
EMPHASIS OF MATTER BY INDEPENDENT AUDITOR ON THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

In compliance with Rule 704(4) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("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 Company's Independent Auditor, Baker Tilly TFW LLP, have included an emphasis of matter with respect to the material uncertainty related to going concern in their report (the "Independent Auditor's Report") on the audited financial statements of the Company and its subsidiaries for the financial year ended 31 December 2016 (the "FY2016 Audited Financial Statements").

The opinion of the Company's Independent Auditor on the FY2016 Audited Financial Statements however remains unqualified.

A copy of the aforesaid Independent Auditor's Report together with an extract of the relevant note of the FY2016 Audited Financial Statements is annexed to this announcement for reference.

Shareholders are advised to read the FY2016 Audited Financial Statements which will be despatched to them in due course as part of the Company's Annual report for FY2016.

By Order of the Board

Zhou Hongxuan
Chief Executive Officer and Executive Director
Date: 3 April 2017

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 subsidiaries (the “Group”) as set out on pages 11 to 57, which comprise the statements of financial position of the Group and the Company as at 31 December 2016, 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 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 Financial Reporting Standards in Singapore (“FRSs”) 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 2016 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 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 3 to the financial statements with respect to the Group’s and the Company’s ability to continue as going concerns. At 31 December 2016, the Group’s and the Company’s current liabilities exceeded the current assets by RMB144,604,000 (2015: RMB115,851,000) and RMB8,528,000 (2015: RMB3,373,000) respectively. During the financial year ended 31 December 2016, the Company incurred a net loss of RMB5,155,000 (2015: RMB5,799,000). These factors indicate the existence of a material uncertainty that may cast significant doubt about the Group’s and the Company’s ability to continue as going concerns and to realise their assets and discharge their liabilities in the ordinary course of business. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were 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 these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

1. Investment in associated companies

As disclosed in Note 17 to the financial statements, the Company and Anyang Jiulong Chemical Co., Ltd. (“Anyang Jiulong”) (an associated company of the Group) had incorporated Anyang Jiujiu Chemical Technology Co., Ltd. (“Anyang Jiujiu”) to undertake the manufacturing and selling of sodium hydrosulfite project in 2013. The Company’s direct ownership interest in both Anyang Jiulong and Anyang Jiujiu is 49%. The remaining interest in Anyang Jiujiu is owned by Anyang Jiulong. Accordingly, the Group’s effective interest in Anyang Jiujiu is 74%.

**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 Matters (cont'd)

1. Investment in associated companies (cont'd)

The Group's investment in both Anyang Jiulong and Anyang Jiujiu are classified as investment in associated companies and are accounted for in the consolidated financial statements of the Group using the equity method of accounting.

The Group's share of loss from associated companies for the year ended 31 December 2016 ("FY2016") was RMB1,136,000. The carrying value of the Group's investment in associated companies is stated at RMB352,312,000 which accounted for approximately 29% of the Group's total assets as at 31 December 2016.

As disclosed in Note 17 to the financial statements, Anyang Jiujiu commenced construction of the manufacturing plants in April 2013 and is expected to commence commercial production in phases from second quarter of 2017 instead of the original scheduled commencement in 2016. The delay in commencement of commercial production is mainly due to the construction of a dedicated solid waste incineration plant during 2016 to comply with the environmental protection requirements. In addition, there are also delays in the obtaining the approval of certain necessary licenses required for commercial production.

This delay in commencement of the commercial production is an indicator that the non-financial assets of the associated company may be impaired. Any impairment loss on non-financial assets recognised by Anyang Jiujiu will affect the Group's share of results of associated companies and net carrying values of the investments.

Investment in associated companies is considered a key audit matter due to the significance of the investment in associated companies to the Group's consolidated financial position, and also the significant judgement and estimations involved in the impairment assessment of the non-financial assets of Anyang Jiujiu. The assessment of the recoverable amounts of the non-financial assets of Anyang Jiujiu required significant judgement in particular relating to estimated cash flows projections and the discount rate applied to the value-in-use calculation.

Our procedures to address the key audit matter

We have evaluated the objectivity, qualifications and competence of the component auditor of the audit of Anyang Jiujiu. We also engaged in continuous communications with the component auditor throughout the audit and sent out audit instructions to the component auditor to satisfy our group audit requirements.

We have evaluated the sufficiency and appropriateness of the audit work performed and evidence obtained by the component auditor on the impairment assessment of the non-financial assets of Anyang Jiujiu. We also independently evaluated value-in-use calculation and key assumptions and inputs applied in management's impairment assessment of the non-financial assets of Anyang Jiujiu.

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

2. Amounts due from associated company

As disclosed in Note 12 to the financial statements, the Group has trade and non-trade amounts due from associated company, Anyang Jiujiu amounting to RMB3,652,000 (2015: RMB2,750,000) and RMB96,027,000 (2015: RMB58,672,000), respectively, as at 31 December 2016. The non-trade amount due from associated company represents advances to Anyang Jiujiu for the payments of costs incurred for the construction of its manufacturing plants.

**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 Matters (cont'd)

2. Amounts due from associated company (cont'd)

The assessment of the collectability of trade and non-trade amounts due from associated company is considered a key audit matter, as it involves significant management's judgement regarding Anyang Jiujiu's creditworthiness and ability to pay. If there is objective evidence of impairment, management need to assess whether an impairment loss should be recorded as expense in profit or loss.

Our procedures to address the key audit matter

We have evaluated management's assessment of the recoverability of the trade and non-trade amounts due from Anyang Jiujiu, by considering amongst others, factors such as financial position and performance of Anyang Jiujiu, the status of its manufacturing plants and estimated profits and cash flows projections of Anyang Jiujiu.

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report 2016, 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 FRSs, 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.

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

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.

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.

**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 Lim Kok Heng.

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

3 April 2017

JIUTIAN CHEMICAL GROUP LIMITED AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustments to the carrying amount of the asset or liability affected in the future.

Critical accounting judgements

Going concern assumption

At 31 December 2016, the Group's and the Company's current liabilities exceeded the current assets by RMB144,604,000 (2015: RMB115,851,000) and RMB8,528,000 (2015: RMB3,373,000) respectively. During the financial year ended 31 December 2016, the Company incurred a net loss of RMB5,155,000 (2015: RMB5,799,000). These factors indicate the existence of a material uncertainty that may cast significant doubt about the Group's and the Company's ability to continue as going concerns and to realise their assets and discharge their liabilities in the ordinary course of business.

The ability of the Group and the Company to continue as going concerns is dependent on:

- (i) the continuing financial support from Anyang Chemical Industry Group Co., Ltd. ("Anhua") and Anyang Jiulong Chemical Co., Ltd. ("Anyang Jiulong"), both are subsidiary companies of Henan Energy and Chemical Industry Group Co., Ltd ("HNEC"), a related party of the Group. The details of the financial support which was provided to Anyang Jiutian, a significant subsidiary company of the Group, are described in Note 23;
- (ii) the ability of the Group and the Company to generate sufficient cash flows from their operations to meet their current and future obligations; and
- (iii) the availability of credit facilities from the Group's and the Company's lenders over the next twelve months.

Management has taken the following measures to improve the Group's operational performance and financial position:

- (i) sourced for new customers and held discussions with the Group's major customers to seek higher sales volume and negotiate for better prices;
- (ii) Anyang Jiutian has obtained continuing financial support from Anhua and Anyang Jiulong. The details of the financial support are described in Note 23; and
- (iii) continuously seek improvements in the production efficiency of the Group's production facilities through technological enhancements and system re-engineering in order to further reduce the costs of production.

After considering the measures taken described above, the Group and the Company believe that they have adequate resources to continue their operations as going concerns.

JIUTIAN CHEMICAL GROUP LIMITED AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

3 Critical accounting judgements and key sources of estimation uncertainty (cont'd)

Critical accounting judgements (cont'd)

Going concern assumption (cont'd)

For these reasons, the financial statements have been prepared on the assumptions that the Group and the Company will continue as going concerns. If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to realise their assets and discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may have to provide for further liabilities that might arise, and to reclassify non-current assets and liabilities as current assets and liabilities.