

JIUTIAN CHEMICAL GROUP LIMITED

(Company Registration Number: 200415416H)

Quarterly Financial Statement Announcement for the Quarter Ended 30 June 2015.

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Unaudited Group Three months ended 30-Jun-15 RMB'000	Unaudited Group Three months ended 30-Jun-14 RMB'000	Increase/ (Decrease) %	Unaudited Group Six months ended 30-Jun-15 RMB'000	Unaudited Group Six months ended 30-Jun-14 RMB'000	Increase/ (Decrease) %
Revenue	214,203	205,630	4	390,550	459,784	-15
Cost of sales	(210,746)	(188,279)	12	(365,565)	(423,209)	-14
Gross profit	3,457	17,351	-80	24,985	36,575	-32
Other income	2,625	1,971	33	4,648	3,626	28
Distribution costs	(2,839)	(3,983)	-29	(6,149)	(8,162)	-25
Administrative expenses	(6,786)	(5,939)	14	(12,569)	(10,948)	15
Other expenses	(45)	-	n/m	(142)	-	n/m
Finance costs	(61)	-	n/m	(61)	-	n/m
Share of results of associated companies	5,392	328	>100%	5,146	4,143	24
Profit before tax	1,743	9,728	-82	15,858	25,234	-37
Tax expense	(951)	-	n/m	(3,434)	-	n/m
Profit and total comprehensive income for the period	792	9,728	-92	12,424	25,234	-51
Profit and total comprehensive income for the period attributable to:						
Equity holders of the Company	551	9,728		12,184	25,234	
Non-controlling interests	241	-		240	-	

n/m – not meaningful

(ii) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the income statement or in the notes to the income statement for the current financial period reported on and the corresponding period of the immediately preceding financial year:-

	Unaudited Group Three months ended 30-Jun-15 RMB'000	Unaudited Group Three months ended 30-Jun-14 RMB'000	Increase/ (Decrease) %	Unaudited Group Six months ended 30-Jun-15 RMB'000	Unaudited Group Six months ended 30-Jun-14 RMB'000	Increase/ (Decrease) %
Profit before tax is arrived at after charging/(crediting):						
Amortisation of deferred income	(15)	(16)	-6%	(32)	(33)	-3%
Amortisation of land use rights	233	233	0%	467	467	0%
Depreciation of property, plant and equipment	6,033	7,601	-21%	13,459	15,135	-11%
Gain on disposal of property, plant and equipment	-	(281)	n/m	-	(281)	n/m
Interest expenses	(61)	-	n/m	(61)	-	n/m
Interest income	(651)	(410)	59%	(716)	(692)	3%
Net loss/ (gain) on foreign exchange	45	(95)	>100%	144	(63)	>100%

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Unaudited Group 30-Jun-15 RMB'000	Group 31-Dec-14 RMB'000	Unaudited Company 30-Jun-15 RMB'000	Company 31-Dec-14 RMB'000
ASSETS				
<u>Current assets</u>				
Cash and cash equivalents	129,781	40,484	5,315	3,575
Trade and other receivables	413,289	525,892	63	63
Inventories	20,409	29,054	-	-
Total current assets	563,479	595,430	5,378	3,638
<u>Non-current assets</u>				
Land use rights	7,678	8,145	-	-
Property, plant and equipment	276,490	280,699	-	-
Investment in subsidiary companies	-	-	87,027	87,027
Investment in associated companies	347,357	342,211	339,709	339,709
Deferred tax assets	13,498	13,498	-	-
Total non-current assets	645,023	644,553	426,736	426,736
Total assets	1,208,502	1,239,983	432,114	430,374
LIABILITIES AND EQUITY				
<u>Current liabilities</u>				
Bank borrowings	15,000	-	-	-
Trade and other payables	687,187	746,069	6,028	1,212
Income tax payable	152	143	-	-
Total current liabilities	702,339	746,212	6,028	1,212
<u>Non-current liability</u>				
Deferred income	356	388	-	-
<u>Capital and reserves</u>				
Share capital	661,153	661,153	661,153	661,153
Accumulated losses	(183,086)	(195,270)	(235,067)	(231,991)
Equity attributable to equity holders of the Company	478,067	465,883	426,086	429,162
Non-controlling interests	27,740	27,500	-	-
Total equity	505,807	493,383	426,086	429,162
Total liabilities and equity	1,208,502	1,239,983	432,114	430,374

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

	<u>As at 30 June 2015</u>		<u>As at 31 December 2014</u>	
	<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings	15,000	-	-	-

Amount repayable after one year

	<u>As at 30 June 2015</u>		<u>As at 31 December 2014</u>	
	<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings	-	-	-	-

Details of any collateral

As at 30 June 2015, RMB 15.0 million of the short-term bank borrowings was guaranteed by one of the Group's related party, Henan Energy and Chemical Co., Ltd ("HNEC").

Note:

Bills payable to banks

As at 30 June 2015, there are RMB 106.1 million in bills payable. Bills payable to banks have an average period of 60 to 120 days and are interest-free as repayments will be made within the credit period. The bills payables to banks are secured by pledge of bank deposits amounting of RMB 100 million.

As at 31 December 2014, there are RMB 8.4 million in bills payable. Bills payable to banks have an average period of 60 to 120 days and are interest-free as repayments will be made within the credit period. The bills payables to banks are secured by pledge of bank deposits amounting of RMB 8.8 million.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	(Unaudited) Group Three months ended 30-Jun-15 RMB'000	(Unaudited) Group Three months ended 30-Jun-14 RMB'000	(Unaudited) Group Six months ended 30-Jun-15 RMB'000	(Unaudited) Group Six months ended 30-Jun-14 RMB'000
Cash flows from operating activities				
Profit before tax	1,743	9,728	15,858	25,234
Adjustments for:		-		
Amortisation of deferred income	(15)	(16)	(32)	(33)
Amortisation of land use rights	233	233	467	467
Depreciation of property, plant and equipment	6,033	7,601	13,459	15,135
Gain on disposal of plant and equipment	-	(281)	-	(281)
Interest income	(651)	(410)	(716)	(692)
Interest expense	61	-	61	-
Share of results of associated companies	(5,392)	(328)	(5,146)	(4,143)
Operating cash flows before movement in working capital	2,012	16,527	23,951	35,687
Inventories	32,648	(12,077)	8,645	(19,425)
Receivables	43,210	56,517	59,225	5,749
Payables	(99,037)	(14,020)	(104,904)	10,070
Cash generated from /(used in) operations	(21,167)	46,947	(13,083)	32,081
Interest received	53	410	118	692
Interest paid	(61)	-	(61)	-
Income tax paid	(2,871)	-	(3,604)	-
Net cash (used in)/generated from operating activities	(24,046)	47,357	(16,630)	32,773
Cash flows from investing activities				
Proceed from disposal of property, plant and equipment	-	704	-	704
Purchase of property, plant and equipment (Note 1)	(6,971)	(11,162)	(9,264)	(12,853)
Repayment from related party	2,500	-	2,500	-
Net cash used in investing activities	(4,471)	(10,458)	(6,764)	(12,149)
Cash flows from financing activities				
Bank borrowings	15,000	-	15,000	-
Decrease/(increase) in pledged bank deposits	(32,494)	(11,837)	(91,228)	6,163
Increase/(decrease) in bills payables to banks	48,800	11,837	97,691	(6,163)
Net cash generated from financing activities	31,306	-	21,463	-
Net increase/(decrease) in cash and cash equivalents	2,789	36,899	(1,931)	20,624
Cash and cash equivalents at beginning of the period	26,954	11,613	31,674	27,888
Cash and cash equivalents at end of the period	29,743	48,512	29,743	48,512
Cash and bank balances at end of the period	129,781	85,349	129,781	85,349
Less: Pledged bank deposits	(100,038)	(36,837)	(100,038)	(36,837)
	29,743	48,512	29,743	48,512

Note 1 – As at 31 December 2014, the Group has outstanding payables for property, plant and equipment of RMB 5.55 million. During the current period, RMB 0.02 million was paid and the balances of RMB 5.53 million is reflected in other payables as at 30 June 2015. In 1H2015, the Group has acquired property, plant and equipment with an aggregate cost of RMB 9.25 million which was fully paid in cash.

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Share capital	Accumulated losses	Equity attributable to equity holders of the Company	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>Group</u>					
Balance at 1 January 2014	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
Balance at 31 December 2014	661,153	(195,270)	465,883	27,500	493,383
Profit and total comprehensive income for the period	-	12,184	12,184	240	12,424
Balance at 30 June 2015	661,153	(183,086)	478,067	27,740	505,807

	Share capital	Accumulated losses	Total equity
	RMB'000	RMB'000	RMB'000
<u>Company</u>			
Balance at 1 January 2014	661,153	(224,446)	436,707
Loss and total comprehensive loss for the year	-	(7,545)	(7,545)
Balance at 31 December 2014	661,153	(231,991)	429,162
Loss and total comprehensive loss for the period	-	(3,076)	(3,076)
Balance at 30 June 2015	661,153	(235,067)	426,086

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

	Number of shares	Resultant issued and paid-up share capital S\$	Resultant issued and paid-up share capital RMB
As at 31 December 2014	1,818,444,000	133,854,092	661,152,648
As at 30 June 2015	1,818,444,000	133,854,092	661,152,648

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

There are no treasury shares as at 30 June 2015 and 31 December 2014. The total number of issued shares of the Company are shown in 1(d)(ii) above.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited nor reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed in Note 5 below, there were no changes in accounting policies and methods of computation adopted in the financial statements for the current reporting period compared to the most recently audited financial statements for the financial year ended 31 December 2014.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group has adopted all the new and revised Singapore Financial Reporting Standards ("FRSs") and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2015, where applicable. The adoption of these FRS has no material impact on the Group's financial statements.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

- (a) Based on the weighted average number of ordinary shares on issue; and
- (b) On a fully diluted basis (detailing any adjustments made to the earnings).

	(Unaudited) Group Three months ended 30-Jun-15	(Unaudited) Group Three months ended 30-Jun-14	(Unaudited) Group Six months ended 30-Jun-15	(Unaudited) Group Six months ended 30-Jun-14
Profit per ordinary share for the financial period based on consolidated loss attributable to members of the company :				
(a) Basic / Diluted (Rmb fen)	0.03	0.53	0.67	1.39
(a) Based on the weighted average number of shares - Basic / Diluted	1,818,444,000	1,818,444,000	1,818,444,000	1,818,444,000

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-

- (a) current financial period reported on; and
- (b) immediately preceding financial year.

	(Unaudited) Group 30 Jun 2015 RMB fen	(Unaudited) Group 31 Dec 2014 RMB fen	(Unaudited) Company 30 Jun 2015 RMB fen	(Unaudited) Company 31 Dec 2014 RMB fen
Net assets per share	26.29	25.62	23.43	23.60

Net asset value per share for 30 June 2015 and 31 December 2014 have been computed based on shareholder's equity as at this date and total issued ordinary share capital of 1,818,444,000 shares.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the financial period reported on.

Commentaries on performance

1H2015

Revenue in 1H2015 decreased by 15% from RMB 459.8 million in 1H2014 to RMB 390.6 million. Decrease is mainly due the competition market condition and new environmental act implemented in China on 1 January 2015 which has affected the demand and supply of the Group's products. Capacity utilisation at the Anyang Jiutian DMF plant with an annual capacity of 150,000 tons decreased from 84% in 1H2014 to 70% in 1H2015.

The average selling price of DMF and methylamine for the period under review were RMB 4,412 and RMB 5,518 per tonne respectively (1H2014: RMB 5,009 and RMB 6,533 per tonne).

The gross profit of the Group declined from RMB 36.6 million in 1H2014 to RMB 25.0 million in 1H2015. Gross profit margin slightly declined by 1.16% to 6.39% in 1H2015. It was mainly due to increase in cost of raw material (methanol and liquid ammonia).

Other income increased 28% or RMB 1.0 million in 1H2015 due to higher income from sale of waste material in 1H2015 and interest income generated from advances to related parties.

Distribution expenses decreased 25% or RMB 2.0 million to RMB 6.1 million in 1H2015. The decrease was in line with the decline in sales volume of DMF and methylamine. In additions, more customers prefer to use their own transportation which resulted the decrease in transportation cost.

Administrative expenses increased by 15% or RMB 1.6 million against 1H2014 mainly due to:

- a) cost incurred by new subsidiaries (Henan Herunsheng Isotope Technology Co., Ltd. and Xinjiang Jiutian Energy Technology Co., Ltd.) which were incorporated in 2H2014; and
- b) increase in administrative staff cost in the period.

Other expenses mainly consists of foreign exchange loss arose from certain monetary assets in holding company denominated in Singapore Dollars amounting of RMB 144,000 in 1H2015. However, there was foreign exchange gain amounted to RMB 63,000 in 1H2014.

Finance costs consist of interest expenses arose from short term bank borrowings.

Share of results of associated companies pertains to share of results of Anyang Jiulong which revenue is generated from producing and selling of industrial steam and electricity.

As a result, the Group registered a net profit attributable to equity holder of the Company of RMB 12.2 million against RMB 25.2 million in 1H2014.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the financial period reported on.

Commentaries on performance (cont'd)

2Q2015

Revenue for 2Q2015 was RMB 214.2 million, 4% above 2Q2014 of RMB 205.6 million. Average selling price of DMF in 2Q2015 at RMB 4,332 per tonne was 11% below 2Q2014. Average selling price of methylamine in 2Q2015 at RMB 5,411 per tonne was 13% below 2Q2014. The decrease was partially offset against the higher sales volume of DMF.

The gross profit margin reduced from 8.4% in 2Q2014 to 1.6% in 2Q2015 mainly due to:

- a) increase in raw material price; and
- b) Anyang Jiutian's 120,000 tons production capacity DMF plant was ceased for 19 days in April 2015 for a major maintenance which conducted once for every 18 months. The plants had resumed its operation in May 2015.

Other income increased 33% in 2Q2015 due mainly to higher income from sale of waste material in 2Q2014 and interest income generated from advances to related parties.

Distribution expenses decreased 29% to RMB 2.8 million in 2Q2015 due to more customers preferring to use their own transportation which resulted the decrease of transportation cost.

Administrative expenses increased by 14% against 2Q2014 due to:

- a) cost incurred by new subsidiaries (Henan Herunsheng Isotope Technology Co., Ltd. and Xinjiang Jiutian Energy Technology Co., Ltd.) incorporated in 2H2014; and
- b) increase in administrative staff cost in the period.

Other expenses mainly consists of foreign exchange loss arose from certain monetary assets in holding company denominated in Singapore Dollars amounted of RMB 47,000 in 2Q2015.

Finance costs consist of interest expenses arose from short term bank borrowings.

Share of Anyang Jiulong 2Q2015 result was higher than 2Q2014 due to Anyang Jiulong temporary ceased its operation for repair and maintenance in June 2014.

As a result, the Group registered a net profit attributable to equity holder of the Company of RMB 0.8 million against RMB 9.7 million in 2Q2014.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the financial period reported on.

Commentaries on balance sheet and cash flow

Group balance sheet:

Group's current assets as at 30 June 2015 was RMB 563.5 million, a decrease of RMB 31.9 million relative to that as at 31 December 2014. The net decrease was largely attributed to:

- a. decrease in inventories by RMB 8.6 million;
- b. decrease of trade receivable by RMB 55.6 million, being receipt of repayment of RMB 2.5 million from advance to a related party and transfer of amount owing by Anyang Jiujia to offset the trade payable to Anyang Jiulong amounted to RMB 51.6 million; and
- c. the decrease being offset against increase in cash and cash equivalents by RMB 89.3 million from RMB 40.5 million as at 31 December 2014 to RMB 129.8 million due to net cash generated from financing activities.

Group's non-current assets increased by RMB 0.5 million due to:

- d. share of current period results of associated companies, Anyang Jiulong and Anyang Jiujia amounted to RMB 5.1 million; and
- a. Additions of property plant and equipment amounted to RMB 9.3 million and partially offset against the current period depreciation and amortisation charges for property, plant and equipment and land use rights.

Group's current liabilities as at 30 June 2015 was RMB 702.3 million, a decrease of RMB 43.9 million relative to that as at 31 December 2014. The net decrease was largely attributed to decrease in trade payables of RMB 156.5 million relative to 31 December 2014 and the decrease was partially offset against increase of RMB 97.7 million in bills payable to banks and increase of RMB15.0 million of bank borrowings.

Net asset value as at 30 June 2015 was RMB 505.8 million, RMB 11.9 million higher than the net asset value as at 31 December 2014 of RMB 493.3 million. This was largely attributed to the profit generated for the period.

Net current liabilities of the Group as at 30 June 2015 exceeded its current assets by RMB 138.9 million attributable to the continuing losses in prior years. Despite the negative working capital, the Group believes that it will be able to repay its current liabilities as and when it fall due. As a substantial part of the Group's net current liabilities are owed to its principal supplier and strategic partner, Anyang Chemical Industry Group Co., Ltd ("Anhua") and Anyang Jiulong of RMB 223.9 million, as reported in the 2014 Annual Report, the Group has obtained continued financial support from Anhua and Anyang Jiulong, which had agreed to defer payments of trade payables owing to them till Anyang Jiutian is able to settle its other liabilities.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the financial period reported on.

Commentaries on balance sheet and cash flow (cont'd)

Company's balance sheet:

Company's current assets increased by RMB 1.7 million during the financial period mainly due to receipt of an advance from the major shareholder (Anyang Longyu (HK) Development Co., Ltd.) amounted to RMB 4.6 million (equivalent to SGD 1.0 million) and being offset against the head office expenses incurred during the financial period.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

The Group's actual results are in line with the Commentary under paragraph 10 of the Group's previous result announcement (1Q2015 result announcement).

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Group's performance for FY2015 will continue to be affected by:

- i) weaker demand for chemical products in China, including DMF;
- ii) cost pressures due to the increasing manpower and raw material costs; and
- iv) general slowdown in China's economic.

In view of the above, the business environment will likely remain challenging for the rest of the year. The Group will continue to focus on improving productivity and keeping costs under control. Barring unforeseen circumstances and further deterioration of demand of chemical product in china, the Group is confident that FY2015 shall remain profitable.

11. Dividend

(a) Current Financial Period Reported On

None

(b) Corresponding Period of the Immediately Preceding Financial Year

None

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared / (recommended) for the current financial period reported on.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transaction as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
	2Q2015	2Q2015
Anyang Chemical Industry Group Co., Ltd	Nil	61.72 million
Anyang Jiulong Chemical Co., Ltd	Nil	22.51 million

14. Negative confirmation by the Board pursuant to Rule 705(5) of the Listing Manual

We, Gao Heng and Sun Zhiqiang, being two directors of Jiutian Chemical Group Limited (the "Company"), do hereby confirm on behalf of the Board of Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial statements for the six months ended 30 June 2015 to be false or misleading in any material respect.

BY ORDER OF THE BOARD

Name: Sun Zhiqiang
Designation: Acting Chief Executive Officer
Date: 12 August 2015