
RESPONSE TO SGX QUERY IN RESPECT OF THE RESULTS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

The Board of Directors (the “Board”) of Jiutian Chemical Group Limited (the “Company” or the “Group”) would like to respond to the following query raised by SGX on 7 March 2016 (“SGX Query”) in respect of the results announcement for the financial year ended 31 December 2015 as follows:-

SGX Query:

We refer to the Company’s FY2015 financial statements announcement (“Results Announcement”).

- 1) We note that the Company has a negative working capital of RMB115.851 million and a negative cash outflow in operating activities of RMB57.928 million. Please explain whether the Company is able to operate as a going concern and basis for directors’ view and whether all material information has been disclosed.
- 2) We note on page 9 of the Results Announcement on “advances to related parties RMB 1.08 million”. Please disclose who are these related parties, reason for the advances to these persons and what is the amount of advances.
- 3) We refer to paragraph 9 of the Results Announcement. Please comment on whether the current results are in line with the Company’s commentary on prospects or previous quarter outlook in paragraph 10 of its previous quarterly results announcement and if there is a variance, to explain why.

Company’s response:

- 1) A substantial part of the Group’s current liabilities are owed to its principal supplier and major shareholder, Anyang Chemical Industry Group Co., Ltd. (“Anhua Group”) and to its associated company, Anyang Jiulong Chemical Co., Ltd. (“Anyang Jiulong”), which totalled RMB 229.90 million, exceeding the negative working capital of RMB 115.85 million. On 14 January 2016, the Group secured a letter agreement of continued financial support from Anhua Group and Anyang Jiulong, which had agreed to defer payments of trade and other payables owing to them till Anyang Jiutian is able to settle its other liabilities. This will be for a period of 2 years ending 31 December 2017, as which the arrangement will be further reviewed.

With the continued financial support from the Anhua Group and Anyang Jiulong, the Board believes that the Group will be able to operate as a going concern, despite the negative working capital.

The Board is not aware of any other material information which has not been disclosed.

- 2) An advance amounted to RMB 19.30 million was given by a 45% owned subsidiary - Henan Herunsheng Isotope Technology Co., Ltd. ("Herunsheng") to 河南欧斯腾光伏电力发展有限公司("欧斯腾"). The loan bears interest rate of 5.6% per annum and is payable in FY2016. During FY2015, the Group had received a repayment of RMB 2.50 million. The outstanding loan including interest receivable as at 31 December 2015 amounted to RMB 17.88 million.

The share capital of Herunsheng was injected in FY2014. As Herunsheng's project was at a planning stage and most of the capital expenditure was expected to be incurred in FY2016, the fund was loaned to the related party to gain higher interest income.

The sole shareholder of 欧斯腾 is Zhao Hong Jun, who is on the supervisory board of Herunsheng. As Zhao Hong Jun has control over 欧斯腾 and has a supervisory role in Herunsheng, 欧斯腾 is considered as a related party.

- 3) The Group did not provide any forecast of financial performance in 3Q2015 result announcement. However in 2Q2015 result announcement, the Group had stated that barring any unforeseen circumstances, the Group was confident that FY2015 shall remain profitable.

The Group registered a net loss attributable to equity holders of the Company of RMB 8.72 million for FY2015. The loss was mainly attributable to the worsening market conditions in the second half which impacted both sales volumes and average selling prices of our products.

By Order of the Board,

Sun Zhiqiang
Acting Chief Executive Officer
8 March 2016