

**EMPHASIS OF MATTER ON AMOUNT DUE FROM AN ASSOCIATED COMPANY BY INDEPENDENT AUDITOR ON THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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In compliance with Rule 704(4) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), the Board of Directors (the “**Board**”) of Jiutian Chemical Group Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Group’s Independent Auditor, Baker Tilly TFW LLP, had, without qualifying its audit opinion, included an emphasis of matter on amount due from an associated company in their audit report (the “**Independent Auditor’s Report**”) on the audited financial statements of the Company and its subsidiaries for the financial year ended 31 December 2020 (the “**FY2020 Audited Financial Statements**”).

The carrying value of the non-trade receivable from an associated company, Anyang Jiujiu Chemical Technology Co. Ltd (“Anyang Jiujiu”) amounted to RMB145,000,000. This constituted 10% (2019: 12%) of the Group’s total assets as at 31 December 2020. Anyang Jiujiu is the project company for the Sodium Hydrosulfite facilities.

Management performed an expected credit loss assessment of the amount due from Anyang Jiujiu using the expected credit loss model. In determining the credit loss allowance, Management evaluated the financial background and credit risk of the associated company, the corporate guarantee provided by Anyang Chemical Industry Group Co. Ltd (“**Anhua**”) as well as the timing of expected cash flows for recovery of the receivable. Subsequent to the end of the financial year, the Group entered into an arrangement with Anhua (“**Arrangement**”) for the settlement of the amount due from associated company of RMB145,000,000, in conjunction with the Group’s expansion plan. The completion of the Arrangement is subject to further feasibility study of the Group’s expansion plan and due diligence to be carried out. Management expects that the Arrangement would be completed within the next 12 months. The Company will provide further details regarding the Arrangement in subsequent announcements in accordance with the Listing Manual Section B: Rules of the Catalist of the Singapore Exchange Securities Trading Limited at the appropriate juncture.

After considering the measures described above, the directors and the management believe that the amount due from Anyang Jiujiu of RMB145,000,000 is recoverable therefore no further credit loss allowance is required in the amount due from Anyang Jiujiu.

Additionally, the Board (i) is of the opinion that sufficient information has been disclosed for trading of the Company’s securities to continue in an orderly manner; and (ii) confirmed that all material disclosures have been provided for trading of the Company’s shares to continue.

This announcement should be read in conjunction with the aforesaid Independent Auditor’s Report and the extract of the relevant notes of the FY2020 Audited Financial Statements which is annexed to this announcement. Shareholders are advised to read the FY2020 Audited Financial Statements which will be released on SGXNet as part of the Company’s Annual Report for FY2020 in due course.

By Order of the Board

HAN LIANGUO  
Non-Executive and Non-Independent Chairman  
Date: 7 April 2021

*This announcement has been reviewed by the Company’s sponsor, PrimePartners Corporate Finance Pte.Ltd. (the “Sponsor”). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the “Exchange”) and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.*

*The contact person for the Sponsor is Ms Lim Hui Ling, 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, [sponsorship@ppcf.com.sg](mailto:sponsorship@ppcf.com.sg).*

*Extracted from the Independent Auditor's Report to the Audited Financial Statements of Jiutian Chemical Group Limited for the financial year ended 31 December 2020*

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JIUTIAN CHEMICAL GROUP LIMITED**

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Jiutian Chemical Group Limited (the "Company") and its subsidiary companies (the "Group") as set out on pages 10 to 60, which comprise the statements of financial position of the Group and the Company as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the financial year ended on that date.

#### ***Basis for Opinion***

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Emphasis of matter – Amount due from an associated company***

We draw attention to Note 12 to the financial statements.

The carrying value of the non-trade receivable from an associated company, Anyang Jiujiu Chemical Technology Co. Ltd ("Anyang Jiujiu") amounted to RMB145,000,000. This constituted 10% (2019: 12%) of the Group's total assets as at 31 December 2020.

Management performed an expected credit loss assessment of the amount due from associated company using the expected credit loss model. In determining the credit loss allowance, Management evaluated the financial background and credit risk of the associated company, the corporate guarantee provided by Anyang Chemical Industry Group Co. Ltd ("Anhua") as well as the timing of expected cash flows for recovery of the receivable. Subsequent to the end of the financial year, the Group entered into an arrangement with Anhua ("Arrangement") for the settlement of the amount due from associated company of RMB145,000,000, in conjunction with the Group's expansion plan. The completion of the Arrangement is subject to further feasibility study of the Group's expansion plan and due diligence to be carried out. Management expects that the Arrangement would be completed within the next 12 months.

Our opinion is not modified in respect of this matter.

*Extracted from the Independent Auditor's Report to the Audited Financial Statements of Jiutian Chemical Group Limited for the financial year ended 31 December 2020*

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
JIUTIAN CHEMICAL GROUP LIMITED (cont'd)**

**Report on the Audit of the Financial Statements (cont'd)**

***Key Audit Matter***

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the financial statements of the current period. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. In addition to the matter described in the *Emphasis of Matter – Amount due from an associated company* section, we have determined the matter described below to be the key audit matter to be communicated in our report.

**Impairment review of the Group's property, plant and equipment and land use rights**

*Description of key audit matter:*

As at 31 December 2020, the carrying amount of the Group's property, plant and equipment ("PPE") and land use rights amounting to RMB209,481,000 (2019: RMB208,433,000) and RMB3,337,000 (2019: RMB3,980,000) respectively as disclosed in Note 3, Note 14 and Note 15 to the financial statements. These assets in aggregate accounted for approximately 15% (2019: 18%) of the Group's total assets as at 31 December 2020.

Impairment review of property, plant and equipment and land use rights is considered to be key audit matter due to the significance of the assets to the Group's consolidated financial position, and the estimation involved in the determination of the value in use of the cash generating unit ("CGU"). The estimation relates to the forecast revenue, gross profit margin and operating expenses of the CGUs that are affected by expected future market and economic conditions and the discount rates applied to future cash flow projections as disclosed in Note 14 to the financial statements.

*Our procedures to address the key audit matter:*

We obtained an understanding of management's impairment assessment process. We assessed the reasonableness of key inputs and assumptions applied by management with a focus on forecast revenue, gross profit margin, operating expenses and appropriateness of discount rate with reference to historical performance and market expectation. We also assessed the reliability of prior year's forecasts in respect of sale volume, gross margin and operating costs with reference to the current year's actual performance and evaluated the potential risk of management bias with reference to our knowledge of the industry, market expectation and historical trading performance. We considered the sensitivity analysis of key estimates on the recoverable amount and the impact on the reversal of impairment loss. We involved our valuation specialists in assessing the reasonableness of the discount rate used.

We have also assessed the adequacy and appropriateness of the disclosures made in the financial statements.

*Extracted from the Independent Auditor's Report to the Audited Financial Statements of Jiutian Chemical Group Limited for the financial year ended 31 December 2020*

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
JIUTIAN CHEMICAL GROUP LIMITED (cont'd)**

**Report on the Audit of the Financial Statements (cont'd)**

***Other Information***

Management is responsible for the other information. The other information comprises the information included in the Annual Report 2020, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

***Responsibilities of Management and Directors for the Financial Statements***

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

*Extracted from the Independent Auditor's Report to the Audited Financial Statements of Jiutian Chemical Group Limited for the financial year ended 31 December 2020*

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
JIUTIAN CHEMICAL GROUP LIMITED (cont'd)**

**Report on the Audit of the Financial Statements (cont'd)**

*Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)*

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

*Extracted from the Independent Auditor's Report to the Audited Financial Statements of Jiutian Chemical Group Limited for the financial year ended 31 December 2020*

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
JIUTIAN CHEMICAL GROUP LIMITED (cont'd)**

**Report on the Audit of the Financial Statements (cont'd)**

*Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)*

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Ong Kian Guan.

Baker Tilly TFW LLP  
Public Accountants and  
Chartered Accountants  
Singapore

7 April 2021

Extracted from the Independent Auditor's Report to the Audited Financial Statements of Jiutian Chemical Group Limited for the financial year ended 31 December 2020

Extract of Note 12 to the FY2020 Audited Financial statements

**JIUTIAN CHEMICAL GROUP LIMITED AND ITS SUBSIDIARY COMPANIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the financial year ended 31 December 2020**

**12 Trade and other receivables**

	Group		Company	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Trade receivables from:				
- Associated company	44,476	-	-	-
- Related party	6,318	8,725	-	-
- Third parties	6,585	7,702	-	-
Trade bills receivables	385,393	308,516	-	-
	<b>442,772</b>	<b>324,943</b>	<b>-</b>	<b>-</b>
Less: Allowance for expected credit loss				
- third parties	(4,520)	(4,520)	-	-
Total trade receivables, net	<b>438,252</b>	<b>320,423</b>	<b>-</b>	<b>-</b>
Amount due from associated company	167,470	162,893	-	-
Less: Allowance for expected credit loss (Note28(b))	(22,470)	(17,893)	-	-
Net amount due from associated company	<b>145,000</b>	<b>145,000</b>	<b>-</b>	<b>-</b>
Advance payments to suppliers:				
- Associated company	21,213	-	-	-
- Related party	51,852	4,873	-	-
- Third parties	4,688	626	-	-
Total advance payments to suppliers	<b>77,753</b>	<b>5,499</b>	<b>-</b>	<b>-</b>
Value-added tax recoverable	738	1,081	-	-
Prepayments	64	-	64	-
Refundable deposits	224	394	224	394
Others	115	53	-	-
Security deposits paid to secure corporate guarantee of the bank borrowing (Note 19)	3,000	3,000	-	-
Total other receivables	<b>226,894</b>	<b>155,027</b>	<b>288</b>	<b>394</b>
	<b>665,146</b>	<b>475,450</b>	<b>288</b>	<b>394</b>



*Extracted from the Independent Auditor's Report to the Audited Financial Statements of Jiutian Chemical Group Limited for the financial year ended 31 December 2020*

*Extract of Note 12 to the FY2020 Audited Financial statements*

**JIUTIAN CHEMICAL GROUP LIMITED AND ITS SUBSIDIARY COMPANIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the financial year ended 31 December 2020**

**12 Trade and other receivables (cont'd)**

The Group's and the Company's trade and other receivables that are not denominated in the functional currencies of the respective entities are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Singapore dollar	<b>288</b>	394	<b>288</b>	394

The average credit period on sales of goods is 90 days (2019: 90 days). No interest is charged on the overdue trade receivables. The Group's trade bills receivables are non-interest bearing and are normally settled on terms of 90 to 365 days (2019: 90 to 365 days).

The non-trade amount due from associated company represents advances to Anyang Jiujiu Chemical Technology Co., Ltd ("Anyang Jiujiu") and is interest-free and payable on demand. Anyang Jiujiu's intermediate holding company, Anyang Chemical Industry Group Co. Ltd ("Anhua"), which is also a related party of the Company has provided a corporate guarantee for the amount due from Anyang Jiujiu of up to RMB145,000,000. Management performed an expected credit loss assessment of the amount due from associated company using the expected credit loss model. In determining the credit loss allowance, Management evaluated the financial background and credit risk of the associated company, the corporate guarantee provided as well as the timing of expected cash flows for recovery of the receivable.

Subsequent to the end of the financial year, the Group entered into an arrangement with Anhua ("Arrangement") for the settlement of the amount due from associated company of RMB145,000,000, in conjunction with the Group's expansion plan. The completion of the Arrangement is subject to further feasibility study of the Group's expansion plan and due diligence to be carried out. Management expects that the Arrangement would be completed within the next 12 months.

Included in the Group's trade bills receivables are trade bills receivables amounting to RMB370,483,000 (2019: RMB298,172,000) that have been endorsed as payments made to the suppliers. These trade bills receivables have yet to mature at the end of the reporting period (Note 20).