

JIUTIAN CHEMICAL GROUP LIMITED

(Company Registration Number: 200415416H)

Quarterly Financial Statement Announcement for the Quarter Ended 30 September 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 30-Sep-14 RMB'000	Unaudited Group Three months ended 30-Sep-13 RMB'000	Increase/ (Decrease) %	Unaudited Group Nine months ended 30-Sep-14 RMB'000	Unaudited Group Nine months ended 30-Sep-13 RMB'000	Increase/ (Decrease) %
Revenue	221,330	205,892	7	681,114	709,744	-4
Cost of sales	(211,806)	(199,935)	6	(635,015)	(669,354)	-5
Gross profit	9,524	5,957	60	46,099	40,390	14
Other income	1,291	2,907	-56	4,917	9,162	-46
Distribution costs	(3,306)	(3,785)	-13	(11,468)	(16,847)	-32
Administrative expenses	(5,451)	(3,342)	63	(16,399)	(15,968)	3
Other expenses	(94)	-	n/m	(94)	(1,045)	-91
Share of result of associated company	(448)	1,573	n/m	3,695	5,246	-30
Profit before tax	1,516	3,310	-54	26,750	20,938	28
Tax credit	4,135	-	n/m	4,135	-	n/m
Profit and total comprehensive income for the period	5,651	3,310	71	30,885	20,938	48
Profit and total comprehensive income for the period attributable to:						
Equity holders of the Company	5,651	3,310	71	30,885	20,938	48

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 30-Sep-14 RMB'000	Unaudited Group Three months ended 30-Sep-13 RMB'000	Increase/ (Decrease) %	Unaudited Group Nine months ended 30-Sep-14 RMB'000	Unaudited Group Nine months ended 30-Sep-13 RMB'000	Increase/ (Decrease) %
Profit before tax is arrived at after charging/(crediting):						
Interest income	(268)	(202)	33%	(960)	(824)	17%
Depreciation of property, plant and equipment	7,637	6,689	14%	22,772	19,947	14%
Amortisation of land use rights	234	234	0%	701	701	0%
Amortisation of deferred income	82	16	413%	49	49	0%
Gain on disposal of property, plant and equipment	-	-	n/m	(281)	-	n/m
Allowance for doubtful receivables	100	-	n/m	100	-	n/m
Property, plant and equipment written off	-	75	n/m	-	75	n/m
Foreign exchange loss/(gain)	91	-	n/m	28	(1,044)	n/m

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 30-Sep-14 RMB'000	Unaudited Group 31-Dec-13 RMB'000	Unaudited Company 30-Sep-14 RMB'000	Unaudited Company 31-Dec-13 RMB'000
ASSETS				
<u>Current assets</u>				
Cash and cash equivalents	26,387	70,888	5,470	11,448
Trade and other receivables	516,766	478,707	66	64
Inventories	43,729	43,972	-	-
Total current assets	586,882	593,567	5,536	11,512
<u>Non-current assets</u>				
Land use rights	8,379	9,080	-	-
Property, plant and equipment	282,787	297,291	-	-
Investment in subsidiary companies	-	-	87,027	87,027
Investment in associated companies	339,920	336,225	339,709	339,709
Deferred tax assets	14,676	8,476	-	-
Total non-current assets	645,762	651,072	426,736	426,736
Total assets	1,232,644	1,244,639	432,272	438,248
LIABILITIES AND EQUITY				
<u>Current liabilities</u>				
Trade and other payables	762,484	805,315	1,345	1,541
<u>Non-current liabilities</u>				
Deferred income	404	453	-	-
<u>Capital and reserves</u>				
Share capital	661,153	661,153	661,153	661,153
Accumulated losses	(191,397)	(222,282)	(230,226)	(224,446)
Total equity	469,756	438,871	430,927	436,707
Total liabilities and equity	1,232,644	1,244,639	432,272	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 30 September 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 30 September 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 30 September 2014, there are RMB 13.39 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 13.81 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 30-Sep-14 RMB'000	Unaudited Group Three months ended 30-Sep-13 RMB'000	Unaudited Group Nine months ended 30-Sep-14 RMB'000	Unaudited Group Nine months ended 30-Sep-13 RMB'000
Cash flows from operating activities				
Profit before tax	1,516	3,310	26,750	20,938
Adjustments for:				
Share of result of associated company	448	(1,573)	(3,695)	(5,246)
Depreciation of property, plant and equipment	7,637	6,689	22,772	19,947
Amortisation of deferred income	(16)	(16)	(49)	(49)
Amortisation of land use rights	234	234	701	701
Gain on disposal of property, plant and equipment	-	-	(281)	-
Property, plant and equipment written off	-	75	-	75
Interest income	(268)	(202)	(960)	(824)
Operating cash flows before movement in working capital	9,551	8,517	45,238	35,542
Receivables	(43,808)	158,425	(38,059)	162,386
Inventories	19,668	17,576	243	3,089
Payables (Note 1)	(33,738)	(153,114)	(29,831)	(201,242)
Cash (used in)/generated from operations	(48,327)	31,404	(22,409)	(225)
Interest received	268	202	960	824
Income tax paid	(2,065)	-	(2,065)	-
Net cash (used in)/generated from operating activities	(50,124)	31,606	(23,514)	599
Cash flows from investing activities				
Purchase of property, plant and equipment (Note 1)	(8,838)	(5,179)	(21,691)	(8,711)
Proceed from disposal of property, plant and equipment	-	-	704	-
Investment in an associated company	-	(40,000)	-	(40,000)
Net cash used in investing activities	(8,838)	(45,179)	(20,987)	(48,711)
Cash flows from financing activities				
Proceeds from issuance of shares, net of expenses	-	-	-	51,923
Decrease/(increase) in pledged bank deposits	23,027	(15,000)	29,190	15,000
Net advances from related party	-	879	-	-
Net cash generated from/(used in) financing activities	23,027	(14,121)	29,190	66,923
Net (decrease)/increase in cash and cash equivalents	(35,935)	(27,694)	(15,311)	18,811
Cash and cash equivalents at beginning of period	48,512	65,446	27,888	18,941
Cash and cash equivalents at end of period	12,577	37,752	12,577	37,752
Cash and cash equivalents in the statement of financial position	26,387	60,752	26,387	60,752
Less: Pledged bank deposit	(13,810)	(23,000)	(13,810)	(23,000)
	12,577	37,752	12,577	37,752

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 13.0 million was paid and the balance of RMB 5.1 million is reflected in other payables as at 30 September 2014. In 9M2014, the Group has acquired property, plant and equipment with an aggregate cost of RMB 8.7 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.

	Share capital	Accumulated losses	Total equity
	RMB'000	RMB'000	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
Profit and total comprehensive income for the period	-	30,885	30,885
Balance at September 30, 2014	661,153	(191,397)	469,756

	Share capital	Accumulated losses	Total equity
	RMB'000	RMB'000	RMB'000
<u>Company</u>			
Balance at January 1, 2013	609,230	(214,175)	395,055
Loss and total comprehensive loss 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
Loss and total comprehensive loss for the period	-	(5,780)	(5,780)
Balance at September 30, 2014	661,153	(230,226)	430,927

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 30 September 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 30 September 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 9M2014.

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 30-Sep-14	Unaudited Group Three months ended 30-Sep-13	Unaudited Group Nine months ended 30-Sep-14	Unaudited Group Nine months ended 30-Sep-13
Profit per ordinary share for the financial period based on consolidated profit attributable to equity holders of the Company :				
(a) Basic / Diluted (Rmb fen)	0.31	0.19	1.70	1.17
(a) Based on the weighted average number of shares - Basic / Diluted	1,818,444,000	1,787,396,380	1,818,444,000	1,787,396,380

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 30 Sep 2014 RMB fen	Group 31 Dec 2013 RMB fen	(Unaudited) Company 30 Sep 2014 RMB fen	Company 31 Dec 2013 RMB fen
Net assets per share	25.83	24.13	23.70	24.02

Net asset value per share for 30 September 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

9M2014

Revenue in 9M2014 decreased 4% from RMB 709.7 million in 9M2013 to RMB 681.1 million. The decrease mainly due the challenging market condition which has impacted sales volume and average selling price. Capacity utilisation at the Anyang Jiutian DMF plant with an annual capacity of 150,000 tons decreased from 94% in 9M2013 to 73% in 9M2014.

The average selling price of DMF and methylamine for the period under review were RMB 4,881 and RMB 6,343 per tonne respectively (9M2013: RMB 5,239 and RMB 6,243 per tonne).

At the gross profit level, the Group improved from RMB 40.4 million in 9M2013 to RMB 46.1 million in 9M2014. Against 9M2013, despite lower average selling prices of DMF, the 14% increase of gross profit largely driven by improvements in operating efficiency at the plants from the continuous improvement efforts, lower raw material cost especially liquid ammonia and higher sales generated from methylamine which contributed higher profit margin.

Other income decreased 46% in 9M2014 due mainly to one-off compensation from supplier amounting of RMB 1.4 million received in 9M2013 and lower income generated from sale of waste material in amounting of RMB 2.3 million (9M2013: RMB 5.8 million).

Distribution expenses decreased 32% to RMB 11.5 million in 9M2014 was in line with the decrease of sales volume of DMF. Compare to 9M2013, the sales volume decreased by 22%. Further, there were more transportation costs which able to recharge to customers.

Other expenses mainly comprise of foreign exchange loss amounting of RMB 1.04 million in 9M2013. However, there was a foreign exchange loss amounting of RMB 28,000 arose from certain monetary assets in holding company denominated in Singapore Dollars in 9M2014.

Share of results of associated companies pertains to share of results of Anyang Jiulong which revenue generated from producing and selling of industrial steam and electricity. The decreased of 30% in 9M2014 mainly due to temporary shutdown operation of one of the boiler in June, July and August 2014 for repair and maintenance. The operation has been resumed in September 2014.

Tax credit of RMB 4.1 million mainly consists of recognition of deferred tax assets arose from the unutilised tax losses which approved by the relevant authorities.

As a result, the Group registered a net profit attributable to equity holders of the Company of RMB 30.9 million against RMB 20.9 million in 9M2013.

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 (cont'd)

3Q2014

Revenue for 3Q2014 was RMB 221.3 million, 7% more than 3Q2013 of RMB 205.9 million. Average selling price of DMF in 3Q2014 at RMB 4,579 per tonne was 8.9% lower than 3Q2013. Average selling price of methylamine in 3Q2014 at RMB 6,039 per tonne was consistent with 2Q2013.

At the gross profit level, the profit margin improved from 2.9% in 3Q2013 to 4.3% in 3Q2014. The improvement mainly due to improvement in operating efficiency and lower raw material cost.

Other income decreased 56% in 3Q2014 due mainly to higher income generated from sales of waste material in 3Q2013.

Distribution expenses decreased 13% to RMB 3.3 million in 3Q2014 which was in line with the decrease of sales volume of DMF. Compare to 3Q2013, the sales volume decreased by 24.4%.

Administrative expenses increased by 63% against 3Q2013 due to reversal of overprovided expenses and staff costs that took place in 3Q2013.

Share of Anyang Jiulong 3Q2014 result was below expectations due to Anyang Jiulong temporary ceased operation of one of its boiler in July and August 2014 for repair and maintenance. The operation has been resumed in September 2014.

Tax credit of RMB 4.1 million mainly consists of recognition of deferred tax assets arose from the unutilised tax losses which approved by the relevant authorities.

As a result, the Group registered a net profit attributable to equity holders of the Company of RMB 5.7 million against RMB 3.3 million in 3Q2013.

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 30 September 2014 was RMB 586.9 million, decreased of RMB 6.7 million relative to that as at 31 December 2013. The net decrease was largely attributed to:

- a. decrease in cash and cash equivalents of RMB 44.5 million from RMB 70.9 million as at 31 December 2013 to RMB 26.4 million due largely to settlement of trade bills payables amounting to RMB 30.0 million and working capital used in operating activities.
- b. increase in trade and other receivables of RMB 38.1 million mainly due to increase of advances to Anyang Jiujiu Chemical Technology Co., Ltd ("Anyang Jiujiu") for the construction of plants amounting of RMB 67.3 million, income tax recoverable of RMB 2.0 million and advances/prepayment to suppliers amounting of RMB 10.6 million. The increase was partially offset by the decrease of trade receivables amounted to RMB 43.9 million.
- c. there are no significant movement on inventories.

Group's non-current assets decreased by RMB 5.3 million due largely to:

- a. the depreciation and amortisation of property, plant and equipment and land use rights of RMB 23.5 million. However, the decrease was partially offset by the additional of property, plant and equipment of RMB 8.7 million.
- b. increase in share of results of associated company, Anyang Jiulong, of RMB 3.7 million.
- c. increase in deferred tax assets of RMB 6.2 million.

Group's current liabilities as at 30 September 2014 was RMB 762.5 million, a decrease of RMB 42.8 million relative to that as at 31 December 2013. The net decrease was largely attributed to:

- a. decrease in trade payables of RMB 25.8 million relative to 31 December 2013.
- b. decrease in payables for property, plant and equipment of RMB 13.0 million.
- c. decrease in rental payable to Anyang Jiulong amounting of RMB 7.1 million.
- d. increase in value added tax payables of RMB 2.1 million.

Net asset value as at 30 September 2014 was RMB 469.8 million, RMB 30.9 million higher than the net asset value as at 31 December 2013 of RMB 438.9 million. This was largely attributed to the profit generated for the period.

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 (cont'd)

Group balance sheet (cont'd):

Current liabilities of the Group as at 30 September 2014 exceeded its current assets by RMB 175.6 million attributable to the continuing losses in prior years. Despite the negative working capital, the Group believes that it will be able to repay its current liabilities as and when it fall due. As a substantial part of the Group's current liabilities are owed to its principal supplier and strategic partner, Anhua Group (RMB 181.0 million) and to its associated company, Anyang Jiulong Chemical Co., Ltd (a subsidiary of Anhua's Group) ("Anyang Jiulong") of RMB 182.4 million, the Company has, as reported in the 2013 Annual Report, obtained Anhua and Anyang Jiulong's continued financial support and agreement to defer payments of trade amounts owing by the Group to them. As a result, the Company believes that it will be able to repay its current liabilities as and when it falls due.

Company's balance sheet:

Company's current assets decreased by RMB 6.0 million as at 30 September 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 (2Q2014 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.

The China Polyurethane ("PU") industry remains uncertain.

The Group continues to face a challenging environment with keen competition, cost pressure and a slowing economy in China. However, Anyang Jiujiu, our 73.99% owned associated company that owns the sodium hydrosulfite project commenced its trial production in October 2014. It is expected to contribute positively to 4Q2014's bottom line.

Barring any unforeseen circumstances, the Management expects the Group to remain profitable in FY2014.

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)
	3Q2014	3Q2014
Anyang Chemical Industry Group Co., Ltd	Nil	72.26 million
Anyang Jiulong Chemical Co., Ltd	Nil	22.34 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 30 September 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	(878)
b. Audit, tax and other professional fee	(331)
c. Other operating expenses ⁽¹⁾	(425)
	(1,634)
Balance	302

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 nine months ended 30 September 2014 to be false or misleading in any material respect.

BY ORDER OF THE BOARD

Name: Sun Zhiqiang
Designation: Acting Chief Executive Officer
Date: 11 November 2014