2014</u>		<u>As at 31 December 2013</u>	
	<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loan	-	-	-	-

Bill payable to banks

As at 31 March 2014, there are RMB 25 million in bills payables. Bills payables to banks have an average period of 60 to 120 days and are interest-free as repayments will be made within the credit period. The bills payables to banks are secured by pledged of bank deposits amounting of RMB 25 million.

As at 31 December 2013, there are RMB 43 million in bills payables. Bills payables to banks have an average period of 60 to 120 days and are interest-free as repayments will be made within the credit period. The bills payables to banks are secured by pledged of bank deposits amounting of RMB 43 million.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	(Unaudited) Group Three months ended 31-Mar-14 RMB'000	(Unaudited) Group Three months ended 31-Mar-13 RMB'000
Cash flows from operating activities		
Profit before tax	15,506	7,199
Adjustments for:		
Share of result of associates	(3,815)	(1,856)
Depreciation of property, plant and equipment	7,534	6,658
Amortisation of deferred income	(17)	(17)
Amortisation of land use rights	234	234
Interest income	(282)	(10)
Operating cash flows before movement in working capital	19,160	12,208
Receivables	(50,768)	40,099
Inventories	(7,348)	(30,014)
Payables (Notes 1)	6,090	(30,733)
Cash generated used in operations	(32,866)	(8,440)
Interest received	282	10
Net cash used in operating activities	(32,584)	(8,430)
Cash flows from investing activities		
Purchase of property, plant and equipment (Note 1)	(1,691)	(1,164)
Net cash used in investing activities	(1,691)	(1,164)
Cash flows from financing activities		
Proceeds from issuance of shares, net of expenses	-	51,923
Decrease in pledged bank deposits	18,000	10,000
Net advances from related party	-	(879)
Net cash generated from financing activities	18,000	61,044
Net (decrease)/increase in cash and cash equivalents	(16,275)	51,450
Cash and cash equivalents at beginning of period	27,888	18,941
Cash and cash equivalents at end of period	11,613	70,391
 Cash and bank balances at end of period	 36,613	 98,391
Less: Pledged bank deposit	(25,000)	(28,000)
	11,613	70,391

Note 1 – As at 31 December 2013, the Group has outstanding payable for property, plant and equipment of RMB 18.1 million. During the current period, RMB 1.5 million was paid and the balance of RMB 16.6 million is reflected in other payables as at 31 March 2014. In 3M2014, the Group has acquired property, plant and equipment with an aggregate cost of RMB 0.2 million which was fully paid in cash.

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Paid-up capital RMB'000	Accumulated losses RMB'000	Total RMB'000
<u>Group</u>			
Balance at January 1, 2013	609,230	(243,520)	365,710
Profit and total comprehensive income for the year	-	21,238	21,238
Issuance of ordinary shares:			
- Share placement, net of expenses	51,923	-	51,923
Balance at December 31, 2013	661,153	(222,282)	438,871
Total comprehensive income for the period	-	15,506	15,506
Balance at January 31, 2014	661,153	(206,776)	454,377

	Paid-up capital RMB'000	Accumulated losses RMB'000	Total RMB'000
<u>Company</u>			
Balance at January 1, 2013	609,230	(214,175)	395,055
Total comprehensive income for the year	-	(10,271)	(10,271)
Issuance of ordinary shares:			
- Share placement, net of expenses	51,923	-	51,923
Balance at December 31, 2013	661,153	(224,446)	436,707
Total comprehensive income for the period	-	(1,859)	(1,859)
Balance at January 31, 2014	661,153	(226,305)	434,848

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

	Number of shares	Resultant issued and paid-up share capital S\$	Resultant issued and paid-up share capital RMB
As at 31 December 2013	1,818,444,000	133,854,092	661,152,648
As at 31 March 2014	1,818,444,000	133,854,092	661,152,648

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

There are no treasury shares as at 31 March 2014 and 31 December 2013. The total number of issued shares of the Company are shown in 1(d)(ii) above.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited nor reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed in Note 5 below, there were no changes in accounting policies and methods of computation adopted in the financial statements for the current reporting period compared to the most recently audited financial statements for the financial year ended 31 December 2013.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group has adopted all the new and revised Singapore Financial Reporting Standards ("FRSs") and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2014, where applicable. The adoption of these standards from the effective date did not result in material adjustments to the financial position, results of operations or cash flows of the Group for 3M2014.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

- (a) Based on the weighted average number of ordinary shares on issue; and
(b) On a fully diluted basis (detailing any adjustments made to the earnings).

	(Unaudited) Group Three months ended 31-Mar-14	(Unaudited) Group Three months ended 31-Mar-13
Profit per ordinary share for the financial period based on consolidated loss attributable to members of the company :		
(a) Basic / Diluted (Rmb fen)	0.85	0.42
(a) Based on the weighted average number of shares - Basic / Diluted	1,818,444,000	1,724,266,222

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-

- (a) current financial period reported on; and
(b) immediately preceding financial year.

	(Unaudited) Group 31 Mar 2014 RMB fen	Group 31 Dec 2013 RMB fen	(Unaudited) Company 31 Mar 2014 RMB fen	Company 31 Dec 2013 RMB fen
Net assets per share	24.99	24.13	23.91	24.02

Net asset value per share for 31 March 2014 and 31 December 2013 have been computed based on shareholder's equity as at this date and total issued ordinary share capital of 1,818,444,000 shares.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the financial period reported on.

Commentaries on performance

1Q2014

Revenue for 1Q14 at RMB 254.2 million was 14% higher than 1Q13. The increase in revenue against 1Q13 was due largely to the improvement of average unit selling price of Methylamine. Despite of lower sales volume and average unit selling price of DMF.

Average unit selling price of DMF at RMB 4,381 per tonne was 4.7% lower than 1Q13 and average unit selling price of methylamine at RMB 6,883 was 6.0% higher than 1Q13.

At the gross profit level, the Group improved from RMB 17.0 million in 1Q13 to RMB 19.2 million in 1Q14. The increase is consistent with the increasing of revenue.

Distribution expenses decreased 41% to RMB 4.2 million in 1Q14 which was in line with the decrease of sales volume of DMF. Compare to 1Q2013, the sales volume of DMF decreased by 10%. Further, there was more transportation costs which able to recharge to customers.

Administrative expenses decreased by 19% against the corresponding quarter last year due to lower incentive/bonus paid and payable to staff in 1Q14.

Share of results of associated company, Anyang Jiulong improved from RMB 1.9 million in 1Q13 to RMB 3.8 million in 1Q14 as Anyang Jiulong entered into higher utilization of its industrial steam and electricity plants.

As a result, the Group registered a net profit attributable to equity holders of the Company of RMB 15.5 million in 1Q14 against RMB 5.9 million in 1Q13.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the financial period reported on.

Commentaries on balance sheet and cash flow

Group Balance Sheet:

Group's current assets as at 31 March 2014 was RMB 617.4 million, an increase of RMB 23.8 million relative to that as at 31 December 2013. The net increase was largely attributed to:

- a. a decrease in cash and cash equivalents of RMB 34.3 million from RMB 70.9 million as at 31 December 2013 to RMB 36.6 million due largely to settlement of trade bills payables amounting to RMB 18 million and working capital used in operating activities.
- b. an increase in trade and others receivables of RMB 50.8 million due mainly to advances to associated company, Anyang Jiujiu Chemical Technology Co., Ltd ("Anyang Jiujiu") for the construction of Sodium Hydrosulfite's facilities amounting to RMB 56.7 million.
- c. an increase in inventories of RMB 7.4 million due primarily to the increase of goods-in-transit which invoices were issued to customers in April 2014.

Group's non-current assets decreased by RMB 3.8 million due largely to:

- a. the depreciation and amortization of fixed assets and land use rights for the quarter, and
- b. partially offset by share of results from associated company, Anyang Jiulong.

Group's current liabilities as at 31 March 2014 was RMB 809.9 million, a decrease of RMB 4.6 million relative to that as at 31 December 2013. The net decrease was largely attributed to:

- a. an increase in trade payables of RMB 8.8 million relative to 31 December 2013. This is due to an increase the in trade purchases from its key supplier and strategic partner.
- b. an increase of RMB 8.7 million arising from the advances received from customers.
- c. an increase of VAT payable to tax authority amounting to RMB 2.6 million.
- d. the increases was partially offset by a decrease in trade bills payables of RMB 18 million mainly due to maturity of trade bills payables during the period.

Net asset value as at 31 March 2014 was RMB 454.4 million, RMB 15.5 million higher than the net asset value as at 31 December 2013 of RMB 438.9 million. This was largely attributed to the profit made for the quarter.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the financial period reported on.

Net current liabilities of the Group as at 31 March 2014 exceeded its current assets by RMB 192.5 million attributable to the accumulated losses since FY2008. Despite the negative working capital, the Group believes that it will be able to repay its current liabilities as and when they fall due. As a substantial part of the Group's net current liabilities are owed to its principal supplier and strategic partner, Anhua Group (RMB 148.1 million) and to its associate company, Anyang Jiulong Chemical Co., Ltd (a subsidiary of Anhua's Group) of RMB 142.0 million, the Company has, as reported in the 2013 Annual Report, obtained Anhua's continued financial support and agreement to defer payments of trade amounts owing by the Group to Anhua. As a result, the Company believes that it will be able to repay its current liabilities as and when they fall due.

Company's Balance Sheet:

Company's current assets decreased by RMB 2.0 million as at 31 March 2014 due largely to head office expenses.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

The Group's actual results are in line with the Commentary under paragraph 10 of the Group's previous result announcement (4Q2013 result announcement).

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

As the business environment will likely remain competitive, the Group needs to stay vigilant and monitor the market condition closely, adapting its business strategies as and when appropriate.

Barring any unforeseen circumstances, we expect the Group to be profitable for 2Q14.

11. Dividend**(a) Current Financial Period Reported On**

Nil

(b) Corresponding Period of the Immediately Preceding Financial Year

Nil

(c) Date payable

NA.

(d) Books closure date

NA.

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been recommended for the current financial period reported on.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transaction as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
	1Q2014	1Q2014
Anyang Chemical Industry Group Co., Ltd	Nil	81.40 million
Anyang Jiulong Chemical Co., Ltd	5.06 million	31.27 million
Anyang Yongjin Chemical Co., Ltd	Nil	10.75 million

14. The status on the use of proceeds raised from IPO and any offerings pursuant to Chapter 8 and whether the use of proceeds is in accordance with the stated use.

As at 31 March 2014, the Company has utilised the net proceeds raised from the Placement in February 2013 as follows:

	S\$'000
Net Proceeds	10,236
Less:	
1. Payment of Project Sodium Hydrosulfite's registered capital	(8,300)
2. General working capital requirements:-	
a. Staffs costs and directors' fee	(516)
b. Audit, tax and other professional fee	(133)
c. Other operating expenses ⁽¹⁾	(179)
	(828)
Balance	1,108

Note⁽¹⁾: Other operating expenses included, but were not limited to, rental of office premises, printing and stationery, transportation, office utilities, courier and telecommunication expenses.

The utilisation of the net proceeds from the Placement as stated above is in accordance with the purposes as set out in the Offer Information Statements relating to the Placement.

15. Negative confirmation by the Board pursuant to Rule 705(5) of the Listing Manual

We, Gao Heng and Sun Zhiqiang, being two directors of Jiutian Chemical Group Limited (the "Company"), do hereby confirm on behalf of the Board of Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial statements for the first quarter ended 31 March 2014 to be false or misleading in any material respect.

BY ORDER OF THE BOARD

Name: Sun Zhiqiang
Designation: Acting Chief Executive Officer
Date: 29 April 2014