



九天化工集团有限公司  
JIUTIAN CHEMICAL GROUP LIMITED

C O M P O U N D I N G

GR  WTH

D Y N A M I C S

Annual Report 2014

# Our Mission Statement

To Be One Of The Largest DMF  
Producers & A Key Player In China's  
Coal-Based Fine Chemical Industry



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### A Specialist In Fine Chemical Industry

Jiutian Chemical Group Limited (the “Company” or the “Group”), incorporated in Singapore on 30 November 2004, was listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 4 May 2006. We are engaged in the manufacture and production of dimethylformamide (“DMF”) and methylamine. We are also involved in the processing and sale of consumable carbon dioxide and oxygen.

The business is divided into two main business divisions:

1. DMF division producing DMF as its main product and methylamine as our secondary product.
2. Gas division producing consumable carbon dioxide and oxygen.

We are located in Henan, China’s most populous province with a population of 96 million, which together with surrounding provinces have a combined population of 450 million. Whilst economic development and industrialisation in China began on the eastern and southern coast, this process has begun to spread rapidly inland, including to Henan and its surrounding regions, where cost of labour, land and raw materials are significantly lower.

As a result, industrialisation and urbanisation is occurring at a rapid pace in these regions, and the consequent establishment of factories producing wide range of consumer products is driving the demand for chemicals such as DMF and methylamine. Being the only significant DMF producer in Henan province and within 500km and from the plant, we are well positioned to take advantage of this trend.

In addition, our location in China’s Coal Belt allow us to enjoy a cost advantage over other PRC DMF producers due to secure and low cost access to the coal-based raw materials that are used in the manufacture of our products. Our production efficiency and cost-effective supply chain management strategy, which include direct piping-in of raw materials from our main supplier, has provided us a relative cost advantage against our competitors.

Henan Province is also on the Beijing-Guangzhou railway and close to Zhengzhou, which has one of Asia's largest railway stations and network. There are plans for Zhengzhou to be developed into a logistics central station for cargo transportation. This will further reduce the transportation costs of our products. Our customer base in China consists of customers in Henan, the surrounding provinces adjacent to Henan, namely Hebei, Shaanxi, Shanxi, Hubei, Shandong, and Anhui, and provinces in the Yangtze Delta Region, namely, Jiangsu and Zhejiang.

Some of our customers are manufacturers of downstream products that use methylamine and DMF, while others, especially those located further away in the Yangtze Delta Region, are trading intermediaries that distribute these chemicals to customers that use these chemicals in their manufacturing processes. With our second DMF/methylamine facility of 120,000 annual ton capacity completed in late 2007, we have emerged as one of the world's largest manufacturers of DMF with a total annual capacity of 150,000 ton of DMF and methylamine.

To further our marketing reach in the Yangtze Delta region, our completion of the storage and distribution facility in Changzhou City, Jiangsu Province which can handle up to 40,000 ton of DMF annually facilitated by a direct link to the national rail network via a dedicated railway line to the Group's production facilities enable us to pass on our transport and distribution cost savings to our customers.

The Group has a 49% equity interest in Anyang Jiulong Chemical Co., Ltd with Henan's largest enterprise and one of China's most significant coal mining companies, Henan Energy and Chemical Industry Group Co., Ltd. ("HNEC") formerly known as Henan Coal and Chemical Industry Group Co., Ltd. To date, Anyang Jiulong has completed the construction of two 130 ton per hour steam boilers, two 10,000 ton methanol storage tanks, a 400 ton per hour distilled water station, two 25,000 kilo watts per hour power station and a 20,000 ton DMAC (Dimethylacetamide) plant. The partnership with HNEC and investment in Anyang Jiulong will strengthen the integration of our operations and diversify our earnings base.





## OUR PRODUCTS



### DIMETHYLFORMAMIDE (DMF)

DMF, which is our main product, uses methylamine (another of the Group's secondary products) as a feedstock. DMF has a diversified range of applications. It is in turn used as a feedstock in the production of Polyurethane (PU), a key component in the manufacture of consumer goods such as leather products and shoe soles, as well as feedstock in the production for pharmaceutical and agro chemical products. DMF is also a universal industrial solvent that can be used as an absorbing agent mainly in electronics, acrylic fibre and pharmaceutical products.

### DMF PRODUCTION PROCESSES

We have a fully integrated production process in our 150,000 ton DMF plant where methylamine manufactured is sold independently as well as used as feedstock in DMF production. This flow-through production process provides operational flexibility, as it allows management to change product mix to suit market conditions. We consistently optimise our cost structure through various measures including minimising transportation costs and ensuring regular supply of our high quality products to the customers. With global downstream manufacturing facilities shifting increasingly to China, as well as a growing domestic consumption economy, demand for DMF in China is expected to continue to grow steadily over the next few years. Furthermore, Chinese producers are increasingly exporting and this would no doubt be a source of growth for China's DMF manufacturers in the years to come.

### POLYURETHANE - DMF AS A KEY FEEDSTOCK

One of the most important applications of DMF is its use as a feedstock in the production of polyurethane, an important chemical used in a wide range of consumer related applications. Polyurethane products can be found everywhere and is one of the most versatile materials today that offers the elasticity of rubber combined with the toughness and durability of metal. Polyurethane absorbs weight, improves durability, enhances insulation in the products and provides added comfort and resiliency.

### KEY USES OF POLYURETHANE INCLUDE:

Consumer goods (Insulation & Cushioning) Polyurethane is often used for its insulation and cushioning capabilities. Over three quarters of the global consumption of polyurethane products is in the form of foams with flexible and rigid types being roughly equal in market size. Flexible foams are used in the upholstery of commercial and domestic furniture as well as in automobiles, while rigid foams are found on the insides of metal and plastic walls of most refrigerators and freezers; or behind paper, metals and other surface materials in the case of thermal insulation panels in the construction sector.

### Shoe Sole

DMF is commonly used in manufacturing extremely versatile polyurethane elastomers. With the properties of high levels of elasticity, tensile strength, elongation and shock absorbing abilities, it can be used in manufacturing shoe soles.

### PU Leather

DMF is also widely used in the manufacture of polyurethane leather, or synthetic leather. Due to its lightweight, classy-looking and comfortable properties, PU leather is easily maintained, water-resistant, abrasion-resistant and can be drycleaned. Synthetic leather is a lower cost alternative to real leather that can be used in manufacturing sofas, handbags, shoes and belts.

### DMF AS UNIVERSAL SOLVENTS

#### Petrochemical

DMF can be used as an industrial solvent to produce petrochemical products, including butadiene. When combined with other chemicals, end products include synthetic rubber, nylon and automobile tyres. With the surging consumer and industrial demand for petrochemical products in China, large-scale increases in production capacity of petrochemical products is expected in the coming decade.

#### Acrylic Fibre/Natural Leather

DMF is also used as an industrial solvent to produce acrylic fibre. Driven by the global fashion market, acrylic fibre has recently become a lower cost alternative to cashmere due to its similar soft fabric feeling. It is extensively used in knitwear, carpet, toys, blanket and apparel industries. DMF is also used to remove hair from natural leather.

#### Pharmaceutical

The global pharmaceutical market is projected to grow, driven by the ageing global population. 10% of China's population, i.e., 130 million people, will be above 60 years old and this number is expected to rise more than 31% by the year 2050. In China, DMF is used as an industrial solvent to produce antibiotics and other type of consumable drugs - new uses of DMF as an ingredient of pharmaceutical products are being developed all the time.

#### Electronics

DMF is also used to dissolve the catalyst in the epoxylaminated printed circuit boards in the electronics industry. Driven by the influx of investment in the electronics sector, along with the rapid development of the communications industry, China is amongst the world's largest producer of PCB boards, thus demand for DMF in China is expected to remain significant as well.



## OUR PRODUCTS

### DMF AS OTHER CHEMICAL FEEDSTOCK

#### Agrochemical

DMF and methylamine, used as chemical feedstock to produce agrochemicals such as fertilisers, soil conditioners, pesticides and antibiotics, are critical to raising crops for food. The PRC Government has pledged to improve the living standards of farmers by increasing local agricultural productivity and new investments in the countryside. The use of agrochemicals in Henan Province, which has one of China's largest agricultural sectors, is expected to increase in the coming decades due to this initiative.

### METHYLAMINE

Methylamine is an important chemical feedstock in the organic chemical industry. It is widely used in various areas, such as agricultural chemicals, medicine, fuel, synthetic resin, leather making, production of the solvent used for chemical fibres, activating agents and photography. Methylamine is produced by the reaction of methanol with ammonia. Most of the methylamine produced by the Group is used as a feedstock for the production of DMF.

### CONSUMABLE CARBON DIOXIDE

Carbon dioxide can be broadly classified as industrial carbon dioxide and consumable carbon dioxide. The Group's focus will be the higher margin consumable carbon dioxide due to the increasing demand for the product for use in aerated beverages, tobacco and preservation of vegetables.





# Maximising Value

We aspire to be one of the **largest DMF producers** in China's Coal-based fine chemical industry.



In the midst of a perpetually uncertain environment, we continue to **persevere on and stay focused** to create maximise value for our shareholders.

## CORPORATE MILESTONES

# 2014

### DECEMBER

Incorporated a new subsidiary company, Xinjiang Jiutian Energy Technology Co., Ltd.

### AUGUST

Incorporated a new subsidiary company, Henan Herunsheng Isotope Technology Co., Ltd. ("Herunsheng").

# 2013

### JUNE

Incorporated a new associated company, Anyang Jiujiu Chemical Technology Co., Ltd ("Anyang Jiujiu") to undertake the Project Sodium Hydrosulfite.

### FEBRUARY

S\$10.4 million raised in the Company's fourth share placement exercise.

# 2012

### DECEMBER

Completion of 20,000 ton DMCA ("Dimethylacetamide") plant by Anyang Jiulong Chemical Co., Ltd. ("Anyang Jiulong"), a 49% associated company of the Group.

### SEPTEMBER

A systematic revamp of the 120,000 ton DMF plant carried out from mid 2011 was successfully completed in September 2012. The results were marked improvements in overall operating efficiency and productivity.

# 2011

### NOVEMBER

Anyang Longyu (HK) Development Co., Ltd. ("Anyang Longyu") became the major shareholder of the Company holding 28.43% of the issued and paid up share capital of the Company. Anyang Longyu is an indirect subsidiary company of HNEC. HNEC (ranked amongst China's top 100 enterprises) is one of China's most significant coal mining companies and a significant manufacturer in the chemical industry.

# 2010

### SEPTEMBER

Anyang Jiulong completed the registration of the new joint venture structure with HNEC taking to a 35.1% equity stake.

# 2009

### NOVEMBER

HNEC, a newly established group which comprised the merger of five coal and coal-based chemical companies including Yong Mei Group signed a supplementary agreement to inject RMB 227.9 million for a 35.1% equity stake in Anyang Jiulong, revised from 32.15% earlier.

# 2008

### AUGUST

The Group announced Yong Mei Group taking a 32.15% equity interests in Anyang Jiulong by injecting RMB 200 million into Anyang Jiulong.

### MAY

S\$36.9 million raised in the Company's third share placement exercise.

### JANUARY

The Group announced an increase in its equity interests of Anyang Jiulong from 51% to 75.5%.

# 2007

### DECEMBER

Completion of storage and distribution facility in Changzhou City, Jiangsu Province.

### SEPTEMBER

Completion of 120,000 ton DMF production capacity.

### MARCH

The Group announced investment of 51% equity interests in Anyang Jiulong.

### FEBRUARY

Establishment of R&D centre within the Production and Technical Department to focus on progress improvement and research on other coal-based fine chemicals.

S\$47.0 million raised in the Company's second share placement exercise.

# 2005

### SEPTEMBER

Construction of a new 30,000 ton consumable carbon dioxide production facility began.

### JULY

Anyang Jiutian Fine Chemical Co., Ltd ("Anyang Jiutian") obtained a certification of registration issued by the National Quality Assurance Limited, a UK company, for ISO 9001:2000 certification in our quality management system in our production, sale and service of industrial methanol, DMF and methylamine.

### MAY

Completion of an upgrading programme which increased methylamine/DMF production capacity from 20,000 ton to 30,000 ton.

# 2006

### NOVEMBER

S\$18.9 million raised in the Company's first share placement exercise.

### OCTOBER

The Group announced expansion of capacity of new DMF plant under construction from 60,000 ton to 120,000 ton.

### MAY

The Company was admitted to SGX-ST and trading began. 30,000 ton consumable carbon dioxide production facility began production.

### JANUARY

Construction of a new 60,000 ton DMF facility began.

# 2004

### DECEMBER

The Group acquired 100% equity stake in Anyang Jiutian. Anyang Jiutian acquired methanol and gas divisions of Anyang Chemical Industry Group Co., Ltd ("Anhua").

### NOVEMBER

The Company incorporated in Singapore.

# 2003

Methylamine/DMF facility completed in end of 2003; improvement in technology allowed the completion of 20,000 ton facility, twice the original planned capacity.

# 2001

Formation of Anyang Jiutian. Construction of methylamine/DMF plant began. Methanol and gas businesses certified ISO 9001:2000.



**“Our  
results  
affirm the  
success  
of our  
strategy of  
improving  
production  
efficiency.”**

**Gao Heng**

Non-Executive and  
Non-Independent Chairman

## DEAR SHAREHOLDERS,

The financial year ended 31 December 2014 was a year of progress and resilience for the Group. Our focus on steadily improving our operational efficiency continued to underpin the Group's capacity to deliver value.

### Resilient Results

The year under review saw leading economies such as China, Japan and Europe experience slowdowns with only the United States enjoying accelerating growth. Against this backdrop of global market activity, the Group felt the ripples of the slowing economy in its area of operations – China.

Sales for the year dipped by 4% to RMB 934.1 million as compared to the RMB 970.8 million achieved in FY2013. The contraction was triggered by challenging market conditions which adversely impacted sales volumes and the average selling prices of our principal product – dimethylformamide ("DMF").

The average selling price for DMF had fallen to RMB 4,799 per tonne as compared to RMB 5,199 in FY2013. Likewise, the average selling price for methylamine also fell, dropping to RMB 6,242 per tonne as compared to RMB 6,320 in FY2013.

DMF has a diverse range of applications and is used as a feedstock in the production of Polyurethane (PU), a key component in the manufacture of consumer goods such as leather products and shoe soles, as well as feedstock in the production for pharmaceutical and agrochemical products. DMF is also a universal industrial solvent that can be used as an absorbing agent mainly in electronics, acrylic fibre and pharmaceutical industries.

As DMF is a key component product in the manufacture of consumer goods, as well as feedstock for pharmaceutical and agrochemical products, and also a universal industrial solvent, any reduction in demand for those goods would negatively impact us. However, we are taking the longer term view that reduction in demand is to be expected with the cooling of China's growth in line with its rebalancing policy to steer the country toward growth based on domestic consumption instead of over-reliance on trade and investment.

As a result of lower demand, capacity utilisation of our Anyang Jiutian DMF plant which has an annual capacity of 150,000 tonnes decreased to 72% from 95% the year before.

In addition to our top line, we also saw lower returns from other income which fell by approximately 48%. This segment which includes non-core business items contributed less this year due to two primary factors - lower interest income of RMB 1.1 million, and lower income generated from sale of waste material of RMB 3.0 million. In comparison, income generated for FY2013 was RMB 2.5 million and RMB 6.2 million for interest income and sales of waste material respectively.

Notwithstanding the challenges above, the Group successfully maintained a gross profit margin of 6%, the same as the previous financial year due to improved production efficiency and concurrent reductions in the cost of feedstock.

Furthermore, in contrast with the results above, the Group delivered greater value by growing its net profit by 27% to RMB 27million. We interpret the results to be a testament to our focus on improving our business models. A more efficient system results in better usage of resources, less wastage and thus, stronger returns.

### Sustaining Strengths

Our strategy of improving operational efficiency continues to be a tried and tested approach that we will implement. We will continue to explore new initiatives to refine our production process and improve our margins.

The expansion of our product mix is steadily underway. We are targeting to commence the commercial sales of sodium hydrosulfite by 2015. The foundations for the addition of this product began with the incorporation of Anyang Jiujiu Chemical Technology Co., Ltd in 2013.

Another product that we will be adding is Oxygen-18 ( $^{18}\text{O}$ ) which is a natural, stable isotope of oxygen and one of the environmental isotopes and important precursor for the production of fluorodeoxyglucose (FDG) used in positron emission tomography (PET).



## CHAIRMAN'S STATEMENT

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The Group will also be adding deuterium depleted water ("DDW") into its portfolio of products. DDW is known more ambiguously as light water, which has a lower concentration of deuterium than occurs naturally. It is of particular interest as studies have shown that water with a low deuterium concentration (<65% percent of volume) can inhibit cancer growth. Clinical trials demonstrated that drinking DDW (10-20 ppm) caused growth arrest of malignant cells in cancer patients and significantly prolonged the patient survival and improved quality of life. We believe that DDW has much potential as a wide range of anti-cancer drugs in current use are associated with severe adverse effects, however deuterium-depleted water appears to have virtually no pharmacological side effects and is convenient to administer.

Both  $^{18}\text{O}$  and DDW are expected to come on-stream by 2016. Production for both will be under Henan Herunsheng Isotope Technology Co., Ltd. which was incorporated in FY2014. The Group has a 45% stake in Herunsheng which does research and development of isotope technology.

Meanwhile, we also plan to continue investing in branding and building our distribution network. These factors combined will boost our long term competitiveness and further anchor our position as a leading fine chemicals manufacturer in China.

### Outlook

The Group continues to see reasonable prospects for DMF in the medium term despite temporal speed bumps such as the lower demand this year. We believe that there is still much upside in our current market of China despite China's lower growth target of around 7 percent for 2015, the lowest in two decades.

Analysts are also positive about China's fine chemical industry, and foresee that by 2015, China's fine chemical production value would reach RMB 1.6 trillion, double that of 2008. The fine chemical product's self-sufficiency rate is also expected to amount to approximately 80% by then and firmly place the country in the running to becoming a key global player of fine chemicals.

### In Appreciation

I would like to thank everyone who has contributed to the performance of the Group for the year. The people who have played a part include fellow board members who helped steer the Group. I would also like to thank our dedicated staff for their hard work and confidence in the Group.

Lastly, I would like to thank our shareholders for their faith and support. I would like to reaffirm our focus on continuing to achieve growth and deliver more value to shareholders.

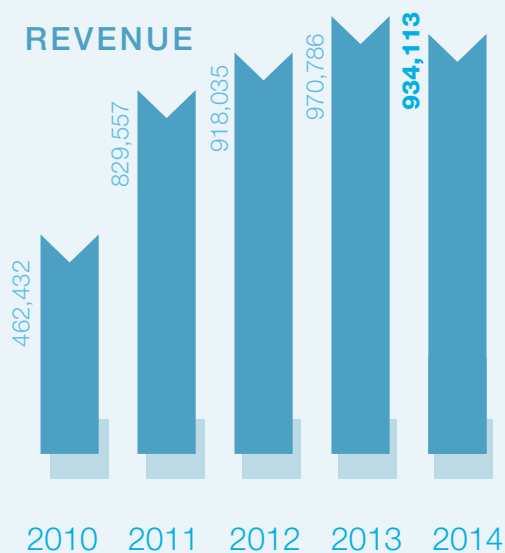
### Gao Heng

Non-Executive and Non-Independent Chairman

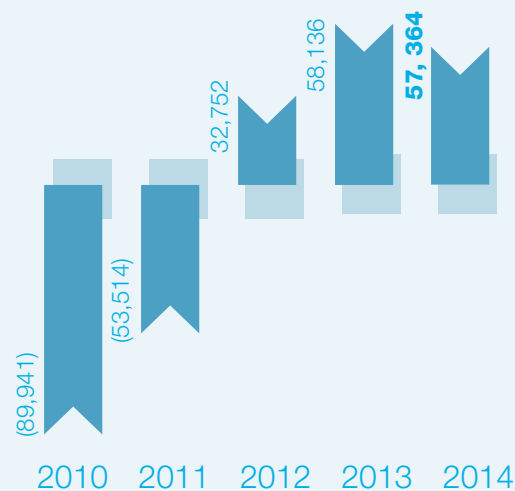
## FINANCIAL HIGHLIGHTS

	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	934,113	970,786	918,035	829,557	462,432
Gross Profit (Loss)	57,364	58,136	32,752	(53,514)	(89,941)
Profit (Loss) Attributable to Shareholders	27,012	21,238	1,324	(90,793)	(155,322)
Earning (Loss) per share (RMB cents)	1.49	1.18	0.08	(5.48)	(9.38)

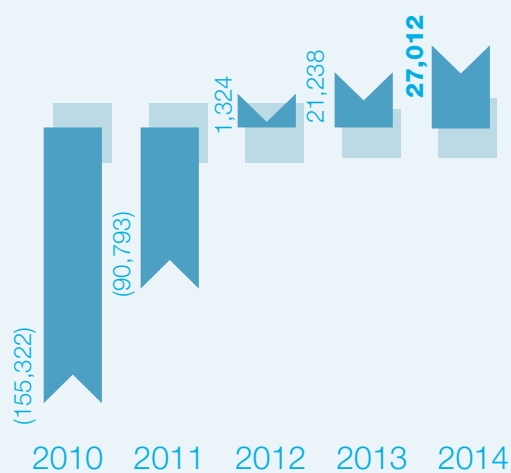
### REVENUE



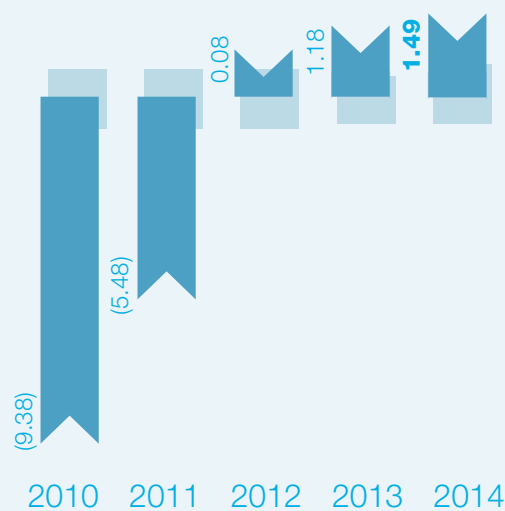
### GROSS PROFIT (LOSS)



### PROFIT (LOSS) ATTRIBUTED TO SHAREHOLDERS



### EARNINGS (LOSS) PER SHARE



## Operations Overview

The Group's business is divided into two main business divisions:

1. DMF division producing DMF as its main product and methylamine as the secondary product;
2. The gas division, producing consumable carbon dioxide and oxygen.

## The Year in Review

For the year under review, the Group forged ahead despite external operational challenges to deliver greater value. Our strategy of tuning operational efficiency and the pursuing better margins continues to generate positive returns and render the Group's ability to deliver more robust.

Revenue for FY2014 dipped slightly by 4% to RMB 934.1million as compared to the RMB 970.8million achieved the year before. The lower result was mainly attributed to challenging market conditions which impacted sales volumes and average selling price. Our improved ability to unlock value is made evident when we compare the reduced capacity utilisation at our Anyang Jiutian DMF plant against the fall in sales. Utilisation had fallen to 72% as compared to 95% in FY2013. Despite the 23% drop in utilisation, total sales only suffered a 4% reduction.

In FY2014, the average selling price of DMF and methylamine were RMB 4,799 and RMB 6,242 per tonne respectively. Both were lower as compared to prices in FY2013 which were RMB 5,199 and RMB 6,320 per tonne. From the gross profit perspective, the decrease was consistent with the lower revenue and cost of goods sold. The Group had managed to maintain a gross profit margin of 6% which is consistent with that of FY2013.

Other income decreased by 48% in FY2014 due mainly to lower interest income and lower income generated from sale of waste material. The Group's interest income was recorded at RMB 1.1million which was RMB 1.4million lower than the RMB 2.5million recorded in FY2013. Similarly, income generated from sales of waste material fell by more than half to RMB 3.0million from the RMB 6.2million reported in FY2013.

Correspondingly, the Group's distribution expenses decreased by 36% to RMB 16.1million in FY2014 due to the decrease of DMF sales. Sales volume of DMF in total had decreased by 19.3% for the year under review. The Group also recorded a decrease in transportation cost which it was able to transfer to its customers for the period under review.

Anticipating tougher times ahead, the Group opted to tighten its belt and scaled down administrative expenses by 10% to RMB 23.8million as compared to FY2013. The reduction was mainly in the form of lower incentives and bonuses paid out to staff.

Other expenses decreased by 17% to RMB 3.4million in FY2014 mainly due to a decrease of foreign exchange loss of RMB 2.5million compare to FY2013. However, the decrease was partially off-set by the increase in allowance for doubtful debts of RMB 0.9million and property, plant and equipment written off amounting to RMB 1.0million.

The share of results of associated companies mainly pertains to the share of results from Anyang Jiulong which generated revenue from the production and selling of industrial steam and electricity.

Tax expenses consist of current income tax expenses of RMB 3.9million and underprovision in respect of FY2013 amounting to RMB 2million, and mitigated by the recognition of deferred tax assets of RMB 5.0million in respect of accelerated accounting depreciation. The underprovision of income tax expenses of RMB 2.0million for FY2013 was mainly due to delay in obtaining approval from tax authority for the utilisation of unabsorbed tax losses and such unabsorbed tax losses was approved and partially utilised in FY2014.

Taking into account the various factors above, the Group was able to register a net profit attributable to equity holders of the Company of RMB 27.0million in FY2014, a 27.4% increase against the RMB 21.2million in FY2013.

### The Group's Statement of Financial Position:

The Group's current assets as at 31 December 2014 was RMB 595.4million, which was RMB 1.9million higher than that as at 31 December 2013. The net increase was largely attributed to:

- a) an increase in trade and other receivables of RMB 47.2million mainly due to increase of advances to Anyang Jiujiu for the construction of plants amounting to RMB 42.3million, increase of advances to related parties amounting to RMB 20.2million and advance payments to suppliers amounting to RMB 17.2million. The increase was partially offset by the decrease of trade receivables amounted to RMB 29.0million.
- b) a decrease in inventories of RMB 14.9million due to lower level of finished goods by RMB 17.8million as compared to FY2013 and offset with increase in raw material by RMB 2.9million and stock turnover is improved.
- c) a decrease in cash and cash equivalents of RMB 30.4million from RMB 70.9million as at 31 December 2013 to RMB 40.5million as of 31 December 2014 due largely to settlement of trade bills payables amounting to RMB 34.2million.

The Group's non-current assets decreased by RMB 6.5million due largely to:

- a) the depreciation and amortisation of property, plant and equipment and land use rights of RMB 31.4million. However, the decrease was partially offset by the increase in property, plant and equipment of RMB 15.3million.
- b) an increase in share of results of associated companies of RMB 6.0million.
- c) an increase in deferred tax assets of RMB 5.0million.

The Group's current liabilities as at 31 December 2014 was RMB 746.2million, a decrease of RMB 59.1million relative to that as at 31 December 2013. The net decrease was largely attributed to:

- a) a decrease in advances from related parties of RMB 159.7million and advances from customers amounting of RMB 3.9million.
- b) a decrease in payables for property, plant and equipment of RMB 12.5million.
- c) a decrease in rental payable to Anyang Jiulong amounting of RMB 7.8million.
- d) an increase in value added tax payables of RMB 2.4million.
- e) an increase in trade payables of RMB 125.1million relative to 31 December 2013.

The Group's net asset value as at 31 December 2014 was RMB 493.4million, RMB 54.5million higher than the net asset value as at 31 December 2013 of RMB 438.9million. This was largely attributed to the profit generated for the year and proceeds from issuance shares to non-controlling shareholders.

### The Company's Statement of Financial Position

The Company's current assets decreased by RMB 7.9million as at 31 December 2014 due largely to payout for head office expenses.

### Outlook

Moving forward, we anticipate that the Group's performance will be affected by a weaker demand for chemical products in China, including DMF, the inflation of general costs such as labour, administrative and distribution and the continued planned slowing of China's economy.

Despite these challenges, the Group is positioning itself for the long term and readied itself to remain robust and competitive. The Group continues to build its pillars of product quality, branding and distribution network. This will help strengthen our foundation to minimise the impact of the above factors and allow the Group to remain profitable for the long term.

## BOARD OF DIRECTORS



**MR GAO HENG**

Non-Executive and Non-Independent Chairman

Mr Gao Heng was appointed as Non-Executive and Non-Independent Chairman on 20 March 2012. He obtained a bachelor's degree and master's degree in Engineering from China University of Mining and Technology. He is currently the Chairman and CEO of Anyang Chemical Industry Group Co. Ltd. Mr Gao was Vice-General Manager of Henan Coal Company and plant manager of Yima Coal Company between December 2006 to April 2009.

**MR SUN ZHIQIANG**

Acting Chief Executive Officer

Mr Sun Zhiqiang, redesignated as Acting Chief Executive Officer of the Group on 20 March 2012, is responsible for the overall management and strategic planning for the development of the Group. Mr Sun graduated from Henan University with a degree in Chemical Engineering in 1993. Upon graduation, Mr Sun joined Anhua. He was promoted to the position of assistant engineer in 1996, engineer in 1999 and Deputy Head of workshop in 2000. In 2001, Mr Sun was instrumental in setting up Anyang Jiutian's DMF and methylamine production facilities.



**MR LEE CHEE SENG**

Executive Director



Mr Lee Chee Seng, Executive Director, is responsible for corporate finance and strategic planning for the Group. Mr Lee graduated from the National University of Singapore obtaining First Class Honours degree in Bachelor of Civil Engineering in 1987. Upon graduation, Mr Lee joined the Monetary Authority of Singapore as a central banking officer. Mr Lee has been a qualified Chartered Financial Analyst (CFA) since 1990. Mr Lee joined Morgan Grenfell (Asia) Limited in 1988 and was promoted in 1993 to become the Managing Director of Deutsche Morgan Grenfell (Malaysia) to run its investment banking business in Malaysia. Mr Lee returned to Singapore in 1994 to become Head of Corporate Finance for South-East Asia for Deutsche Morgan Grenfell Asia. Between April 2001 and November 2003, Mr Lee served as non-executive director of Malaysian Plantations Berhad, a Malaysian holding company for Alliance Bank Malaysia, and as exco member on the boards of its banking and finance subsidiaries.

**MR WU YU LIANG**

Non-Executive and Lead Independent Director

Mr Wu Yu Liang is Independent Director. On 28 February 2008, Mr Wu was appointed by the Board as the Lead Independent Director of the Company. He graduated in 1985 from the National University of Singapore with a degree in Bachelor of Laws with Second Class Honours (Upper Division). He was admitted as an Advocate and Solicitor of the Supreme Court of Singapore in 1986. Mr Wu is currently the Managing Director of the Law Corporation WU LLC. His main areas of practice are corporate and commercial laws as well as litigation.



**MR CHAN KAM LOON**

Non-Executive and Independent Director



Mr Chan Kam Loon is Independent Director. He holds a degree in Accounting and Finance from the London School of Economics and Political Science and is a Chartered Accountant with the Institute of Chartered Accountants in England and Wales. Between 1990 and 1996, Mr Chan worked at Morgan Grenfell Asia Ltd and HG Asia Securities Ltd in their corporate finance teams. From 1996 to 2001 Mr Chan was a Director of Investments at a private equity fund, Suez Asia Holdings Pte Ltd. From July 2001 to July 2004, Mr Chan headed up the Listings Function within the Markets Group at the Singapore Exchange Securities Trading Ltd.



## BOARD OF DIRECTORS



**MR FOO MENG KEE**

Non-Executive and Independent Director

Mr Foo Meng Kee is Independent Director. He holds a Bachelor of Commerce degree (Honours) from the Nanyang University of Singapore, as well as a Master of Business Administration degree from the University of Dubuque, United States of America. Mr Foo is currently the Managing Director of MK Capital Pte Ltd. Between 1976 and 1998, Mr Foo worked in Hitachi Zosen Singapore Limited (now known as Keppel Shipyard Limited) and became a board member in July 1989. When the company became listed in 1992, Mr Foo was appointed as Managing Director and served in the Executive and Audit Committees. Mr Foo has also been on the committee of the Association of Singapore Marine Industries and the Singapore Armed Forces Reservists' Association.

**MR GAO GUOAN**

Non-Executive and Independent Director

Mr Gao Guoan was appointed as non-executive and independent director on 26 April 2013. Mr Gao was the secretary of the Party Committee of Henan Coal Mine Design Institute and the secretary of Party Committee and director of Henan Coal Industrial Department (Bureau). He also served as a member of Henan CPPCC Standing Committee and the deputy head of its Human Resources and Environment Committee. Mr Gao was also president of Henan Province Coal Industrial Association.



**MR SU JING**

Non-Executive and Non-Independent Director

Mr Su Jing was appointed as non-independent and non-executive director on 22 July 2010. He holds a Bachelor of Engineering degree from Beijing Transportation University as well as a Master Degree in Accounting from the Royal Melbourne Institute of Technology, Australia. Mr Su is currently the Vice General Manager of HNEC Investment Co., Ltd. Prior to the current appointment in HNEC, Mr Su was the Head of Capital Operation in Yongcheng Coal and Electricity Group (commonly known as Yong Mei Group) between March 2005 to February 2009.

**MR HUO XIAOFAN**

Non-Executive and Non-Independent Director

Mr Huo Xiaofan specializes in accounting and has a degree in Business Administration from the Central University of Finance and Economics. He was head of the Tax Section in the Henan Chemical Factory from 1989 to 2004. Mr Huo was also Audit Supervisor in Yongcheng Coal and Electricity Group for four years and later assumed the position of Head of Finance in Zhenglong Coal Co. Ltd, a subsidiary of Yongmei Group, in 2007 until 2009. He was previously the Vice Chief Financial Officer of Anyang Chemical Group Co., Ltd before he was promoted to Chief Financial Officer in 2011.



# KEY MANAGEMENT

## MR ZHOU HONGXUAN

General Manager of Subsidiaries

Mr Zhou Hongxuan graduated from Xiangtan Mining Institution with a bachelor degree in Chemical Engineering. In March 2012, Mr Zhou was appointed as the General Manager of the China subsidiaries taking care of the daily operation of the subsidiaries. Prior to joining the Group, Mr Zhou was a Manager in Anhua, where he had held a number of supervisor and manager position spanning over 19 years.

## MR ZHOU DENG FENG

Vice General Manager - Marketing

Mr Zhou Dengfeng is responsible for directing market research, planning, market analysis and forecast, monitoring national and international development and changes in product market, formulating marketing strategy and brand strategy. Mr Zhou joined the Group in February 2010 as Deputy Head of Sales and Marketing and was promoted to the current position in September 2012. Mr Zhou obtained a Bachelor Degree from Henan University of Science and Technologies.

## MR CHENG JIANJUN

Vice General Manager - Production and Technology

Mr Cheng Jianjun is responsible for the management and deployment of our production personnel, setting of the Group's technical targets, ensuring stable production and energy conservation. Mr Cheng joined Anyang Jiutian in March 2007. Mr Cheng graduated with a bachelor's degree in Zhengzhou Engineering Institute.

## MR KHAW SHEE KAI

Group Financial Controller

Mr Khaw Shee Kai is responsible for the accounting, financial and taxation matters of the Jiutian Chemical Group Limited. He is experienced in the accounting and finance industries and substantially been involved in public and private company audits whilst at Foo Kon Tan Grant Thornton in Singapore and Moores Rowland in Malaysia. Prior to joining the Company, he was Group Finance Manager of another S-chip company listed on SGX-ST. He is a member of the Association of Chartered Certified Accountants (United Kingdom).

## MS LIU SHUXIN

Head of Finance of Subsidiaries

Ms Liu Shuxin graduated from Zhengzhou Institute of Aeronautical Industry Management with a degree in Accounting. She worked in the Finance Department of Anhua from 1994 to 2010 and participated in the production costing, project financial management and manages the company's finances. Ms Liu later joined Jiutian in 2010 as Finance Supervisor and was in charge of the financial budget, financial statements, taxation matters of China subsidiaries. She was appointed as Head of Finance in Jiutian in 2011.

### BOARD OF DIRECTORS

Gao Heng  
Sun Zhiqiang  
Lee Chee Seng  
Wu Yu Liang  
Chan Kam Loon  
Foo Meng Kee  
Gao Guoan  
Su Jing  
Huo Xiaofan

### AUDIT COMMITTEE

Chan Kam Loon (Chairman)  
Foo Meng Kee  
Wu Yu Liang

### NOMINATING COMMITTEE

Foo Meng Kee (Chairman)  
Chan Kam Loon  
Gao Heng

### REMUNERATION COMMITTEE

Wu Yu Liang (Chairman)  
Chan Kam Loon  
Foo Meng Kee

### COMPANY SECRETARIES

Low Siew Tin, ACIS  
Lee Wei Hsiung, ACIS

### REGISTERED OFFICE

80 Robinson Road #02-00  
Singapore 068898

### COMPANY REGISTRATION NUMBER

200415416H

### PRINCIPAL PLACE OF BUSINESS ADDRESS

3 Raffles Place  
#05-01 Bharat Building  
Singapore 048617  
Main line: (65) 6536 3738  
Fax line: (65) 6536 3898  
Zhangwu Street, Long An District,  
Anyang City, Henan Province,  
People's Republic of China

### SHARE REGISTRAR

Tricor Barbinder Share Registration Services  
(a business division of Tricor Singapore Pte. Ltd.)  
80 Robinson Road #02-00  
Singapore 068898

### PRINCIPAL BANKER

Industrial and Commercial Bank of China  
Anhua Branch  
Zhangwu Street, Long An District,  
Anyang City, Henan Province,  
People's Republic of China

### INDEPENDENT AUDITOR

Baker Tilly TFW LLP  
600 North Beach Road  
#05-01 Parkview Square  
Singapore 188778  
Partner-in-charge: Lim Kok Heng  
Appointed in the financial year ended 31 December 2014



# Energising Our Solutions

We seek to continue strengthening  
our efforts and adapt appropriate  
business solutions to drive the growth  
of our Group's revenue.



JIUTIAN CHEMICAL GROUP LIMITED (“Jiutian Chemical” or the “Company”) is committed to high standards of corporate governance within the Company and its subsidiaries (the “Group”) to advance its mission to create value for the Group’s customers and shareholders. The Board recognises the importance of practicing good corporate governance as a fundamental part of its responsibilities to protect and enhance shareholders’ value and the financial performance of the Group.

This Report describes the Group’s ongoing efforts in FY2014 in keeping pace with the evolving corporate governance practices and complying with the revised Code of Corporate Governance 2012 (the “2012 Code”) issued on 2 May 2012. Outlined below are the policies, processes and practices adopted by the Group in compliance with the principles and spirit of the Code.

## BOARD MATTERS

### Principle 1 - THE BOARD’S CONDUCT OF AFFAIRS

The Company is led by an effective Board, working closely with Management for the success of the Company. The composition of the Board is as follows:

Mr Gao Heng	Non-Executive and Non-Independent Chairman
Mr Sun Zhiqiang	Acting Chief Executive Officer
Mr Lee Chee Seng	Executive Director
Mr Wu Yu Liang	Non-Executive and Lead Independent Director
Mr Chan Kam Loon	Non-Executive and Independent Director
Mr Foo Meng Kee	Non-Executive and Independent Director
Mr Gao Guoan	Non-Executive and Independent Director
Mr Huo Xiaofan	Non-Executive and Non-Independent Director
Mr Su Jing	Non-Executive and Non-Independent Director

The principal functions of the Board apart from its statutory responsibilities are to:

- set values and standards of the Company and ensure that obligations to shareholders are understood and met;
- provide entrepreneurial leadership, approve the strategic and financial objectives, corporate policies and authorisation matrix of the Company;
- oversee the processes for risk management, financial reporting and compliance and evaluate the adequacy of internal controls; approve annual budget, key operational matters, major acquisition and divestment proposals and major funding proposals of the Company;
- review management performance;
- approve the nominations to the Board of Directors and appointment of key management, as may be recommended by the Nominating Committee;
- identifying the key stakeholder groups and recognise that their perceptions affect the Company’s reputation;
- formulate and put in place corporate governance framework of the Company; and
- considering sustainability issues including environmental and social factors in the formulation of Group’s strategies.

The Board meets at least four times a year. Ad-hoc meetings are convened as warranted by circumstances or deemed appropriate by the Board members. Non-executive directors are encouraged to meet regularly without management present.

The Group has adopted and documented internal guidelines setting forth matters that require Board’s prior approval. Matters which are specifically reserved for the decision of the entire Board include:

- Approval of quarterly results announcements;
- Approval of the Annual Reports and audited financial statements;



# CORPORATE GOVERNANCE

- Convening of shareholders' meetings;
- Group's strategy, business plan and annual budget;
- material acquisition and disposal of assets;
- capital-related matters including financial re-structure, market fund-raising;
- share issuances, interim dividends and other returns to shareholders; and
- any investment or expenditures exceeding set material limit.

While matters relating to the Group's objectives, strategies and policies require the Board's decision and approval, Management is responsible for the day-to-day operation and administration of the Group.

To facilitate effective management, certain functions of the Board have been delegated to various Board Committees, namely Audit, Nominating and Remuneration Committees. Further information regarding the function and details of the terms of reference of the Board Committees are set out in the later part of the Report.

Directors' attendance at meetings of the Board and Board Committees during the financial year is as follows:

Name	Board	Audit Committee	Nominating Committee	Remuneration Committee
	Number of Meetings held: 5	Number of Meetings held: 4	Number of Meetings held: 1	Number of Meetings held: 1
	Number of Meetings Attended	Number of Meetings Attended	Number of Meetings Attended	Number of Meetings Attended
Gao Heng	5	n.a.	1	n.a.
Sun Zhiqiang	5	n.a.	n.a.	n.a.
Lee Chee Seng	5	n.a.	n.a.	n.a.
Wu Yu Liang	5	4	n.a.	1
Chan Kam Loon	4	4	1	1
Foo Meng Kee	5	4	1	1
Gao Guoan	4	n.a.	n.a.	n.a.
Su Jing	4	n.a.	n.a.	n.a.
Huo Xiaofan	4	n.a.	n.a.	n.a.

n.a.: not applicable

The Board is responsible for arranging and funding the training of Directors. Each director is entitled a certain budget to their training needs, to keep abreast with the latest developments such as updates on the relevant laws and regulations, changes in technology and industrial practice relating to the Group's business.

The Company will arrange for all newly appointed directors (if any) to meet with the Company's senior management to familiarise themselves with the business, operations and governance practices of the Company and its subsidiaries. Newly appointed Directors will be provided a formal letter setting out their duties and obligations. Existing directors of the Company are encouraged to participate in seminars and/or briefing sessions to be kept abreast of latest developments, such as regulatory changes which applicable to the Group.

Under the existing Articles of Association of the Company, the Directors may participate in a meeting of the Directors by means of a conference via telephone or similar communications.

## Principle 2 - Board Composition and Guidance

The Board comprises nine (9) Directors: two (2) Executive Directors, four (4) Independent Directors and three (3) Non-Executive and Non-Independent. The profile of the Directors are set out on pages 16 and 17 of this Annual Report.

The Board assesses the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board annually. It is of the view that the current composition and board size is appropriate for effective decision making, the Board will continue to review the size of the Board on an ongoing basis. The four (4) Independent Directors who made up more than one-third of the board composition provide the Board with independent and objective judgment on the corporate affairs of the Group. As a team, the Board collectively provides core competencies in the areas of accounting, finance, legal, business and management, as well as industry knowledge.

Each of the Independent Directors has confirmed that he does not have any relationship with the Company or its related corporations, its 10% shareholders or its officers including confirming not having any relationships and circumstances provided in Guideline 2.3 of the 2012 Code, that could interfere, or be reasonably perceived to interfere, with the exercise of independent judgment in carrying out the functions as an Independent Director with a view to the best interests of the Group. The Nominating Committee has reviewed, determined and confirmed the independence of the Independent Directors.

The Independent Directors arrange to meet the auditors at least once a year without the presence of Management or Executive Directors to review matters that must be raised privately.

## Principle 3 - Chairman and Chief Executive Officer

To ensure a balance of power and authority within the Company, the role of the Non-Executive and Non-Independent Chairman ("Chairman") and the Acting Chief Executive Officer ("Acting CEO") of the Company are undertaken by Mr. Gao Heng and Mr. Sun Zhiqiang respectively. The Chairman and Acting CEO are not related to each other.

The Chairman, Mr. Gao Heng plays a key role in developing the business of the Group and provides the Group with strong leadership and vision. The Chairman is responsible for the workings of the Board, ensuring the integrity and effectiveness of its governance process. He works closely with the Board to implement the policies set by the Board to realise the Group's vision. He also promotes a culture of openness and debate at the Board and encourages constructive relations within the Board and between the Board and Management. All major decisions made by the Chairman are reviewed by the Board.

Mr Sun Zhiqiang who was one of the founding managers of the Company and responsible in the setting up of Anyang Jiutian Fine Chemical Co., Ltd's DMF and methylamine production facilities in 2001, is the Company's Acting CEO.

The performance and appointment of the Non-Executive and Non-Independent Chairman and the Acting CEO to the Board are reviewed periodically by the Nominating Committee and their remuneration package is reviewed periodically by the Remuneration Committee. Both the Nominating Committee and Remuneration Committee comprise a majority of Non-Executive Directors. As such, the Board believes that there are adequate safeguards in place against an uneven concentration of power and authority in a single individual.

As recommended by the Code, the Board has appointed Independent Non-Executive Director, Mr Wu Yu Liang, as the Lead Independent Director. Shareholders of the Company with serious concerns that could have a material impact on the Group, for which contact through the normal channels of the Chairman, Acting CEO or Group Financial Controller have failed to resolve or is inappropriate, shall be able to contact Mr Wu Yu Liang or the Audit Committee members of the Group.

## Principle 4 - Board Membership

Nominating Committee

The Nominating Committee ("NC") comprises three (3) Directors, majority of whom, including the Chairman is independent. The NC members are:

Foo Meng Kee (Chairman)	(Non-Executive and Independent)
Chan Kam Loon	(Non-Executive and Independent)
Gao Heng	(Non-Executive and Non-Independent)

# CORPORATE GOVERNANCE

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The NC has written terms of reference that describe the responsibilities of its members. The duties of the NC are as follows: -

- (a) review and make recommendations to the Board on all candidates nominated for appointment to the Board as well as to the senior management positions in the Company, taking into account the candidate's track record, age, experience, capabilities and other relevant factors;
- (b) identify and make recommendations to the Board as to the Directors who are to retire by rotation and to be put forward for re-election;
- (c) determine annually whether or not a Director is independent in accordance with the Guidelines 2.3 and 2.4 of the 2012 code and other salient factors;
- (d) decide, in relation to a Director who has multiple board representations, whether or not such Director is able to and has been adequately carrying out his duties as Director of the Company;
- (e) put in place plans for succession, in particular, of the chairman of the Board and the chief executive officer of the Company;
- (f) make recommendations to the Board on matters relating to the review of training and professional development programs for the Board;
- (g) evaluate the effectiveness of the Board as a whole and assess the contribution by each Director, to the effectiveness of the Board; and
- (h) procure that at least one-third (1/3) of the Board shall comprise of independent Directors. (or such other minimum proportion and criteria as may be specified in the Code from time to time.)

The Group has an open policy for professional training for all the Board members, including the Executive Director and Independent Directors. The Company endorses the Singapore Institute of Directors ("SID") training programs and sets a budget for such training and professional development programs. All Board members are encouraged to attend relevant trainings organised by the SID or any other organisation which provides relevant training courses for directors. The cost of such training will be borne by the Company.

The NC has in place formal, written procedures for making recommendations to the Board on the selection and appointment of Directors. Such procedures would be activated when a vacancy on the Board arises or when the Board is considering making a new Board appointment either to enhance the core competency of the Board or for purpose of progressive renewal of the Board.

In identifying suitable candidates, the NC may:

- 1. Advertise or use services of external advisers to facilitate a search.
- 2. Approach alternative sources such as the SID.
- 3. Consider candidates from a wide range of backgrounds from internal or external sources.
- 4. After short listing the candidates, the NC shall:
  - (a) consider and interview all candidates on merit against objective criteria, taking into consideration that appointees have enough time available to devote to the position; and
  - (b) evaluate and agree to a preferred candidate for recommendation to and appointment by the Board.

During the year, the NC met once and determined the independence of the Directors is in line with the requirements based on Guideline 2.3 of the 2012 Code's definition of what constitutes the independence of the Independent Directors. The NC has affirmed that Mr Wu Yu Liang, Mr Foo Meng Kee, Mr Chan Kam Loon and Mr Gao Guoan are independent. Each Independent Director has abstained from the NC/Board's determination of his independence.

The Board recognises that Independent Directors may over time develop significant insights into the Group's business and operations, and can continue to objectively provide significant and valuable contribution to the Board as a whole. Where there are such Directors serving as an Independent Director for more than nine years from their respective date of appointment, the Board will do a rigorous review of their continuing contribution, character, background and independence. As at the date of this Report, Mr Wu Yu Liang, Mr Chan Kam Loon and Mr. Foo Meng Kee have served on the Board as an Independent Director for more than nine years from their respective date of appointment. They are being long serving and are familiar with the Company's history and business.

During its review, the NC considered that Mr Wu Yu Liang, Mr Chan Kam Loon and Mr. Foo Meng Kee have exhibited a strong spirit of professionalism and demonstrated independent mindedness and conduct at Board and Board Committee meetings. Each of the aforesaid directors has been consistent in the diligent discharge of their duties and exercise of sound independent business judgment and objectivity which did not diminish with time.

After taking into account these factors, the NC's views and having weighed the need for Board's refreshment against tenure, the Board has determined that Mr Wu Yu Liang, Mr Chan Kam Loon and Mr Foo Meng Kee continue to be regarded as Independent Directors of the Company, notwithstanding having served more than nine years from their respective date of appointment.

The NC acknowledges that the prescribed Board composition changes under the Code which required Independent Directors to make up half of the Board to take effect for financial year commencing 1 May 2016. The NC is reviewing this so that necessary steps can be taken to comply with this requirement after such review. In the interim, the four Independent Directors help to uphold good corporate governance at the Board level and their presence facilitates the exercise of independent and objective judgement on corporate affairs.

Save for the following Directors who are related to the Company's substantial shareholders (is not less than 10% of the total voting Shares), none of the Directors on the Board are related to each other and do not have any relationship with the Company or its related companies or its officers that could interfere or to be reasonably perceived to interfere with the exercise of their independent judgments.

- (1) Mr Gao Heng, Chairman and CEO of Anyang Chemical Industry Group Co., Ltd ("Anhua"), immediate holding company of Anyang Longyu (HK) Development Co., Ltd;
- (2) Mr Huo Xiaofan, CFO of Anhua; and
- (3) Mr Su Jing, Vice General Manager of HNEC Investment Co., Ltd, a related company of Anyang Longyu (HK) Development Co., Ltd.

In accordance with the provisions of the Company's Articles of Association, one-third of our Directors retires by rotation and being eligible, may submit themselves for re-election at every Annual General Meeting ("AGM"). The Acting CEO who is a member of the Board must also subject himself to retirement by rotation and re-election by shareholders.

Accordingly, Mr Sun Zhiqiang, Mr Lee Chee Seng and Mr Foo Meng Kee will retire at the forthcoming AGM pursuant to Article 91 of the Articles of Association. Mr Gao Guoan will retire and seek re-appointment under Section 153(6) of the Companies Act at the forthcoming AGM and if re-appointed, will hold office from the date of the AGM until the next AGM of the Company. The NC has recommended to the Board that the retiring Directors be nominated for re-election and re-appointment. In making the recommendations, the NC considered the Directors' overall contribution and performance.

Their profiles are shown on pages 16 and 17 of the Annual Report.

All Directors are required to declare their board appointments. The NC has reviewed and is satisfied that notwithstanding their multiple board appointments, Mr Wu Yu Liang, Mr Foo Meng Kee, Mr Chan Kam Loon, and Mr Gao Guoan who sit on multiple boards of listed companies, have been able to devote sufficient time and attention to the affairs of the Group to adequately discharge their duties as Directors of the Company.

# CORPORATE GOVERNANCE

Key information regarding the Directors of the Company is disclosed as follows:

Name of Directors	Date of first appointment	Date of last re-election	Nature of Appointment	Membership of Board Committee	Directorship/ Chairmanship both present and those held over the preceding three years in other listed company	Other Principal Commitments
Gao Heng	01 June 2011	29 April 2014 (Article 91)	Non-Executive and Non-Independent Chairman	1.Nominating Committee	–	Chairman and CEO of Anyang Chemical Industry Group Co. Ltd.
Sun Zhiqiang	30 November 2004	26 April 2013 (Article 91)	Acting Chief Executive Officer	–	–	–
Lee Chee Seng	30 November 2004	27 April 2012 (Article 91)	Executive Director	–	–	–
Wu Yu Liang	19 April 2006	29 April 2014 (Article 91)	Non-Executive and Lead Independent Director	1.Audit Committee 2.Remuneration Committee (Chairman)	<u>Present</u> 1.Pan Asian Holdings Limited 2.China Environment Ltd 3.Ausgroup Limited  <u>Past three years</u> 1.See Hup Seng Limited	Managing Director of Wu LLC
Chan Kam Loon	19 April 2006	26 April 2013 (Article 91)	Non-Executive and Independent Director	1.Audit Committee (Chairman) 2.Remuneration Committee 3.Nominating Committee	<u>Present</u> 1.Sarin Technologies Ltd 2.Megachem Limited 3.Hupsteel Limited  <u>Past three years</u> 1.China Gaoxian Fibre Fabric Holdings Ltd 2.Vashion Group Ltd 3.Z-Obee Holdings Limited	–
Foo Meng Kee	19 April 2006	27 April 2012 (Article 91)	Non-Executive and Independent Director	1.Audit Committee 2.Remuneration Committee 3.Nominating Committee (Chairman)	<u>Present</u> 1.Sinarmas Land Limited 2.Lee Metal Group Ltd 3.Titan Petrochemicals Group Limited 4.Courage Marine Group Limited  <u>Past three years</u> 1.See Hup Seng Limited	Director of MK Marine Pte Ltd and related companies
Su Jing	22 July 2010	26 April 2013 (Article 91)	Non-Executive and Non-Independent Director	–	–	Vice General Manager of HNEC Investment Co., Ltd
Hua Xiaofan	20 March 2012	29 April 2014 (Article 91)	Non-Executive and Non-Independent Director	–	–	CFO of Anyang Chemical Industry Group Co. Ltd.
Gao Guoan	26 April 2013	29 April 2014 (Section 153(6))	Non-Executive and Independent Director	–	<u>Present</u> Zhengzhou Coal Mining Machinery Group Co., Ltd.  <u>Past three years</u> –	–



## Principle 5 - Board Performance

A review of the Board's performance is conducted by the NC annually. On the recommendation of the NC, the Board has adopted an internal process for evaluating the effectiveness of the Board as a whole. Each Board member will be required to complete an evaluation form to be returned to the NC Chairman for evaluation. Based on the evaluation results, the NC Chairman will present his recommendations to the Board. The key objective of the evaluation exercise is to obtain constructive feedback from each Director to continually improve the Board's performance.

The NC will at the relevant time look into adopting guidelines for annual assessment of the contribution of each individual Director to the effectiveness of the Board and also the assessment of board committees. The NC is of the view that despite multiple board representations in certain instances, each Director has been adequately carrying out his duties as a Director of the Company and the Board is able to exercise objective judgement on corporate affairs independently and no individual or small group of individuals dominates the Board's decision making process.

The Board has not engaged any external facilitator in conducting the assessment of the Board's performance.

## Principle 6 - Access to Information

Board members are provided with management information pertaining to areas such as budget forecast, funding positions and cash flow projections of the Group to help them carry out their responsibilities effectively. In addition, all relevant information on material events and transactions are circulated to the Directors as and when they arise.

All Board members have separate and independent access to the advice and services of the Company Secretaries, who is responsible to the Board for ensuring that board procedures are followed and that applicable rules and regulations are complied with. All Board members also have separate and independent access to the senior management of the Company and the Group.

The Company Secretary and/or the representative of the Company Secretary attend Board and Board Committees meetings of the Company. The appointment or removal of the company secretaries should be a matter for the Board as a whole.

Board members are aware that they, whether as a group or individually, in the furtherance of their duties, can take independent professional advice, if necessary, at the Company's expense.

## REMUNERATION MATTERS

### Principle 7 - Procedures for Developing Remuneration Policies

Remuneration Committee

The Remuneration Committee ("RC") comprises three (3) Directors, all of whom are independent. The RC members are as follows:

Wu Yu Liang (Chairman)	(Non-Executive and Independent)
Chan Kam Loon	(Non-Executive and Independent)
Foo Meng Kee	(Non-Executive and Independent)

The RC has written terms of reference that describe the responsibilities of its members. The duties of the RC, among others, are as follows: -

- (a) recommend to the Board a framework of remuneration for the Board and determine the specific remuneration package for each Executive Director and the key management personnel of the Company, if he is not an Executive Director;
- (b) consider whether Directors and key management personnel should be eligible for benefits under long-term incentive schemes; and
- (c) recommend to the Board the fees of Non-Executive Directors.

# CORPORATE GOVERNANCE

In its review, the RC's objective is to establish and maintain a level of remuneration that is in align with the long-term interest and risk policies of the Company to ensure that it is competitive to attract, retain and motivate the directors and key executives to run the Company successfully. The framework of remuneration policies for its Directors and key executives is largely guided by the financial performance of the Company. The RC also ensures that the remuneration policies and systems of the Group support the Group's objectives and strategies.

The Board has established a framework of remuneration for the directors and senior management which cover all aspect of remuneration, including but not limited to director's fees, salaries, allowances, bonuses, benefits in kind.

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and Key Executives in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

The Directors did not participate in any decision concerning their own remuneration.

## Principle 8 - Level and Mix of Remuneration

The RC recommends to the Board a framework of remuneration for the Directors and Key Executives, and determines specific remuneration packages for each Executive Director. The recommendations of the RC on the remuneration of Directors would be submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses and benefits-in-kind shall be reviewed by the RC.

## Principle 9 - Disclosure on Remuneration

In setting the remuneration packages of the Executive Directors, the Company makes a comparative study of the packages of executive directors in comparable industries and takes into account the performance of the Company.

Non-Executive Directors are paid a basic fee. The chairman of each of Board Committee is compensated for his additional responsibilities. Such fees are approved by the shareholders of the Company at the annual general meeting of the Company.

During the financial year, the RC met once to review and recommend the remuneration of the Executive Directors, Non-Executive Directors and Independent Directors. The RC had recommended directors' fee for the Independent Directors of S\$170,000 for the financial year ending 31 December 2015 to be paid quarterly in arrears.

The aggregate amount of the retirement and post-employment benefits to the Directors, the Acting CEO and top 5 Key Executives (who are not directors or CEO) is approximately S\$46,000. Details of the said benefits can be found on page 56 of the Annual Report.

The remuneration band of the Directors and Key Executives for FY2014 and the various components of their remuneration in percentage terms are set out below in compliance with the recommendation of the 2012 Code.

The details of the remuneration of the Directors and Key Executives are as follows:

	Fees	Salary	Bonus	Other Benefits	Total
<b>EXECUTIVE DIRECTORS</b>					
S\$250,000 – S\$500,000					
Lee Chee Seng	–	70%	17%	13%	100%
Below S\$250,000					
Sun Zhiqiang	–	79%	17%	4%	100%
<b>NON-EXECUTIVE DIRECTORS</b>					
Below S\$250,000					
Gao Heng	–	–	–	–	–
Su Jing	–	–	–	–	–
Huo Xiaofan	–	–	–	–	–

## INDEPENDENT DIRECTORS

Below S\$250,000

Foo Meng Kee	100%	–	–	–	100%
Chan Kam Loon	100%	–	–	–	100%
Wu Yu Liang	100%	–	–	–	100%
Gao Guoan	100%	–	–	–	100%

## KEY EXECUTIVES

Below S\$250,000

Zhou Hongxuan	–	57%	35%	8%	100%
Zhou Dengfeng	–	52%	31%	17%	100%
Cheng Jianjun	–	59%	32%	9%	100%
Khaw Shee Kai	–	73%	18%	9%	100%
Liu Shuxin	–	78%	11%	11%	100%

For competitive and confidentiality reasons, the Company is not disclosing the identity and remuneration of Directors and Key Executives. The Company is instead disclosing the remuneration in bands of S\$250,000 up to S\$500,000.

For the financial year ended 31 December 2014 the aggregate amount of the remuneration paid to the top 5 Key Executives is approximately S\$269,000.

None of the employees whose remuneration exceeds S\$50,000 is an immediate family member of the Directors.

## ACCOUNTABILITY AND AUDIT

### Principle 10 - Accountability

The Board accepts that it is accountable to the shareholders while the Management is accountable to the Board. The Management provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a quarterly basis. The Board provides shareholders with financial statements for the first three quarters and full financial year within the timeframe in line with Rule 705 of the Listing Manual of SGX-ST. In presenting the annual financial statements and announcements of financial results to shareholders, the Board aims to provide shareholders with a balanced and understandable assessment of the Company's performance, position and prospects on a quarterly basis via the quarterly financial results and report. Such responsibility is extended to the other price-sensitive public reports and reports to regulators, if required.

The Board also provides negative assurance confirmation to shareholders for the quarterly financial statements in accordance with Rule 705(5) of the Listing Manual of SGX-ST.

### Principle 11 - Risk Management and Internal Controls

The Group maintains a system of internal controls for all companies within the Group, but recognises that no internal control system will preclude all errors and irregularities. The system is designed to manage rather than to eliminate the risk of failure to achieve business objectives. The controls are to provide reasonable, but not absolute, assurance to safeguard shareholders' investments and the Group's assets.

#### Risk Management

The Audit Committee ("AC") assisted the Board to review the effectiveness of the internal audit function annually based on the report of the internal and independent auditors. The Board has on 29 April 2014 engaged Crowe Horwath First Trust Risk Advisory Pte Ltd to perform Enterprise Risk Management. During the financial year, the AC had reviewed and based on the internal control system established and maintained by the Group, work performed by the internal and independent auditors and reviews performed by Management, the Board with the concurrence of the AC is of the opinion that there are adequate internal controls addressing financial, operational, compliance, information technology controls, and risk management systems.

# CORPORATE GOVERNANCE

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The independent auditors have, during the course of their audit, carried out a review of the effectiveness of key internal controls within the scope of their audit. Material non-compliance and internal control weaknesses noted during their respective audits and their recommendations are reported to the AC. It was noted that there were no systemic issues to be highlighted. The AC has reviewed the internal auditors and independent auditors' comments and findings to ensure that there are adequate internal controls in the Group and follow up on actions implemented in their next audit review.

In line with the 2012 Code, the AC, with the concurrence of the Board, had adopted an Assurance Confirmation Statement ("Assurance Statement") confirming that the financial records of the Company have been properly maintained, the Company's financial statements give a true and fair view of the Company's operations and finances and an effective risk management and internal control systems have been put in place. The Assurance Statement would be signed by the Acting Chief Executive Officer and the Group Financial Controller of the Company and tabled at AC and Board meetings held for reviewing full year results. Consequent to the above, the Board noted that the AC had received the duly signed Assurance Statement for FY2014.

## Whistle Blowing Policy

The Company has developed a whistle blowing policy. This policy provides well-defined and accessible channels in the Group through which employees may raise concerns about improper conduct within the Group. There was no whistle blowing report received during the financial year.

## **Principle 12 - Audit Committee**

The AC comprises three (3) Directors, all of whom are independent. The AC members are as follows:

Chan Kam Loon	(Chairman)	(Non-Executive and Independent)
Foo Meng Kee		(Non-Executive and Independent)
Wu Yu Liang		(Non-Executive and Independent)

The AC has a written terms of reference that describe the responsibilities of its members. The AC meets at least four (4) times a year to perform the following main functions:

- (a) to review with the independent auditor the audit plan, their evaluation of the system of internal accounting controls and their audit report;
- (b) to review quarterly and full year financial statements of the Company and the Group, including announcements in relation thereto before their recommendation to the Board of Directors for approval to be released to SGX-ST;
- (c) to review the assistance given by management to the independent auditor;
- (d) to review any significant unresolved differences between the independent auditor, internal auditors and management;
- (e) to review the scope and results of the audit and its cost effectiveness. The independence of independent auditor should be reviewed annually;
- (f) to review annually the nature and extent of non-audit services (where these are substantial) provided by the independent auditor to the Company to ensure that these are provided objectively, on a value-for-money basis;
- (g) to review the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance;
- (h) to consider the appointment/re-appointment and removal of the independent auditor, the remuneration, terms of engagement and matters relating to the resignation or dismissal of the independent auditor for the purpose of making recommendations to the Board of Directors;
- (i) to commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity or failure of internal controls or suspected infringement of any law, rule and regulation (whether of Singapore or elsewhere) which has or is likely to have a material impact on the Groups and the Company's operating results and/or financial position, and management's response;

- (j) to review the adequacy of the Group's and the Company's internal controls, including financial, operational, compliance, information technology controls and risk management policies and systems established by the management at least once a year;
- (k) to review Whistle Blowing Policy and to ensure that arrangements are in place for independent investigation of such matters and for appropriate follow up action;
- (l) to review the scope, results and cost-effectiveness of internal audit procedures as well as the effectiveness of the Group's and Company's internal audit function;
- (m) to review interested person transactions periodically to ensure that they comply with the internal control procedures;
- (n) to undertake such other reviews and projects as may be requested by the Board of Directors; and
- (o) to undertake such other functions and duties as may be required by the Listing Manual or by law, and by such amendments made thereto from time to time.

The AC has full access to, and cooperation from the Management including the independent auditor, and has full discretion to invite any director and executive officer to attend its meetings. The AC also has power to investigate any matter brought to its attention, within its terms of reference, with the power to retain professional advice at the Company's expense.

During the financial year, AC had met with the internal auditor and independent auditor, without the presence of the management to discuss the results of their examinations and their evaluations of the systems of internal accounting controls.

The AC had reviewed the scope and quality of audit by the independent auditor and the independence and objectivity of the independent auditor as well as the cost effectiveness. The AC also reviewed the audit fee paid to the independent auditor. The independent auditor did not render any non-audit services to the Group during the financial year. The audit fee for the Group and its associated companies for the financial year ended 31 December 2014 was S\$350,000.

The Group does not appoint different auditors for its significant subsidiaries or associated companies.

The Company is in compliance with Rule 712 and Rule 715 of the Listing Manual of SGX-ST in relation to its independent auditor, as the subsidiary companies and associated companies of the Company were audited by Baker Tilly TFW LLP for the purpose of preparation of the consolidated financial statements of the Group.

Each of the AC's members had confirmed their independence in accordance with the guidelines set out in the 2012 Code.

The AC also satisfied that the independent auditor, Baker Tilly TFW LLP is able to meet the audit obligations of the Company and is pleased to recommend to the Board of Directors, the nomination of Baker Tilly TFW LLP for re-appointment as independent auditor of the Company at the forthcoming Annual General Meeting. The independent auditor provides regular updates and briefing to the AC on changes or amendments to accounting standards to enable the members of the AC to keep abreast of such changes and its corresponding impact on the financial statements, if any.

### **Principle 13 - Internal Audit**

The Board recognises the importance of the internal audit function which, being independent of Management is one of the principal means by which the AC is able to carry out its responsibilities effectively. Messrs Crowe Horwath First Trust Risk Advisory Pte Ltd ("Horwath") is the existing internal auditors of the Group. Horwath primarily reports to the Chairman of the AC.

The internal auditors' carrying out of their function is in accordance to the standards set by the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

The AC ensures that management provides good support to the internal auditors and provides them with access to documents, records, properties and personnel when requested in order for the internal auditors to carry out their function accordingly.

To ensure the adequacy of the internal audit function, the AC reviews and approves, on an annual basis, the internal audit plans and the resources required to adequately performing this function.



# CORPORATE GOVERNANCE

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## SHAREHOLDER RIGHTS AND RESPONSIBILITIES

### Principle 14 - Shareholder Rights

The Company treats all shareholders fairly and equitably, and recognises, protects and facilitates the exercise of shareholders' rights and continually reviews and updates such governance arrangements. The Group strives for timeliness and transparency in its disclosures to the shareholders and the public. The Board provides shareholders with an assessment of the Company's performance, position and prospects on a quarterly basis and other ad hoc announcements as required by the SGX-ST. In addition to the regular dissemination of information through SGXNET, the Company also responds to enquiries from investors, analysts, fund managers and the press. However, the Company does not practise selective disclosure as all price-sensitive information is disclosed in a comprehensive, accurate and timely manner via SGXNET.

### Principle 15 - Communications with the Shareholders

The Annual General Meeting of the Company is the principal forum for dialogue and interaction with all shareholders. The Board welcome shareholders to voice their views and ask the Board questions regarding the Company and the Group.

Information is disseminated / made available to shareholders through:

- (i) SGXNet announcements and news releases; and
- (ii) Annual Reports.

The Company does not have a specific dividend policy. Nonetheless, the Management after reviewing the performance of the Company in the relevant financial year will make appropriate recommendation to the Board. Any dividend declaration will be communicated to the shareholders via announcement through SGXNET.

No dividend declaration for the financial year ended 31 December 2014 as the Company wishes to reserve the fund for the ongoing projects.

To promote a better understanding of shareholders' views, the Board actively encourages shareholders to participate during the Company's Annual General Meeting. These meetings provide excellent opportunities for the Company to obtain shareholders' view on value creation.

### Principle 16 - Conduct of Shareholder Meetings

All shareholders receive reports or circulars of the Company including notice of Annual General Meeting by post within the mandatory period. Notice of Annual General Meeting is announced through SGXNET and published in the Business Times within the same period.

All registered shareholders are invited to participate and given the right to vote on resolutions at Annual General Meetings. Every matter requiring shareholders' approval is proposed as a separate resolution.

Each item of special business included in the notice of the Annual General Meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Proxy form is sent with notice of Annual General Meeting to all shareholders.

The Company's Articles of Association allow a member of the Company to appoint not more than two (2) proxies to attend and vote on his behalf at Annual General Meeting through proxy forms deposited 48 hours before the Annual General Meeting. As the authentication of shareholder identity information and other related security issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail, email or fax.

All Directors, Management, Company Secretary, independent auditors and legal advisors (if necessary), attend the Annual General meetings. The procedures of Annual General Meetings provide shareholders the opportunity to ask questions relating to each resolution tabled for approval and open communication are encouraged by the shareholders with the Director on their views on matters relating to the Company. To enhance shareholder participation, the Company will put all resolutions at the Annual General Meetings to vote by poll and announces the results by showing the number of votes cast for and against each resolution and the respective percentage to the audience at the Annual General Meetings. The polling results are also announced to the SGX-ST and posted on the Company's website after the meetings.

The Company Secretary prepares minutes of Annual General Meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meetings, and responses from the Board and Management, and to make these minutes, subsequently approved by the Board, available to shareholders during office hours.

The Company will review its Memorandum and Articles of Association from time to time and make such amendments to the Articles of Association to be in line with the applicable requirements or rules and regulations governing the Continuing Listing obligations of the Listing Manual of the SGX-ST.

## CODE OF CONDUCT

### Dealing in Securities

The Board is aware of the guidelines of the corporate disclosure policy and the requirements for continuing disclosure as set out in the Listing Manual of the SGX-ST. The Board has the responsibility to ensure that the Directors and employees are prohibited from securities dealings on short-term consideration and while they are in possession of price-sensitive information.

The Company issues regular circulars to its Directors, principal officers and relevant officers who have access to unpublished material price-sensitive information to remind them of the aforementioned prohibition and the requirement to report their dealings in shares of the Company. The Directors and employees are also prohibited from dealing in the securities of the Company during the period commencing two weeks before the announcement of the Company's first three quarter results and one month before the announcement of the Company's full year results and ending on the date of the particular announcement.

### Interested Party Transactions ("IPT")

The AC is satisfied that the review procedures for IPTs and the reviews to be made periodically by the AC in relation thereto are adequate to ensure that the IPTs, if any, will be transacted on normal terms and will not be prejudicial to the interests of the Company and its minority shareholders.

In compliance with Rule 920 of the Listing Manual, the aggregate value of recurrent interested persons transactions of revenue or trading in nature conducted during the financial year ended 31 December 2014 by the Company in accordance with the shareholders' mandate are as follow:

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)
Anyang Chemical Industry Group Co., Ltd	Nil	RMB 317.55 million
Anyang Jiulong Chemical Co.,Ltd	RMB 5.06 million	RMB 118.83 million
Anyang Jiujiu Chemical Technology Co., Ltd	RMB 0.46 million	Nil
Anyang Yongjin Chemical Co., Ltd	Nil	RMB 10.75 million

# CORPORATE GOVERNANCE

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## Material Contracts

There are no material contracts of the Company or its subsidiaries involving the interests of the Chairman, Acting CEO or any other Directors or controlling shareholders at the end of the financial year.

### Use of Proceeds from Placement of New Shares

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

	S\$'000
Net Proceeds	10,236
Less:	
1. Payment of Project Sodium Hydrosulfite's registered capital	(8,300)
2. General working capital requirements:-	
a. Staffs costs and directors' fee	(1,129)
b. Audit, tax and other professional fee	(368)
c. Other operating expenses(1)	(439)
	(1,936)
<b>Balance</b>	<b>—</b>

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

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

# REPORT OF THE DIRECTORS

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Jiutian Chemical Group Limited (the “Company”) and its subsidiary companies (the “Group”) and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2014.

## 1 Directors

The directors of the Company in office at the date of this report are:

Gao Heng  
Sun Zhiqiang  
Lee Chee Seng  
Wu Yu Liang  
Chan Kam Loon  
Foo Meng Kee  
Su Jing  
Huo Xiaofan  
Gao Guoan

## 2 Arrangements to enable directors to acquire benefits

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## 3 Directors' interests in shares or debentures

The directors of the Company holding office at the end of the financial year had no interests in the shares and debentures of the Company and related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act (the “Act”) except as follows:

Name of directors and companies in which interest are held	Number of ordinary shares			
	Shareholdings registered in the name of director		Shareholdings in which the director is deemed to have an interest	
	At 1.1.2014	At 31.12.2014	At 1.1.2014	At 31.12.2014
The Company				
Lee Chee Seng	10,250,000	10,250,000	44,419,000	44,419,000
Wu Yu Liang	300,000	300,000	–	–
Chan Kam Loon	100,000	100,000	360,000	360,000

The directors' interests in the ordinary shares of the Company as at 21 January 2015 were the same as those as at 31 December 2014.

## 4 Directors' contractual benefits

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit other than those disclosed in the consolidated financial statements and this report by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest. Certain directors received remuneration from related corporations in their capacity as directors and/or executives of these related corporations.

# REPORT OF THE DIRECTORS

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## 5 Share options

No option to take up unissued shares of the Company or its subsidiary companies was granted during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary companies whether granted before or during the financial year.

There were no unissued shares of the Company or its subsidiary companies under option at the end of the financial year.

## 6 Audit Committee

The Audit Committee ("AC") comprises three (3) directors, all of whom are independent. The AC members are as follows:

Chan Kam Loon (Chairman)	(Non-executive and Independent)
Foo Meng Kee	(Non-executive and Independent)
Wu Yu Liang	(Non-executive and Independent)

The AC has a written terms of reference that describe the responsibilities of its members. The AC meets at least four (4) times a year to perform the following main functions:

- (a) to review with the independent auditor the audit plan, their evaluation of the system of internal accounting controls and their audit report;
- (b) to review quarterly and full year financial statements of the Company and the Group, including announcements in relation thereto before their recommendation to the Board of Directors for approval to be released to Singapore Exchange Securities Trading Limited ("SGX-ST");
- (c) to review the assistance given by management to the independent auditor;
- (d) to review any significant unresolved differences between the independent auditor, internal auditors and management;
- (e) to review the scope and results of the audit and its cost effectiveness. The independence of independent auditor should be reviewed annually;
- (f) to review annually the nature and extent of non-audit services (where these are substantial) provided by the independent auditor to the Company to ensure that these are provided objectively, on a value-for-money basis;
- (g) to review the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance;
- (h) to consider the appointment/re-appointment and removal of the independent auditor, the remuneration, terms of engagement and matters relating to the resignation or dismissal of the independent auditor for the purpose of making recommendations to the Board of Directors;
- (i) to commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity or failure of internal controls or suspected infringement of any law, rule and regulation (whether of Singapore or elsewhere) which has or is likely to have a material impact on the Group's and the Company's operating results and/or financial position, and management's response;
- (j) to review the adequacy of the Group's and the Company's internal controls, including financial, operational, compliance, information technology controls and risk management policies and systems established by the management at least once a year;
- (k) to review Whistle Blowing Policy and to ensure that arrangements are in place for independent investigation of such matters and for appropriate follow up action;



## 6 Audit Committee (cont'd)

- (l) to review the scope, results and cost-effectiveness of internal audit procedures as well as the effectiveness of the Group's and the Company's internal audit function;
- (m) to review interested person transactions periodically to ensure that they comply with the internal control procedures;
- (n) to undertake such other reviews and projects as may be requested by the Board of Directors; and
- (o) to undertake such other functions and duties as may be required by the Listing Manual or by law, and by such amendments made thereto from time to time.

The AC has full access to, and cooperation from the management including the independent auditor, and has full discretion to invite any director and executive officer to attend its meetings. The AC also has power to investigate any matter brought to its attention, within its terms of reference, with the power to retain professional advice at the Company's expense.

During the financial year, the AC had met with the internal auditor and independent auditor, without the presence of the management to discuss the results of their examinations and their evaluations of the systems of internal accounting controls.

The AC had reviewed the scope and quality of audit by the independent auditor and the independence and objectivity of the independent auditor as well as the cost effectiveness. The AC also reviewed the audit fee paid to the independent auditor. The independent auditor did not render any non-audit services to the Group during the financial year. The audit fee for the Group and its associated companies for the financial year ended 31 December 2014 was S\$350,000.

The Company is in compliance with Rule 712 and Rule 715 of the Listing Manual of SGX-ST in relation to its independent auditor, as the subsidiary companies and associated companies of the Company were audited by Baker Tilly TFW LLP for the purpose of preparation of the consolidated financial statements of the Group.

The AC also satisfied that the independent auditor, Baker Tilly TFW LLP is able to meet the audit obligations of the Company and is pleased to recommend to the Board of Directors, the nomination of Baker Tilly TFW LLP for re-appointment as independent auditor of the Company at the forthcoming Annual General Meeting.

## 7 Independent auditor's remuneration

The directors have reviewed the quantum and nature of fees, expenses and emoluments paid to the independent auditor for non-audit services under Section 206 (1A) of the Act and are satisfied that the provision of such services does not affect their independence.

## 8 Independent auditor

The independent auditor, Baker Tilly TFW LLP, has expressed its willingness to accept re-appointment.

On behalf of the Board of Directors

Sun Zhiqiang  
Director

Gao Heng  
Director

5 April 2015

# STATEMENT BY DIRECTORS

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In the opinion of the directors:

- (i) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company set out on pages 41 to 80 are properly drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards; and
- (ii) at the date of this statement, after considering the measures taken by the Group with respect to the Group's ability to continue as a going concern as described in Note 2(a) to the financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

Sun Zhiqiang  
Director

Gao Heng  
Director

5 April 2015

# INDEPENDENT AUDITOR'S REPORT

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## Report on the Financial Statements

We have audited the accompanying financial statements of Jiutian Chemical Group Limited (the "Company") and its subsidiary companies (the "Group") set out on pages 41 to 80, which comprise the statements of financial position of the Group and the Company as at 31 December 2014, 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 a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility 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 Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the 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 Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date.

# INDEPENDENT AUDITOR'S REPORT

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## Report on the Financial Statements (cont'd)

### *Emphasis of Matter*

We draw attention to Note 2(a) to the financial statements with respect to the Group's ability to continue as a going concern. At 31 December 2014, the Group's current liabilities exceeded its current assets by RMB150.78 million. This factor indicates the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. The financial statements have been prepared on a going concern basis and did not include any adjustments that may result in the event that the Group is unable to continue as a going concern. The validity of the going concern basis on which the financial statements are prepared depends on management's assessment of the Group's ability to operate as a going concern as set forth in Note 2(a) to the financial statements. In the event that the Group is unable to continue as a going concern, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the amounts at which they are currently recorded in the statement of financial position. In addition, the Group may have to provide for further liabilities that might arise and to reclassify non-current assets and liabilities as current assets and liabilities. Our opinion is not modified in respect of this matter.

## 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.

Baker Tilly TFW LLP  
Public Accountants and  
Chartered Accountants  
Singapore

5 April 2015

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2014

	Note	Group	
		2014 RMB'000	2013 RMB'000
Revenue	4	934,113	970,786
Cost of sales		(876,749)	(912,650)
<b>Gross profit</b>		<b>57,364</b>	58,136
Other income	5	7,768	14,861
Distribution costs		(16,052)	(25,057)
Administrative expenses		(23,846)	(26,373)
Other expenses	6	(3,364)	(4,091)
Share of results of associated companies		5,986	3,762
<b>Profit before tax</b>	7	<b>27,856</b>	21,238
Tax expense	9	(844)	—
<b>Profit and total comprehensive income for the year</b>		<b>27,012</b>	21,238
<b>Profit and total comprehensive income for the year attributable to:</b>			
Equity holders of the Company		27,012	21,238
Non-controlling interests		*	—
		<b>27,012</b>	21,238
<b>Earnings per share for profit for the year attributable to equity holders of the Company (in RMB cents per share)</b>			
Basic and diluted	10	1.49	1.18

\* Amount below RMB1,000

The accompanying notes form an integral part of these financial statements.

# STATEMENTS OF FINANCIAL POSITION

At 31 December 2014

	Note	Group		Company	
		2014	2013	2014	2013
		RMB'000	RMB'000	RMB'000	RMB'000
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	11	40,484	70,888	3,575	11,448
Trade and other receivables	12	525,892	478,707	63	64
Inventories	13	29,054	43,972	–	–
<b>Total current assets</b>		<b>595,430</b>	<b>593,567</b>	<b>3,638</b>	<b>11,512</b>
<b>Non-current assets</b>					
Land use rights	14	8,145	9,080	–	–
Property, plant and equipment	15	280,699	297,291	–	–
Investment in subsidiary companies	16	–	–	87,027	87,027
Investment in associated companies	17	342,211	336,225	339,709	339,709
Deferred tax assets	18	13,498	8,476	–	–
<b>Total non-current assets</b>		<b>644,553</b>	<b>651,072</b>	<b>426,736</b>	<b>426,736</b>
<b>Total assets</b>		<b>1,239,983</b>	<b>1,244,639</b>	<b>430,374</b>	<b>438,248</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Current liabilities</b>					
Trade and other payables	19	746,069	805,315	1,212	1,541
Income tax payable		143	–	–	–
<b>Total current liabilities</b>		<b>746,212</b>	<b>805,315</b>	<b>1,212</b>	<b>1,541</b>
<b>Non-current liability</b>					
Deferred income	20	388	453	–	–
<b>Capital and reserves</b>					
Share capital	21	661,153	661,153	661,153	661,153
Accumulated losses		(195,270)	(222,282)	(231,991)	(224,446)
<b>Equity attributable to equity holders of the Company</b>		<b>465,883</b>	<b>438,871</b>	<b>429,162</b>	<b>436,707</b>
Non-controlling interests		27,500	–	–	–
<b>Total equity</b>		<b>493,383</b>	<b>438,871</b>	<b>429,162</b>	<b>436,707</b>
<b>Total liabilities and equity</b>		<b>1,239,983</b>	<b>1,244,639</b>	<b>430,374</b>	<b>438,248</b>

The accompanying notes form an integral part of these financial statements.



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2014

	Share capital	Accumulated losses	Equity attributable to equity holders of the Company	Non- controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Group</b>					
Balance at 1 January 2013	609,230	(243,520)	365,710	–	365,710
Profit and total comprehensive income for the year	–	21,238	21,238	–	21,238
Issuance of ordinary shares:					
- Share placement, net of expenses	51,923	–	51,923	–	51,923
Balance at 31 December 2013	661,153	(222,282)	438,871	–	438,871
Profit and total comprehensive income for the year	–	27,012	27,012	*	27,012
Incorporation of new subsidiary company	–	–	–	27,500	27,500
<b>Balance at 31 December 2014</b>	<b>661,153</b>	<b>(195,270)</b>	<b>465,883</b>	<b>27,500</b>	<b>493,383</b>

\* Amount below RMB1,000

# STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2014

	Share capital	Accumulated losses	Total equity
	RMB'000	RMB'000	RMB'000
<b>Company</b>			
Balance at 1 January 2013	609,230	(214,175)	395,055
Loss and total comprehensive loss for the year	–	(10,271)	(10,271)
Issuance of ordinary shares:			
- Share placement, net of expenses	51,923	–	51,923
Balance at 31 December 2013	661,153	(224,446)	436,707
Loss and total comprehensive loss for the year	–	(7,545)	(7,545)
<b>Balance at 31 December 2014</b>	<b>661,153</b>	<b>(231,991)</b>	<b>429,162</b>

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2014

	Note	Group	
		2014 RMB'000	2013 RMB'000
<b>Cash flows from operating activities</b>			
Profit before tax		27,856	21,238
Adjustments for:			
Amortisation of deferred income		(65)	(65)
Amortisation of land use rights		935	933
Depreciation of property, plant and equipment		30,459	27,443
Interest income		(1,084)	(2,524)
Net (gain)/loss on disposal of property, plant and equipment		(245)	37
Property, plant and equipment written off		967	–
Share of results of associated companies		(5,986)	(3,762)
Unrealised exchange loss		178	461
Operating cash flows before movements in working capital		53,015	43,761
Inventories		14,918	(1,265)
Receivables		27,458	16,621
Payables		147,698	2,270
Cash generated from operations		243,089	61,387
Interest received		1,084	2,524
Income tax paid		(3,557)	–
<b>Net cash generated from operating activities</b>		<b>240,616</b>	<b>63,911</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	A	(42,125)	(17,887)
Proceeds from disposal of property, plant and equipment		668	38
Advances to associated company		(42,307)	(13,627)
Advances to related parties		(20,162)	–
Investment in an associated company		–	(40,000)
<b>Net cash used in investing activities</b>		<b>(103,926)</b>	<b>(71,476)</b>

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2014

	Note	Group	
		2014 RMB'000	2013 RMB'000
<b>Cash flows from financing activities</b>			
Proceeds from issuance of ordinary shares, net of expenses		–	51,923
Decrease/(increase) in pledged fixed deposits		<b>34,190</b>	(5,000)
Repayment to related parties		<b>(159,746)</b>	(14,893)
Decrease in bills payables to bank		<b>(34,605)</b>	(15,000)
Proceeds from issuance of ordinary shares in subsidiary company to non-controlling interests		<b>27,500</b>	–
<b>Net cash (used in)/generated from financing activities</b>		<b>(132,661)</b>	17,030
<b>Net increase in cash and cash equivalents</b>		<b>4,029</b>	9,465
Cash and cash equivalents at beginning of the year		<b>27,888</b>	18,941
Effect of exchange rate changes on cash and cash equivalents		<b>(243)</b>	(518)
<b>Cash and cash equivalents at end of the year</b>	11	<b>31,674</b>	27,888
<u>Note A - Purchase of property, plant and equipment</u>			
Aggregate cost of property, plant and equipment acquired	15	<b>15,257</b>	11,771
Add: Outstanding payables at 1 January	19	<b>18,080</b>	24,196
Less: Outstanding payables at 31 December	19	<b>(5,552)</b>	(18,080)
Add: Advance payments at 31 December	12	<b>14,340</b>	–
<b>Net cash outflow for purchase of property, plant and equipment</b>		<b>42,125</b>	17,887

The accompanying notes form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

## 1 Corporate information

The Company (Co. Reg. No. 200415416H) is incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited.

The registered office and principal place of business of the Company are located at 80 Robinson Road, #02-00, Singapore 068898 and 3 Raffles Place, #05-01 Bharat Building, Singapore 048617, respectively. The principal place of business of the Group is located at Zhangwu Street, Long An District, Anyang City, Henan Province, the People's Republic of China ("PRC").

The principal activity of the Company is that of investment holding. The principal activities of the subsidiary companies are disclosed in Note 16.

## 2 Summary of significant accounting policies

### (a) Going concern

At 31 December 2014, the Group's current liabilities exceeded its current assets by RMB150.78 million (2013: RMB211.75 million). This factor indicates the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

The ability of the Group to continue as a going concern 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 are described in Note 22;
- (ii) the ability of the Group to generate sufficient cash flows from its operations to meet its current and future obligations; and
- (iii) the availability of credit facilities from the Group'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) the Group has obtained continuing financial support from Anhua and Anyang Jiulong. The details of the financial support are described in Note 22; 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 believes that it has adequate resources to continue its operations as a going concern. For these reasons, the Group continues to adopt the going concern assumption in the preparation of the financial statements.

The financial statements did not include any adjustments that may result in the event that the Group is unable to continue as a going concern. In the event that the Group is unable to continue as a going concern, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the amounts at which they are currently recorded in the statement of financial position. In addition, the Group may have to provide for further liabilities that might arise and to reclassify non-current assets and liabilities as current assets and liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

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For the financial year ended 31 December 2014

## 2 Summary of significant accounting policies (cont'd)

### (b) Basis of preparation

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company, are presented in Chinese Renminbi ("RMB") (rounded to the nearest thousand except when otherwise stated), and have been prepared in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions and historical experiences and various other factors that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving a higher degree of judgment in applying accounting policies, or areas where assumptions and estimates have a significant risk of resulting in material adjustment within the next financial year are disclosed in Note 3.

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

In the current financial year, the Group has adopted all the new and revised FRS and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for the current financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new and revised FRS and INT FRS did not have any material effect on the financial results or position of the Group and the Company except as disclosed below:

#### *FRS 112 Disclosures of Interests in Other Entities*

The Group adopted FRS 112 on 1 January 2014. The amendment is applicable for annual periods beginning on or after 1 January 2014. It sets out the required disclosures for entities reporting under the new FRS 110 *Consolidated Financial Statements* and FRS 111 *Joint Arrangements*, and replaces the disclosure requirements previously found in FRS 27 (revised 2011) *Separate Financial Statements* and FRS 28 (revised 2011) *Investments in Associates and Joint Venture*.

The Group has incorporated the additional required disclosures of FRS 112 into the financial statements.

#### *FRS 110 Consolidated Financial Statements*

As a result of FRS 110 *Consolidated Financial Statements*, the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. FRS 110 introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

New standards, amendments to standards and interpretations that have been issued at the end of the reporting period but are not yet effective for the financial year ended 31 December 2014 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company except as disclosed below:



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 2 Summary of significant accounting policies (cont'd)

### (b) Basis of preparation (cont'd)

#### *FRS 109 Financial Instruments*

FRS 109 includes guidance on the classification and measurement of financial assets and financial liabilities and de-recognition of financial instruments. FRS 109, when effective will replace FRS 39 *Financial Instruments: Recognition and Measurement*. This standard is effective for annual periods beginning on or after 1 January 2018. The Group will review the requirements of FRS 109 and re-assess the classification and measurement of its financial assets and financial liabilities in accordance with this standard.

### (c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies at the end of the reporting period. Subsidiary companies are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiary companies are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

Intragroup balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognised in assets, such as inventory and property, plant and equipment, are eliminated in full.

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary company. Acquisition-related costs are recognised as expenses as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Any excess of the fair value of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree (if any) and the fair value of the Group's previously held equity interest in the acquiree (if any), over the fair value of the net identifiable assets acquired is recorded as goodwill. Goodwill is accounted for in accordance with the accounting policy for goodwill stated in Note 2(f). In instances where the latter amount exceeds the former and the measurement of all amounts has been reviewed, the excess is recognised as gain on bargain purchase in profit or loss on the date of acquisition.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary company attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary company, even if this results in the non-controlling interests having a deficit balance, unless the obligations of the non-controlling interests are restricted to their capital contributed. Losses applicable to the non-controlling interest in excess of the non-controlling interest in the subsidiary company's equity are attributed to the Group.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on an acquisition-by-acquisition basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the acquiree's net identifiable assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value or, when applicable, on the basis specified in another standard.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Changes in the Company's ownership interest in subsidiary company that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners) and therefore, no gain or loss is recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

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For the financial year ended 31 December 2014

## 2 Summary of significant accounting policies (cont'd)

### (c) Basis of consolidation (cont'd)

When a change in the Company's ownership interest in subsidiary company results in a loss of control over the subsidiary company, the assets and liabilities of the subsidiary company including any goodwill, non-controlling interest and other components of equity related to the subsidiary are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific FRS.

Any retained equity interest in the previous subsidiary company is remeasured at fair value at the date that control is lost. The difference between the carrying amount of the retained interest at the date control is lost, and its fair value is recognised in profit or loss.

Consolidation of the subsidiary companies in PRC are based on the subsidiary companies' financial statements prepared in accordance with FRS. Profits reflected in the financial statements prepared in accordance with FRS may differ from those reflected in the PRC statutory financial statements of the subsidiary companies, prepared for PRC reporting purposes. In accordance with the relevant laws and regulations, profits available for distribution by the PRC subsidiary companies are based on the amounts stated in the PRC statutory financial statements.

### (d) Subsidiary companies

Subsidiary companies are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In the Company's statement of financial position, investment in subsidiary companies are accounted for at cost less accumulated impairment losses. On disposal of investment in subsidiary company, the difference between disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

### (e) Associated companies

An associated company is an entity over which the Group has significant influence but not control or joint control, over the financial and operating policies of the entity. Significant influence is presumed to exist generally when the Group holds 20% or more but not exceeding 50% of the voting power of another entity.

Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting, less impairment losses, if any.

Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Subsequent to initial recognition, the Group's share of its associated companies' post-acquisition profits or losses is recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from associated companies are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associated company.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associated company or recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately as income in the Group's profit or loss.

Where a group entity transacts with an associated company of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associated company.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 2 Summary of significant accounting policies (cont'd)

### (e) Associated companies (cont'd)

Upon loss of significant influence over the associated company, the Group measures any retained investment at its fair value. Any difference between the carrying amount of the associated company upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

If the Group's ownership interest in an associated company is reduced, but the Group continues to apply the equity method, the Group shall reclassify to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

In the Company's statement of financial position, investment in associated companies are carried at cost less accumulated impairment loss. On disposal of investment in associated company, the difference between the disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

### (f) Goodwill

Goodwill is initially measured at cost and is subsequently measured at cost less any accumulated impairment losses.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of subsidiary company and associated company, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of associated company is described in Note 2(e).

### (g) Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised.

On disposal of a property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 2 Summary of significant accounting policies (cont'd)

### (g) Property, plant and equipment (cont'd)

Depreciation is calculated on a straight-line basis to write off the cost of property, plant and equipment over their expected useful lives. The estimated useful lives are as follows:

Leasehold buildings	15 to 40 years (over the terms of lease)
Machinery and equipment	5 to 28 years
Motor vehicles	8 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at the end of each reporting period. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

Properties in the course of construction for production, or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss until construction or development is completed. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policies (Note 2(u)). Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

### (h) Land use rights

Land use rights are initially recognised at cost and subsequently carried at cost less accumulated amortisation and accumulated impairment losses, if any. Land use rights are amortised on a straight line basis over the shorter of remaining years of rights allocated to use the land of 38 to 45 years, respectively or operation period of 5 to 13 years respectively.

The amortisation period and amortisation method of land use rights are reviewed at least at the end of each reporting period. The effects of any revision are recognised in profit or loss when the changes arise.

### (i) Impairment of non-financial assets excluding goodwill

At the end of each reporting period, the Group assesses the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is recognised in other comprehensive income up to the amount of any previous revaluation.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A previously recognised impairment loss for an asset other than goodwill is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 2 Summary of significant accounting policies (cont'd)

### (j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads based on normal operating capacity but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

### (k) Leases

- (1) When a group entity is the lessee:

#### *Finance leases*

Leases of property, plant and equipment where the Group assumes substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Each lease payment is allocated between reduction of the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance leases is taken to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The asset acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

#### *Operating leases*

Leases where a significant portion of the risks and rewards incidental to ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period expires, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

- (2) When a group entity is the lessor:

#### *Operating leases*

Leases where the group entity retains substantially all the risks and rewards incidental to ownership of the asset are classified as operating leases. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

### (l) Financial assets

#### **Classification**

The Group classifies its financial assets according to the nature of the assets and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition. The Group's only financial assets are loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except those maturing later than 12 months after the end of the reporting period which are classified as non-current assets. Loans and receivables are presented as "trade and other receivables" (excluding trade bills receivables that have been endorsed as payments, prepayments, income tax recoverable, value-added tax recoverable and advance payments to suppliers) and "cash and cash equivalents" on the statements of financial position.

# NOTES TO THE FINANCIAL STATEMENTS

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For the financial year ended 31 December 2014

## 2 Summary of significant accounting policies (cont'd)

### (l) Financial assets (cont'd)

#### ***Recognition and derecognition***

Regular purchases and sales of financial assets are recognised on trade date - the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the net sale proceeds and its carrying amount is recognised in profit or loss.

#### ***Initial measurement***

Loans and receivables are initially recognised at fair value plus transaction costs.

#### ***Subsequent measurement***

Loans and receivables are carried at amortised cost using the effective interest method, less impairment.

#### ***Impairment***

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account, and the amount of the loss is recognised in profit or loss. The allowance amount is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

If in subsequent periods, the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversed date.

### (m) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value and excludes pledged fixed deposits.

### (n) Financial liabilities

Financial liabilities include trade and other payables (excluding trade bills payables, advances from customers and value-added tax payables). Financial liabilities are recognised on the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instruments. Financial liabilities are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is extinguished. Gains and losses are recognised in profit or loss when the liabilities are derecognised and through the amortisation process.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 2 Summary of significant accounting policies (cont'd)

### (o) Provisions for other liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past event, and it is probable that an outflow of economic resources will be required to settle that obligation and the amount can be estimated reliably. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. Where the effect of the time value of money is material, the amount of the provision shall be discounted to present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and risks specific to the obligation.

When discounting is used, the increase in the provision due to passage of time is recognised as a finance cost in profit or loss.

### (p) Share capital

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

### (q) Reserve fund

In accordance with the relevant laws and regulations in PRC applicable to foreign investments enterprises and the Articles of Association of the PRC subsidiary companies, the subsidiary companies are required to make appropriation from profit after taxation as reported in the PRC statutory financial statements to reserve fund at a rate as determined by the Board of Directors. The transfer to this reserve must be made before the payment of dividends to shareholders. In the event that the PRC subsidiary company has accumulated losses, the transfer of this reserve can only be made after the accumulated losses are fully set off against current year net profit.

The reserve fund can only be used to set off against accumulated losses or to increase the registered capital of the PRC subsidiary company, subject to approval from the PRC authorities. This reserve fund is not available for dividend appropriation to the shareholders.

### (r) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of goods and rendering of services, net of sales related taxes and after eliminating sales within the Group. Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group, and the amount of revenue and related cost can be reliably measured.

#### *Sales of goods*

Revenue from sale of goods is recognised when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### *Rendering of services*

Revenue from services is recognised during the financial year after the services have been rendered.

# NOTES TO THE FINANCIAL STATEMENTS

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For the financial year ended 31 December 2014

## 2 Summary of significant accounting policies (cont'd)

### (r) Revenue recognition (cont'd)

#### *Interest income*

Interest income is recognised on a time proportion basis using the effective interest method.

#### *Rental income*

Rental income from operating leases are recognised on a straight-line basis over the lease term.

### (s) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statements of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

When the grant relates to an expense item, it is recognised in profit or loss over the period necessary to match them on a systematic basis to the costs that it is intended to compensate.

### (t) Employee benefits

#### *Employee leave entitlement*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

#### *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund, and will have no legal or constructive obligation to pay further contributions once the contributions have been paid. Contributions to defined contribution plans are recognised as an expense in the period in which the related service is performed.

### (u) Borrowing costs

Borrowing costs, which comprise interest and other costs incurred in connection with the borrowing of funds, are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are recognised in profit or loss using the effective interest method.

### (v) Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable or recoverable on the taxable income for the current year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable or recoverable in respect of previous years.

Deferred income tax is provided using the liability method, on all temporary differences at the end of the reporting period arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except where the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither the accounting nor taxable profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 2 Summary of significant accounting policies (cont'd)

### (v) Income taxes (cont'd)

Deferred income tax is provided on temporary differences arising on investments in subsidiary companies and associated companies, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on currently enacted or substantively enacted tax rates at the end of the reporting period.

Deferred income tax is charged or credited to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

### (w) Foreign currencies

#### *Functional and presentation currency*

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which that entity operates (the "functional currency"). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in RMB, which is the functional currency of the Company, its subsidiary companies and associated companies.

#### *Transactions and balances*

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except for currency translation differences on net investment in foreign operations and borrowings and other currency instruments qualifying as net investment hedges for foreign operations, which are recognised in other comprehensive income and accumulated in currency translation reserve within equity in the consolidated financial statements. The currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

### (x) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incurs expenses, including revenues and expenses that relate to transactions with other components of the Group. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker for making decisions about allocating resources and assessing performance of the operating segments.

# NOTES TO THE FINANCIAL STATEMENTS

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For the financial year ended 31 December 2014

## 3 Critical accounting judgments and key sources of estimation uncertainty

The preparation of the Group's financial statements requires management to make judgments, 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 judgments**

#### *Functional currency*

The subsidiary companies and associated companies of the Company (the "PRC entities")'s revenue, expenses, results, assets and liabilities and capital expenditures are predominantly attributable to a single geographical region, the PRC, which is the Group's principal place of business and operations. RMB is the currency that mainly influences sales prices for goods and services, labour, material and other costs of providing goods or services and of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services for PRC entities. Therefore, the management has determined that RMB is the functional currency for the PRC entities.

In view of the increased financial reliance of the Company on the operations of its PRC entities, the management also determined that RMB is the functional currency of the Company.

#### *Investment in subsidiary company*

The management has assessed and concluded that the Group has control over Henan Herunsheng Isotope Technology Co., Ltd. ("Herunsheng") on the basis that another investor with 45% of the voting rights in Herunsheng is acting in concert with the Group, although the Group owns 45% of the voting rights in Herunsheng. The investor with 45% of the voting rights in Herunsheng has signed a concert party agreement dated 25 August 2014 and agreed to vote for same decision as voted by the Group about relevant activities of Herunsheng including but are not limited to operating, financing and investing activities. The aggregate shareholding and voting rights in Herunsheng of the Group and its concert party is 90%. The sole director of Herunsheng is appointed by the Group. Accordingly, the Group has accounted for this investment as its subsidiary company and consolidated the subsidiary company's financial statements into the Group.

#### *Investment in associated company*

As disclosed in Note 17, the Group's effective interest in Anyang Jiujiu Chemical Technology Co., Ltd. ("Anyang Jiujiu") is 74%. However, management has assessed and concluded that the Group has no control but only significant influence over Anyang Jiujiu as the majority voting rights and representative of the board of the directors in Anyang Jiujiu are held by Anyang Jiulong. Anyang Jiulong is in turn a subsidiary company of HNEC Group. Therefore, HNEC Group has control over Anyang Jiujiu through Anyang Jiulong. Accordingly, the Group has accounted for this investment as its associated company and accounted for in the consolidated financial statements of the Group using equity method of accounting.

### **Key sources of estimation uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

#### *Property, plant and equipment*

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values.

The Group reviews the useful lives and residual values of property, plant and equipment at the end of each reporting period in accordance with the accounting policy in Note 2(g). The estimation of the useful lives and residual values involves assumptions concerning the future and estimations of the assets common life expectancies and expected level of usage.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

### Key sources of estimation uncertainty (cont'd)

#### Property, plant and equipment (cont'd)

Any changes in the expected useful lives of these assets would affect the carrying amount of property, plant and equipment, and the depreciation charge for the financial year.

The carrying amount of property, plant and equipment at 31 December 2014 and the depreciation charge for the financial year ended 31 December 2014 are disclosed in Note 15.

The Group assesses whether there are any indicators for impairment for property, plant and equipment in accordance with the accounting policy in Note 2(i). Where indicators exist, the recoverable amounts of property, plant and equipment are determined based on value-in-use calculations. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. These calculations require the use of judgments and estimates.

The recoverable amounts of property, plant and equipment are determined based on value-in-use calculations, using the pre-tax discount rate of 19% (2013: 19%). The key assumptions for the value-in-use computations are those regarding the sales volume, gross margin and discount rate. The sensitivity analysis on the changes in key assumptions on the recoverable amounts of the property, plant and equipment are as follows:

Changes in key assumption	Increase/(decrease) in recoverable amounts of the property, plant and equipment
	RMB'000
Sales volume	
- 5% higher	11,994
- 5% lower	(11,994)
Gross margin	
- 5% higher	16,999
- 5% lower	(16,999)
Discount rate	
- 5% higher	(2,306)
- 5% lower	2,356

#### Income taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, the amount and timing of future taxable income and deductibility of certain expenditure. Accordingly, there are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on reasonable estimates of whether additional taxes will be due. Where the final tax outcome of these matters is concluded and different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of income tax payable and recoverable of the Group at 31 December 2014 is RMB143,000 (2013: Nil) and Nil (2013: RMB2.17 million) respectively.

The Group recognises deferred income tax assets on deductible temporary differences to the extent there are sufficient estimated future taxable profits and/or taxable temporary differences based on the recent five years profits forecasts against which the deductible temporary differences can be utilised and that the Group is able to satisfy the continuing ownership test.

# NOTES TO THE FINANCIAL STATEMENTS

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For the financial year ended 31 December 2014

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

### **Key sources of estimation uncertainty (cont'd)**

#### *Income taxes (cont'd)*

Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits. The carrying amount of deferred tax assets recognised and the unrecognised potential deferred tax assets of the Group at 31 December 2014 are disclosed in Note 18.

#### *Impairment of investments in subsidiary companies and associated companies*

Determining whether investments in subsidiary companies and associated companies are impaired requires an estimation of the value-in-use of those investments. The value-in-use calculation requires the Company to estimate the future cash flows expected from these investments and an appropriate discount rate in order to calculate the present value of the future cash flows.

Management has evaluated the recoverability of the investment based on such estimates and is of the view that the allowance for impairment, where necessary, is adequate and also no reversal of impairment loss recognised in prior financial years is required in 2014.

The recoverable amounts of investments in subsidiary companies are determined based on value-in-use calculations, using the pre-tax discount rate of 19% (2013: 19%).

The carrying amount of the Company's investment in subsidiary companies at 31 December 2014 is disclosed in Note 16. The carrying amounts of the Group's and the Company's investment in associated companies is disclosed in Note 17.

#### *Allowance for doubtful receivables*

The Group makes allowance for doubtful receivables based on an assessment of the recoverability of its trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgments and estimates, including creditworthiness and the past collection history of each debtor. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade and other receivables and doubtful debts expenses in the period in which such estimate has been changed. The carrying amounts of trade and other receivables are disclosed in Note 12.

## 4 Revenue

Revenue represents the amount received or receivable from sales of goods, net of sales related taxes. Revenue of the Group excludes transactions within the Group.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 5 Other income

	Group	
	2014	2013
	RMB'000	RMB'000
Interest income	1,084	2,524
Rental income:		
- Lease of property, plant and equipment to related party	1,761	1,898
- Others	445	236
Income from sale of waste materials	2,949	6,174
Income from insurance claims	73	200
Amortisation of deferred income (Note 20)	65	65
Service fee to related party	–	1,132
Gain on disposal of property, plant and equipment	245	–
Others	1,146	2,632
	<b>7,768</b>	<b>14,861</b>

## 6 Other expenses

	Group	
	2014	2013
	RMB'000	RMB'000
Allowance for doubtful receivables (Note 12)	2,023	1,148
Loss on disposal of property, plant and equipment	–	37
Net loss on foreign exchange	201	2,796
Property, plant and equipment written off	967	–
Others	173	110
	<b>3,364</b>	<b>4,091</b>

## 7 Profit before tax

Profit before tax is arrived at after charging:

	Group	
	2014	2013
	RMB'000	RMB'000
Amortisation of land use rights (Note 14)	935	933
Auditors' remuneration paid/payable to:		
- independent auditor of the Company	969	983
- other auditors of the Group	558	419
Depreciation of property, plant and equipment (Note 15)	30,459	27,443
Fees for non-audit services paid/payable to:		
- independent auditor of the Company	–	–
- other auditors of the Group	–	–
Staff costs (Note 8)	21,170	26,474
Operating leases expenses	1,627	1,554
Transportation charges	14,518	23,188

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 8 Staff costs

	Group	
	2014	2013
	RMB'000	RMB'000
<i>Directors of the Company</i>		
- Fees	819	813
- Salaries, bonus and other benefits	2,403	2,316
- Defined contribution benefits	83	85
<i>Directors of the subsidiary companies</i>		
- Salaries and bonus	156	229
- Defined contribution benefits	14	27
<i>Key management personnel (non-directors)</i>		
- Salaries and bonus	964	1,202
- Defined contribution benefits	115	164
<i>Other personnel</i>		
- Salaries, bonus and other benefits	12,987	17,065
- Defined contribution benefits	3,629	4,573
	<b>21,170</b>	<b>26,474</b>

## 9 Tax expense

	Group	
	2014	2013
	RMB'000	RMB'000
<i>Income tax</i>		
- Current year	3,875	—
- Underprovision in respect of prior years	1,991	—
<i>Deferred income tax</i>		
- Current year (Note 18)	(5,022)	—
	<b>844</b>	<b>—</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 9 Tax expense (cont'd)

The income tax expense on the results of the financial year differs from the amount of income tax determined by applying the domestic rates applicable to profit/loss in the countries where the Group operates due to the following factors:

	Group	
	2014	2013
	RMB'000	RMB'000
Profit before tax	27,856	21,238
Share of results of associated companies	(5,986)	(3,762)
Profit before tax excluded share of results of associated companies	21,870	17,476
Tax at the domestic rates applicable to profit/loss in the countries where the Group operates	6,071	5,049
Income not subject to income tax	(127)	–
Expenses not deductible for tax purposes	1,639	1,795
Utilisation of previously unrecognised deferred tax assets	(8,150)	(6,844)
Underprovision of income tax in respect of prior years	1,991	–
Others	(580)	–
	844	–

The above tax reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

The statutory income tax rate applicable to the Company is 17% (2013: 17%).

Pursuant to the relevant laws and regulations in PRC, the subsidiary companies of the Group which were incorporated in PRC are required to pay PRC enterprise income tax at an uniform rate of 25% (2013: 25%).

At the end of the reporting period, there were no temporary differences associated with undistributed earnings of the subsidiary companies as the subsidiary companies were in accumulated losses position.

## 10 Earnings per share

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following:

	Group	
	2014	2013
	RMB'000	RMB'000
Profit for the year attributable to equity holders of the Company	27,012	21,238
	'000	'000
Weighted average number of ordinary shares	1,818,444	1,795,222
	RMB cents	RMB cents
Earnings per share	1.49	1.18

Diluted earnings per share is same as basic earnings per share as there was no potential dilutive ordinary shares for the financial years ended 31 December 2014 and 31 December 2013.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 11 Cash and cash equivalents

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand and at bank	29,816	17,141	1,718	701
Fixed deposits	10,668	53,747	1,857	10,747
	40,484	70,888	3,575	11,448
Pledged fixed deposits	(8,810)	(43,000)	–	–
Cash and cash equivalents in the consolidated statement of cash flows	31,674	27,888	3,575	11,448

Fixed deposits, except for the amounts pledged to secure bills payables to banks (Note 19), bear interest ranging from 0.12% to 0.17% (2013: 0.12% to 0.68%) per annum with maturity dates of three months or less. The pledged fixed deposits will be released upon the settlement of the bills payables on maturity date. The carrying amounts of these assets approximates their fair values.

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

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Singapore dollars	3,493	11,366	3,493	11,366
United States dollars	82	82	82	82

## 12 Trade and other receivables

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables from:				
- Outside parties	22,476	36,489	–	–
- Related parties	–	1,608	–	–
Trade bills receivables	414,317	427,208	–	–
	436,793	465,305	–	–
Less: Allowance for doubtful receivables - outside parties	(4,920)	(4,389)	–	–
Total trade receivables, net	431,873	460,916	–	–
Advance payments to suppliers	2,842	22	–	–
Advance payments for purchase of property, plant and equipment	14,340	–	–	–
Advances to associated company	55,934	13,627	–	–
Advances to related parties	20,162	–	–	–
Value-added tax recoverable	53	1,062	–	–
Income tax recoverable	–	2,166	–	–
Prepayments	337	41	–	–
Refundable deposits	63	64	63	64
Others	288	809	–	–
	94,019	17,791	63	64
	525,892	478,707	63	64

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

Movement in allowance for doubtful receivables during the financial year are as follows:

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at beginning of the year	4,389	3,241	–	–
Allowance made and recognised in profit or loss (Note 6)	2,023	1,148	–	–
Bad debts written off	(1,492)	–	–	–
Balance at end of the year	4,920	4,389	–	–

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:

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Singapore dollars	63	64	63	64

The average credit period on sales of goods is 90 days (2013: 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 180 days. The advances to associated company and related parties are unsecured, interest-free and payable on demand except for advances to a related party amounting to RMB19.30 million (2013: Nil) which bear interest at 5.60% per annum and payable in 2015.

Included in the Group's trade bills receivables are trade bills receivables amounting to RMB306.44 million (2013: RMB399.01 million) 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 19).

Included in the Group's trade receivables are debtors totalling RMB5.45 million (2013: RMB5.79 million) which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful receivables. There has not been a significant change in credit qualities and the management believes that amounts are still considered recoverable. The Group does not hold any collateral over these balances. For those balances which are neither past due nor impaired, management believes that they are with creditworthy counterparties.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. Accordingly, management believes that there are no further credit allowances required in excess of the allowance for doubtful receivables.

The table below is an analysis of trade receivables at the end of the reporting period:

	Group	
	2014	2013
	RMB'000	RMB'000
Not past due and not impaired	426,423	454,457
Past due but not impaired (i)	5,450	5,791
	431,873	460,248
Impaired receivables - individually assessed (ii)	4,920	5,057
Less: Allowance for doubtful receivables	(4,920)	(4,389)
	–	668
Total trade receivables, net	431,873	460,916

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

(i) Ageing of trade receivables that are past due but not impaired are as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Past due 1 day to 30 days	3,449	371
Past due 31 days to 275 days	928	2,508
Past due above 275 days	1,073	2,912
	<b>5,450</b>	<b>5,791</b>

(ii) These amounts are stated before any deduction for impairment losses. Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties or have defaulted on payments.

## 13 Inventories

	Group	
	2014	2013
	RMB'000	RMB'000
Raw materials, at cost	13,712	10,858
Finished goods, at cost	15,342	33,114
	<b>29,054</b>	<b>43,972</b>
Cost of inventories recognised as an expense in cost of sales	<b>876,749</b>	<b>912,650</b>

## 14 Land use rights

	Group	
	2014	2013
	RMB'000	RMB'000
<b>Cost</b>		
At 1 January and 31 December	14,936	14,936
<b>Accumulated amortisation</b>		
At 1 January	5,856	4,923
Amortisation charge (Note 7)	935	933
At 31 December	6,791	5,856
<b>Carrying amount</b>		
At 31 December	8,145	9,080
<b>Amount to be amortised:</b>		
- Not later than one financial year	933	933
- Later than one financial year but not later than five financial years	3,521	3,521
- Later than five financial years	3,691	4,626
	<b>8,145</b>	<b>9,080</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 14 Land use rights (cont'd)

The details of the land use rights as at 31 December 2014 are as follows:

Location	Lease period	Land area (square metre)
Zhangwu Street, Long An District, Anyang City, Henan Province, PRC	50 years from August 2001	20,833
Dabai Highway West, Tianchi Village, Shuiye Town, Anyang City, Henan Province, PRC*	50 years from December 2007	10,487
Zhangwu Street, Long An District, Anyang City, Henan Province, PRC*	47 years from December 2007	49,875
Choumou Chemical Concentration Zone, Beiqiao Village, Liyang City, Jiangsu Province, PRC	50 years from December 2008	12,917

\* With effect from 7 September 2012, Anyang Jiutian Fine Chemical Co., Ltd. ("Anyang Jiutian") and Anyang Jiuyang Chemical Co., Ltd. ("Anyang Jiuyang") were amalgamated to continue as one company, being Anyang Jiutian (the "amalgamated company"), pursuant to Chapter 9 of the Company Law of PRC and Regulations of the Ministry of Foreign Trade and Economic Co-operation and the State Administration for Industry and Commerce on Merging and Spitting of Foreign-funded Enterprises. At the end of the reporting period, these land use rights are still registered in the name of Anyang Jiuyang. The Group is in the process to obtain an approval from the local authority to transfer the land use rights to Anyang Jiutian.

## 15 Property, plant and equipment

	Leasehold buildings	Machinery and equipment	Motor vehicles	Construction work-in- progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Group</b>					
<b>Cost</b>					
At 1 January 2013	92,701	484,276	7,579	22,687	607,243
Additions	—	9,282	209	2,280	11,771
Disposals	—	(226)	—	—	(226)
Reclassifications	—	4,082	—	(4,082)	—
At 31 December 2013	92,701	497,414	7,788	20,885	618,788
Additions	—	1,601	356	13,300	15,257
Disposals	—	(488)	(230)	—	(718)
Write-off	—	(2,860)	(1,565)	—	(4,425)
Reclassifications	—	13,596	—	(13,596)	—
<b>At 31 December 2014</b>	<b>92,701</b>	<b>509,263</b>	<b>6,349</b>	<b>20,589</b>	<b>628,902</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 15 Property, plant and equipment (cont'd)

	Leasehold buildings	Machinery and equipment	Motor vehicles	Construction work-in- progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Accumulated depreciation</b>					
At 1 January 2013	18,017	170,823	3,652	–	192,492
Depreciation charge	3,048	23,478	917	–	27,443
Disposals	–	(111)	–	–	(111)
At 31 December 2013	21,065	194,190	4,569	–	219,824
Depreciation charge	3,101	26,520	838	–	30,459
Disposals	–	(171)	(98)	–	(269)
Write-off	–	(1,203)	(1,565)	–	(2,768)
<b>At 31 December 2014</b>	<b>24,166</b>	<b>219,336</b>	<b>3,744</b>	<b>–</b>	<b>247,246</b>
<b>Accumulated impairment losses</b>					
At 1 January 2013	–	101,713	–	–	101,713
Disposals	–	(40)	–	–	(40)
At 31 December 2013	–	101,673	–	–	101,673
Disposals	–	(26)	–	–	(26)
Write-off	–	(690)	–	–	(690)
<b>At 31 December 2014</b>	<b>–</b>	<b>100,957</b>	<b>–</b>	<b>–</b>	<b>100,957</b>
<b>Carrying amount</b>					
<b>At 31 December 2014</b>	<b>68,535</b>	<b>188,970</b>	<b>2,605</b>	<b>20,589</b>	<b>280,699</b>
At 31 December 2013	71,636	201,551	3,219	20,885	297,291

	Company	
	2014	2013
	RMB'000	RMB'000
<i>Machinery and equipment</i>		
<b>Cost</b>		
At 1 January and 31 December	<b>795</b>	795
<b>Accumulated depreciation</b>		
At 1 January	<b>795</b>	786
Depreciation charge	–	9
At 31 December	<b>795</b>	795
<b>Carrying amount</b>		
At 31 December	–	–

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 16 Investment in subsidiary companies

	Company	
	2014	2013
	RMB'000	RMB'000
Unquoted equity shares, at cost	<b>265,724</b>	265,724
Impairment losses	<b>(178,697)</b>	(178,697)
	<b>87,027</b>	87,027

(a) The details of the subsidiary companies are as follows:

Name of subsidiary company	Effective of equity held		Principal activities (Place of establishment/operation)
	2014	2013	
	%	%	
Anyang Jiutian Fine Chemical Co., Ltd.	<b>100</b>	100	Production, sale and service of industrial methanol, methylamine, dimethylformamide ("DMF") and gas (PRC)
Changzhou Jiutian Xiean Chemical Co., Ltd. ("Changzhou Jiutian")	<b>80</b>	80	Sale of methylamine, DMF, polyurethane and downstream products (PRC)
Henan Herunsheng Isotope Technology Co., Ltd.	<b>45</b>	–	Research and development of isotope Technology Manufacturing and trading of Oxygen 18 and deuterium depleted water (PRC)
Xinjiang Jiutian Energy Technology Co., Ltd. ("Xinjiang Jiutian")	<b>100</b>	–	Research, development and commercialisation of natural gas processing technology (PRC)

In 2014, Anyang Jiutian has incorporated a 45% owned subsidiary company, Herunsheng for a cash consideration of RMB22.50 million. As disclosed in Note 3, management has assessed and concluded that the Group has control over Herunsheng. Accordingly, the Group has accounted for this investment as its subsidiary company.

In 2014, the Company has incorporated a wholly owned subsidiary company, Xinjiang Jiutian. The expected capital contribution is RMB100,000 and to be subscribed in 2015.

The subsidiary companies are audited by Baker Tilly TFW LLP for the purpose of preparation of the consolidated financial statements of the Group.

(b) Significant restrictions

Cash and cash equivalents of RMB36.10 million (2013: RMB59.44 million) are held in PRC and are subject to local exchange control regulations. These regulations place restrictions on the amount of currency being exported, other than through dividends subject to the approval from relevant authorities.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 16 Investment in subsidiary companies (cont'd)

### (c) Summarised financial information of subsidiary company with material non-controlling interests ("NCI")

The subsidiary company with NCI that are considered by the management to be material to the Group is as follows:

Name of subsidiary company	Place of establishment/ operation	Effective of equity held by NCI
<b>At 31 December 2014</b>		
Herunsheng	PRC	55%

The summarised information of Herunsheng based on its FRS financial statements but before inter-company eliminations are as follows:

#### Summarised statement of financial position

	2014 RMB'000
Non-current assets	525
Current assets	73,273
Current liabilities	(23,798)
Net assets	50,000
Net assets attributable to NCI	27,500

#### Summarised statement of profit or loss and other comprehensive income

	2014 RMB'000
Revenue	—
Loss before tax	(1)
Loss and total comprehensive loss	(1)
Loss allocated to NCI	*

\* Amount below RMB1,000

#### Summarised statement of cash flows

	2014 RMB'000
Cash flows from operating activities	(1)
Cash flows from investing activities	(34,660)
Cash flows from financing activities	50,000
Net increase in cash and cash equivalents	15,339

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 17 Investment in associated companies

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Anyang Jiulong	<b>302,398</b>	296,225	<b>299,709</b>	299,709
Anyang Jiujiu	<b>39,813</b>	40,000	<b>40,000</b>	40,000
	<b>342,211</b>	336,225	<b>339,709</b>	339,709

The details of the associated companies are as follows:

Name of associated company	Effective of equity held		Principal activities (Place of establishment/operation)
	2014	2013	
	%	%	
Anyang Jiulong Chemical Co., Ltd.	<b>49</b>	49	Production of coal-based chemicals (PRC)
Anyang Jiujiu Chemical Technology Co., Ltd. #	<b>74</b>	74	Manufacturing and selling of sodium Hydrosulfite (PRC)

# In 2013, the Company and Anyang Jiulong had incorporated Anyang Jiujiu to undertake the sodium hydrosulfite project. The Company's direct ownership interest in Anyang Jiujiu is 49% and the remaining interest in Anyang Jiujiu is owned by Anyang Jiulong. Therefore, the Group's effective interest in Anyang Jiujiu is 74%. As disclosed in Note 3, management has assessed and concluded that the Group has no control but only significant influence over Anyang Jiujiu. Accordingly, Anyang Jiujiu is classified as investment in associated company.

The associated companies are audited by Baker Tilly TFW LLP for the purpose of preparation of the consolidated financial statements of the Group.

The associated companies are accounted for in the consolidated financial statements of the Group using the equity method of accounting. The activities of the associated companies are strategic to the Group's activities.

The summarised financial information of Anyang Jiulong and Anyang Jiujiu based on their FRS financial statements (not adjusted for the Group's share of those amounts) and a reconciliation to the carrying amounts of the investments in the consolidated financial statements of the Group are as follows:

### Summarised statement of profit or loss and other comprehensive income

	Anyang Jiulong and its subsidiary company		Anyang Jiujiu	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	<b>188,508</b>	225,657	—	—
Profit/(loss) and total comprehensive income/(loss) attributable to:				
- Equity holders of the company	<b>12,600</b>	7,356	<b>(382)</b>	—
- Non-controlling interest	<b>(187)</b>	—	—	—
	<b>12,413</b>	7,356	<b>(382)</b>	—

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 17 Investment in associated companies (cont'd)

*Summarised statement of financial position*

	Anyang Jiulong and its subsidiary company		Anyang Jiujiu	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	873,262	426,551	500,615	37,529
Current assets	357,445	395,845	98,975	103,854
Non-current liabilities	(127,836)	(7,443)	(120,574)	–
Current liabilities	(445,918)	(170,412)	(397,766)	(59,751)
Non-controlling interest	(39,813)	(40,000)	–	–
Total equity attributable to equity holders of the company	617,140	604,541	81,250	81,632
Group's share of net assets based on proportion of ownership interest and carrying amount of investment in associated company	302,398	296,225	39,813	40,000

Included in current liabilities and non-current liabilities are finance lease payables totalling RMB150.00 million for the acquisition of property, plant and equipment. The finance lease payables are secured by the corporate guarantees from Anhua and Anyang Jiutian (Note 26).

## 18 Deferred tax assets

The following are the major deferred tax assets recognised by the Group and the movements thereon during the current and prior reporting period:

	Deferred income	Accelerated accounting depreciation	Tax losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Group</b>				
At 1 January 2013	129	3,307	5,040	8,476
(Charge)/credit to profit or loss	(16)	5,056	(5,040)	–
At 31 December 2013	113	8,363	–	8,476
(Charge)/credit to profit or loss	(16)	5,038	–	5,022
<b>At 31 December 2014</b>	<b>97</b>	<b>13,401</b>	<b>–</b>	<b>13,498</b>

The potential deferred tax assets on the following temporary differences have not been recognised in the financial statements at the end of the reporting period:

	Group	
	2014	2013
	RMB'000	RMB'000
Unabsorbed tax losses	8,196	11,572
Accelerated accounting depreciation	14,329	42,955
Others	2,745	3,341
	25,270	57,868

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 18 Deferred tax assets (cont'd)

Unabsorbed tax losses are available for carry forward up to five years from the year of loss to offset against future taxable income of the companies in which the tax losses arose subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

The potential deferred tax assets have not been recognised in the financial statements as it is not probable that the future taxable income in these companies will be sufficient to allow these temporary differences to be realised in the foreseeable future.

## 19 Trade and other payables

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables due to:				
- Outside parties	55,493	41,463	-	-
- Associated company	159,973	112,819	-	-
- Related parties	191,053	-	-	-
Trade bills payables due to:				
- Outside parties	210,891	136,457	-	-
- Associated company	37,557	51,669	-	-
- Related parties	57,992	210,881	-	-
Bills payables to banks	8,395	43,000	-	-
Total trade payables	721,354	596,289	-	-
Advances from customers	8,789	12,648	-	-
Advances from related parties	-	159,746	-	-
Payable for purchase of property, plant and equipment	5,552	18,080	-	-
Accrued operating expenses	2,212	3,446	500	1,096
Security deposits received	1,150	1,150	-	-
Value-added tax payables	2,512	153	-	-
Rental payable to associated company	175	7,975	-	-
Staff related costs	976	2,290	712	317
Others	3,349	3,538	-	128
	24,715	209,026	1,212	1,541
Total trade and other payables	746,069	805,315	1,212	1,541

The average credit period on purchases of goods is 120 days (2013: 120 days).

The Group's trade bills payables represent trade bills receivables 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 12).

Advances from related parties are unsecured, interest-free and fully settled during the financial year.

Bills payables to banks are secured by certain fixed deposits held by the banks as disclosed in Note 11.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 19 Trade and other payables (cont'd)

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

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Singapore dollars	<b>1,212</b>	1,541	<b>1,212</b>	1,541

## 20 Deferred income

	Group	
	2014	2013
	RMB'000	RMB'000
At beginning of the year	<b>453</b>	518
Credit to profit or loss (Note 5)	<b>(65)</b>	(65)
At end of the year	<b>388</b>	453

The amount represents a government grant received from the local municipal government for financing a technology improvement project of a subsidiary company in PRC. The grant is amortised to profit or loss on a straight-line basis over the expected useful lives of the related assets.

## 21 Share capital

	Group and Company			
	2014	2013	2014	2013
	Number of ordinary shares		RMB'000	RMB'000
	'000	'000		
Issued and paid up capital:				
At beginning of the year	<b>1,818,444</b>	1,655,444	<b>661,153</b>	609,230
Issuance of ordinary shares	–	163,000	–	51,923
At end of the year	<b>1,818,444</b>	1,818,444	<b>661,153</b>	661,153

All issued shares are fully paid ordinary shares with no par value.

On 22 February 2013, the Company issued 163,000,000 new ordinary shares at S\$0.0638 per ordinary share for cash to provide funds for the expansion of the Group's operations. The newly issued shares rank pari passu in all aspects with the previously issued shares.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 22 Related party transactions

### *Major shareholder*

Anyang Longyu (HK) Development Co., Ltd ("Anyang Longyu") became a major shareholder of the Company on 3 November 2011 when it acquired the entire shareholding of Stateglory Investments Ltd (former shareholder) in the Company. As at 31 December 2014, Anyang Longyu holds 482,450,000 (2013: 482,450,000) ordinary shares through its nominee, RHB Securities Singapore Pte Ltd (formerly known as DMG & Partners Securities Pte. Ltd.), representing approximately 26.53% (2013: 26.53%) of the issued share capital of the Company. Anyang Longyu is a wholly-owned subsidiary company of Anhua. Anhua is in turn a subsidiary company of HNEC. HNEC is one of the PRC's most significant coal mining company and a significant manufacturer in the chemical industry.

Management is of the view that Anyang Longyu is able to exercise significant influence over the operations of the Group, and hence is considered as related party of the Group.

Transactions with HNEC and its subsidiary companies are considered as related party transactions.

### *Sales and purchases with Anhua*

On 1 January 2005, Anyang Jiutian signed a 20-year raw materials and spare parts purchase agreement with Anhua. The transaction price would be mutually agreed by both parties and updated according to market price every three years. According to the supplementary agreement dated 30 July 2005, between Anyang Jiutian and Anhua, the transaction price will be reviewed every half year before October 2009 and will be reviewed every month thereafter.

### *Financial support from Anhua and Anyang Jiulong*

In January 2015 (2013: 1 March 2014) a financial support letter is provided by Anhua and Anyang Jiulong where it was agreed that Anhua and Anyang Jiulong would not demand for the payments of the trade and other payables owing to them as at 31 December 2014 totalling RMB351.03 million (2013: RMB272.57 million) till Anyang Jiutian is able to settle its other liabilities.

### *Significant transactions with related parties*

In addition to information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties, who are not members of the Group during the financial year on terms agreed by the parties concerned:

	Group	
	2014	2013
	RMB'000	RMB'000
<b>With associated companies (subsidiary company of HNEC)</b>		
Sales of goods	14,836	9,769
Purchases of electricity	20,656	29,919
Purchases of industrial steam	84,407	71,538
Purchases of goods	464	—
Rental expense	647	503
Advances given	42,307	13,627
Payment on behalf	15,578	616

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 22 Related party transactions (cont'd)

*Significant transactions with related parties (cont'd)*

	Group	
	2014	2013
	RMB'000	RMB'000
<b>With other subsidiary companies of HNEC</b>		
Sales of goods	558	1,987
Rental income	1,761	1,898
Service fee	–	1,132
Purchases of goods and industrial steam	182,115	217,370
Rental expense	249	249
Advances given	862	–
<b>With a company in which key management personnel of subsidiary company has controlling interest</b>		
Advances given	19,300	–

Outstanding balances with related parties at the end of the reporting period are disclosed in Note 12 and Note 19 respectively.

## 23 Financial instruments

### (a) Categories of financial instruments

Financial instruments at their carrying amounts at the end of the reporting period are as follows:

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
<i>Financial assets</i>				
Loans and receivables	242,364	147,297	3,638	11,512
<i>Financial liabilities</i>				
Amortised cost	428,328	393,507	1,212	1,541

### (b) Financial risk management

Management monitors and manages the financial risks relating to the operations of the Group and the Company to minimise adverse potential effects of financial performance. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 23 Financial instruments (cont'd)

### (b) Financial risk management (cont'd)

#### Foreign currency risk

The principal entities in the Group transact their business significantly in RMB which is also the functional currency of the PRC entities and therefore the Group's exposure to foreign currency risk, such as Singapore dollars ("SGD") and United States dollar ("USD") are not expected to be significant.

The carrying amounts of monetary assets and monetary liabilities not denominated in the functional currency of the respective entities at the end of the reporting period are as follows:

	Group				Company			
	Assets		Liabilities		Assets		Liabilities	
	2014	2013	2014	2013	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
SGD	3,556	11,430	1,212	1,541	3,556	11,430	1,212	1,541
USD	82	82	–	–	82	82	–	–

#### Foreign currency sensitivity analysis

The following table details the sensitivity to a 5% increase and decrease in the relevant foreign currency against the functional currency of each group entity. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. With all other variables held constant, the effects will be as follows:

	Increase/(decrease) in profit after tax			
	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
SGD against RMB				
- Strengthened	117	494	117	494
- Weakened	(117)	(494)	(117)	(494)

The sensitivity analysis for foreign currency risk of USD is not disclosed as the effect on profit or loss and other comprehensive income is considered not significant.

#### Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates except for changes in interest rate of its fixed deposits and advances to related parties. The sensitivity analysis for interest rate is not disclosed as the effect on the profit or loss is considered not significant.

#### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored.

Concentration of credit risk exists when changes in economic, industry or geographical factors similarly affect group of counterparties whose aggregate exposure is significant in relation to the Group's total credit exposure. All the Group's customers are PRC companies. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

# NOTES TO THE FINANCIAL STATEMENTS

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For the financial year ended 31 December 2014

## 23 Financial instruments (cont'd)

### (b) Financial risk management (cont'd)

#### ***Credit risk (cont'd)***

Further details of credit risks on trade and other receivables are disclosed in Note 12.

The credit risk on liquid funds is limited because the counterparties are financial institutions with high credit-ratings assigned by international credit-rating agencies. The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

#### ***Liquidity risk***

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance its operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of bank borrowings and ensures compliance with loan covenants. This strategy has not changed from prior periods.

In view of the Group's liquidity position, the liquidity risk management approach is outlined below:

- liquidity forecasts are produced on a weekly basis to ensure utilisation of current forecast is optimised.
- Management continually assesses the balance of capital and debt funding of the Group.

With the above approach, and after considering the measures to preserve cash and secure additional financing as described in Note 2(a), management has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

The financial liabilities of the Group and the Company as presented in the statements of financial position are due within twelve months from the end of the reporting period and approximate the contractual undiscounted repayment obligations.

### (c) Fair value

The carrying amounts of the financial assets and financial liabilities recorded in the consolidated financial statements of the Group and the statement of financial position of the Company approximate their fair values due to the relatively short-term maturity of these financial instruments.

### (d) Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debts, which is the borrowings less cash and cash equivalents and equity attributable to equity holders of the Company, comprising share capital and reserves.

The Group's management reviews the capital structure on an on-going basis. As a part of this review, management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of management, the Group balances its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issuance of new debt or the redemption of existing debt.

The Group's overall strategy remains unchanged from 2013.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 24 Operating lease arrangements

*The Group as lessee*

At the end of the reporting period, the Group and the Company have outstanding commitments under non-cancellable operating leases which fall due as follows:

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Not later than one financial year	1,234	799	200	203
Later than one financial year but not later than five financial years	1,518	995	–	–
Later than five financial years	140	389	–	–
	<b>2,892</b>	<b>2,183</b>	<b>200</b>	<b>203</b>

Operating lease payments include rental payable by the Group for certain land and buildings leased from Anhua. Leases are negotiated for an average term of 14 - 20 years and rentals are fixed for an average of 14 - 20 years. Operating lease payments of the Company represent rental payable for its office premise for which the lease is negotiated on an annual basis.

*The Group as lessor*

The Group leased out certain machinery under operating leases to an unrelated individual. The Group also leased out certain property amount to a related party.

At the end of the reporting period, the Group has contracted with lessees for the following future minimum lease payments as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Not later than one financial year	232	1,664
Later than one financial year but not later than five financial years	–	72
	<b>232</b>	<b>1,736</b>

## 25 Capital commitments

The capital commitments not provided for in the financial statements of the Group and the Company are as follows:

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Capital commitments for the acquisition of property, plant and equipment	8,836	432	–	–

The capital commitments not provided for in the financial statements of the associated companies are as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Capital commitments for the acquisition of property, plant and equipment	<b>13,398</b>	<b>34,265</b>

# NOTES TO THE FINANCIAL STATEMENTS

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For the financial year ended 31 December 2014

## 26 Contingent liabilities

The Group together with a related party have provided corporate guarantee totalling RMB173.98 million (2013: Nil) to a financial institution for finance lease of RMB150.00 million (2013: Nil) taken by Anyang Jiujiu (Note 17).

Management have assessed the fair value of this financial guarantee to have no material financial impact on the results of the Group for the financial year ended 31 December 2014.

## 27 Segment information

The Group is principally engaged in manufacturing and selling of chemical-based products, i.e. methylamine and DMF. All provisions are of a similar nature and subject to similar risks and returns. Accordingly, the Group's operating activities are mainly attributable to a single reportable operating segment.

### *Geographical information*

The Group's revenue, expenses, results, assets and liabilities and capital expenditures are predominantly attributable to a single geographical region, the PRC, which is the Group's principal place of business and operations. Therefore, no analysis by geographical region is presented.

## 28 Authorisation of financial statements

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors dated 5 April 2015.

# SHAREHOLDING STATISTICS

As at 20 March 2015

Issued and Fully Paid-up Capital	-	S\$137,541,385 comprising 1,818,444,000 ordinary shares
Class of Shares	-	Ordinary shares
Voting Rights	-	One Vote per share

The Company does not have any Treasury Share.

## DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Holders	No. of Shares	% of Shares
1 – 99	–	–	–	–
100-1000	63	1.15	60,995	0.00
1,001 – 10,000	1,464	26.69	11,716,000	0.64
10,001 – 1,000,000	3,850	70.19	364,535,399	20.05
1,000,001 and above	108	1.97	1,442,131,606	79.31
	5,485	100.00	1,818,444,000	100.00

## LIST OF 20 LARGEST SHAREHOLDERS

	SHAREHOLDER'S NAME	NO. OF SHARES	%
1	RHB SECURITIES SINGAPORE PTE LTD	496,139,000	27.28
2	OCBC SECURITIES PRIVATE LTD	218,268,800	12.00
3	RAFFLES NOMINEES (PTE) LTD	106,973,600	5.88
4	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	59,871,600	3.29
5	UOB KAY HIAN PTE LTD	50,931,000	2.80
6	GOH SEOK TOR	43,640,000	2.40
7	CHEW KENG KEONG	29,571,000	1.63
8	CITIBANK NOMINEES SINGAPORE PTE LTD	28,018,300	1.54
9	PEK KOK SAM	25,836,000	1.42
10	PHILLIP SECURITIES PTE LTD	22,632,000	1.24
11	DBS NOMINEES PTE LTD	18,214,100	1.00
12	GOH LIK TUAN	14,000,000	0.77
13	MAYBANK NOMINEES (SINGAP ORE) PTE LTD	13,530,000	0.74
14	MAYBANK KIM ENG SECURITIES PTE LTD	12,908,000	0.71
15	MOE KHONG KIOEN	12,445,000	0.68
16	UNITED OVERSEAS BANK NOMINEES PTE LTD	11,865,000	0.65
17	OCBC NOMINEES SINGAPORE PTE LTD	10,881,000	0.60
18	LEE SEE KEE	10,500,000	0.58
19	LEE CHEE SENG	10,250,000	0.56
20	NG CHEW GEK	9,739,000	0.54
	<b>TOTAL:</b>	<b>1,206,213,400</b>	<b>66.31</b>



# SHAREHOLDING STATISTICS

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As at 20 March 2015

## **SUBSTANTIAL SHAREHOLDERS**

No.	Name	Direct Interest		Deemed Interests	
		No. of shares held	%	No. of shares held	%
1.	Anyang Longyu (HK) Development Co, Ltd	—	—	484,228,300	26.63

## **COMPLIANCE WITH RULE 723 OF THE SGX-ST LISTING MANUAL**

Based on information available and to the best knowledge of the Directors, as at 20 March 2015, approximately 70.32% of the ordinary shares of the Company are held by the public. The Company is therefore in compliance with Rule 723 of the SGX-ST Listing Manual.

## APPENDIX I DATED 14 APRIL 2015

### THIS APPENDIX I IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

This Appendix I is circulated to shareholders of Jiutian Chemical Group Limited (the “**Company**”) together with the Company’s Annual Report for its financial year ended 31 December 2014 (the “**Annual Report**”). Its purpose is to provide shareholders of the Company with information relating to the proposed renewal of the shareholders’ general mandate for interested person transactions to be tabled at the Annual General Meeting of the Company to be held on Wednesday, 29 April 2015 at M Hotel Singapore, Anson IV, Level 2, 81 Anson Road, Singapore 079908 at 9.30 a.m.

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold all your ordinary shares in the capital of the Company, you should immediately forward the Annual Report which contains, *inter alia*, this Appendix I, the Notice of Annual General Meeting and the Proxy Form to the purchaser or to the stockbroker or the bank or the agent through whom you effected the sale for onward transmission to the purchaser.

The Ordinary Resolution proposed to be passed in respect of the proposed renewal of the shareholders’ general mandate for interested person transactions is set out in the Notice of Annual General Meeting. The Notice of Annual General Meeting and the Proxy Form are contained in the Annual Report.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Appendix I.



### APPENDIX IN RELATION TO

### THE PROPOSED RENEWAL OF THE SHAREHOLDERS’ GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS

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## DEFINITIONS

In this Appendix I, the following definitions shall apply throughout unless the context otherwise requires:-

### Companies, Organisations and Agencies

“Anhua”	: Anyang Chemical Industry Group Co., Ltd., a subsidiary of HNEC
“Anhua Group”	: HNEC, Anhua and their respective subsidiaries <sup>(1)</sup> and associates
“Anyang Jiulong”	: Anyang Jiulong Chemical Co., Ltd., a subsidiary of Anhua and an associated company of Jiutian
“Anyang Jiutian”	: Anyang Jiutian Fine Chemical Co., Ltd., a wholly owned subsidiary of Jiutian
“Anyang Longyu”	: Anyang Longyu (HK) Development Co., Ltd, a wholly owned subsidiary of Anhua
“CDP”	: The Central Depository (Pte) Limited
“Company” or “Jiutian”	: Jiutian Chemical Group Limited
“Henan Electric”	: Henan Electric Power Corporation, a state-owned electricity utility company
“HNEC”	: Henan Energy and Chemical Industry Group Co., Ltd. (formerly known as Henan Coal and Chemical Group Co., Ltd.)
“Jiutian Group”	: The Company, its subsidiaries and its associated companies <sup>(1)</sup>
“SGX-ST”	: Singapore Exchange Securities Trading Limited
“Stateglory”	: Stateglory Investments Ltd
“Wuhuan Engineering”	: Wuhuan Engineering Co., Ltd., an independent technical consultant engaged by the Jiutian Group to formulate the Technical Cost Conversion Formulae

### General

“Act”	: The Companies Act (Chapter 50) of Singapore, as amended or modified or supplemented from time to time
“AGM”	: The annual general meeting of the Company to be held on Wednesday, 29 April 2015 at 9.30 a.m. at M Hotel Singapore, Anson IV, Level 2, 81 Anson Road, Singapore 079908
“Annual Report”	: The annual report of the Company for FY2014
“Appendix I”	: This Appendix I dated 14 April 2015
“associated company”	: A company in which at least 20% but not more than 50% of its shares are held by the Company or the Jiutian Group and that it is not listed on the SGX-ST or an approved exchange, provided that the Jiutian Group, or the Jiutian Group and its Interested Persons, has control over the said company
“associate”	: (a) in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means:- <ul style="list-style-type: none"> <li>(i) his immediate family;</li> <li>(ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and</li> </ul>

# APPENDIX I

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	(iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more;
	(b) in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
“Audited Accounts”	: The audited financial statements of the Jiutian Group which includes Anyang Jiulong as part of the Jiutian Group
“Audit Committee”	: The audit committee of the Company, comprising Mr. Chan Kam Loon, Mr. Foo Meng Kee and Mr. Wu Yu Liang
“Board”	: Board of Directors of the Company for the time being
“controlling shareholder”	: A person who:-  (a) holds directly or indirectly 15% or more of the total number of issued shares excluding treasury shares in the company (unless the SGX-ST determines that such a person is not a controlling shareholder); or  (b) in fact exercises control over a company
“Directors”	: The directors of the Company for the time being
“Dimethylamine”	: A type of raw material used in the manufacturing of certain pharmaceutical products, agricultural chemicals and other organic chemicals
“Entities at Risk”	: The entities at risk who fall within the IPT Mandate, as set out in section 4.2 of this Appendix I, namely, each of the entities within the Jiutian Group and Anyang Jiulong
“FY”	: Financial year ended 31 December
“Independent Directors”	: The Directors who are deemed to be independent in respect of and for the purpose of the IPT Mandate, namely, Mr. Sun Zhiqiang, Mr. Lee Chee Seng, Mr. Wu Yu Liang, Mr. Chan Kam Loon, Mr. Foo Meng Kee and Mr. Gao Guoan
“Interested Persons”	: The interested persons of the Company who fall within the IPT Mandate, as set out in section 4.2 of this Appendix I, namely, each of the entities within the Anhua Group and Anyang Jiulong
“IPT Mandate”	: The general mandate that was approved by Shareholders at the extraordinary general meeting of the Company held on 16 November 2012 and renewed at the annual general meetings of the Company held respectively on 26 April 2013 and 29 April 2014, permitting the Entities at Risk to enter into the Recurrent IPTs with the Interested Persons
“Latest Practicable Date”	: 5 April 2015, being the latest practicable date prior to the printing of this Appendix I
“Listing Manual”	: The listing manual of the SGX-ST
“New Recurrent IPT”	: Sale of Dimethylamine by the Entities at Risk to the Interested Persons
“Notice of AGM”	: The notice of AGM dated 14 April 2015
“NTA”	: Net tangible assets
“PRC”	: People's Republic of China

“Production Cost Method”	: Shall have the meaning ascribed to it in section 4.3.1(b) of this Appendix I and further information in connection therewith is set out in section 4.5 of this Appendix I
“Raw Materials Type I”	: Includes liquid ammonia, methanol, nitrogen and carbon dioxide
“Raw Materials Type II”	: Includes liquid coal gas, oxygen, clean water, desalinated water, recycled water and instrument air
“Recurrent IPTs”	: The categories of transactions (including the New Recurrent IPT) with the Interested Persons which fall within the IPT Mandate, as set out in sections 4.2.2(b) and 4.3 of this Appendix I
“Repair Materials”	: Shall have the meaning ascribed to it in section 4.3.3 of this Appendix I
“Shareholders”	: Registered holders of Shares, except that where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares and where the context so admits, mean the persons whose direct securities account maintained with the CDP are credited with the Shares
“Shares”	: Ordinary shares in the capital of the Company
“subsidiary”	: Shall have the meaning ascribed to it in the Act
“substantial shareholder”	: A person who holds directly or indirectly 5% or more of the total voting shares in a company
“Technical Cost Conversion Formulae”	: The various technical cost conversion formulae as formulated by Wuhuan Engineering for the purpose of arriving at the prices of certain raw materials

## Currencies, Units and Others

“RMB”	: Renminbi, the lawful currency of the PRC
“S\$”	: Singapore dollars, the lawful currency of the Republic of Singapore
“%”	: Per centum or percentage

Note:-

- (1) Save for references to the Jiutian Group in connection with the Audited Accounts, in the context of this Appendix I:-
  - (a) Anyang Jiulong, being a subsidiary of the Anhua Group, is excluded from the definition of the term “Anhua Group”; and
  - (b) Anyang Jiulong, being an associated company of the Jiutian Group, is excluded from the definition of the term “Jiutian Group”,

wherever the said terms appear in this Appendix I.

The terms “Transactions A”, “Transaction B”, “Transaction C”, “Transaction D”, “Transaction E”, “Transaction F”, “Transaction G” and “Transaction H” shall have the meanings ascribed to them respectively in section 4.2.2(b) of this Appendix I.

The terms “Depositor”, “Depository Agent” and “Depository Register” shall have the meanings ascribed to them respectively in Section 130A of the Act or any statutory modification thereof, as the case may be.

Words importing the singular shall, where applicable, include the plural and *vice versa*, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*.

Words importing persons shall, where applicable, include corporations.

## APPENDIX I

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Any reference in this Appendix I to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act or the Listing Manual or any statutory modification thereof and used in this Appendix I shall, where applicable, have the same meaning ascribed to it under the Act or the Listing Manual or any statutory modification thereof, as the case may be, unless otherwise provided.

Any reference to dates and time of day in this Appendix I shall be a reference to Singapore dates and time unless otherwise stated.

Any reference to the value of transactions entered by the Entities at Risk with the Interested Persons shall exclude such transactions of an equivalent value of less than S\$100,000 unless otherwise stated.



**JIUTIAN CHEMICAL GROUP LIMITED**

(Company Registration Number 200415416H)  
(Incorporated in the Republic of Singapore)

**Directors:-**

Gao Heng (*Non-Executive and Non-Independent Chairman*)  
Sun Zhiqiang (*Executive Director and Acting Chief Executive Officer*)  
Lee Chee Seng (*Executive Director*)  
Wu Yu Liang (*Non-Executive and Lead Independent Director*)  
Chan Kam Loon (*Non-Executive and Independent Director*)  
Foo Meng Kee (*Non-Executive and Independent Director*)  
Gao Guoan (*Non-Executive and Independent Director*)  
Su Jing (*Non-Executive and Non-Independent Director*)  
Huo Xiaofan (*Non-Executive and Non-Independent Director*)

**Registered Office:-**

80 Robinson Road  
#02-00  
Singapore 068898

14 April 2015

To: The Shareholders of Jiutian Chemical Group Limited

Dear Sir/Madam

## **THE PROPOSED RENEWAL OF THE SHAREHOLDERS' GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS**

### **1. INTRODUCTION**

The Company proposes to seek the approval of its Shareholders at the AGM to be held on 29 April 2015 for the proposed renewal of the IPT Mandate.

The Company refers to the Notice of AGM accompanying the Annual Report for FY2014 and Resolution 9 in relation to the proposed renewal of the IPT Mandate under the heading "Special Business" set out in the Notice of AGM.

The purpose of this Appendix I is to provide Shareholders with information relating to the IPT Mandate.

The proposed renewal of the IPT Mandate will authorise the Company, its subsidiaries, its associated companies and Anyang Jiulong that are considered to be "entities at risk" within the meaning of Chapter 9 of the Listing Manual, to enter in the ordinary course of business any of the mandated transactions with specific classes of the Company's interested persons, provided that such transactions are made on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders, and are entered into in accordance with the review procedures for such transactions.

General information relating to Chapter 9 of the Listing Manual is set out in section 3 of this Appendix I.

### **2. PROPOSED RENEWAL OF THE IPT MANDATE**

Under Chapter 9 of the Listing Manual, a general mandate for transactions with interested persons is subject to annual renewal. The IPT Mandate was previously approved and adopted at the extraordinary general meeting of the Company held on 16 November 2012 and renewed at the annual general meetings of the Company held respectively on 26 April 2013 and 29 April 2014.

At its last annual general meeting held on 29 April 2014, the Company had also obtained Shareholders' approval to amend the IPT Mandate by including the New Recurrent IPT as part of the IPT Mandate. Accordingly, following such approval, the New Recurrent IPT became part of the existing IPT Mandate.

The existing IPT Mandate will continue to be in force until the conclusion of the AGM. Accordingly, it is proposed that the IPT Mandate be renewed at the AGM and to take effect, unless revoked or varied by the Company in general meeting, until the next annual general meeting of the Company.

# APPENDIX I

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The nature of the Recurrent IPTs and the classes of Interested Persons in respect of which the IPT Mandate is sought to be renewed remain unchanged.

## 3. THE LISTING MANUAL

### 3.1 Chapter 9 of the Listing Manual

Chapter 9 of the Listing Manual governs transactions in which a listed company or any of its subsidiaries or associated companies (known as an “entity at risk”) enters into or proposes to enter into with a person who is an interested person of the listed company. The purpose is to guard against the risk that an interested person could influence the listed company, its subsidiaries or associated companies to enter into transactions with it that may adversely affect the interests of the listed company or its shareholders.

For the purposes of Chapter 9 of the Listing Manual:-

3.1.1 an “**entity at risk**” means:-

- (a) the listed company;
- (b) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or
- (c) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed group, or the listed group and its interested person(s), has control over the associated company;

3.1.2 an “**interested person**” means a director, chief executive officer or controlling shareholder of the listed company or an associate of any such director, chief executive officer or controlling shareholder;

3.1.3 an “**associate**”:-

- (a) in relation to any director, chief executive officer or controlling shareholder (being an individual) means:-
  - (i) his immediate family;
  - (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
  - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more;
- (b) in relation to a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more;

3.1.4 an “**approved exchange**” means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9 of the Listing Manual; and

3.1.5 an “**interested person transaction**” means a transaction between an entity at risk and an interested person, and includes the provision or receipt of financial assistance, the acquisition, disposal or leasing of assets, the provision or receipt of services, the issuance or subscription of securities, the granting of or being granted options, and the establishment of joint ventures or joint investments, whether or not in the ordinary course of business, and whether or not entered into directly or indirectly.

## 3.2 Financial Thresholds

An immediate announcement and/or shareholders' approval is required in respect of transactions with interested persons if the value of the transaction is equal to or exceeds certain financial thresholds.

In particular, an immediate announcement is required where:-

- (a) the transaction is of a value equal to, or more than, 3% of the group's latest audited NTA; or
- (b) the aggregate value of all transactions entered into with the same interested person during the same financial year amounts to 3% or more of the group's latest audited NTA.

Further, shareholders' approval (in addition to an immediate announcement) is required where:-

- (a) the transaction is of a value equal to, or more than, 5% of the group's latest audited NTA; or
- (b) the transaction, when aggregated with other transactions entered into with the same interested person during the same financial year, is of a value equal to, or more than, 5% of the group's latest audited NTA.

The above requirements for immediate announcement and/or for shareholders' approval do not apply to any transaction below S\$100,000, and certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested person and hence excluded from the ambit of Chapter 9 of the Listing Manual.

Pursuant to Rule 909 of the Listing Manual, the value of a transaction is the amount at risk to the listed company. This is illustrated by the following examples:-

- (a) in the case of a partly-owned subsidiary or associated company, the value of the transaction is the listed company's effective interest in that transaction;
- (b) in the case of a joint venture, the value of the transaction includes the equity participation, shareholders' loans and guarantees given by the entity at risk; and
- (c) in the case of borrowing of funds from an interested person, the value of the transaction is the interest payable on the borrowing. In the case of lending of funds to an interested person, the value of the transaction is the interest payable on the loan and the value of the loan.

## 3.3 Illustration

For illustration purposes, based on the Jiutian Group's latest Audited Accounts for FY2014, the Jiutian Group's latest audited NTA as at 31 December 2014 was approximately RMB493.4 million. Accordingly, in relation to the Jiutian Group, for the purposes of Chapter 9 of the Listing Manual in the current financial year, Shareholders' approval is required where:-

- (a) the transaction is of a value equal to, or more than, RMB24.7 million, being 5% of the Jiutian Group's latest audited NTA as at 31 December 2014; or
- (b) the transaction, when aggregated with other transactions entered into with the same interested person during the same financial year, is of a value equal to, or more than, RMB24.7 million. The aggregation will exclude any transaction that has been approved by Shareholders previously or is the subject of aggregation with another transaction that has been approved by Shareholders.

## 3.4 General Mandate

Part VIII of Chapter 9 of the Listing Manual allows a listed company to seek a general mandate from its shareholders for recurrent transactions with interested persons where such transactions are of a revenue or trading nature or necessary for its day-to-day operations such as the purchase and sale of supplies and materials, but not in respect of the purchase or sale of assets, undertakings or businesses. A general mandate granted by shareholders is subject to annual renewal.

# APPENDIX I

## 4. PROPOSED RENEWAL OF THE IPT MANDATE

### 4.1 Scope of the IPT Mandate

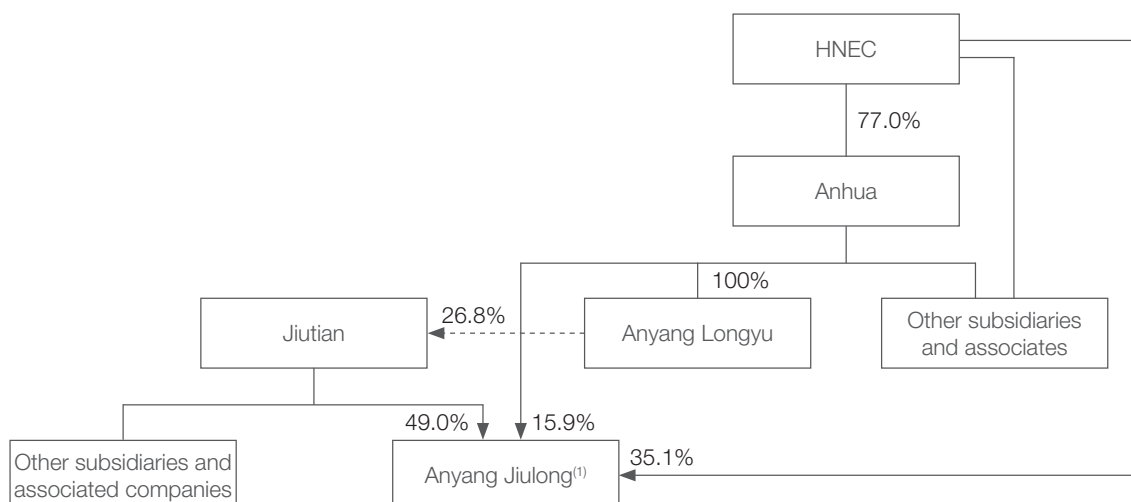
The Jiutian Group, Anyang Jiulong and the Interested Persons are in related businesses. It is envisaged that in the ordinary course of their respective businesses, certain recurrent transactions (as more particularly set out in sections 4.2.2(b) and 4.3 of this Appendix I) between the Jiutian Group, Anyang Jiulong and the Interested Persons will continue to occur from time to time. The Recurrent IPTs are transactions in the ordinary course of business of the Jiutian Group and Anyang Jiulong.

Given that the Recurrent IPTs are of a trading nature and are expected to recur and occur at any time, and due to the time-sensitive nature of these transactions, in order that the Jiutian Group and Anyang Jiulong may undertake such transactions in a more expeditious manner, the Company is seeking the approval of its Shareholders for the proposed renewal of the IPT Mandate in respect of the Recurrent IPTs provided that such transactions are made on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

### 4.2 Information on the Entities at Risk and the Interested Persons

#### 4.2.1 Relationship between the Entities at Risk and the Interested Persons

As at the Latest Practicable Date, the corporate structure of the Jiutian Group, the Anhua Group and Anyang Jiulong and the relationship among them was as follows:-



Note:-

- (1) Anyang Jiulong is a joint venture between Jiutian and the Anhua Group pursuant to which the Anhua Group holds 51% (that is, 15.9% is held by Anhua and the balance 35.1% is held by HNEC) and Jiutian holds 49% of the registered capital of Anyang Jiulong. Accordingly, Anyang Jiulong is a subsidiary of the Anhua Group and an associated company of Jiutian. Therefore, in certain circumstances, Anyang Jiulong would be deemed to be an Entity at Risk when it enters into transactions with the Interested Persons as part of the Jiutian Group. It would also be deemed to be an Interested Person as being part of the Anhua Group when it enters into transactions with the Jiutian Group.

Pursuant to Chapter 9 of the Listing Manual:-

- (a) the Entities at Risk under the IPT Mandate consist of the Company, its subsidiaries and its associated companies, including Anyang Jiulong;
- (b) the Interested Persons under the IPT Mandate consist of HNEC, Anhua and their respective subsidiaries and associates, including Anyang Jiulong; and
- (c) the interested person transactions under the IPT Mandate include primarily:-
  - (i) transactions entered by the Jiutian Group and Anyang Jiulong (as an associated company of the Jiutian Group) as the customer with the Anhua Group as the supplier;

- (ii) transactions entered by the Anhua Group as the customer and the Jiutian Group and Anyang Jiulong (as an associated company of the Jiutian Group) as the supplier; and
- (iii) transactions entered by the Jiutian Group as the customer and Anyang Jiulong (as a subsidiary of the Anhua Group) as the supplier.

Please refer to sections 4.2.2(b) and 4.3 of this Appendix I for further information relating to the Recurrent IPTs.

## 4.2.2 Classes of the Entities at Risk and the Interested Persons

### (a) *Background*

On 3 November 2011, Anyang Longyu became a controlling shareholder of the Company when it acquired from Stateglory 470,625,000 Shares. The said number of Shares represents the entire shareholding of Stateglory in the Company. As at the Latest Practicable Date, Anyang Longyu holds 487,450,000 Shares through its nominee, RHB Securities Singapore Pte. Ltd. (formerly known as DMG & Partners Securities Pte. Ltd.), representing approximately 26.81% of the issued share capital of the Company.

Anyang Longyu is a wholly owned subsidiary of Anhua, a state-owned enterprise incorporated in Anyang, Henan Province, PRC. Anhua is in turn a subsidiary of HNEC. HNEC is one of the PRC's most significant coal mining companies and a significant manufacturer in the chemical industry.

Upon Anyang Longyu becoming a controlling shareholder of the Company on 3 November 2011, all transactions entered into by the Anhua Group and Anyang Jiulong (as Interested Persons) with the Jiutian Group and Anyang Jiulong (as Entities at Risk) became interested person transactions under Chapter 9 of the Listing Manual.

The Anhua Group has been a key supplier of raw materials to the Jiutian Group since 2005. It was also disclosed in the Company's prospectus dated 24 April 2006 that Anhua is a key supplier of the Jiutian Group and that a 20-year supply agreement was entered into between Anyang Jiutian and Anhua on 1 January 2005 (the **"Supply Agreement"**).

Pursuant to the Supply Agreement, Anhua has been supplying (a) liquid coal gas, liquid ammonia, water, electricity, meter running gas, industrial steam and nitrogen to the Jiutian Group's dimethylformamide and methylamine workshops, (b) liquid coal gas, water, electricity, industrial steam, meter gas and nitrogen to the Jiutian Group's methanol workshop and (c) carbon dioxide, oxygen, production water, electricity and industrial steam to the Jiutian Group's gas workshop.

The term of the Supply Agreement is for 20 years commencing on 1 January 2005 and expiring on 31 December 2024. The prices for all the raw materials and services to be supplied by Anhua under the Supply Agreement are not fixed and are subject to negotiations between the Jiutian Group and Anhua. Anyang Jiutian also has the right, under the Supply Agreement, to purchase raw materials directly from other third parties.

The term of the Supply Agreement is renewable on the 18th year for a further period of 20 years through negotiations between the Jiutian Group and Anhua. With the Supply Agreement, the Jiutian Group can be assured of a stable supply of its essential raw materials in accordance with its standards and specifications. Another advantage of the Supply Agreement is that the Jiutian Group will not be charged by Anhua for any transportation costs for the raw materials supplied due to the close proximity of the factories of Anhua and the Jiutian Group.

Save for the adoption by the Jiutian Group and Anyang Jiulong of the Technical Cost Conversion Formulae in March 2012, there have not been any changes to the manner in which transactions are being conducted with the Interested Persons after Anyang Longyu became a controlling shareholder of the Company. The Technical Cost Conversion Formulae was adopted by the Jiutian Group and Anyang Jiulong in March 2012 for the purpose of determining the prices of certain raw materials. The Technical Cost Conversion Formulae seeks to ensure that the purchase prices of certain raw materials as provided by the Interested Persons are reasonable. Please refer to section 4.4 of this Appendix I for further information relating to the Technical Cost Conversion Formulae.

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(b) *List of Entities at Risk and Interested Persons*

The list of the Entities at Risk and the Interested Persons and the types of transactions which are covered under the IPT Mandate are as follows:-

Entities At Risk	Interested Persons	Type of transaction
Jiutian Group and Anyang Jiulong as the customer	Anhua Group as the supplier	(a) Purchase of Raw Materials Type I and Raw Materials Type II from the Anhua Group  (b) Purchase of Repair Materials from the Anhua Group  (the above transactions are collectively referred to as <b>"Transactions A"</b> )
Jiutian Group and Anyang Jiulong as the lessor	Anhua Group as the lessee	Leasing of equipment to the Anhua Group (the said transaction is referred to as <b>"Transaction B"</b> )
Jiutian Group and Anyang Jiulong as the lessee	Anhua Group as the lessor	Renting of equipment from the Anhua Group (the said transaction is referred to as <b>"Transaction C"</b> )
Jiutian Group and Anyang Jiulong as the supplier	Anhua Group as the customer	Sale of Repair Materials to the Anhua Group (the said transaction is referred to as <b>"Transaction D"</b> )
Jiutian Group as the customer	Anhua Group as the supplier	Purchase of electricity and industrial steam from the Anhua Group (the said transaction is referred to as <b>"Transaction E"</b> )
Jiutian Group as the customer	Anyang Jiulong as the supplier	Purchase of electricity and industrial steam from Anyang Jiulong (the said transaction is referred to as <b>"Transaction F"</b> )
Anyang Jiulong as the supplier	Anhua Group as the customer	Sale of electricity and industrial steam to the Anhua Group (the said transaction is referred to as <b>"Transaction G"</b> )
Jiutian Group as the supplier	Anhua Group and/or Anyang Jiulong as the customers	Sale of Dimethylamine to the Anhua Group and/or Anyang Jiulong (the said transaction is referred to as <b>"Transaction H"</b> )

Please refer to section 4.3 of this Appendix I for a detailed description of the aforesaid transactions.

### 4.3 Categories of the Recurrent IPTs

The IPT Mandate will include all transactions set out in section 4.2.2(b) of this Appendix I, namely, Transactions A to Transaction H.

Transactions A to Transaction H are transactions entered in the normal course of business of the Jiutian Group and Anyang Jiulong. Such transactions are recurrent transactions of revenue or trading nature or those which are necessary for the day-to-day operations of the Jiutian Group and Anyang Jiulong.

The categories of the Recurrent IPTs which are covered by the IPT Mandate include the following:-

#### 4.3.1 Transactions A, E and F – Purchase of raw materials from the Anhua Group and/or Anyang Jiulong

##### (a) Transactions A – Purchase of Raw Materials Type I

The Jiutian Group and Anyang Jiulong require raw materials to produce its chemical products. Currently, it purchases some of the raw materials such as liquid coal gas, liquid ammonia, recycled water, clean water, desalinated water, nitrogen, carbon dioxide, instrument air, methanol, oxygen and other gases from the Anhua Group. Due to the close proximity of the factories of the Jiutian Group, Anyang Jiulong and the Anhua Group, these raw materials are being delivered to the factories of the Jiutian Group and/or Anyang Jiulong via pipelines without any transportation costs being incurred by the Jiutian Group and/or Anyang Jiulong. The Jiutian Group and Anyang Jiulong will incur transportation costs if they purchase such raw materials from other unrelated third parties.

The types of raw materials which the Jiutian Group and Anyang Jiulong are able to purchase from unrelated third parties comprise mainly of raw materials under Raw Materials Type I, that is, liquid ammonia, methanol, nitrogen and carbon dioxide. However, the costs of purchasing such raw materials will be much higher if it is purchased from unrelated third parties as transportation costs will be incurred. Liquid ammonia, methanol, nitrogen and carbon dioxide when they are purchased from unrelated third parties will be stored in either storage bottles or storage tanks and transported to the factories of the Jiutian Group and/or Anyang Jiulong via trucks. On the other hand, the Jiutian Group and Anyang Jiulong is able to purchase such raw materials from the Anhua Group at a lower cost as the same are delivered to the factories of the Jiutian Group and/or Anyang Jiulong via pipelines without any transportation costs being incurred.

The prices of the raw materials under Raw Materials Type I which are purchased from the Anhua Group are not less favourable than those purchased from unrelated third parties taking into account industry norms such as transportation costs and cash or credit or notes receivable (including tenor periods of 1 month, 3 months or 6 months).

The percentage of the raw materials under Raw Materials Type I purchased by the Jiutian Group and Anyang Jiulong against the total purchases of raw materials from the Interested Persons for the calendar month immediately preceding the Latest Practicable Date was as follows:-

	As a percentage of total raw materials purchased from the Interested Persons (%)
Raw Materials Type I	
Liquid ammonia	30.0
Methanol	9.1
Nitrogen and carbon dioxide	0.9

##### (b) Transactions A – Purchase of Raw Materials Type II

The raw materials which the Jiutian Group is unable to obtain quotes from unrelated third parties or where purchases from unrelated third parties are not available comprise mainly of the raw materials under Raw Materials Type II, that is, liquid coal gas, oxygen, clean water, desalinated water, recycled water and instrument air. The Jiutian Group has been purchasing such raw materials from the Anhua Group since 2005. Anyang Jiulong has been purchasing clean water and desalinated water from the Anhua Group since September 2010.

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The Jiutian Group uses the relevant Technical Cost Conversion Formula in arriving at the purchase price of liquid coal gas, oxygen and instrument air. The Jiutian Group shall proceed to purchase liquid coal gas, oxygen and instrument air from the Anhua Group based on the prices as computed by the Jiutian Group using the Technical Cost Conversion Formulae.

For clean water, desalinated water and recycled water, the prices of such raw materials are determined based on the unit production costs of the Anhua Group for the said raw materials with a mark up of 5% (the “**Production Cost Method**”). The Anhua Group pays approximately 5% tax on sale of raw materials to the Jiutian Group and/or Anyang Jiulong and the 5% mark up is to cover the tax that is payable by the Anhua Group to the PRC authorities.

Since 2005, the Jiutian Group has been purchasing and Anhua is committed to supplying the aforesaid raw materials to the Jiutian Group under the Supply Agreement. If these raw materials are not supplied by Anhua, the Jiutian Group and/or Anyang Jiulong would incur heavy capital expenditures to have its own facilities to produce the same. It is usual for most factories in the PRC to produce such raw materials for their own use. It is also cost efficient for the Jiutian Group and/or Anyang Jiulong to obtain these raw materials from Anhua as opposed to those factories from neighbouring towns as the said raw materials would be transported to the factories of the Jiutian Group and/or Anyang Jiulong through pipelines without any transportation costs being incurred. There are also no other factories which are in the vicinity of the factories of the Jiutian Group and/or Anyang Jiulong for such raw materials to be supplied via pipelines. The Jiutian Group and/or Anyang Jiulong will incur transportation costs for purchasing the same from unrelated third parties.

None of the raw materials under Raw Materials Type II represented a significant portion of the purchases from the Interested Persons. The percentage of the raw materials under Raw Materials Type II purchased by the Jiutian Group and Anyang Jiulong against the total purchases of raw materials from the Interested Persons for the calendar month immediately preceding the Latest Practicable Date was as follows:-

Raw Material Type II	As a percentage of total raw materials purchased from the Interested Persons (%)
Liquid coal gas	Nil
Oxygen	Nil
Instrument air	0.1
Recycled water	3.2
Clean water and desalinated water	0.9

(c) *Transactions E and F – Purchase of electricity and industrial steam from the Anhua Group and/or Anyang Jiulong*

The Jiutian Group purchases from the Anhua Group and/or Anyang Jiulong electricity which is delivered to the Jiutian Group's factories via power lines without incurring delivery costs. The only other vendor which supplies electricity is Henan Electric, a state-owned electricity utility company which supplies electricity to the public in the Henan province of the PRC.

The unit price of electricity when purchases are made by the Jiutian Group from the Anhua Group and/or Anyang Jiulong will not be higher than the unit price of electricity as quoted by Henan Electric and the same unit price of electricity will apply to the sale of electricity by Anyang Jiulong to the Anhua Group. Please refer to section 4.3.2 of this Appendix I for further information relating to the sale of electricity by Anyang Jiulong to the Anhua Group.

In addition, the purchase of electricity from the Anhua Group and/or Anyang Jiulong is deemed by the Jiutian Group to be more cost effective than to incur costs for building an electricity substation and to install new power lines so as to receive electricity from Henan Electric. Based on the existing power lines installed at the factories of the Jiutian Group, the Anhua Group and/or Anyang Jiulong is able to transmit electricity through such power lines and the Jiutian Group does not incur any delivery costs in connection therewith. This results in cost savings to the Jiutian Group.



The Jiutian Group also purchases industrial steam from the Anhua Group and/or Anyang Jiulong which is delivered to the Jiutian Group's factories via pipelines without incurring transportation costs. The Jiutian Group uses the relevant Technical Cost Conversion Formula in arriving at the purchase price of industrial steam. The Jiutian Group shall proceed to purchase industrial steam from the Anhua Group and/or Anyang Jiulong based on the prices as computed by the Jiutian Group using the Technical Cost Conversion Formula.

It is cost efficient for the Jiutian Group to purchase industrial steam from the Anhua Group and/or Anyang Jiulong as opposed to those factories from neighbouring towns as industrial steam would be transported to the Jiutian Group's factories through pipelines without incurring transportation costs. There is also no other factories which are in the vicinity of the Jiutian Group's factories for industrial steam to be supplied via pipelines and the Jiutian Group will incur transportation costs for purchasing the same from unrelated third parties.

It is also not practicable for the Jiutian Group to obtain quotations from unrelated third parties for the purchase of industrial steam as typically, chemical companies would have their own steam boilers to produce their own steam. This is because it is not practicable for industrial steam to be transported via trucks or long distance pipes. However, due to the close proximity of the factories of the Jiutian Group and the Anhua Group and/or Anyang Jiulong, the Jiutian Group is able to purchase industrial steam from the Anhua Group and/or Anyang Jiulong which is delivered via pipelines and without incurring transportation costs. Such purchase of industrial steam from the Anhua Group and/or Anyang Jiulong is deemed by the Jiutian Group to be more cost effective than to invest into heavy capital expenditure for the building of steam boilers to produce industrial steam internally.

The percentage of electricity and industrial steam purchased by the Jiutian Group against the total purchases of raw materials from the Interested Persons for the calendar month immediately preceding the Latest Practicable Date was as follows:-

Type of raw material	As a percentage of total raw materials purchased from the Interested Persons (%)
Electricity	8.6
Industrial steam	45.4

#### 4.3.2 Transaction G – Sale of electricity and industrial steam by Anyang Jiulong to the Anhua Group

Anyang Jiulong has been selling electricity and industrial steam to the Anhua Group since September 2010.

The unit price of electricity when purchases are made by the Anhua Group from Anyang Jiulong will not be higher than the unit price of electricity as quoted by Henan Electric and the same unit price of electricity will apply to the sale of electricity by Anyang Jiulong and/or the Anhua Group to the Jiutian Group. Please refer to section 4.3.1(c) of this Appendix I for further information relating to the sale of electricity by the Anhua Group and/or Anyang Jiulong to the Jiutian Group.

For FY2014, the following amounts were respectively received and paid or to be received and paid by the Jiutian Group in connection with the sale and purchase of electricity:-

- (a) an aggregate amount of RMB68,254,000 was received or to be received from the Anhua Group for electricity sold by Anyang Jiulong (as part of the Jiutian Group) to the Anhua Group; and
- (b) an aggregate amount of RMB20,656,000 was paid or to be paid by the Jiutian Group to Anyang Jiulong (as part of the Anhua Group) for electricity sold by Anyang Jiulong to the Jiutian Group.

The selling price for the industrial steam is determined by Anyang Jiulong using the Technical Cost Conversion Formula.

Electricity and industrial steam are respectively delivered to the factories of the Anhua Group via power lines and pipelines without any transportation costs being imposed on the Anhua Group.

## 4.3.3 Transactions A and D – Purchase and/or sale of Repair Materials

The Jiutian Group and/or Anyang Jiulong purchase from the Anhua Group materials which are necessary for carrying out repairs and maintenance work on its factories in the PRC (the “**Repair Materials**”). These Repair Materials include steel materials, cement and related materials. Taking into account industry norms such as the prevailing market conditions, the nature of the Repair Material, the order quantity, the discount or rebates for bulk purchases, transportation cost and credit terms, the prices paid for the Repair Materials which are purchased from the Anhua Group are not less favourable than those purchased from unrelated third parties.

The Anhua Group may also purchase these Repair Materials from the Jiutian Group and/or Anyang Jiulong when the Anhua Group is in need of such materials and the Jiutian Group and/or Anyang Jiulong have excess stock of the same. These materials will be sold to the Anhua Group at prevailing market prices which are determined by comparing the sale price of such materials against the quotations which the Jiutian Group and/or Anyang Jiulong obtain from at least two unrelated third parties.

## 4.3.4 Transactions B and C – Rental and/or lease of equipment

The Jiutian Group, Anyang Jiulong and the Anhua Group, from time to time, lease and/or rent equipment from each other whenever such a need arises. Additional equipment may be required by the parties due to higher production requirements as a result of an increase in their purchase orders or where certain equipment is under maintenance.

Currently, the Jiutian Group has shut down its methanol workshop due to a decreasing demand for methanol and its inability to produce methanol at a competitive price. The Jiutian Group has leased part of its facilities in the methanol workshop to Anhua who uses the said facilities to process certain gases for their own use.

Other examples of equipment which were leased and/or rented by and from the Anhua Group include compressors and storage tanks which are necessary and critical in the chemical industry. Each of the Jiutian Group, the Anhua Group and Anyang Jiulong have their own compressors and storage tanks and whenever there is a shortage of capacity due to higher production requirements or maintenance issues, the Jiutian Group, Anyang Jiulong and the Anhua Group will lease and/or rent such equipment from each other.

The equipment for rental is usually bulky in size, customised for the production of chemicals and there is no market for the rental of such equipment. The rental rate shall be the depreciation rate of the equipment with a mark up of 10% consisting of maintenance related administrative expenses (7.5%) and taxes (2.5%) to be borne by the lessor in connection therewith.

For FY2014, the following amounts were respectively received and paid or to be paid by the Jiutian Group in connection with the leasing and rental of equipment:-

- (a) an aggregate amount of RMB1,761,000 was received from Anhua for equipment leased by the Jiutian Group (including Anyang Jiulong) to the Anhua Group; and
- (b) an aggregate amount of RMB896,000 was paid or to be paid by the Jiutian Group to the Anhua Group for equipment rented by the Jiutian Group.

## 4.3.5 Transaction H – Sale of Dimethylamine to the Anhua Group and/or Anyang Jiulong

Dimethylamine is one of the products which the Jiutian Group produces and sells to third parties in its ordinary course of business.

The Jiutian Group started selling Dimethylamine to Anyang Jiulong, being part of the Anhua Group, on 28 February 2013.

When selling Dimethylamine to the Anhua Group and/or Anyang Jiulong (as part of the Anhua Group), the sale price and terms of the sale will be comparable and not less favourable to prevailing prices which the Jiutian Group sells to unrelated third parties.

For FY2014, the Jiutian Group received or will receive an aggregate amount of RMB13,211,000 from Anyang Jiulong for the sale by the Jiutian Group of Dimethylamine to Anyang Jiulong.

#### 4.4 The Technical Cost Conversion Formulae

The Jiutian Group and Anyang Jiulong had, from March 2012, adopted the Technical Cost Conversion Formulae for the purposes of determining the prices of certain raw materials.

The Technical Cost Conversion Formulae seek to ensure that the purchase prices of liquid coal gas, oxygen and instrument air as purchased by the Jiutian Group and/or Anyang Jiulong from the Anhua Group are reasonable.

The Jiutian Group also uses the Technical Cost Conversion Formula to arrive at the purchase price of industrial steam when it purchases industrial steam from the Anhua Group and/or Anyang Jiulong. Similarly, the same Technical Cost Conversion Formula is also being used to arrive at the selling price of industrial steam when Anyang Jiulong sells industrial steam to the Anhua Group.

Each of the Technical Cost Conversion Formulae was formulated by Wuhuan Engineering, an independent technical consultant in the PRC. The Technical Cost Conversion Formulae take into account factors such as the component cost of the raw materials and the quantity of each component that is required to produce every unit of the raw material. Please refer to section 5 of this Appendix I for further information relating to Wuhuan Engineering.

The Directors of Jiutian are of the view that the Technical Cost Conversion Formulae will ensure that the purchase price of the aforesaid raw materials are reasonable and are not prejudicial to the interests of the Company and its minority Shareholders as the Technical Cost Conversion Formulae do not favour the Jiutian Group, the Anhua Group or Anyang Jiulong. The purchase of raw materials from the Interested Persons also results in cost savings to the Entities at Risk as no transportation costs is incurred by the Entities at Risk when it purchases raw materials from the Interested Persons.

#### 4.5 The Production Cost Method

The Jiutian Group and Anyang Jiulong uses the Production Cost Method in arriving at the prices of clean water, desalinated water and recycled water.

The Production Cost Method uses the unit production cost of the Anhua Group for the said raw materials with a mark up of 5%. The Anhua Group pays approximately 5% tax on the sale of raw materials to the Jiutian Group and/or Anyang Jiulong and the 5% mark up is to cover the tax that is payable by the Anhua Group to the PRC authorities.

In order to ensure that the prices of the raw materials, whereby the Production Cost Method is used, are reasonable, the local finance team (which includes the Vice-Head of Finance) of the Jiutian Group and/or Anyang Jiulong will request for the costing report of such raw materials from the Anhua Group and reviews the key component costs of the raw materials. As all of the Jiutian Group, Anyang Jiulong and the Anhua Group are in related businesses, the Jiutian Group and/or Anyang Jiulong is able to review and determine whether the production costs of the Anhua Group for the aforesaid raw materials are reasonable.

The Jiutian Group and Anyang Jiulong have and will continue to use the Production Cost Method in arriving at the prices of clean water, desalinated water and recycled water as Wuhuan Engineering does not have the requisite expertise to formulate the technical formulae for arriving at the prices of such materials.

The Directors of Jiutian are of the view that the Production Cost Method will continue to ensure that the purchase price of the aforesaid raw materials are reasonable and are not prejudicial to the interests of the Company and its minority Shareholders as the Jiutian Group and Anyang Jiulong are able to, on their own, determine the unit production cost of the aforesaid raw materials thereby ensuring that the prices quoted by the Anhua Group are reasonable. Moreover, when the Jiutian Group and/or Anyang Jiulong purchase such raw materials from the Anhua Group, it does not incur any transportation costs and that results in savings to the Jiutian Group and/or Anyang Jiulong.

Any inefficiencies in the production of the aforesaid raw materials by the Anhua Group will invariably add to the cost of production for which the Jiutian Group and/or Anyang Jiulong will have to bear. Notwithstanding such cost increase, the Jiutian Group and/or Anyang Jiulong still have to purchase the aforesaid raw materials from the Anhua Group because it is not possible for the Jiutian Group and/or Anyang Jiulong to purchase them from unrelated third parties that are in the vicinity of their factories. To purchase the aforesaid raw materials from the nearest neighbouring town will require the Jiutian Group and/or Anyang Jiulong to install 3 waterlines to receive the aforesaid raw materials. As stated in section 4.3.1(b) of this Appendix I, the total purchases of the aforesaid raw materials for the calendar month immediately preceding the Latest Practicable Date accounted for only 4.1% of the total purchases of raw materials from Interested Persons; an insignificant amount. It therefore does not justify the cost of installing 3 waterlines to receive the aforesaid raw materials.

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The management of the Company will constantly monitor the volume of purchases of the aforesaid raw materials from the Anhua Group. If the volume of purchases increase significantly in the future to the extent that it adversely affects the financial performance of the Jiutian Group, it will report to the Audit Committee and make recommendations on whether to continue purchasing the aforesaid raw materials from the Anhua Group or to purchase the same from unrelated third parties. For this purpose, the Company will consider an increase in the volume of purchases to be significant when the purchase value of such raw materials exceed 10% of the total value of the Recurrent IPTs for 3 calendar months or 5% of the Jiutian Group's latest audited NTA.

## 4.6 Rationale for and benefits of the IPT Mandate

The Directors believe that the IPT Mandate is in the interests of the Jiutian Group for the following reasons:-

- (a) the Directors are of the view that it is beneficial to the Jiutian Group and Anyang Jiulong to continue to transact with the Anhua Group as they do not incur any transportation costs if they purchase the raw materials from the Anhua Group as opposed to purchasing the same from unrelated third parties;
- (b) there are certain raw materials such as industrial steam which are to be procured from facilities which are near to the factories of the Jiutian Group and there are no other facilities which offers such an option;
- (c) timely delivery is an essential element in the businesses of the Jiutian Group and Anyang Jiulong. If the Company is required to seek Shareholders' approval on each occasion it deals with the Interested Persons, it would not be commercially viable for the Interested Persons to transact with the Jiutian Group and Anyang Jiulong. The IPT Mandate would facilitate such transactions with the Interested Persons being carried out in a timely manner; and
- (d) the Recurrent IPTs will occur from time to time at differing intervals. The IPT Mandate and the subsequent renewals on an annual basis will eliminate the need to prepare and make announcements and/or convene separate general meetings on a continual basis to seek prior Shareholders' approval for the entry into these transactions. This will reduce the time and expenses which would otherwise be incurred to convene general meetings on an ad hoc basis, and allow such resources and time to be channelled towards the Company's other objectives.

## 4.7 Guidelines and Review Procedures for the Recurrent IPTs under the IPT Mandate

- 4.7.1 The Company has established the following procedures to ensure that the Recurrent IPTs are undertaken on an arm's length basis and on normal commercial terms. In general, these are procedures established by the Company to ensure that the Recurrent IPTs are undertaken on an arm's length basis and on normal commercial terms consistent with the usual business practices and policies of the Jiutian Group (including Anyang Jiulong), which are generally no more favourable to the Interested Persons than those extended to or by unrelated third parties.

The guidelines and review procedures for each type of the Recurrent IPTs are as follows:-

- (a) Transactions D and G - Sale of Repair Materials and/or electricity and industrial steam to the Anhua Group

- (i) *Sale of Repair Materials by the Jiutian Group and/or Anyang Jiulong to the Anhua Group*

When selling the Repair Materials which are in excess of the needs of the Jiutian Group and/or Anyang Jiulong to the Anhua Group, the sale price and terms of the sale will be comparable and not less favourable to prevailing market prices between unrelated third parties.

For the sale of Repair Materials to the Anhua Group, the Jiutian Group and/or Anyang Jiulong will obtain quotations from at least two unrelated third parties selling such materials for comparison to ensure that such Recurrent IPTs are conducted on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders. The selling price and terms of the sale will not be lower or more favourable than that quoted by unrelated third parties.

(ii) *Sale of electricity and industrial steam by Anyang Jiulong to the Anhua Group*

When selling electricity to the Anhua Group, Anyang Jiulong will compare its unit selling price of electricity against the unit price of electricity as quoted by Henan Electric to ensure that such Recurrent IPTs are conducted on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders. The unit price of electricity when purchases are made by the Anhua Group from Anyang Jiulong shall not be higher than the unit price of electricity offered by Henan Electric and the same unit price of electricity will apply to the sale of electricity by the Anhua Group and/or Anyang Jiulong to the Jiutian Group.

When selling industrial steam to the Anhua Group, the price of the industrial steam shall be determined by Anyang Jiulong using the Technical Cost Conversion Formula.

(b) Transactions A, E and F - Purchase of raw materials and/or Repair Materials from the Anhua Group and/or Anyang Jiulong, as the case may be

(i) *Purchase of electricity and industrial steam from the Anhua Group and/or Anyang Jiulong*

When purchasing electricity from the Anhua Group and/or Anyang Jiulong, the Jiutian Group will compare the unit price of electricity as quoted by the Anhua Group and/or Anyang Jiulong against the unit price of electricity as quoted by Henan Electric to ensure that such Recurrent IPTs are conducted on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders. The unit price of electricity when purchases are made by the Jiutian Group shall not be higher than the unit price of electricity offered by Henan Electric and the same unit price of electricity will apply to the sale of electricity by Anyang Jiulong to the Anhua Group. In addition, the credit terms obtained from the Anhua Group and/or Anyang Jiulong for the purchase of electricity shall not be less favourable than those obtained from Henan Electric.

When purchasing industrial steam from the Anhua Group and/or Anyang Jiulong, the Jiutian Group uses the Technical Cost Conversion Formula in arriving at the price of industrial steam.

(ii) *Purchase of Raw Materials Type I and/or Repair Materials from the Anhua Group*

When the Jiutian Group and/or Anyang Jiulong purchases raw materials under Raw Materials Type I (that is, liquid ammonia, methanol, nitrogen and carbon dioxide) which are readily available in the market or Repair Materials from the Anhua Group, two other quotations from unrelated third parties will be obtained for comparison to ensure that such Recurrent IPTs are conducted on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders. The purchase price for these raw materials and the Repair Materials shall not be higher than the most competitive price offered by two other unrelated third parties, and all pertinent factors, including but not limited to quality, specifications and requirements, duration of contracts, reliability in delivery and track record will be taken into consideration. In addition, the credit terms obtained from the Anhua Group shall not be less favourable than those obtained from unrelated third parties.

(iii) *Purchase of Raw Materials Type II from the Anhua Group*

When the Jiutian Group and/or Anyang Jiulong purchases raw materials under Raw Materials Type II (that is, liquid coal gas, oxygen, clean water, desalinated water, recycled water and instrument air) from the Anhua Group whereby it is not practicable to transact with unrelated third parties, the Jiutian Group and/or Anyang Jiulong uses the Technical Cost Conversion Formulae or the Production Cost Method to ensure that the prices of the said raw materials are reasonable and are not prejudicial to the interests of the Company and its minority Shareholders.

When purchasing liquid coal gas, oxygen and instrument air from the Anhua Group, the Jiutian Group uses the relevant Technical Cost Conversion Formula in arriving at the prices of such raw materials.

When purchasing clean water, desalinated water and recycled water from the Anhua Group, the Jiutian Group and/or Anyang Jiulong uses the Production Cost Method to arrive at the prices of such raw materials.

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In purchasing raw materials which involves the use of the Production Cost Method, the local finance team (which includes the Vice-Head of Finance) of the Jiutian Group and/or Anyang Jiulong will request for the costing report from the Anhua Group and reviews the key component costs of the raw materials. As all of the Jiutian Group, Anyang Jiulong and the Anhua Group are in related businesses, the Jiutian Group and/or Anyang Jiulong is able to review and determine whether the production cost of the Anhua Group for the aforesaid raw materials are reasonable. This ensures that the prices quoted by the Anhua Group are reasonable and are of a mark up of 5% of the unit production cost of the Anhua Group. The Anhua Group pays approximately 5% tax on sale of raw materials to the Jiutian Group and/or Anyang Jiulong and the 5% mark up is to cover the tax that is payable by the Anhua Group to the PRC authorities.

Monthly reports are prepared by (i) the local team of each of the subsidiaries of the Company and (ii) the local team of Anyang Jiulong and the group financial controller of the Company will review the costing and the setting of the prices for such raw materials. Thereafter, a report containing details of the transaction and the prices of the raw materials is provided to the Audit Committee for its approval.

(c) Transactions B and C - Rental and/or lease of equipment

When renting and/or leasing of equipment to the Anhua Group, the rental rate of the equipment shall be based on the depreciation rate of the equipment with a mark up of 10% consisting of maintenance related administrative expenses (7.5%) and taxes (2.5%) to be borne by the lessor in connection therewith. The depreciation policy of (i) the subsidiaries of the Jiutian Group in the PRC, (ii) Anyang Jiulong and (iii) the Anhua Group are similar as tax allowance for capital assets are unified in the PRC.

There is currently no market for the rental of such equipment and the Company is of the view that the formula for computing the rate for rental or lease of equipment to and from the Anhua Group is fair and reasonable.

(d) Transaction H – Sale of Dimethylamine

When selling Dimethylamine to the Anhua Group and/or Anyang Jiulong (as part of the Anhua Group), the sale price and terms of the sale will be comparable and not less favourable to prevailing prices which the Jiutian Group sells to unrelated third parties.

For the sale of Dimethylamine to the Anhua Group and/or Anyang Jiulong (as part of the Anhua Group), the Jiutian Group will compare the sale price and terms of the sale of Dimethylamine to the Anhua Group and/or Anyang Jiulong against its sale, in the same month, of Dimethylamine to unrelated third parties. This seeks to ensure that the sale of Dimethylamine to the Anhua Group and/or Anyang Jiulong are conducted on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders. The selling price and terms of the sale of Dimethylamine to the Anhua Group and/or Anyang Jiulong will not be lower or more favourable than that transacted with unrelated third parties.

All Recurrent IPTs must be consistent with the usual business practices and policies of the Jiutian Group and Anyang Jiulong.

4.7.2 The following additional guidelines and review procedures are also taken by the Jiutian Group:-

- (a) any single transaction of a value less than RMB500,000 will be reviewed and approved by the group finance manager of the Company and/or a general manager of the Company (who shall not be interested in respect of the particular transaction) as designated by the Audit Committee prior to entering into the transaction;
- (b) any single transaction of a value between RMB500,000 and RMB20 million will be reviewed and approved jointly by the Chief Executive Officer and the group finance manager of the Company prior to entering into the transaction. In the event that any of the said persons is not available, an appropriate senior executive approved by the Audit Committee will be appointed in the interim;



- (c) where any single transaction or the aggregate value of all transactions entered into with the same Interested Person in the same financial year is equal to or more than RMB20 million, such transactions will be reviewed by the Audit Committee to ensure that they are carried out on normal commercial terms and in accordance with the procedures of the IPT Mandate;
  - (d) in the event that a person is interested in any transaction to be entered into with an Interested Person, he shall abstain from participating in the review and/or approval of that particular transaction;
  - (e) the Company maintains a register for all transactions entered into with the Interested Persons (the “**Register**”) recording the basis, including, if applicable, the quotations obtained to support such basis, on which they were entered into and the person who has approved the transaction;
  - (f) the Company shall, on a quarterly basis, report and forward the Register to the Audit Committee on all transactions entered into with the Interested Persons during the preceding quarter. The Audit Committee shall review such Recurrent IPTs at its quarterly meetings, save for those transactions which have been previously approved by the Audit Committee, to ensure that the Recurrent IPTs are carried out on normal commercial terms and in accordance with the guidelines and review procedures of the IPT Mandate. All relevant non-quantitative factors will also be taken into account. Such review includes the examination of the transaction and its supporting documents or such other data deemed necessary by the Audit Committee. The Audit Committee shall, when it deems fit, have the right to require the appointment of independent sources, advisers and/or valuers to provide additional information pertaining to the transaction under review;
  - (g) the Company’s annual internal audit plan shall incorporate a review of all Recurrent IPTs including the established review procedures for the monitoring of such transactions entered into during the same financial year pursuant to the IPT Mandate;
  - (h) the Audit Committee shall also, on a yearly basis, review the internal audit report to ascertain whether the guidelines and review procedures established to monitor the Recurrent IPTs have been complied with and whether the established guidelines and review procedures continue to be adequate and/or commercially practicable in ensuring that the Recurrent IPTs are conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders; and
  - (i) a new general mandate from Shareholders shall be sought if the periodic reviews by the Audit Committee indicate that the existing guidelines and review procedures have become inappropriate or insufficient to ensure that the Recurrent IPTs will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.
- 4.7.3 Most of the Recurrent IPTs with the Interested Persons are expected to be in the range of RMB500,000 and RMB20 million. As such, it is prudent that the Recurrent IPTs within the said range are reviewed and approved jointly by the Chief Executive Officer and the group finance manager of the Company. As a further control element, the Recurrent IPTs are subject to further review by the Audit Committee in the event that the value of a transaction or a few transactions when aggregated exceeds RMB20 million. In such a situation, the group finance manager of the Company shall forward the list of the Recurrent IPTs and the basis of the transactions to the Audit Committee for its review. The Company believes that with the guidelines and review procedures set out in this section, it will be able to ensure that the Recurrent IPTs are and will be conducted on normal commercial terms and are not or will not be prejudicial to the interests of the Company and its minority Shareholders.
- 4.7.4 The Audit Committee believes that the above guidelines and review procedures are sufficient to ensure that the Recurrent IPTs will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.
- 4.7.5 In the event that the Audit Committee is of the view that a new general mandate shall be sought from the Shareholders, all transactions to be entered into with the Interested Persons during the interim shall be subject to the review and approval of the Audit Committee.

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## 4.8 Statement of the Audit Committee

Pursuant to Rule 920(1)(c) of the Listing Manual, the Audit Committee confirms that:-

- (a) the methods and review procedures for determining the transaction prices of the Recurrent IPTs have not changed since the last Shareholders' approval on 29 April 2014; and
- (b) the methods and review procedures of the Recurrent IPTs established by the Company for determining the transaction prices of the Recurrent IPTs, if adhered to, are sufficient to ensure that the Recurrent IPTs will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

## 4.9 Validity Period of the IPT Mandate

If approved at the AGM, the IPT Mandate will take effect from the date of the passing of the ordinary resolution approving the renewal of the IPT Mandate and will (unless revoked or varied by the Company in general meeting) continue to be in force until the next annual general meeting of the Company.

Approval from the Shareholders will be sought for the renewal of the IPT Mandate at each subsequent annual general meeting of the Company subject to satisfactory review by the Audit Committee of its continued application to the transactions with the Interested Persons.

## 4.10 Disclosure in the annual report

The Company will announce the aggregate value of transactions conducted with the Interested Persons pursuant to the IPT Mandate for the relevant financial periods which the Company is required to report on pursuant to the Listing Manual and within the time frame required for the announcement of such reports.

Disclosure will also be made in the Company's annual report of the aggregate value of transactions conducted with the Interested Persons pursuant to the IPT Mandate during the financial year, and in the annual reports for subsequent financial years that the IPT Mandate continues to be in force, in accordance with the requirements of Chapter 9 of the Listing Manual.

The names of each Interested Person and the corresponding aggregate value of the transactions entered with them will be presented in the following format:-

Name of interested person	Aggregate value of all interested person transactions entered during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under the shareholders' mandate pursuant to Rule 920 of the Listing Manual)	Aggregate value of all interested person transactions conducted under the shareholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than S\$100,000)
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## 5. INFORMATION ON WUHUAN ENGINEERING

Wuhuan Engineering is an engineering consulting, design and contracting enterprise of chemical petro-chemical and medical industries with all class A certificates in the PRC.

Wuhuan Engineering was founded in 1958 and was the former (i) design institute of the Ministry of Chemical Industry of PRC and (ii) the consulting agency of chemical industries of central government of PRC. It currently has over 800 staff members with more than 100 professional senior engineers and 300 senior engineers. With 45 years of experience, Wuhuan Engineering is the first engineering company in the PRC to be accredited with DIN EN ISO 9001-2000 by TUV Rheinland, Germany, and carries out quality controls and management of engineering projects under GB/T 19000 standard.

Wuhuan Engineering has been involved in all kinds of chemical, petrochemical and medicine plants and associated facilities. Its business includes consultation, design, project management, supervision, turn key contracting and assessment of environment impact etc. of civil work, power, municipal construction and environment projects. Wuhuan Engineering has also taken the lead in the PRC in adopting the advanced international-accepted design and engineering procedures, as well as, carrying out the design as principal and project management in turn-key projects.



Wuhuan Engineering is not related in any way to the Jiutian Group, the Anhua Group and Anyang Jiulong.

Further information about Wuhuan Engineering and the services provided by them can be found at their website at [www.cwcec.com](http://www.cwcec.com).

## 6. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed in this Appendix I, none of the Directors or substantial shareholders of the Company has any interest, direct or indirect, in the proposed renewal of the IPT Mandate.

## 7. SHAREHOLDING INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

The interests of the Directors and substantial shareholders of the Company in the Shares as at the Latest Practicable Date, as recorded in the Register of Directors' Shareholdings and the Register of Substantial Shareholders maintained under the provisions of the Act, were as follows:-

	Direct Interest		Deemed Interest	
	No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(1)</sup>
<b>Directors</b>				
Gao Heng	—	—	—	—
Sun Zhiqiang	—	—	—	—
Lee Chee Seng	10,250,000	0.56	44,419,000	2.44
Wu Yu Liang	300,000	0.02	—	—
Chan Kam Loon	100,000	0.01	360,000	0.02
Foo Meng Kee	—	—	—	—
Gao Guoan	—	—	—	—
Su Jing	—	—	—	—
Huo Xiaofan	—	—	—	—
<b>Substantial Shareholder</b>				
Anyang Longyu <sup>(2)</sup>	—	—	487,450,000	26.81

Notes:-

(1) Based on the issued share capital of 1,818,444,000 Shares as at the Latest Practicable Date.

(2) Anyang Longyu is deemed interested in 487,450,000 Shares held through its nominee, RHB Securities Singapore Pte. Ltd. formerly known as DMG & Partners Securities Pte. Ltd.

## 8. ANNUAL GENERAL MEETING

The AGM, notice of which is contained in the Annual Report of the Company, will be held on Wednesday, 29 April 2015 at M Hotel Singapore, Anson IV, Level 2, 81 Anson Road, Singapore 079908 at 9.30 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, Resolution 9 relating to the proposed renewal of the IPT Mandate.

## 9. INDEPENDENT DIRECTORS' RECOMMENDATION

As Mr. Gao Heng, Mr. Su Jing and Mr. Huo Xiaofan are nominee directors of HNEC, each of them will abstain from making any recommendation to the Shareholders on Resolution 9 relating to the proposed renewal of the IPT Mandate. Accordingly, the Independent Directors (who are considered to be independent for the purposes of making a recommendation to the Shareholders in respect of the proposed renewal of the IPT Mandate) are Mr. Sun Zhiqiang, Mr. Lee Chee Seng, Mr. Wu Yu Liang, Mr. Chan Kam Loon, Mr. Foo Meng Kee and Mr. Gao Guoan. Save as disclosed herein, none of the Directors has any interest, direct or indirect, in the proposed renewal of the IPT Mandate.

Having fully considered, among others, the terms of the IPT Mandate, the rationale for the IPT Mandate and the benefits of the IPT Mandate to the Jiutian Group and Anyang Jiulong as set out in section 4.6 of this Appendix I, the Independent Directors are of the view that the proposed renewal of the IPT Mandate is in the interests of the Company and, accordingly, they recommend that Shareholders vote in favour of Resolution 9 relating to the proposed renewal of the IPT Mandate at the AGM.

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## 10. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the AGM and who wish to appoint a proxy or proxies to attend on their behalf are requested to complete, sign and return the proxy form contained in the Annual Report in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the office of the Share Registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.) either by hand to 80 Robinson Road, #11-02, Singapore 068898 or by post to 80 Robinson Road, #02-00, Singapore 068898 not less than 48 hours before the time appointed for holding the AGM. The completion and lodgment of the proxy form by a Shareholder will not prevent him from attending and voting at the AGM in person if he so wishes. However, any appointment of a proxy or proxies by such Shareholder shall be deemed to be revoked if the Shareholder attends the AGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the proxy form, to the AGM.

A Depositor shall not be regarded as a member of the Company entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register at least 48 hours before the time appointed for holding the AGM.

## 11. ABSTENTION FROM VOTING IN CONNECTION WITH THE PROPOSED RENEWAL OF THE IPT MANDATE

Rule 919 of the Listing Manual provides that interested persons and their associates must not vote on any shareholders' resolution approving any mandate in respect of any interested person transactions nor accept appointments as proxies unless specific instructions as to voting are given.

Accordingly, Anyang Longyu will abstain from voting its shareholding, and undertakes to ensure that its associates will abstain from voting, in respect of Resolution 9 relating to the proposed renewal of the IPT Mandate at the AGM. Further, Anyang Longyu undertakes to decline, and shall ensure that its associates shall decline, to accept appointment as proxies to vote in respect of Resolution 9 unless the Shareholder concerned shall have given specific instructions as to the manner in which his votes are to be cast at the AGM for the said resolution. In addition, Mr. Gao Heng, Mr. Su Jing and Mr. Huo Xiaofan have also undertaken to decline to accept appointment as proxies to vote in respect of Resolution 9 unless the Shareholder concerned shall have given specific instructions as to the manner in which his votes are to be cast at the AGM in respect of the said resolution.

## 12. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix I and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Appendix I constitutes full and true disclosure of all material facts about the proposed renewal of the IPT Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix I misleading.

Where information in this Appendix I has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from these sources and/or reproduced in this Appendix I in its proper form and context.

## 13. CONSENT

Wuhuan Engineering has given and has not withdrawn its written consent to the issue of this Appendix I with the inclusion of its name and all references thereto in the form and context in which it appears in this Appendix I.

## 14. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents may be inspected at the registered office of the Company at 80 Robinson Road, #02-00, Singapore 068898 during normal business hours from the date hereof up to and including the date of the AGM:-

- (a) the Memorandum and Articles of Association of the Company; and
- (d) the letter of consent from Wuhuan Engineering as referred to in section 13 of this Appendix I.

Yours faithfully  
for and on behalf of the Board of Directors of  
Jiutian Chemical Group Limited

Sun Zhiqiang  
Acting Chief Executive Officer

### APPENDIX II DATED 14 APRIL 2015

#### THIS APPENDIX II IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

This Appendix II is circulated to shareholders of Jiutian Chemical Group Limited (the “**Company**”) together with the Company’s Annual Report for its financial year ended 31 December 2014 (the “**Annual Report**”). Its purpose is to provide shareholders of the Company with information relating to the proposed renewal of the share buyback mandate to be tabled at the Annual General Meeting of the Company to be held on Wednesday, 29 April 2015 at M Hotel Singapore, Anson IV, Level 2, 81 Anson Road, Singapore 079908 at 9.30 a.m.

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold all your ordinary shares in the capital of the Company, you should immediately forward the Annual Report which contains, *inter alia*, this Appendix II, the Notice of Annual General Meeting and the Proxy Form to the purchaser or to the stockbroker or the bank or the agent through whom you effected the sale for onward transmission to the purchaser.

The Ordinary Resolution proposed to be passed in respect of the proposed renewal of the share buyback mandate is set out in the Notice of Annual General Meeting. The Notice of Annual General Meeting and the Proxy Form are contained in the Annual Report.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Appendix II.



#### APPENDIX IN RELATION TO

#### THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

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## DEFINITIONS

In this Appendix II, the following definitions shall apply throughout unless the context otherwise requires:-

“ACRA”	:	Accounting and Corporate Regulatory Authority of Singapore
“AGM”	:	The annual general meeting of the Company to be held on Wednesday, 29 April 2015 at 9.30 a.m. at M Hotel Singapore, Anson IV, Level 2, 81 Anson Road, Singapore 079908
“Annual Report”	:	The annual report of the Company for the financial year ended 31 December 2014
“Appendix II”	:	This Appendix II dated 14 April 2015
“associated company”	:	A company in which at least 20% but not more than 50% of its shares are held by the Company or the Group and shall include Anyang Jiujiu Chemical Technology Co., Ltd in which the Group holds 74% of its registered capital (direct interest of 49% and indirect interest of 25%) but over which the Company has no control
“Board”	:	Board of Directors of the Company for the time being
“CDP”	:	The Central Depository (Pte) Limited
“Companies Act”	:	The Companies Act (Chapter 50) of Singapore, as amended or modified or supplemented from time to time
“Company”	:	Jiutian Chemical Group Limited
“Directors”	:	The directors of the Company for the time being
“EPS”	:	Earnings per Share
“Group”	:	The Company, its subsidiaries and its associated companies
“Latest Practicable Date”	:	5 April 2015, being the latest practicable date prior to the printing of this Appendix II
“Listing Manual”	:	The listing manual of the SGX-ST
“Market Day”	:	A day on which the SGX-ST is open for trading in securities
“Notice of AGM”	:	The notice of AGM dated 14 April 2015
“NTA”	:	Net tangible assets
“Relevant Period”	:	The period commencing from the date of the AGM and thereafter, expiring on the date on which the next annual general meeting of the Company is held or required by law to be held, whichever is earlier, after the date on which the Ordinary Resolution relating to the proposed renewal of the Share Buyback Mandate is passed
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Share Buyback”	:	The purchase or acquisition of issued Shares by the Company pursuant to the Share Buyback Mandate
“Share Buyback Mandate”	:	The general and unconditional mandate given by the Shareholders to authorise the Directors to purchase or otherwise acquire, on behalf of the Company, issued Shares in accordance with the terms of the Share Buyback Mandate set out in this Appendix II as well as the rules and regulations set forth in the Companies Act and the Listing Manual

## APPENDIX II

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“Shareholders”	:	Registered holders of Shares, except that where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares and where the context so admits, mean the persons whose direct securities account maintained with the CDP are credited with the Shares
“Shares”	:	Ordinary shares in the capital of the Company
“subsidiary”	:	A company which is for the time being a subsidiary of the Company, as defined by Section 5 of the Companies Act
“Take-over Code”	:	The Singapore Code on Take-overs and Mergers as may be amended or modified from time to time
“treasury shares”	:	Issued Shares of the Company which were (or are treated as having been) purchased by the Company in circumstances which Section 76H of the Companies Act applies and have since purchase been continuously held by the Company
“RMB” and “RMB cents”	:	Renminbi dollars and cents, respectively
“S\$” and “cents”	:	Singapore dollars and cents, respectively
“%” or “per cent.”	:	Per centum

The terms “Depositor”, “Depository Agent” and “Depository Register” shall have the meanings ascribed to them respectively in Section 130A of the Companies Act or any statutory modification thereof, as the case may be.

Words importing the singular shall, where applicable, include the plural and *vice versa*, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*.

Words importing persons shall, where applicable, include corporations.

Any reference in this Appendix II to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or the Listing Manual or any statutory modification thereof and used in this Appendix II shall, where applicable, have the same meaning ascribed to it under the Companies Act or the Listing Manual or any statutory modification thereof, as the case may be, unless otherwise provided.

Any reference to dates and time of day in this Appendix II shall be a reference to Singapore dates and time unless otherwise stated.

All discrepancies in figures in tables included in this Appendix II between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

In this Appendix II, unless otherwise stated, the exchange rate of S\$1.00 to RMB4.4452 has been used to convert Singapore dollars to Renminbi dollars and *vice versa*. The said exchange rate has been presented solely for information only and should not be construed as a representation that the said exchange rate could have been, or could be, converted into the respective currencies, at any particular rates, the rate stated, or at all.

**JIUTIAN CHEMICAL GROUP LIMITED**

(Company Registration Number 200415416H)  
(Incorporated in the Republic of Singapore)

**Directors:-**

Gao Heng (*Non-Executive and Non-Independent Chairman*)  
Sun Zhiqiang (*Executive Director and Acting Chief Executive Officer*)  
Lee Chee Seng (*Executive Director*)  
Wu Yu Liang (*Non-Executive and Lead Independent Director*)  
Chan Kam Loon (*Non-Executive and Independent Director*)  
Foo Meng Kee (*Non-Executive and Independent Director*)  
Gao Guoan (*Non-Executive and Independent Director*)  
Su Jing (*Non-Executive and Non-Independent Director*)  
Huo Xiaofan (*Non-Executive and Non-Independent Director*)

**Registered Office:-**

80 Robinson Road  
#02-00  
Singapore 068898

14 April 2015

To: The Shareholders of Jiutian Chemical Group Limited

Dear Sir/Madam

**THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE****1. INTRODUCTION**

The Company proposes to seek the approval of its Shareholders at the AGM to be held on 29 April 2015 for the proposed renewal of the Share Buyback Mandate.

The Company refers to the Notice of AGM accompanying the Annual Report for the financial year ended 31 December 2014 and Resolution 10 in relation to the proposed renewal of the Share Buyback Mandate under the heading "Special Business" set out in the Notice of AGM.

The purpose of this Appendix II is to provide Shareholders with information relating to the Share Buyback Mandate.

The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Appendix II. If any Shareholder is in doubt as to the action he should take, he should consult his stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

**2. PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE****2.1 Background**

The Share Buyback Mandate was originally approved by Shareholders at an extraordinary general meeting of the Company held on 13 January 2014 and was renewed at its last annual general meeting held on 29 April 2014.

The Share Buyback Mandate, renewed at the last annual general meeting of the Company held on 29 April 2014, will expire on 29 April 2015, being the date of the forthcoming AGM.

Shareholders' approval is thus being sought at the AGM for the renewal of the general and unconditional Share Buyback Mandate for the purchase or acquisition by the Company of its issued Shares. If approved, the Share Buyback Mandate will take effect from the date of the AGM at which the renewal of the Share Buyback Mandate is approved by the Shareholders and continue in force until the date of the next annual general meeting of the Company or such date as the next annual general meeting is required by law to be held, whichever is earlier, unless prior thereto, Share Buybacks are carried out to the full extent mandated or the Share Buyback Mandate is revoked or varied by the Company in general meeting.

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Any purchase or acquisition of Shares by the Company will have to be made in accordance with, and in the manner prescribed by, the Companies Act, the Memorandum and Articles of Association of the Company, the rules of the Listing Manual, and such other laws and regulations as may for the time being be applicable.

### 2.2 Rationale

The Share Buyback Mandate will give the Company the flexibility to undertake purchases or acquisitions of its issued Shares up to the ten per cent. (10%) limit described in paragraph 2.3.1 below, at any time, subject to market conditions, during the period that the Share Buyback Mandate is in force.

Share Buyback is one of the methods by which return on equity may be enhanced. Share Buybacks also provide the Company with a mechanism to return surplus cash (if any) which is in excess of the Group's financial needs and/or ordinary capital requirements in an expedient and cost-effective manner. The Directors believe that that Share Buybacks may help to mitigate short-term market volatility, off-set the effects of short-term speculation and bolster Shareholders' confidence and employees' morale. Share Buybacks will also allow the Directors greater flexibility over the Company's share capital structure with a view to enhancing the EPS and/or NTA per Share.

Whilst the Share Buyback Mandate would authorise Share Buybacks up to the said ten per cent. (10%) limit during the duration referred to in paragraph 2.3.2 below, Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Buyback Mandate may not be carried out to the full ten per cent. (10%) limit as authorised and the purchases or acquisitions of Shares pursuant to the Share Buyback Mandate would be made only as and when the Directors consider it to be in the best interest of the Company and/or Shareholders and in circumstances which they believe will not result in any material adverse effect to the financial position of the Company or the Group, or result in the Company being delisted from the SGX-ST. The Directors will use their best efforts to ensure that after a Share Buyback pursuant to the Share Buyback Mandate, the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or adversely affect the orderly trading and listing status of the Shares on the SGX-ST.

### 2.3 Authority and Limits on the Share Buyback Mandate

The authority and limits of the Share Buyback Mandate, if renewed at the AGM, are the same as were first approved by Shareholders at the extraordinary general meeting of the Company held on 13 January 2014. The authority and limitations placed on purchases or acquisitions of Shares by the Company under the Share Buyback Mandate are summarised below:-

#### 2.3.1 Maximum Number of Shares

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. The total number of Shares that may be purchased or acquired by the Company pursuant to the Share Buyback Mandate is limited to that number of Shares representing not more than ten per cent. (10%) of the total number of issued Shares of the Company as at the date of the AGM at which the renewal of the Share Buyback Mandate is approved, unless the Company has, at any time during the Relevant Period, effected a reduction of its share capital in accordance with the applicable provisions of the Companies Act, in which event the total number of issued Shares of the Company shall be taken to be the total number of issued Shares of the Company as altered. Any Shares which are held as treasury shares will be disregarded for purposes of computing the ten per cent. (10%) limit.

**Purely for illustrative purposes only**, on the basis of 1,818,444,000 Shares in issue as at the Latest Practicable Date, and assuming that between the Latest Practicable Date and the date of the AGM (i) no new Shares are issued and (ii) no Shares are repurchased by the Company and cancelled or held as treasury shares, not more than 181,844,400 Shares (representing ten per cent. (10%) of the total number of issued Shares as at that date) may be purchased or acquired by the Company pursuant to the Share Buyback Mandate.

#### 2.3.2 Duration of Authority

Purchases or acquisitions of Shares may be made, at any time and from time to time, by the Company on and from the date of the AGM at which the renewal of the Share Buyback Mandate is approved, up to the earliest of:-

- (a) the date on which the next annual general meeting of the Company is held or required by law to be held;
- (b) the date on which the Share Buybacks are carried out to the full extent mandated; and



- (c) the date on which the authority conferred by the Share Buyback Mandate is revoked or varied by the Company in general meeting.

### 2.3.3 Manner of Purchase or Acquisition of Shares

Purchases or acquisitions of Shares by the Company may be effected by way of:-

- (a) on-market purchases transacted on the SGX-ST through the SGX-ST's trading system, through one or more duly licensed stockbrokers appointed by the Company for the purpose of Share Buyback ("**Market Purchases**"); and/or
- (b) off-market purchases (if effected otherwise than on the SGX-ST) in accordance with an "equal access scheme" as defined in Section 76C of the Companies Act ("**Off-Market Purchases**").

In an Off-Market Purchase, the Directors may impose such terms and conditions which are consistent with the Share Buyback Mandate, the Listing Manual, the Companies Act, the Articles of Association of the Company and other applicable laws and regulations, as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes.

Under the Companies Act, an equal access scheme must satisfy all the following conditions:-

- (i) offers for the purchase or acquisition of shares shall be made to every person who holds shares to purchase or acquire the same percentage of their shares;
- (ii) all of those persons shall be given a reasonable opportunity to accept the offers made to them; and
- (iii) the terms of all the offers shall be the same, except that there shall be disregarded, where applicable:-
  - (aa) differences in consideration attributable to the fact that the offers relate to shares with different accrued dividends entitlements;
  - (bb) differences in consideration attributable to the fact that the offers relate to shares with different amounts remaining unpaid; and
  - (cc) differences in the offers introduced solely to ensure that each person is left with a whole number of shares.

Pursuant to the Listing Manual, if the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, it must issue an offer document to all Shareholders containing at least the following information:-

- (i) the terms and conditions of the offer;
- (ii) the period and procedures for acceptances;
- (iii) the reasons for the proposed purchase or acquisition of Shares;
- (iv) the consequences, if any, of the purchase or acquisition of Shares by the Company that will arise under the Take-over Code or other applicable take-over rules;
- (v) whether the purchase or acquisition of Shares, if made, would have any effect on the listing of the Shares on the SGX-ST;
- (vi) details of any purchases or acquisitions of Shares made by the Company in the previous twelve (12) months (whether by way of Market Purchases or Off-Market Purchases), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases or acquisitions of Shares, where relevant, and the total consideration paid for the purchases or acquisitions of Shares; and
- (vii) whether the Shares purchased or acquired by the Company would be cancelled or kept as treasury shares.

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### 2.3.4 Maximum Purchase Price

The purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) to be paid for the Shares purchased or acquired pursuant to the Share Buyback Mandate will be determined by the Directors. However, the purchase price to be paid for the Shares pursuant to any Share Buyback must not exceed:-

- (i) in the case of a Market Purchase, one hundred and five per cent. (105%) of the Average Closing Price (as defined hereinafter); and
- (ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, one hundred and twenty per cent. (120%) of the Average Closing Price,

(the **"Maximum Price"**) in either case, excluding related expenses of the Share Buyback.

For the above purposes of determining the Maximum Price:-

**"Average Closing Price"** means the average of the closing market prices of the Shares over the last five (5) Market Days on which transactions in the Shares were recorded on the SGX-ST immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer (as defined below) pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five-day period.

**"date of the making of the offer"** means the date on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

## 2.4 Status of purchased or acquired Shares

Any Share purchased or acquired by the Company is deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to that Share will expire on such cancellation) unless such Share is held by the Company as treasury share. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

All Shares purchased or acquired by the Company (other than treasury shares held by the Company to the extent permitted under the Companies Act) will be automatically delisted by the SGX-ST, and (where applicable) all share certificates in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following settlement of any such purchase or acquisition.

The Company may decide to cancel Shares which have been purchased or acquired by the Company or hold such Shares as treasury shares, depending on whether it is in the interests of the Company to do so.

## 2.5 Treasury Shares

Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below:-

### 2.5.1 Maximum Holdings

The number of Shares held as treasury shares cannot at any time exceed ten per cent. (10%) of the total number of issued Shares.

### 2.5.2 Voting and Other Rights

The Company cannot exercise any rights in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid and no other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to members on a winding up) may be made to the Company in respect of treasury shares. However, the allotment of Shares as fully paid bonus shares in respect of treasury shares is allowed. The treasury shares may be sub-divided or consolidated, so long as the total value of the treasury shares after such sub-division or consolidation is the same as the total value of the treasury shares before the sub-division or consolidation, as the case may be.

### 2.5.3 Disposal and Cancellation

Where Shares are held as treasury shares, the Company may at any time:-

- (a) sell the treasury shares (or any of them) for cash;
- (b) transfer the treasury shares (or any of them) for the purposes of or pursuant to an employees' share scheme;
- (c) transfer the treasury shares (or any of them) as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (d) cancel the treasury shares (or any of them); or
- (e) sell, transfer or otherwise use the treasury shares for such purposes as may be prescribed by the Minister of Finance.

Under the Listing Manual, an immediate announcement must be made of any sale, transfer, cancellation and/or use of treasury shares (in each case, the "**usage**"). Such announcement must include details such as the date of the usage, the purpose of the usage, the number of treasury shares comprised in the usage, the number of treasury shares before and after the usage and the percentage of the number of treasury shares comprised in the usage against the total number of issued shares (of the same class as the treasury shares) which are listed on the SGX-ST before and after the usage and the value of the treasury shares comprised in the usage.

## 2.6 Reporting Requirements

Within thirty (30) days of the passing of the Shareholders' resolution to approve the proposed renewal of the Share Buyback Mandate, the Company shall lodge a copy of such resolution with ACRA.

The Company shall notify ACRA in the prescribed form within thirty (30) days of a purchase or acquisition of Shares on the SGX-ST or otherwise. Such notification shall include details of the purchase or acquisition of Shares such as the total number of Shares purchased or acquired by the Company, the number of Shares cancelled, the number of Shares held as treasury shares, the Company's issued share capital before and after the purchase or acquisition of Shares and the amount of consideration paid by the Company for the purchase or acquisition of Shares.

The Listing Manual specifies that a listed company shall notify the SGX-ST of all purchases or acquisitions of its shares not later than 9.00 a.m.:-

- (a) in the case of a market purchase, on the Market Day following the day on which the market purchase was made;
- (b) in the case of an off-market purchase under an equal access scheme, on the second Market Day after the close of acceptance of the offer for the off-market purchase.

The notification of such purchases or acquisitions of Shares to the SGX-ST shall be in such form and shall include such details that the SGX-ST may prescribe. The Company shall make arrangements with its stockbrokers to ensure that they provide to the Company in a timely fashion the necessary information which will enable the Company to make the notifications to the SGX-ST.

## 2.7 Source of Funds

The Company may only apply funds for the purchase or acquisition of Shares in accordance with the applicable laws in Singapore. The Company may not purchase or acquire its Shares for a consideration other than in cash or, in the case of a Market Purchase, for settlement otherwise than in accordance with the trading rules of the SGX-ST.

## APPENDIX II

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Pursuant to the Companies Act, any payment made by the Company in consideration of the purchase or acquisition of Shares by the Company may be made out of the Company's capital or profits, so long as the Company is solvent. It is an offence for a Director or an officer of the Company to approve or authorise the purchase or acquisition of Shares, knowing that the Company is not solvent. For this purpose, pursuant to the Companies Act, a company is solvent if:

- (a) the company is able to pay its debts in full at the time of the payment of the purchase or acquisition of its shares and will be able to pay its debts as they fall due in the normal course of business during the period of twelve (12) months immediately following the date of payment of the purchase or acquisition of its shares; and
- (b) the value of the company's assets exceeds its liabilities (including contingent liabilities) and will not, after the proposed purchase or acquisition of shares, become less than the value of its liabilities (including contingent liabilities).

The Company intends to use internal sources of funds or external borrowings or a combination of both to finance purchases or acquisitions of its Shares pursuant to the Share Buyback Mandate. The amount of funding required for the Company to purchase or acquire its Shares and the financial impact on the Company and the Group arising from such purchases or acquisitions of Shares pursuant to the Share Buyback Mandate will depend on, *inter alia*, the aggregate number of Shares purchased or acquired, the consideration paid at the relevant time, and the amount (if any) borrowed by the Company to fund the purchases or acquisitions of Shares. However in considering the option of external financing, the Board will consider particularly the prevailing gearing level of the Group. The Board will only make purchases or acquisitions of Shares pursuant to the Share Buyback Mandate in circumstances which they believe will not result in any material adverse effect to the financial position of the Company or the Group.

Where the Company chooses to cancel immediately any of the Shares it repurchased (as opposed to being held as treasury shares to the extent permitted under the Companies Act), the Company shall:-

- (a) reduce the amount of its share capital where the Shares were purchased or acquired out of the capital of the Company;
- (b) reduce the amount of its profits where the Shares were purchased or acquired out of the profits of the Company; or
- (c) reduce the amount of its share capital and profits proportionately where the Shares were purchased or acquired out of both the capital and the profits of the Company,

by the total amount of the purchase price paid by the Company for the Shares cancelled.

### 2.8 Financial Effects

It is not possible for the Company to realistically calculate or quantify the impact of purchases or acquisitions of Shares that may be made pursuant to the Share Buyback Mandate on the EPS and NTA per Share as the resultant effect would depend on, *inter alia*, the aggregate number of Shares purchased or acquired, whether the purchase or acquisition of Shares is made out of capital or profits, the purchase price paid for such Shares, the amount (if any) borrowed by the Company to fund such purchases or acquisitions of Shares and whether the Shares purchased or acquired are cancelled or held as treasury shares.

Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the Company's capital or profits so long as the Company is solvent.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration (excluding brokerage, commission, applicable goods and services tax and other related expenses) will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount available for distribution of cash dividends by the Company will not be reduced.

The Directors do not propose to exercise the Share Buyback Mandate to such an extent that it would have a material adverse effect on the working capital requirements of the Group or on the financial position of the Company or the Group. The purchase or acquisition of Shares will only be effected after considering relevant factors such as the working capital requirements, the availability of financial resources, the expansion and investment plans of the Group and the prevailing market conditions. The Share Buyback Mandate will be exercised with a view to enhance the EPS and/or NTA per Share of the Group.

Purely for illustrative purposes only, the financial effects of the Share Buyback Mandate on the Group, based on the audited financial statements of the Group for the financial year ended 31 December 2014, are based on the assumptions as set out in the table below:-

Share Buybacks					Maximum Number of Shares to be Purchased	Equivalent Percentage of issued Shares <sup>(2)</sup>
Scenario	Out Of Capital or Profits	Type	Whether held as treasury shares or cancelled	Maximum Price per Share (S\$/RMB) <sup>(1)</sup>		
1(A)	Capital	Market Purchase	Held as treasury shares	S\$0.054 / RMB0.240	181,844,400	10.0%
1(B)	Capital	Market Purchase	Cancelled	S\$0.054 / RMB0.240	181,844,400	10.0%
1(C)	Capital	Off-Market Purchase	Held as treasury shares	S\$0.062 / RMB0.276	181,844,400	10.0%
1(D)	Capital	Off-Market Purchase	Cancelled	S\$0.062 / RMB0.276	181,844,400	10.0%
2(A)	Profits	Market Purchase	Held as treasury shares	S\$0.054 / RMB0.240	181,844,400	10.0%
2(B)	Profits	Market Purchase	Cancelled	S\$0.054 / RMB0.240	181,844,400	10.0%
2(C)	Profits	Off-Market Purchase	Held as treasury shares	S\$0.062 / RMB0.276	181,844,400	10.0%
2(D)	Profits	Off-Market Purchase	Cancelled	S\$0.062 / RMB0.276	181,844,400	10.0%

**Notes:-**

- (1) The Maximum Price per Share for a Market Purchase or an Off-Market Purchase is computed based on respectively one hundred and five per cent. (105%) and one hundred and twenty per cent. (120%) of the average of the closing market prices of the Shares over the last (5) Market Days immediately preceding the Latest Practicable Date on which transactions in the Shares were recorded on the SGX-ST.
- (2) Based on 1,818,444,000 issued Shares as at the Latest Practicable Date.

## APPENDIX II

### (A) Pro-forma financial effects on the Group for scenarios of Share Buybacks by the Company out of capital

As at 31 December 2014 (RMB'000)	As per the audited consolidated financial statements of the Company	Pro-forma financial effects as at 31 December 2014 for Scenario as per the table set out above			
		1(A)	1(B)	1(C)	1(D)
Share capital	661,153	661,153	617,510	661,153	610,964
Revenue reserve	(195,270)	(195,270)	(195,270)	(195,270)	(195,270)
Treasury shares	–	(43,643)	–	(50,189)	–
Total Shareholders' equity	465,883	422,240	422,240	415,694	415,694
Net asset value	493,383	449,740	449,740	443,194	443,194
Current assets	595,430	595,430	595,430	595,430	595,430
Current liabilities	746,212	746,212	746,212	746,212	746,212
External borrowings	–	43,643	43,643	50,189	50,189
Cash and cash equivalents	40,484	40,484	40,484	40,484	40,484
Number of Shares <sup>(1)</sup> ('000)	1,818,444	1,636,600	1,636,600	1,636,600	1,636,600
<b>Financial Ratios</b>					
Net asset value per Share (RMB cents)	27.13	27.48	27.48	27.08	27.08
Basic earnings per Share (RMB cents)	1.49	1.65	1.65	1.65	1.65
Gearing ratio (times)	–	0.10	0.10	0.12	0.12
Current ratio (times)	0.80	0.80	0.80	0.80	0.80

**Note:-**

(1) Excludes treasury shares, where applicable.

### (B) Pro-forma financial effects on the Group for scenarios of Share Buybacks by the Company out of profits

As at 31 December 2014 (RMB'000)	As per the audited consolidated financial statements of the Company	Pro-forma financial effects as at 31 December 2014 for Scenario as per the table set out above			
		2(A)	2(B)	2(C)	2(D)
Share capital	661,153	661,153	661,153	661,153	661,153
Revenue reserve	(195,270)	(195,270)	(238,913)	(195,270)	(245,459)
Treasury shares	–	(43,643)	–	(50,189)	–
Total Shareholders' equity	465,883	422,240	422,240	415,694	415,694
Net asset value	493,383	449,740	449,740	443,194	443,194
Current assets	595,430	595,430	595,430	595,430	595,430
Current liabilities	746,212	746,212	746,212	746,212	746,212
External borrowings	–	43,643	43,643	50,189	50,189
Cash and cash equivalents	40,484	40,484	40,484	40,484	40,484
Number of Shares <sup>(1)</sup> ('000)	1,818,444	1,636,600	1,636,600	1,636,600	1,636,600
<b>Financial Ratios</b>					
Net asset value per Share (RMB cents)	27.13	27.48	27.48	27.08	27.08
Basic earnings per Share (RMB cents)	1.49	1.65	1.65	1.65	1.65
Gearing ratio (times)	–	0.10	0.10	0.12	0.12
Current ratio (times)	0.80	0.80	0.80	0.80	0.80

**Note:-**

(1) Excludes treasury shares, where applicable.

Shareholders should note that the financial effects illustrated above are based on certain assumptions and purely for illustrative purposes only. In particular, it is important to note that the above analysis is based on the audited financial statements of the Group for the financial year ended 31 December 2014 and is not necessarily representative of the future financial performance of the Company or the Group.

The Company will take into account both financial and non-financial factors (for example, stock market conditions and the performance of the Shares) in assessing the relative impact of the Share Buyback before execution. Although the Share Buyback Mandate would authorise the Company to purchase or acquire up to ten per cent. (10%) of the total number of issued Shares of the Company, ascertained as at the date of the AGM, the Company may not necessarily purchase or be able to purchase the entire ten per cent. (10%) of the total number of its issued Shares. In addition, the Company may cancel all or part of the Shares repurchased or hold all or part of the Shares repurchased as treasury shares.

## 2.9 Taxation

Shareholders who are in doubt as to their tax position or any tax implications arising from the Share Buyback Mandate in their respective jurisdictions should consult their own professional advisers.

## 2.10 Take-over implications arising from Share Buybacks

Appendix 2 of the Take-over Code contains the Share Buy-Back Guidance Note. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below.

### 2.10.1 Obligation to make a Take-over Offer

If, as a result of any purchase or acquisition by the Company of its Shares, the proportionate interest in the voting capital of the Company of a Shareholder and persons acting in concert with him increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. Consequently, a Shareholder or a group of Shareholders acting in concert with a Director could obtain or consolidate effective control of the Company and become obliged to make an offer under Rule 14 of the Take-over Code.

### 2.10.2 Persons acting in concert

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate effective control of that company.

Unless the contrary is established, the Take-over Code presumes, *inter alia*, the following individuals and companies to be persons acting in concert with each other:-

- (i) a company with its parent company, its subsidiaries, its fellow subsidiaries, any associated companies of the foregoing companies, any company whose associated companies include any of the foregoing companies, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing companies for the purchase of voting rights;
- (ii) a company with any of its directors, together with their close relatives, related trusts and any companies controlled by any of the directors, their close relatives and related trusts;
- (iii) a company with any of its pension funds and employee share schemes;
- (iv) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;
- (v) a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser and all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total ten per cent. (10%) or more of the client's equity share capital;
- (vi) directors of a company, together with their close relatives, related trusts and companies controlled by any of them, which is subject to an offer or where they have reason to believe a bona fide offer for their company may be imminent;



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- (vii) partners; and
- (viii) an individual, his close relatives, his related trusts, any person who is accustomed to act according to his instructions, companies controlled by any of the foregoing persons, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing persons and/or entities for the purchase of voting rights.

For this purpose, ownership or control of at least twenty per cent. (20%) but not more than fifty per cent. (50%) of the voting rights of a company will be regarded as the test of associated company status.

The circumstances under which Shareholders, including Directors and persons acting in concert with them respectively, will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

### *2.10.3 Effect of Rule 14 and Appendix 2*

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring Shares, the voting rights of such Directors and their concert parties would increase to thirty per cent. (30%) or more, or in the event that such Directors and their concert parties hold between thirty per cent. (30%) and fifty per cent. (50%) of the Company's voting rights, if the voting rights of such Directors and their concert parties would increase by more than one per cent. (1%) in any period of six (6) months. In calculating the percentages of voting rights of such Directors and their concert parties, treasury shares shall be excluded.

Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to thirty per cent. (30%) or more, or, if such Shareholder holds between thirty per cent. (30%) and fifty per cent. (50%) of the Company's voting rights, the voting rights of such Shareholder would increase by more than one per cent. (1%) in any period of six (6) months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Buyback Mandate.

### *2.10.4 Application of the Take-over Code*

As at the Latest Practicable Date, none of the Directors or substantial shareholders of the Company will become obliged to make a mandatory take-over offer for the Company by reason only of Share Buybacks under the Share Buyback Mandate even if the Company purchases or acquires the maximum ten per cent. (10%) of its issued Shares as permitted under the Share Buyback Mandate. Further details of the interests of the Directors and substantial shareholders in the Shares as at the Latest Practicable Date are set out in paragraph 3 of this Appendix II.

The Directors are not aware of any other Shareholder who may become obligated to make a mandatory take-over offer in the event that the Company purchases or acquires the maximum number of Shares under the Share Buyback Mandate.

**Shareholders who are in doubt as to their obligations, if any, to make a mandatory take-over offer under the Take-over Code as a result of any purchase or acquisition of Shares by the Company should consult the Securities Industry Council and/or their professional advisers at the earliest opportunity.**

## **2.11 Listing Manual**

While the Listing Manual does not expressly prohibit purchase or acquisition of shares by a listed company during any particular time or times, because a listed company would be considered to be an "insider" in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the Share Buyback Mandate after a price-sensitive development has occurred or has been the subject of a consideration and/or a decision of the Board until such time as the price-sensitive information has been publicly announced. In particular, in line with the Company's internal guide on securities dealings, the Company will not purchase or acquire any Shares through Market Purchases during the period of:-

- (a) two (2) weeks immediately preceding the announcement of the Company's results for each of the first three quarters of the financial year; and



- (b) one (1) month immediately preceding the announcement of the Company's full year results.

The Company is required under Rule 723 of the Listing Manual to ensure that at least ten per cent. (10%) of its issued Shares (excluding treasury shares, preference shares and convertible equity securities) are in the hands of the public. The term "public", as defined under the Listing Manual, are persons other than the directors, chief executive officer, substantial shareholders or controlling shareholders of the listed company or its subsidiary companies, as well as the associates of such persons.

As at the Latest Practicable Date, 1,275,565,000 Shares, representing approximately 70.15% of the issued share capital of the Company, are in the hands of the public. Assuming that the Company purchases or acquires its issued Shares through Market Purchases up to the full ten per cent. (10%) limit pursuant to the Share Buyback Mandate from the public, the number of Shares in the hands of the public would be reduced to 1,093,720,600 Shares, representing approximately 66.83% of the reduced issued share capital of the Company. Accordingly, the Company is of the view that there is a sufficient number of issued Shares held in the hands of the public which would permit the Company to undertake purchases or acquisitions of its issued Shares up to the full ten per cent. (10%) limit pursuant to the Share Buyback Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity.

In undertaking any purchases or acquisitions of Shares pursuant to the Share Buyback Mandate, the Directors will use their best efforts to ensure that, notwithstanding such purchases or acquisitions, a sufficient float in the hands of the public will be maintained so that the purchases or acquisitions of Shares will not adversely affect the listing status of the Shares on the SGX-ST, cause market illiquidity or adversely affect the orderly trading of the Shares.

## 2.12 Share Buybacks in the previous twelve (12) months

The Company has not purchased or acquired any Shares during the twelve (12) month period immediately preceding the Latest Practicable Date.

## 3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

Based on the Register of Director's Shareholdings and the Register of Substantial Shareholders, as at the Latest Practicable Date, the shareholdings of the Directors and the substantial shareholders before and after the purchase or acquisition of Shares pursuant to the Share Buyback Mandate, assuming (a) the Company purchases or acquires the maximum limit of ten per cent. (10%) of the issued share capital of the Company and (b) there is no change in the number of Shares held by the Directors and the substantial shareholders of the Company or which they are deemed interested in, will be as follows:

	Before Share Buyback (Number of Shares)			Before Share Buyback	After Share Buyback
	Direct Interest	Deemed Interest	Total Interest	% <sup>(1)</sup>	% <sup>(2)</sup>
<b>Directors</b>					
Gao Heng	—	—	—	—	—
Sun Zhiqiang	—	—	—	—	—
Lee Chee Seng	10,250,000	44,419,000	54,669,000	3.01	3.34
Wu Yu Liang	300,000	—	300,000	0.02	0.02
Chan Kam Loon	100,000	360,000	460,000	0.03	0.03
Foo Meng Kee	—	—	—	—	—
Gao Guoan	—	—	—	—	—
Su Jing	—	—	—	—	—
Huo Xiaofan	—	—	—	—	—
<b>Substantial Shareholder</b>					
Anyang Longyu (HK) Development Co., Ltd <sup>(3)</sup>	—	487,450,000	487,450,000	26.81	29.78

### Notes:-

- (1) As a percentage of the issued share capital of the Company comprising 1,818,444,000 Shares as at the Latest Practicable Date.

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- (2) As a percentage of the issued share capital of the Company comprising 1,636,599,600 Shares (assuming that the Company purchases or acquires the maximum number of 181,844,400 Shares under the Share Buyback Mandate).
- (3) Anyang Longyu (HK) Development Co., Ltd holds 487,450,000 Shares through its nominee, RHB Securities Singapore Pte. Ltd. formerly known as DMG & Partners Securities Pte. Ltd..

### 4. ANNUAL GENERAL MEETING

The AGM, notice of which is contained in the Annual Report of the Company, will be held on Wednesday, 29 April 2015 at M Hotel Singapore, Anson IV, Level 2, 81 Anson Road, Singapore 079908 at 9.30 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, Resolution 10 relating to the proposed renewal of the Share Buyback Mandate.

### 5. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the AGM and who wish to appoint a proxy or proxies to attend on their behalf are requested to complete, sign and return the proxy form contained in the Annual Report in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the office of the Share Registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.) either by hand to 80 Robinson Road, #11-02, Singapore 068898 or by post to 80 Robinson Road, #02-00, Singapore 068898 not less than 48 hours before the time appointed for holding the AGM. The completion and lodgment of the proxy form by a Shareholder will not prevent him from attending and voting at the AGM in person if he so wishes. However, any appointment of a proxy or proxies by such Shareholder shall be deemed to be revoked if the Shareholder attends the AGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the proxy form, to the AGM.

A Depositor shall not be regarded as a member of the Company entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register at least 48 hours before the time appointed for holding the AGM.

### 6. DIRECTORS' RECOMMENDATION

Having fully considered the rationale and benefit of the Share Buyback Mandate, the Directors are of the view that the proposed renewal of the Share Buyback Mandate is in the best interests of the Company. They accordingly recommend that Shareholders vote in favour of Resolution 10 relating to the proposed renewal of the Share Buyback Mandate at the AGM.

### 7. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix II and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Appendix II constitutes full and true disclosure of all material facts about the proposed renewal of the Share Buyback Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix II misleading. Where information in this Appendix II has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Appendix II in its proper form and context.

Yours faithfully  
for and on behalf of the Board of Directors of  
Jiutian Chemical Group Limited

Sun Zhiqiang  
Acting Chief Executive Officer

# NOTICE OF THE TENTH ANNUAL GENERAL MEETING

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## NOTICE OF THE TENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Tenth Annual General Meeting of the Company will be held at M Hotel Singapore, Anson IV, Level 2, 81 Anson Road, Singapore 079908 on Wednesday, 29 April 2015 at 9:30 a.m. for the purpose of transacting the following businesses:

### ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Financial Statements for the financial year ended 31 December 2014 together with the Auditors' Report thereon. **(Resolution 1)**
2. To approve the payment of Directors' fee of S\$170,000.00 for the financial year ending 31 December 2015, to be paid quarterly in arrears. **(Resolution 2)**
3. To re-elect the following directors who are retiring in accordance with the provisions of the Articles of Association of the Company and have offered themselves for re-election:
  - a. Mr Sun Zhiqiang pursuant to Article 91 of the Articles of Association of the Company **(Resolution 3)**  
*[See Explanatory Note 1]*
  - b. Mr Lee Chee Seng pursuant to Article 91 of the Articles of Association of the Company **(Resolution 4)**  
*[See Explanatory Note 1]*
  - c. Mr Foo Meng Kee pursuant to Article 91 of the Articles of Association of the Company **(Resolution 5)**  
  
*Mr Foo Meng Kee, upon re-election as a director of the Company, will remain as the Chairman of Nominating Committee and a member of the Audit and Remuneration Committees. He will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.*  
*[See Explanatory Note 1]*
  - d. Mr Gao Guoan pursuant to Section 153(6) of the Companies Act Cap. 50 **(Resolution 6)**  
*[See Explanatory Note 1]*
4. To re-appoint Messrs Baker Tilly TFW LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**
5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

# NOTICE OF THE TENTH ANNUAL GENERAL MEETING

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## SPECIAL BUSINESS

To consider and, if thought fit, to pass the following as Ordinary Resolutions, with or without modifications:

### 6. Authority to allot and issue shares

(Resolution 8)

"That, pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806(2) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to:-

- (a) (i) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any instrument made or granted by the Directors while this Resolution was in force,

provided that:

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent. (50%) of the Company's total number of issued shares excluding treasury shares (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to existing shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty per cent. (20%) of the Company's total number of issued shares excluding treasury shares (as calculated in accordance with sub-paragraph (2) below). Unless prior shareholder approval is required under the Listing Manual of the SGX-ST, an issue of treasury shares will not require further shareholder approval, and will not be included in the aforementioned limits.
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares excluding treasury shares is based on the Company's total number of issued shares excluding treasury shares at the time this Resolution is passed, after adjusting for:
  - (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
  - (ii) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and
- (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier." [See Explanatory Note 2]

# NOTICE OF THE TENTH ANNUAL GENERAL MEETING

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## **7. Proposed Renewal of the Shareholders' General Mandate for Interested Person Transactions (Resolution 9)**

That:

- (a) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), for the Entities at Risk (as defined in Appendix I dated 14 April 2015 to the Company's Annual Report for its financial year ended 31 December 2014 (the "Appendix I")), or any of them, to enter into any of the transactions falling within the types of Recurrent IPTs (as defined in Appendix I) with any Interested Person (as defined in Appendix I), provided that such transactions are made on normal commercial terms, will not be prejudicial to the interests of the Company and its minority shareholders and are in accordance with the guidelines and review procedures for such Recurrent IPTs (the "IPT Mandate");
- (b) the IPT Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company;
- (c) the Audit Committee of the Company be and is hereby authorised to take such action as it deems proper in respect of the procedures and/or to modify or implement such procedures as may be necessary to take into consideration any amendment to Chapter 9 of the Listing Manual of the SGX-ST which may be prescribed by the SGX-ST from time to time; and
- (d) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things as they or he may consider necessary or expedient for the purposes of or in connection with and to give effect to the transactions contemplated and/or authorised by the IPT Mandate and/or this Resolution (including but not limited to the execution of other ancillary documents, procurement of third party consents and making of amendments to the Recurrent IPTs) as they or he shall think fit and in the interests of the Company. *[See Explanatory Note 3]*

## **8. Proposed Renewal of the Share Buyback Mandate (Resolution 10)**

That:

- (a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore (the "Companies Act"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares fully paid in the capital of the Company (the "Shares") not exceeding in aggregate the Prescribed Limit (as hereafter defined), at such price or prices as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:
  - (i) market purchase(s) (each a "Market Purchase") on the Singapore Exchange Securities Trading Limited ("SGX-ST"); and/or
  - (ii) off-market purchase(s) (each an "Off-Market Purchase") effected otherwise than on the SGX-ST in accordance with any equal access scheme(s) as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws and regulations, including but not limited to, the provisions of the Companies Act and the listing rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "Share Buyback Mandate");

# NOTICE OF THE TENTH ANNUAL GENERAL MEETING

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- (b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buyback Mandate may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:
  - (i) the date on which the next annual general meeting of the Company is held or required by law to be held; and
  - (ii) the date on which purchases or acquisitions of Shares by the Company pursuant to the Share Buyback Mandate are carried out in full to the Prescribed Limit mandated;

- (c) in this Resolution:

“Prescribed Limit” means that number of issued Shares representing ten per cent. (10%) of the total number of issued Shares as at the date of the passing of this Resolution unless the Company has effected a reduction of the total number of issued Shares of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period (as hereafter defined), in which event the total number of issued Shares shall be taken to be the total number of issued Shares as altered. Any Shares which are held as treasury shares will be disregarded for purposes of computing the ten per cent. (10%) limit; and

“Relevant Period” means the period commencing from the date of the annual general meeting at which the renewal of the Share Buyback Mandate is approved and thereafter, expiring on the date on which the next annual general meeting of the Company is held or required by law to be held, whichever is earlier, after the date of this Resolution; and

“Maximum Price”, in relation to a Share to be purchased or acquired pursuant to the Share Buyback Mandate, means an amount (excluding brokerage, commission, applicable goods and services tax and other related expenses) not exceeding:

- (i) in the case of a Market Purchase, one hundred and five per cent. (105%) of the Average Closing Price (as hereafter defined); and
- (ii) in the case of an Off-Market Purchase, one hundred and twenty per cent. (120%) of the Average Closing Price (as hereafter defined),

where:

“Average Closing Price” means the average of the closing market prices of a Share over the last five (5) market days on which transactions in the Shares were recorded on the SGX-ST immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer (as hereafter defined) pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action which occurs after the relevant five-day period; and

“date of the making of the offer” means the date on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price determined on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

- (d) the Directors of the Company and/or any of them be and are hereby authorised to deal with the Shares purchased or acquired by the Company, pursuant to the Share Buyback Mandate, in any manner as they think fit, which is permissible under the Companies Act; and

# NOTICE OF THE TENTH ANNUAL GENERAL MEETING

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- (e) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient and necessary to give effect to the transactions contemplated and/or authorised by this Resolution.

*[See Explanatory Note 4]*

BY ORDER OF THE BOARD

Low Siew Tian  
Lee Wei Hsiung  
Company Secretaries

Singapore, 14 April 2015

## ***Explanatory Notes:-***

1. The detailed information of Mr Sun Zhiqiang, Mr Lee Chee Seng, Mr Foo Meng Kee and Mr Gao Guoan can be found under the section entitled 'Board of Directors' on page 16 and page 17 of the Annual Report. There are no relationships (including immediate family relationships) between these Directors and the other Directors, the Company and the 10% shareholders.
2. Resolution 8 in item 6 above, if passed, will authorise and empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares and/or convertible securities in the Company up to an amount not exceeding in aggregate 50% of the total number of issued shares excluding treasury shares of which the total number of shares and convertible securities issued other than on a pro-rata basis to existing shareholders shall not exceed 20% of the total number of issued shares excluding treasury shares of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.
3. Resolution 9 in item 7 above, if passed, will renew the IPT Mandate initially approved by the shareholders of the Company on 16 November 2012 to allow the Entities at Risk (as defined in Appendix I dated 14 April 2015 to the Company's Annual Report for its financial year ended 31 December 2014 (the "Appendix I")), or any of them, to enter into transactions with any Interested Person (as defined in Appendix I). Please refer to Appendix I for details relating to the IPT Mandate.
4. Resolution 10 in item 8 above, if passed, will empower the Directors of the Company to buyback issued Shares from time to time (whether by way of Market Purchases or Off-Market Purchases on an equal access scheme) of up to ten per cent. (10%) of the total number of issued Shares (excluding treasury shares) at the prices of up to but not exceeding the Maximum Price, being in accordance with the terms and subject to the conditions set out in Appendix II dated 14 April 2015 to the Company's Annual Report for its financial year ended 31 December 2014 (the "Appendix II"), the Companies Act and the Listing Manual of the Singapore Exchange Securities Trading Limited. This authority will, unless revoked or varied by the Company in general meeting, continue in force until the earlier of (i) the date that the next annual general meeting of the Company is held or required by law to be held, and (ii) the date on which the purchases or acquisitions of Shares pursuant to the Share Buyback Mandate are carried out in full to the Prescribed Limit mandated.

The Company intends to use internal sources of funds or external borrowings or a combination of both to finance the purchase or acquisition of its Shares pursuant to the Share Buyback Mandate. The amount of financing required for the Company to purchase or acquire its Shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice as these will depend on the number of Shares purchased or acquired, the price at which such Shares were purchased or acquired and whether the Shares purchased or acquired are cancelled or held as treasury shares.

The financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Buyback Mandate on the audited consolidated financial statements of the Company for the financial year ended 31 December 2014, based on certain assumptions, are set out in paragraph 2.8 of Appendix II.



# NOTICE OF THE TENTH ANNUAL GENERAL MEETING

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## **Notes:**

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote in his stead.
2. Where a member appoints more than one proxy, he should specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy and if no percentage is specified, the first named proxy shall be deemed to represent 100 per cent of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.
3. A proxy need not be a member of the Company.
4. If the appointer is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.
5. The instrument appointing a proxy or proxies must be deposited at the office of the Share Registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.), either by hand to 80 Robinson Road, #11-02, Singapore 068898 or by post to 80 Robinson Road, #02-00, Singapore 068898 not later than 48 hours before the time appointed for the Meeting.

### **Personal data privacy**

***By lodging an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a Shareholder (i) consents to the collection, use and disclosure of the Shareholder's personal data by the Company (and its agents) for the purpose of the processing and administration by the Company (and its agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (and its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the Shareholder discloses the personal data of the Shareholder's proxy(ies) and/or representative(s) to the Company (and its agents), the Shareholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (and its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Shareholder will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Shareholder's breach of warranty.***



## PROXY FORM

### Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the Shareholder accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 14 April 2015.

### Important :

- For investors who have used their CPF monies to buy the Company's shares, the Annual Report, the Appendix I and the Appendix II are forwarded to them at the request of their CPF Approved Nominees and are sent solely **For Information Only**.
- This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
- CPF Investors who wish to vote should contact their CPF Approved Nominees.

I/We \_\_\_\_\_ (Name)

of \_\_\_\_\_ (Address)

being a member/members of Jiutian Chemical Group Limited (the "Company") hereby appoint:

Name	Address	NRIC/ Passport No.	Proportion of Shareholding (%)
(a)			
And/or (delete as appropriate)			
(b)			

or failing \*him/them, the Chairman of the Tenth Annual General Meeting ("10th AGM") of the Company as my/our proxy/proxies to vote for me/us on my/our behalf and, if necessary, to demand a poll at the 10th AGM of the Company, to be held at M Hotel Singapore, Anson IV, Level 2, 81 Anson Road, Singapore 079908 on Wednesday, 29 April 2015 at 9:30 a.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the 10th AGM as indicated hereunder. If no specific directions as to voting are given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the 10th AGM.

No.	Resolutions	To be used on a show of hands		To be used in the event of a poll	
		For*	Against*	No. of Votes for**	No. of Votes Against**
	<b>Ordinary Business</b>				
1	To receive and adopt the Directors' Report and the Audited Financial Statements for the financial year ended 31 December 2014 together with the Auditors' Report thereon.				
2	To approve the payment of Directors' fee of S\$170,000.00 for the financial year ending 31 December 2015, to be paid quarterly in arrears.				
3	To re-elect Mr Sun Zhiqiang as a Director.				
4	To re-elect Mr Lee Chee Seng as a Director.				
5	To re-elect Mr Foo Meng Kee as a Director.				
6	To re-elect Mr Gao Guoan as a Director.				
7	To re-appoint Messrs Baker Tilly TFW LLP as Auditors of the Company and authorise the Directors to fix their remuneration.				
	<b>Special Business</b>				
8	To authorise Directors to issue shares.				
9	To approve the renewal of the Shareholders' General Mandate for Interested Person Transactions.				
10	To approve the renewal of the Share Buyback Mandate.				

\* Please indicate your vote "For" or "Against" with an "x" within the box provided.

\*\* If you wish to exercise all your votes "For" or "Against", please indicate with an "x" within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2015

Total No. of Shares in	No. of Shares
CDP Register	
Register of Members	

Signature(s) of Member(s) or Common Seal

**IMPORTANT: Please Read Notes for This Proxy Form.**



**Notes:**

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. Where a member appoints more than one proxy, he should specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy and if no percentage is specified, the first named proxy shall be deemed to represent 100 per cent of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.
3. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, the instrument appointing a proxy or proxies will be deemed to relate to all shares held by the member.
4. The instrument appointing a proxy or proxies must be deposited at the office of the Share Registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.), either by hand to 80 Robinson Road, #11-02, Singapore 068898 or by post to 80 Robinson Road, #02-00, Singapore 068898 not less than 48 hours before the time set for the Meeting.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or by his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. A corporation which is a member may, in accordance with Section 179 of the Companies Act, Cap. 50 of Singapore, authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting.
8. The Company shall be entitled to reject the instrument appointing a proxy or proxies, if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.



九天化工集团有限公司

JIUTIAN CHEMICAL GROUP LIMITED

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