

# JIUTIAN CHEMICAL GROUP LIMITED

(Company Registration Number: 200415416H)

## Quarterly Financial Statement Announcement for the Quarter Ended 30 June 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<br>Group<br>Three months<br>ended<br>30-Jun-14<br>RMB'000 | Unaudited<br>Group<br>Three months<br>ended<br>30-Jun-13<br>RMB'000 | Increase/<br>(Decrease)<br>% | Unaudited<br>Group<br>Six months<br>ended<br>30-Jun-14<br>RMB'000 | Unaudited<br>Group<br>Six months<br>ended<br>30-Jun-13<br>RMB'000 | Increase/<br>(Decrease)<br>% |
|--------------------------------------------------------------------------|---------------------------------------------------------------------|---------------------------------------------------------------------|------------------------------|-------------------------------------------------------------------|-------------------------------------------------------------------|------------------------------|
| Revenue                                                                  | 205,630                                                             | 280,845                                                             | -27                          | 459,784                                                           | 503,852                                                           | -9                           |
| Cost of sales                                                            | (188,279)                                                           | (263,400)                                                           | -29                          | (423,209)                                                         | (469,419)                                                         | -10                          |
| Gross profit                                                             | 17,351                                                              | 17,445                                                              | -1                           | 36,575                                                            | 34,433                                                            | 6                            |
| Other income                                                             | 1,971                                                               | 4,640                                                               | -58                          | 3,626                                                             | 6,255                                                             | -42                          |
| Distribution costs                                                       | (3,983)                                                             | (6,007)                                                             | -34                          | (8,162)                                                           | (13,062)                                                          | -38                          |
| Administrative expenses                                                  | (5,939)                                                             | (6,421)                                                             | -8                           | (10,948)                                                          | (12,626)                                                          | -13                          |
| Other expenses                                                           | -                                                                   | (1,045)                                                             | -100                         | -                                                                 | (1,045)                                                           | -100                         |
| Share of result of associated company                                    | 328                                                                 | 1,817                                                               | -82                          | 4,143                                                             | 3,673                                                             | 13                           |
| Profit loss before tax                                                   | 9,728                                                               | 10,429                                                              | -7                           | 25,234                                                            | 17,628                                                            | 43                           |
| Tax expense                                                              | -                                                                   | -                                                                   | n/m                          | -                                                                 | -                                                                 | n/m                          |
| Profit and total comprehensive income<br>for the period                  | 9,728                                                               | 10,429                                                              | -7                           | 25,234                                                            | 17,628                                                            | 43                           |
| Profit and total comprehensive income<br>for the period attributable to: |                                                                     |                                                                     |                              |                                                                   |                                                                   |                              |
| Equity holders of the Company                                            | 9,728                                                               | 10,429                                                              | -7                           | 25,234                                                            | 17,628                                                            | 43                           |

*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<br>Group<br>Three months<br>ended<br>30-Jun-14<br>RMB'000 | Unaudited<br>Group<br>Three months<br>ended<br>30-Jun-13<br>RMB'000 | Increase/<br>(Decrease)<br>% | Unaudited<br>Group<br>Six months<br>ended<br>30-Jun-14<br>RMB'000 | Unaudited<br>Group<br>Six months<br>ended<br>30-Jun-13<br>RMB'000 | Increase/<br>(Decrease)<br>% |
|-------------------------------------------------------------|---------------------------------------------------------------------|---------------------------------------------------------------------|------------------------------|-------------------------------------------------------------------|-------------------------------------------------------------------|------------------------------|
| Profit before tax is arrived at after charging/(crediting): |                                                                     |                                                                     |                              |                                                                   |                                                                   |                              |
| Interest income                                             | (410)                                                               | (612)                                                               | -33%                         | (692)                                                             | (622)                                                             | 11%                          |
| Depreciation of property, plant and equipment               | 7,601                                                               | 6,601                                                               | 15%                          | 15,135                                                            | 13,259                                                            | 14%                          |
| Amortisation of land use rights                             | 233                                                                 | 233                                                                 | 0%                           | 467                                                               | 467                                                               | 0%                           |
| Amortisation of deferred income                             | (16)                                                                | (16)                                                                | 0%                           | (33)                                                              | (33)                                                              | 0%                           |
| Gain on disposal of property, plant and equipment           | (281)                                                               | -                                                                   | n/m                          | (281)                                                             | -                                                                 | n/m                          |
| Foreign exchange gain                                       | (95)                                                                | (953)                                                               | -90%                         | (63)                                                              | (1,044)                                                           | -94%                         |

**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<br>Group<br>30-Jun-14<br>RMB'000 | Group<br>31-Dec-13<br>RMB'000 | Unaudited<br>Company<br>30-Jun-14<br>RMB'000 | Company<br>31-Dec-13<br>RMB'000 |
|---------------------------------------|--------------------------------------------|-------------------------------|----------------------------------------------|---------------------------------|
| <b>ASSETS</b>                         |                                            |                               |                                              |                                 |
| <b><u>Current assets</u></b>          |                                            |                               |                                              |                                 |
| Cash and cash equivalents             | 85,349                                     | 70,888                        | 7,061                                        | 11,448                          |
| Trade and other receivables           | 472,958                                    | 478,707                       | 65                                           | 64                              |
| Inventories                           | 63,397                                     | 43,972                        | -                                            | -                               |
| Total current assets                  | <u>621,704</u>                             | <u>593,567</u>                | <u>7,126</u>                                 | <u>11,512</u>                   |
| <b><u>Non-current assets</u></b>      |                                            |                               |                                              |                                 |
| Land use rights                       | 8,613                                      | 9,080                         | -                                            | -                               |
| Property, plant and equipment         | 283,113                                    | 297,291                       | -                                            | -                               |
| Investment in subsidiary companies    | -                                          | -                             | 87,027                                       | 87,027                          |
| Investment in associated companies    | 340,368                                    | 336,225                       | 339,709                                      | 339,709                         |
| Deferred tax assets                   | 8,476                                      | 8,476                         | -                                            | -                               |
| Total non-current assets              | <u>640,570</u>                             | <u>651,072</u>                | <u>426,736</u>                               | <u>426,736</u>                  |
| <b>Total assets</b>                   | <u><u>1,262,274</u></u>                    | <u><u>1,244,639</u></u>       | <u><u>433,862</u></u>                        | <u><u>438,248</u></u>           |
| <b>LIABILITIES AND EQUITY</b>         |                                            |                               |                                              |                                 |
| <b><u>Current liabilities</u></b>     |                                            |                               |                                              |                                 |
| Trade and other payables              | <u>797,749</u>                             | <u>805,315</u>                | <u>1,064</u>                                 | <u>1,541</u>                    |
| <b><u>Non-current liabilities</u></b> |                                            |                               |                                              |                                 |
| Deferred income                       | <u>420</u>                                 | <u>453</u>                    | <u>-</u>                                     | <u>-</u>                        |
| <b><u>Capital and reserves</u></b>    |                                            |                               |                                              |                                 |
| Share capital                         | 661,153                                    | 661,153                       | 661,153                                      | 661,153                         |
| Accumulated losses                    | <u>(197,048)</u>                           | <u>(222,282)</u>              | <u>(228,355)</u>                             | <u>(224,446)</u>                |
| Total equity                          | <u>464,105</u>                             | <u>438,871</u>                | <u>432,798</u>                               | <u>436,707</u>                  |
| <b>Total liabilities and equity</b>   | <u><u>1,262,274</u></u>                    | <u><u>1,244,639</u></u>       | <u><u>433,862</u></u>                        | <u><u>438,248</u></u>           |

**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 June 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 June 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 June 2014, there are RMB 36.84 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 36.84 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)<br>Group<br>Three months<br>ended<br>30-Jun-14<br>RMB'000 | (Unaudited)<br>Group<br>Three months<br>ended<br>30-Jun-13<br>RMB'000 | (Unaudited)<br>Group<br>Six months<br>ended<br>30-Jun-14<br>RMB'000 | (Unaudited)<br>Group<br>Six months<br>ended<br>30-Jun-13<br>RMB'000 |
|---------------------------------------------------------|-----------------------------------------------------------------------|-----------------------------------------------------------------------|---------------------------------------------------------------------|---------------------------------------------------------------------|
| <b>Cash flows from operating activities</b>             |                                                                       |                                                                       |                                                                     |                                                                     |
| Profit before tax                                       | 9,729                                                                 | 10,429                                                                | 25,235                                                              | 17,628                                                              |
| Adjustments for:                                        |                                                                       |                                                                       |                                                                     |                                                                     |
| Share of result of associated company                   | (328)                                                                 | (1,817)                                                               | (4,143)                                                             | (3,673)                                                             |
| Depreciation of property, plant and equipment           | 7,601                                                                 | 6,600                                                                 | 15,135                                                              | 13,258                                                              |
| Amortisation of deferred income                         | (16)                                                                  | (16)                                                                  | (33)                                                                | (33)                                                                |
| Amortisation of land use rights                         | 233                                                                   | 233                                                                   | 467                                                                 | 467                                                                 |
| Gain on disposal of plant and equipment                 | (281)                                                                 | -                                                                     | (281)                                                               | -                                                                   |
| Interest income                                         | (410)                                                                 | (612)                                                                 | (692)                                                               | (622)                                                               |
| Operating cash flows before movement in working capital | 16,528                                                                | 14,817                                                                | 35,688                                                              | 27,025                                                              |
| Receivables                                             | 56,517                                                                | (36,138)                                                              | 5,749                                                               | 3,961                                                               |
| Inventories                                             | (12,077)                                                              | 15,527                                                                | (19,425)                                                            | (14,487)                                                            |
| Payables (Notes 1)                                      | (2,183)                                                               | (17,395)                                                              | 3,907                                                               | (48,128)                                                            |
| Cash generated from/(used in) operations                | 58,785                                                                | (23,189)                                                              | 25,919                                                              | (31,629)                                                            |
| Interest received                                       | 410                                                                   | 612                                                                   | 692                                                                 | 622                                                                 |
| Net cash generated from/(used in) operating activities  | 59,195                                                                | (22,577)                                                              | 26,611                                                              | (31,007)                                                            |
| <b>Cash flows from investing activities</b>             |                                                                       |                                                                       |                                                                     |                                                                     |
| Purchase of property, plant and equipment (Note 1)      | (11,162)                                                              | (2,368)                                                               | (12,853)                                                            | (3,532)                                                             |
| Proceed from disposal of property, plant and equipment  | 704                                                                   | -                                                                     | 704                                                                 | -                                                                   |
| Net cash used in investing activities                   | (10,458)                                                              | (2,368)                                                               | (12,149)                                                            | (3,532)                                                             |
| <b>Cash flows from financing activities</b>             |                                                                       |                                                                       |                                                                     |                                                                     |
| Proceeds from issuance of shares, net of expenses       | -                                                                     | -                                                                     | -                                                                   | 51,923                                                              |
| Decrease/(increase) in pledged bank deposits            | (11,837)                                                              | 20,000                                                                | 6,163                                                               | 30,000                                                              |
| Net advances from related party                         | -                                                                     | -                                                                     | -                                                                   | (879)                                                               |
| Net cash (used in)/generated from financing activities  | (11,837)                                                              | 20,000                                                                | 6,163                                                               | 81,044                                                              |
| Net increase/(decrease) in cash and cash equivalents    | 36,900                                                                | (4,945)                                                               | 20,625                                                              | 46,505                                                              |
| Cash and cash equivalents at beginning of period        | 11,613                                                                | 70,391                                                                | 27,888                                                              | 18,941                                                              |
| Cash and cash equivalents at end of period              | 48,513                                                                | 65,446                                                                | 48,513                                                              | 65,446                                                              |
| Cash and bank balances at end of period                 | 85,349                                                                | 73,446                                                                | 85,349                                                              | 73,446                                                              |
| Less: Pledged bank deposit                              | (36,837)                                                              | (8,000)                                                               | (36,837)                                                            | (8,000)                                                             |
|                                                         | 48,512                                                                | 65,446                                                                | 48,512                                                              | 65,446                                                              |

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 11.5 million was paid and the balance of RMB 6.6 million is reflected in other payables as at 30 June 2014. In 1H2014, the Group has acquired property, plant and equipment with an aggregate cost of RMB 1.4 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<br>capital | Accumulated<br>losses | Total   |
|-------------------------------------------------------|--------------------|-----------------------|---------|
|                                                       | RMB'000            | RMB'000               | RMB'000 |
| <u>Group</u>                                          |                    |                       |         |
| <b>Balance at January 1, 2013</b>                     | 609,230            | (243,520)             | 365,710 |
| Profit and total comprehensive income for<br>the year | -                  | 21,238                | 21,238  |
| Issuance of ordinary shares:                          |                    |                       |         |
| - Share placement, net of expenses                    | 51,923             | -                     | 51,923  |
| <b>Balance at December 31, 2013</b>                   | 661,153            | (222,282)             | 438,871 |
| Total comprehensive income for<br>the period          | -                  | 25,234                | 25,234  |
| <b>Balance at June 30, 2014</b>                       | 661,153            | (197,048)             | 464,105 |

|                                              | Paid-up<br>capital | Accumulated<br>losses | Total    |
|----------------------------------------------|--------------------|-----------------------|----------|
|                                              | RMB'000            | RMB'000               | RMB'000  |
| <u>Company</u>                               |                    |                       |          |
| <b>Balance at January 1, 2013</b>            | 609,230            | (214,175)             | 395,055  |
| Total comprehensive income for<br>the year   | -                  | (10,271)              | (10,271) |
| Issuance of ordinary shares:                 |                    |                       |          |
| - Share placement, net of expenses           | 51,923             | -                     | 51,923   |
| <b>Balance at December 31, 2013</b>          | 661,153            | (224,446)             | 436,707  |
| Total comprehensive income for<br>the period | -                  | (3,909)               | (3,909)  |
| <b>Balance at June 30, 2014</b>              | 661,153            | (228,355)             | 432,798  |

**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<br>and paid-up<br>share capital<br>S\$ | Resultant issued<br>and paid-up<br>share capital<br>RMB |
|------------------------|------------------|---------------------------------------------------------|---------------------------------------------------------|
| As at 31 December 2013 | 1,818,444,000    | 133,854,092                                             | 661,152,648                                             |
| As at 30 June 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 June 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 6M2014.

**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)<br>Group<br>Three months<br>ended<br>30-Jun-14 | (Unaudited)<br>Group<br>Three months<br>ended<br>30-Jun-13 | (Unaudited)<br>Group<br>Six months<br>ended<br>30-Jun-14 | (Unaudited)<br>Group<br>Six months<br>ended<br>30-Jun-13 |
|------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|------------------------------------------------------------|----------------------------------------------------------|----------------------------------------------------------|
| Profit per ordinary share for the financial period based on consolidated loss attributable to members of the company : |                                                            |                                                            |                                                          |                                                          |
| (a) Basic / Diluted (Rmb fen)                                                                                          | 0.53                                                       | 0.59                                                       | 1.39                                                     | 1.00                                                     |
| (a) Based on the weighted average number of shares - Basic / Diluted                                                   | 1,818,444,000                                              | 1,771,615,270                                              | 1,818,444,000                                            | 1,771,615,270                                            |

**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)<br>Group<br>30 Jun 2014<br>RMB fen | (Unaudited)<br>Group<br>31 Dec 2013<br>RMB fen | (Unaudited)<br>Company<br>30 Jun 2014<br>RMB fen | (Unaudited)<br>Company<br>31 Dec 2013<br>RMB fen |
|----------------------|------------------------------------------------|------------------------------------------------|--------------------------------------------------|--------------------------------------------------|
| Net assets per share | 25.52                                          | 24.13                                          | 23.80                                            | 24.02                                            |

Net asset value per share for 30 June 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**

#### **1H2014**

Revenue in 1H2014 decreased 9% from RMB 503.8 million in 1H2013 to RMB 459.8 million. The decrease mainly due the challenging market condition which has impact sales volume and average selling price. Capacity utilisation at the Anyang Jiutian DMF plant with an annual capacity of 150,000 tons decreased from 104% in 1H2013 to 84% in 1H2014.

The average selling price of DMF and methylamine for the period under review were RMB 5,009 and RMB 6,533 per tonne respectively (1H2013: RMB 5,333 and RMB 6,335 per tonne).

At the gross profit level, the Group improved from RMB 34.4 million in 1H2013 to RMB 36.6 million in 1H2014. Against 1H2013, despite lower average selling prices of DMF, the 6% increase of gross profit largely driven by improvements in operating efficiency at the plants from the continuous improvement efforts and lower raw material cost especially liquid ammonia.

Other income decreased 42% in 1H2014 due mainly to one-off compensation from supplier amounting of RMB 1.4 million received in 1H2013 and higher income from sale of waste material in 1H2013.

Distribution expenses decreased 38% to RMB 8.2 million in 1H2014 which was in line with the decrease of sales volume of DMF. Compare to 1H2013, the sales volume decreased by 20%. Further, there was more transportation costs which able to recharge to customers.

Administrative expenses decreased by 13% against 1H2013 due to lower incentive/bonus paid and payable to staff in the period.

Other expenses mainly consists of foreign exchange loss amounting of RMB 1.04 million in 1H2013. However, there was a foreign exchange gain amounting of RMB 63,000 arose from certain monetary assets in holding company denominated in Singapore Dollars in 1H2014.

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.

As a result, the Group registered a net profit attributable to equity holder of the Company of RMB 25.2 million against RMB 17.6 million in 1H2013.

**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)**

**2Q2014**

Revenue for 2Q2014 was RMB 205.6 million, 27% lower than 2Q2013 of RMB 280.8 million. Average selling price of DMF in 2Q2014 at RMB 4,889 per tonne was 9.4% below 2Q2013. Average selling price of methylamine in 2Q2014 at RMB 6,230 per tonne was consistent with 2Q2013.

At the gross profit level, the profit margin improved from 6.2% in 2Q2013 to 8.4% in 2Q2014 despite of lower revenue recorded. It mainly due to improvement in operating efficiency and lower low material cost.

Other income decreased 58% in 2Q2014 due mainly to one-off compensation from supplier amounting of RMB 1.4 million received in 2Q2013 and higher income from sale of waste material in 2Q2013.

Distribution expenses decreased 34% to RMB 4.0 million in 2Q2014 which was in line with the decrease of sales volume of DMF. Compare to 2Q2013, the sales volume decreased by 28.8%. Further, there was more transportation costs which able to recharge to customers.

Administrative expenses decreased by 8% against 2Q2013 due to lower incentive/bonus paid and payable to staff in the period.

Other expenses mainly consists of foreign exchange loss amounting of RMB 1.04 million in 2Q2013.

Share of Anyang Jiulong 2Q2014 result was below expectations due to Anyang Jiulong temporary shut down its operation for repair and maintenance in June 2014.

As a result, the Group registered a net profit attributable to equity holder of the Company of RMB 9.7 million against RMB 10.4 million in 2Q2013.

**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 June 2014 was RMB 621.7 million, an increase of RMB 28.1 million relative to that as at 31 December 2013. The net increase was largely attributed to:

- a. increase in cash and cash equivalents of RMB 14.4 million from RMB 70.9 million as at 31 December 2013 to RMB 85.3 million due largely net cash generated from operating activities. However, the increase was partially offset by the settlement of outstanding payable of property, plant and equipment.
- b. decrease in trade and other receivables of RMB 5.7 million mainly due to decrease of trade receivable amounting of RMB 50.6 million and value-added tax recoverable of RMB 1.0 million. The decrease was partially offset by increasing of advances to Anyang Jiujiu for the construction of plants amounting of RMB 39.8 million, income tax recoverable of RMB 2.0 million and advances/prepayment to suppliers of raw material amounting of RMB 3.9 million.
- c. increase in inventories by RMB 19.4 million.

Group's non-current assets increased by RMB 10.5 million due largely to:

- a. the depreciation and amortisation of property, plant and equipment and land use rights. However, the decrease was partially offset by the additional of property, plant and equipment.
- b. offset partially by share of results of associated company, Anyang Jiulong, of RMB 4.1 million.

Group's current liabilities as at 30 June 2014 was RMB 797.7 million, a decrease of RMB 7.6 million relative to that as at 31 December 2013. The net decrease was largely attributed to:

- a. decrease in trade payables of RMB 12.6 million relative to 31 December 2013.
- b. decrease in payables for property, plant and equipment RMB 11.5 million.
- c. the decrease was partially offset by the increase of RMB 2.0 million arose from the advances received from customers, accrued operating expenses of RMB 3.6 million and amount owing to related parties, Anhua Group, amounting of RMB 9.9 million.

Net asset value as at 30 June 2014 was RMB 464.1 million, RMB 25.2 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):**

Net current liabilities of the Group as at 30 June 2014 exceeded its current assets by RMB 176.0 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 falls due. As a substantial part of the Group's net current liabilities are owed to its principal supplier and strategic partner, Anhua Group (RMB 169.7 million) and to its associated company, Anyang Jiulong Chemical Co., Ltd (a subsidiary of Anhua's Group) of RMB 176.6 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 it falls due.

**Company's balance sheet:**

Company's current assets decreased by RMB 3.9 million as at 30 June 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 (1Q2014 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 as domestic demand has been slow, coupled with weak recovery from the international market. Our main product DMF, as a key feedstock of PU, is expected to be directly effected in the coming months.

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

Barring any unforeseen circumstances, the Group remains cautiously optimistic of its profitability for 3Q2014.

**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) |
|-----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                         | 2Q2014                                                                                                                                                                                                                 | 2Q2014                                                                                                                                                         |
| Anyang Chemical Industry Group Co., Ltd | Nil                                                                                                                                                                                                                    | 83.30 million                                                                                                                                                  |
| Anyang Jiulong Chemical Co., Ltd        | Nil                                                                                                                                                                                                                    | 36.60 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 June 2014, the Company has utilised the net proceeds raised from the Placement in February 2013 as follows:

|                                                                | S\$'000        |
|----------------------------------------------------------------|----------------|
| <b>Net Proceeds</b>                                            | <b>10,236</b>  |
| Less:                                                          |                |
| 1. Payment of Project Sodium Hydrosulfite's registered capital | (8,300)        |
| 2. General working capital requirements:-                      |                |
| a. Staffs costs and directors' fee                             | (726)          |
| b. Audit, tax and other professional fee                       | (268)          |
| c. Other operating expenses <sup>(1)</sup>                     | (344)          |
|                                                                | <b>(1,338)</b> |
| <b>Balance</b>                                                 | <b>598</b>     |

*Note<sup>(1)</sup>: 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 six months ended 30 June 2014 to be false or misleading in any material respect.

**BY ORDER OF THE BOARD**

Name: Sun Zhiqiang  
Designation: Acting Chief Executive Officer  
Date: 7 August 2014