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

BUILDING OPPORTUNITIES FOR GROWTH

ANNUAL REPORT 2015

Our Mission Statement

To Be A Key Player In China's Coal-Based Fine Chemical Industry

CONTENTS

CORPORATE PROFILE

A Specialist In Fine Chemical Industry

Jiutian Chemical Group Limited ("Jiutian Chemical" or the "Company"), 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, 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.

CORPORATE PROFILE

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.

OUR PRODUCTS

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 dry-cleaned. 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 are 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.

DELIVERING ENHANCED QUALITY

Guided by our mission to be one of the **largest DMF producers** in China's Coal-based fine chemical industry, we constantly develop sustainable solutions and products that are used across various industries. Our focus and determination puts us in a significant position to leverage on our strengths and sustain our enterprise for the future.

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

CORPORATE MILESTONES

2014

DECEMBER
Incorporated a new subsidary 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 RMB227.9 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 RMB200 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%.

CORPORATE MILESTONES

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.

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.

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.

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.

CHAIRMAN'S STATEMENT

Gao Heng
Non-Executive and
Non-Independent Chairman

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

The year ended 31 December 2015 ("FY2015") saw many challenges that arose mainly from the slow down in the wider Chinese economy. A slew of factors including softer demand of our products and weaker exports have sapped the efficacy of our improved productivity.

A Challenging Climate

Group sales for the various quarters of FY2015 consecutively slipped into the negative with the exception of the second quarter which reported a 4% rise as compared to 2Q2014. Our full year results culminated in a total reduction of 28%. Revenue for the year under review was RMB678.0 million, a RMB259.1 million difference as compared to the RMB937.1 million recorded in FY2014. The decrease in revenue was primarily due to challenging market conditions which had significantly impacted sales volume and average selling price.

Accordingly, the capacity utilisation at the Anyang Jiutian Dimethylformamide ("DMF") plant and methylamine plant reduced to 62% and 88% respectively. This is in contrast with the 73% and 100% capacity utilisation achieved at these two plants in FY2014.

In line with the softer demand, average selling prices fell for both our core products - DMF and methylamine. For the period under review, DMF sold for RMB3,489 per tonne which is 18.2% lower than the RMB4,266 per tonne it was sold for in FY2014. Likewise, methylamine was sold at a lower price of RMB4,440 per tonne, a 17.7% reduction from the RMB5,393 per tonne price in FY2014.

Furthermore, we faced additional pressure from high raw material prices. The major raw materials for our products are liquid ammonia and methanol. The prices of these materials remained relatively unchanged despite the depressed prices of our products and commodity prices in general. The average purchase price of liquid ammonia as of 2015 dipped only slightly by 4% to RMB2,310 per tonne.

Taking into account the above, gross profit fell by 77% from RMB60.3 million in FY2014 to the RMB14.1 million in FY2015. After factoring in taxes and other expenses, the Group reported a net loss attributable to equity holders of the Company of RMB8.7 million for the year under review. This is in contrast with the net profit of RMB27.0 million the year before.

Readying New Capabilities

While our financial results were hampered by numerous external factors, we continued to make steady progress in building the foundations for long-term value creation.

For the year under review, we have substantially completed the construction of the main production facilities for Project Sodium Hydrosulfite. It will have a capacity of 140,000 tonnes when added with the ancillary facilities and will make our 74%-owned subsidiary, Anyang Jiujiu, the most integrated and the second largest manufacturer of sodium hydrosulfite in China. The production facilities includes 45,000 tonnes sodium formate (HCOONa), 45,000 tonnes sodium matabisulfite (Na2S2O5) and 45,000 tonnes liquid sulphur dioxide (SO2) which are the main feedstocks of sodium hydrosulfite. It is currently undergoing test production where adjustments and fine tuning is carried out to achieve maximum product quality and operational efficiency.

Once fully underway, we are poised to unlock greater value for our stakeholders as the product is highly versatile and used across various industries due to its low toxicity. It is commonly used in industrial dyeing processes, primarily those involving sulphur dyes and vat dyes. It can also be used for water treatment, gas purification, cleaning, and stripping. In addition to the textile industry, the compound can also be used in industries that deal with leather, foods, polymers, photography, and many others.

Nonetheless, as we pave new paths to creating value, we also look toward existing capabilities and ways to improve them. We will continue to implement new measures that will maximise productivity and better control operating costs. These measures may be incremental but stand to yield long-term returns.

CHAIRMAN'S STATEMENT

Outlook

Moving forward into FY2016, we are gearing ourselves for a more challenging year ahead due to the expected further slowdown in China's economy. The country's GDP growth for 2015 was 6.9%, slightly lower than the target of 7.0%. Further factors that support a cautious outlook include data that China's manufacturing sector shrank for the seventh straight month in February 2016. The Purchasing Manager's Index also fell to 49.0 from 49.4 in January 2016 and the private Caixin-sponsored PMI which focuses on smaller companies was 48.0 for February 2016, the lowest reading in five months. These shortfalls in performance occurred despite the central bank's stimulus to boost economic activity.

For 2016, the PRC government forecasts GDP growth to be 6.8% while the IMF has a more conservative estimate of 6.3%. In line with the challenging outlook, the Group will continue its focus on improving its productivity by refining our work process and implementing measures for a better control of costs. We will focus on building resilience to tide through the challenging economic landscape and prepare to position ourselves for the upturn.

In Appreciation

I would like to thank everyone for their hard work, contribution and faith in us over the past year. My fellow board members, thank you for the guidance. I am also appreciative of all our staff for their commitment and effort in helping us continue our pursuit of being a leading player in our industry.

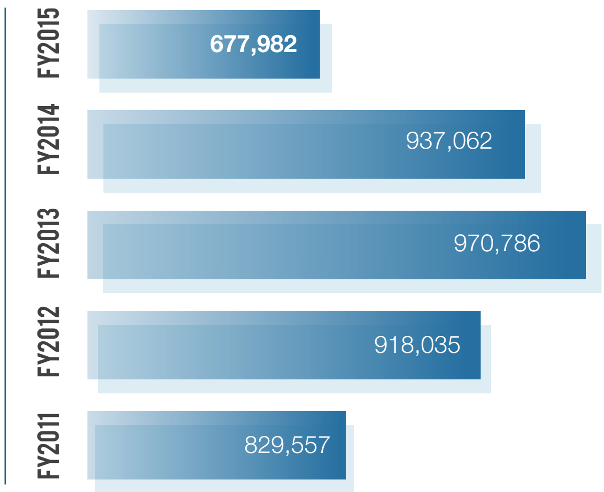
And finally, I would like to thank our shareholders for their shared confidence in the Group to preserve and thrive. I look forward to yet another year of working together to unlock the Company's greater potential.

GAO HENG

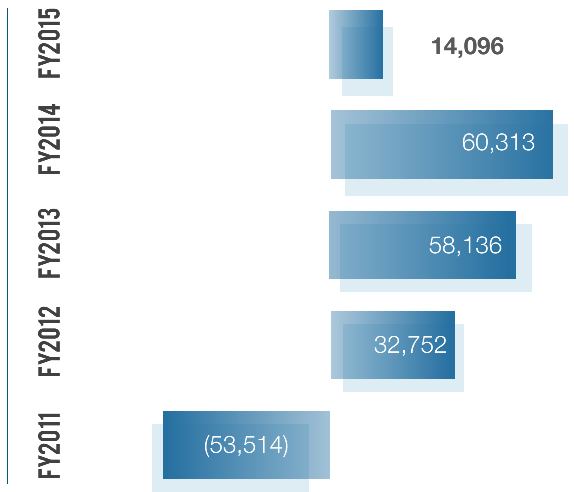
Non-Executive and Non-Independent Chairman

FINANCIAL HIGHLIGHTS

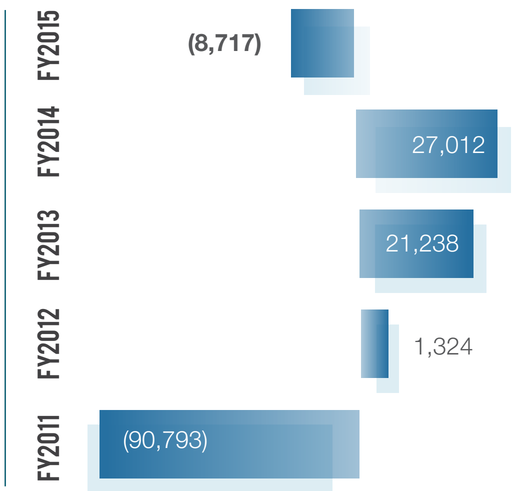
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**677,982**	937,062	970,786	918,035	829,557
Gross Profit (Loss)	**14,096**	60,313	58,136	32,752	(53,514)
(Loss)/Profit Attributable to Shareholders	**(8,717)**	27,012	21,238	1,324	(90,793)
(Loss)/Earning per share (RMB cents)	**(0.48)**	1.49	1.18	0.08	(5.48)



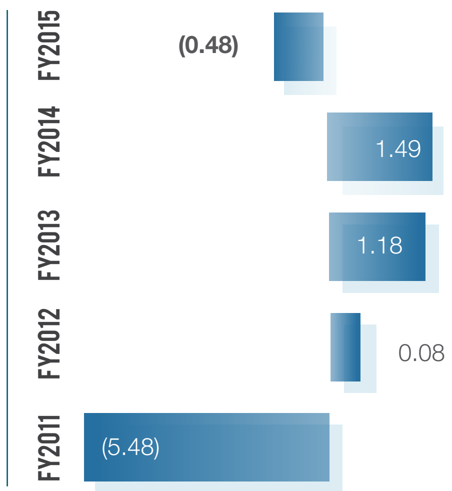
REVENUE



GROSS PROFIT (LOSS)



(LOSS)/PROFIT ATTRIBUTED TO SHAREHOLDERS



(LOSS)/EARNINGS PER SHARE

REVIEW OF OPERATIONS

OPERATIONS OVERVIEW

The group's business is currently 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

The year under review was a challenging year for our Group due to external factors such as the general slowdown in China's economy combined with weaker demand for our core products like DMF and methylamine. Nonetheless, the group was able to progress long-term initiatives that will serve us on our mission to deliver value in the long run.

In FY2015, revenue decreased by 28% from RMB937.1 million in FY2014 for a final figure of RMB678.0 million this year. This decrease was mainly due to challenging market conditions which impacted our sales volume and average selling price. As a result, capacity utilisation at the Anyang Jiutian DMF plant and methylamine plant with an annual capacity of 150,000 tonnes decreased from 73% and 100% respectively in FY2014 to 62% and 88% this year.

The average selling price of DMF and methylamine also fell from RMB4,266 and RMB5,393 per tonne in FY2014 to RMB3,489 and RMB4,440 per tonne this year. This decrease in selling price combined with a decrease in sales volume affected our gross profit, which decreased from RMB60.3 million last year to RMB14.1 million in FY2015. As a result, our gross profit margin decreased to 2.1% this year, compared to 6.4% in FY2014.

Other income increased by 41% or RMB2.0 million in FY2015, due mainly to an increase in gain on disposal on property, plant and equipment which amounted to RMB0.7 million and increase in interest income of RMB1.1 million.

The Group's distribution costs decreased by 25% to RMB12.1 million in FY2015 due to the decrease in sales volume of DMF and methylamine by 18% compared to FY2014. Transportation costs also decreased as more customers preferred to use their transportation instead this year.

Administrative expenses increased by 11% or RMB2.7 million compared to FY2014 due to an increase in administrative staff cost and costs incurred by our new subsidiaries Henan Herunsheng Isotope Technology Co., Ltd. and Xinjiang Jiutian Energy Technology Co., Ltd., both of which were incorporated in 2nd half of 2014.

Other expenses decreased by 78% or RMB2.6 million compared to last year, mainly as no allowances for doubtful debts were recognised in FY2015.

Finance costs of RMB2.0 million this year consist of interest expenses and other changes which arose from bank borrowings.

Share of results of associated companies posted of RMB11.2 million mainly pertains to share of results of Anyang Jiulong, which generates revenue from the production and selling of industrial steam and electricity.

We recorded a tax credit of RMB0.8 million mainly due to overprovision of income tax expenses in FY2014 amounting to RMB1.1 million in Anyang Jiutian, offset by the current year's provision of RMB0.3 million.

As a result, the Group registered a net loss attribute to equity holders of the company of RMB8.7 million compared to a net profit of RMB27.0 million in FY2014.

The Group's Statement of Financial Position

The Group's current assets as at 31 December 2015 was RMB444.0 million, a decrease of RMB151.4 million compared to 31 December 2014. The net decrease can largely be attributed to:

a. a decrease in inventories by RMB3.9 million.

b. a decrease of trade and other receivables by RMB159.9 million, consisting of a decrease in trade receivables of RMB163.9 million as a reduction of revenue, a decrease of advance payments for purchase of property, plant and equipment of RMB7.0 million. The decrease being partially offset against increase in advances to associated company of RMB5.5 million, income tax recoverable RMB4.5 million and security deposit of RMB3.0 million.

c. the decrease also being partially offset against increase in cash and cash equivalents by RMB12.3 million from RMB40.5 million as at 31 December 2014 to RMB52.8 million as at 31 December 2015 due to net cash generated from financing activities.

The Group's non-current assets increased by RMB6.6 million due largely to:

a. share of current period results of associated companies, Anyang Jiulong and Anyang Jiujiu, which amounted to RMB11.2 million.

b. additions of property, plant and equipment which amounted to RMB25.4 million, partially offset against the current period depreciation and amortisation charges for property, plant, equipment and land use rights totalling RMB29.1 million.

The Group's current liabilities as at 31 December 2015 were RMB559.9 million, a decrease of RMB186.3 million relative to that as at 31 December 2014. The net decrease can largely be attributed to:

a. a decrease in trade payables of RMB236.0 million relative to 31 December 2014.

b. the decrease was partially offset against the increase of bills payable to banks of RMB28.9 million, bank borrowings of RMB15.0 million and advances from related parties of RMB4.6 million.

The Group's non-current liabilities as at 31 December 2015 was RMB50.3 million, an increase of RMB49.9 million mainly due to having obtained long-term bank borrowings of RMB50.0 million.

The Group's net asset value as at 31 December 2015 was RMB485.0 million, RMB8.4 million lower than the net asset value as at 31 December 2014 of RMB493.4 million. This was largely attributed to the loss suffered for the year.

The Company's Statement of Financial Position

The Company's current assets decreased by RMB1.0 million as at 31 December 2015 as compared to the previous year mainly due to head office expenses occurred, which was partially offset against the receipt of an advance from the major shareholder (Anyang Longyu (HK) Development Co. Ltd.) amounting to RMB4.6 million.

Outlook

The challenging external conditions we faced this year e.g. a softer demand for our core chemical products and a sharper-than-expected slow down in China. As such, these factors are likely to continue affecting our Group's performance in the coming year.

Nonetheless, the Group is always ready to explore new opportunities to create value, such as those that will be provided by our substantially completed sodium hydrosulfite plant. Through this and our implementation of long-term measures aimed at improving productivity and keeping costs under control, the Group will best position itself to adapt to volatile market challenges and emerge better-equipped to regain profitability in the long run.

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 appointment 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 DENGFENG

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 Institue.

MR NG HAN KIAT

Group Finance Manager

Mr Ng Han Kiat 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 has substantially been involved in public and private company audits whilst at accounting and business advisory firms in Singapore.

MR WANG QIAN

Head of Finance of Subsidiaries

Mr Wang Qian joined our group in 2008 and he has been promoted as our Head of Finance of Subsidiaries in July 2015. He is responsible for the finance, accounting and management reporting of our PRC subsidiaries. Mr Wang Qian obtained the Bachelor's degree in Accounting from Anyang Institute of Technology, PRC.

CORPORATE INFORMATION

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
Teo Meng Keong, 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 Bridge Road
#05-01 Parkview Square
Singapore 188778
Partner-in-charge: Lim Kok Heng
Appointed in the financial year ended 31 December 2014

A STRATEGIC FORMULA FOR DEVELOPMENT

As we remain resilient and flexible within a challenging and uncertain business environment, our commitment to quality and excellence stands firm by keeping costs and operations efficient, improving production capability, and executing the right strategies to attain growth.

CORPORATE GOVERNANCE

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 FY2015 in keeping pace with the evolving corporate governance practices and complying with Code of Corporate Governance 2012 (the "CG Code"). Outlined below are the policies, processes and practices adopted by the Group in compliance with the principles and spirit of the CG Code.

BOARD MATTERS

Principle 1: THE BOARD'S CONDUCT OF AFFAIRS

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

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

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

a) set values and standards of the Company and ensure that obligations to shareholders are understood and met;

b) provide entrepreneurial leadership, approve the strategic and financial objectives, corporate policies and authorisation matrix of the Company;

c) 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;

d) review management performance;

e) approve the nominations to the Board of Directors and appointment of key management personnel, as may be recommended by the Nominating Committee (NC);

f) identifying the key stakeholder groups and recognize that their perceptions affect the Company's reputation;

g) formulate and put in place corporate governance framework of the Company; and

h) 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;
- Convening of shareholders' meetings;
- Group 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 Committee (AC), Nominating Committee (NC) and Remuneration Committee (RC). 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:

	Board	**AC**	**NC**	**RC**
	Number of Meetings held:	**Number of Meetings held:**	**Number of Meetings held:**	**Number of Meetings held:**
	4	4	1	1
Name	**Number of Meetings Attended**	**Number of Meetings Attended**	**Number of Meetings Attended**	**Number of Meetings Attended**
Gao Heng	4	n.a.	1	n.a.
Sun Zhiqiang	4	n.a.	n.a.	n.a.
Lee Chee Seng	4	n.a.	n.a.	n.a.
Wu Yu Liang	4	4	n.a.	1
Chan Kam Loon	4	4	1	1
Foo Meng Kee	4	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 Constitution 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 (EDs), four (4) Independent Non-Executive Directors (INEDs) and three (3) Non-Independent Non-Executive Directors (NINEDs). The profiles 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) INEDs 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.

The INEDs have confirmed that they do not have any relationship with the Company or its related corporations, its 10% shareholders or its officers including any relationships and circumstances as stipulated in Guideline 2.3 of CG Code that could interfere, or be reasonably perceived to interfere, with the exercise of independent judgment in carrying out the functions as INEDs. The Nominating Committee has reviewed, determined and confirmed the independence of the INEDs.

The INEDs meet the auditors at least once a year without the presence of the Management or EDs 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-independent Non-Executive Chairman ("NINE 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 NINE Chairman, Mr. Gao Heng plays a key role in developing a strong leadership and vision of the Group. The NINE 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 the Management. All major decisions made by the NINE 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 NINE Chairman and the Acting CEO are reviewed periodically by the NC and their remuneration packages are reviewed periodically by the RC. Both of the NC and RC 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 on a single individual.

As recommended by the CG Code, the Board appointed INED, Mr Wu Yu Liang, as the Lead INED. Shareholders with serious concerns that could have a material impact on the Group, for which contact through the normal channels of the NINE 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 AC members of the Group.

The NC acknowledges that the Board composition whereby the INEDs must make up half of the Board effective financial year commencing 1 May 2016. The NC is monitoring this and will take necessary steps to comply with this requirement. In the interim, the 4 INEDs help to uphold good corporate governance at the Board level and their presence facilitate the exercise of independent and objective judgement on corporate affairs.

Principle 4 – Board Membership

Nominating Committee

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

Foo Meng Kee	(NC Chairman, INED)
Chan Kam Loon	(INED)
Gao Heng	(NINED)

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 CG 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 INEDs. (or such other minimum proportion and criteria as may be specified in the CG Code from time to time.)

The Group has an open policy for professional training for all the Board members. 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 CG Code on what constitutes independence for the INEDs. The NC has affirmed that Mr Wu Yu Liang, Mr Foo Meng Kee, Mr Chan Kam Loon and Mr Gao Guoan are independent. Each INED has abstained from the NC/Board's determination of his independence.

The Board recognises that INEDs 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 INED for beyond nine years from their 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 beyond nine years. These long serving directors are very familiar with the Company's history and the Group businesses.

The NC considers Mr Wu Yu Liang, Mr Chan Kam Loon and Mr. Foo Meng Kee continue to exhibit a strong spirit of professionalism, independence of conduct at the Board and Board Committee meetings. They have been consistent and diligent in discharging their duties and exercise sound independent business judgment for the best interest of the Company and objectivity which did not diminish over time.

In view of the above, the NC confirms that Mr Wu Yu Liang, Mr Chan Kam Loon and Mr. Foo Meng Kee continue to be INEDs notwithstanding having served beyond nine years.

CORPORATE GOVERNANCE

Save for the following Directors who are related to the substantial shareholders (is not less than 10% of the total voting Shares), none of the other Directors are related 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 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 Constitution, one-third of the Directors will retire by rotation and being eligible, submit 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 Chan Kam Loon, Mr Su Jing and Mr Huo Xiaofan will retire at the forthcoming AGM pursuant to Article 91 of the Constitution. Mr Gao Guoan was re-appointed during the Company's last AGM to hold office until next AGM pursuant to Section 153(6) of the Singapore Companies Act, Chapter 50 which has been repealed since 3 January 2016. Accordingly there is a need to re-appoint him during the coming AGM to allow him to continue in office. The NC has recommended to the Board to nominate these Directors 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	29 April 2015 (Article 91)	Acting Chief Executive Officer	–	–	–
Lee Chee Seng	30 November 2004	29 April 2015 (Article 91)	Executive Director	–	Present – Past three years 1. –	
Wu Yu Liang	19 April 2006	29 April 2014 (Article 91)	Non-Executive and Lead Independent Director	1. Audit Committee 2. Remuneration Committee (Chairman)	Present 1. Pan Asian Holdings Limited 2. Aus Group Limited Past three years 1. See Hup Seng Limited 2. China Environment Ltd	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	Present 1. Sarin Technologies Ltd 2. Megachem Limited 3. Hupsteel Limited Past three years 1. China Gaoxian Fibre Fabric Holdings Ltd 2. Vashion Group Ltd 3. Z–Obee Holdings Limited	–
Foo Meng Kee	19 April 2006	29 April 2015 (Article 91)	Non-Executive and Independent Director	1. Audit Committee 2. Remuneration Committee 3. Nominating Committee (Chairman)	Present 1. Sinarmas Land Limited 2. Lee Metal Group Ltd 3. Courage Marine Group Limited Past three years 1. See Hup Seng Limited 2. Titan Petrochemicals Group 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 2015 (Section 153(6))	Non-Executive and Independent Director	–	Present Zhengzhou Coal Mining Machinery Group Co., Ltd. Past three years –	–

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

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

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 ED and the key management personnel of the Company, if he is not an ED;

(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 NED.

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 management personnel 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 key management personnel 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 EDs and key management personnel 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 EDs 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 management personnel and determines specific remuneration packages for each ED. 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 EDs, the Company makes a comparative study of the packages of executive directors in comparable industries and takes into account the performance of the Company.

NEDs 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 meetings of the Company.

During the financial year, the RC met once to review and recommend the remuneration of the EDs, NINEDs and INEDs. The RC had recommended directors' fee for the INEDs of S$170,000 for the financial year ended 31 December 2015 to be paid quarterly in arrears.

CORPORATE GOVERNANCE

The aggregate amount of the retirement and post-employment benefits to the Directors, the Acting CEO and top 5 key management personnel (who are not directors or CEO) is approximately S$40,000. Details of the said benefits can be found on page 68 of the Annual Report.

The remuneration band of the Directors and Key Management Personnel for FY2015 and the various components of their remuneration in percentage terms are set out below in compliance with the recommendation of the CG Code.

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

	Fees	Salary	Bonus	Other Benefits	Total
EXECUTIVE DIRECTORS					
S$250,000 – S$500,000					
Lee Chee Seng	–	72%	6%	22%	100%
Below S$250,000					
Sun Zhiqiang	–	–	–	–	–
NON-EXECUTIVE DIRECTORS					
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 MANAGEMENT PERSONNEL					
Below S$250,000					
Zhou Hongxuan	–	78%	9%	13%	100%
Zhou Dengfeng	–	63%	23%	14%	100%
Cheng Jianjun	–	76%	7%	17%	100%
Ng Han Kiat	–	78%	7%	15%	100%
Wang Qian	–	87%	2%	11%	100%

For competitive and confidentiality reasons, the Company is not disclosing the identity and remuneration of Directors and Key Management Personnel. 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 2015 the aggregate amount of the remuneration paid to the top 5 key management personnel is approximately S$183,000.

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 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 12 August 2015 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 in addressing financial, operational, compliance, information technology and enterprise risks.

The independent auditor has, during the course of its audit, carried out a review of the effectiveness of key internal controls within scope of the audit. Material non-compliance and internal control weaknesses noted during its audits and the 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 auditor's 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 CG 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, General Manager of Subsidiary and the Group Finance Manager 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 FY2015.

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	(AC Chairman, INED)
Foo Meng Kee	(INED)
Wu Yu Liang	(INED)

The AC has 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 of 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 2015 is 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 China Certified Public Accountants (an independent member firm of the Baker Tilly International network) 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 CG 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.

CORPORATE GOVERNANCE

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 AC Chairman.

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.

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.

As the Group and the Company have reported a net loss for the financial year ended 31 December 2015 and its current priority is to achieve long-term growth for the benefit of its shareholders of the Company and wishes to reserve the fund for the ongoing project. No dividend declaration for the financial year ended 31 December 2015.

To promote a better understanding of shareholders' views, the Board actively encourages shareholders to participate during the Company's 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 general meeting by post within the mandatory period. Notice of 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 Constitution allow a member of the Company to appoint not more than two (2) proxies to attend and vote on his behalf at 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 auditor and legal advisors (if necessary), attend the Annual General Meeting. The procedures of Annual General Meeting 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 puts all resolutions at the Annual General Meeting 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 Meeting. The polling results are also announced to the SGX-ST after the meeting.

The Company Secretary prepares minutes of Annual General Meeting that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, 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 Constitution from time to time and make such amendments to the Constitution 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.

CORPORATE GOVERNANCE

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 2015 by the Company in accordance with the shareholders' mandate are as follows:

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.	RMB95.80 million[1]	RMB275.95 million
Anyang Jiulong Chemical Co.,Ltd.	Nil	RMB91.58 million
Anyang Yongjin Chemical Co.,Ltd.	Nil	RMB0.50 million
Anyang Guolong	RMB95.00 million[1]	Nil

Note 1 – During the financial year, the Group received an interest-free advance with no terms of repayment from Anyang Guolong, a wholly owned subsidiary of Anyang Chemical Industry Group Co., Ltd., a controlling shareholder of the Group, amounting to RMB95.00 million for working capital purposes. During the financial year, Anyang Chemical Industry Group Co., Ltd. then repaid the RMB95.00 million to Anyang Guolong on behalf of the Company. (collectively the "Anhua Advances"). The Anhua Advances were fully repaid during the financial year.

While the Anhua Advances were conducted outside of the general mandate, the Audit Committee notes that the Anhua Advances were conducted for the benefit of the Group and for use as general working capital. The Anhua Advances were interest free and there is no amount at risk to the Group.

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.

DIRECTORS' STATEMENT

The directors hereby present their statement 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 2015.

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 43 to 90 are properly drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2015, and the financial performance, 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 and the Company with respect to the Group's and the Company'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.

Directors

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

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

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.

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:

DIRECTORS' STATEMENT

Directors' interests in shares or debentures (cont'd)

Name of directors and companies in which interest are held	Number of ordinary shares: Shareholdings registered in the name of the director At 1.1.2015	At 31.12.2015	Shareholdings in which the director is deemed to have an interest At 1.1.2015	At 31.12.2015
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	–	360,000	–

The directors' interests in the ordinary shares of the Company as at 21 January 2016 were the same as those as at 31 December 2015.

Share options

No option to take up unissued shares of the Company or its subsidiary corporations 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 corporations whether granted before or during the financial year.

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

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");

Audit Committee (cont'd)

(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;

(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.

DIRECTORS' STATEMENT

Audit Committee (cont'd)

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 2015 is 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 China Certified Public Accountants (an independent member firm of the Baker Tilly International network) 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.

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.

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

31 March 2016

INDEPENDENT AUDITOR'S REPORT

To the Members of Jiutian Chemical Group Limited

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 43 to 90, which comprise the statements of financial position of the Group and the Company as at 31 December 2015, 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 financial statements 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 financial position of the Group and the Company as at 31 December 2015, and the financial performance, 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

To the Members of Jiutian Chemical Group Limited

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 and the Company's ability to continue as a going concern. During the financial year ended 31 December 2015, the Group incurred a net loss of RMB8,431,000 and reported net cash outflows from operating activities of RMB62,388,000, and the Company incurred a net loss of RMB5,799,000. At 31 December 2015, the Group's and the Company's current liabilities exceeded the current assets by RMB115,851,000 and RMB3,373,000 respectively. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Group's and the Company's ability to continue as 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 and the Company are 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 and the Company'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 and the Company are 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 and the Company may have to provide for further liabilities that might arise and to reclassify non-current assets and liabilities as current assets and liabilities. 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

31 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2015

		Group	
		2015	2014
	Note	**RMB'000**	RMB'000
Revenue	4	**677,982**	937,062
Cost of sales		**(663,886)**	(876,749)
Gross profit		**14,096**	60,313
Other income	5	**6,777**	4,819
Distribution costs		**(12,063)**	(16,052)
Administrative expenses		**(26,546)**	(23,846)
Other expenses	6	**(755)**	(3,364)
Finance costs		**(1,955)**	–
Share of results of associated companies		**11,237**	5,986
(Loss)/profit before tax	7	**(9,209)**	27,856
Tax credit/(expense)	9	**778**	(844)
(Loss)/profit and total comprehensive (loss)/income for the year		**(8,431)**	27,012
(Loss)/profit and total comprehensive (loss)/income for the year attributable to:			
Equity holders of the Company		**(8,717)**	27,012
Non-controlling interests		**286**	*
		(8,431)	27,012
(Loss)/earnings per share for (loss)/profit for the year attributable to equity holders of the Company (in RMB cents per share)			
Basic and diluted	10	**(0.48)**	1.49

* Amount below RMB1,000

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2015

		Group		Company	
		2015	2014	**2015**	2014
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
ASSETS					
Current assets					
Cash and cash equivalents	11	**52,841**	40,484	**2,539**	3,575
Trade and other receivables	12	**366,035**	525,892	**62**	63
Inventories	13	**25,164**	29,054	**–**	–
Total current assets		**444,040**	595,430	**2,601**	3,638
Non-current assets					
Land use rights	14	**7,212**	8,145	**–**	–
Property, plant and equipment	15	**276,969**	280,699	**–**	–
Investment in subsidiary companies	16	**–**	–	**87,027**	87,027
Investment in associated companies	17	**353,448**	342,211	**339,709**	339,709
Deferred tax assets	18	**13,498**	13,498	**–**	–
Total non-current assets		**651,127**	644,553	**426,736**	426,736
Total assets		**1,095,167**	1,239,983	**429,337**	430,374
LIABILITIES AND EQUITY					
Current liabilities					
Bank borrowings	19	**15,000**	–	**–**	–
Trade and other payables	20	**544,622**	746,069	**5,974**	1,212
Income tax payables		**269**	143	**–**	–
Total current liabilities		**559,891**	746,212	**5,974**	1,212
Non-current liabilities					
Bank borrowings	19	**50,000**	–	**–**	–
Deferred income	21	**324**	388	**–**	–
Total non-current liabilities		**50,324**	388	**–**	–
Capital and reserves					
Share capital	22	**661,153**	661,153	**661,153**	661,153
Accumulated losses		**(203,987)**	(195,270)	**(237,790)**	(231,991)
Equity attributable to equity holders of the Company		**457,166**	465,883	**423,363**	429,162
Non-controlling interests		**27,786**	27,500	**–**	–
Total equity		**484,952**	493,383	**423,363**	429,162
Total liabilities and equity		**1,095,167**	1,239,983	**429,337**	430,374

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2015

	Share capital RMB'000	Accumulated losses RMB'000	Equity attributable to equity holders of the Company RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Group					
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
(Loss)/profit and total comprehensive (loss)/income for the year	–	(8,717)	(8,717)	286	(8,431)
Balance at 31 December 2015	**661,153**	**(203,987)**	**457,166**	**27,786**	**484,952**

* Amount below RMB1,000

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

STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2015

	Share capital	Accumulated losses	Total equity
	RMB'000	RMB'000	RMB'000
Company			
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 year	–	(5,799)	(5,799)
Balance at 31 December 2015	**661,153**	**(237,790)**	**423,363**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 31 December 2015

		Group	
		2015	2014
	Note	**RMB'000**	RMB'000
Cash flows from operating activities			
(Loss)/profit before tax		**(9,209)**	27,856
Adjustments for:			
Amortisation of deferred income		**(64)**	(65)
Amortisation of land use rights		**933**	935
Depreciation of property, plant and equipment		**28,181**	30,459
Interest expense		**1,235**	–
Interest income		**(2,090)**	(1,084)
Gain on disposal of property, plant and equipment		**(984)**	(245)
Property, plant and equipment written off		**747**	967
Share of results of associated companies		**(11,237)**	(5,986)
Unrealised exchange loss		**144**	178
Operating cash flows before movements in working capital		**7,656**	53,015
Inventories		**3,890**	14,918
Receivables		**72,013**	27,458
Payables		**(143,354)**	147,698
Cash (used in)/generated from operations		**(59,795)**	243,089
Interest received		**1,013**	1,084
Income tax paid		**(3,606)**	(3,557)
Net cash (used in)/generated from operating activities		**(62,388)**	240,616
Cash flows from investing activities			
Purchase of property, plant and equipment	A	**(16,473)**	(42,125)
Proceeds from disposal of property, plant and equipment	B	**–**	668
Advances to associated company, net of repayments		**(5,488)**	(42,307)
(Repayment from)/advances to related parties, net		**2,497**	(20,162)
Net cash used in investing activities		**(19,464)**	(103,926)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 31 December 2015

	Note	Group 2015 RMB'000	Group 2014 RMB'000
Cash flows from financing activities			
Security deposits paid to secure corporate guarantee of the bank borrowings		**(3,000)**	–
Drawdown of bank borrowings		**65,000**	–
(Increase)/decrease in pledged fixed deposits		**(13,490)**	34,190
Advances from/(repayment to) related parties, net		**4,594**	(159,746)
Increase/(decrease) in bills payables to bank		**28,905**	(34,605)
Proceeds from issuance of ordinary shares in subsidiary company to non-controlling interests		**–**	27,500
Pledged bank balance		**(2,000)**	–
Interest paid		**(1,235)**	–
Net cash generated from/(used in) financing activities		**78,774**	(132,661)
Net (decrease)/increase in cash and cash equivalents		**(3,078)**	4,029
Cash and cash equivalents at beginning of the year		**31,674**	27,888
Effect of exchange rate changes on cash and cash equivalents		**(55)**	(243)
Cash and cash equivalents at end of the year	11	**28,541**	31,674

Note A - Purchase of property, plant and equipment ("PPE")

	Note	2015 RMB'000	2014 RMB'000
Aggregate cost of PPE acquired	15	**25,379**	15,257
Add: Outstanding payables at 1 January	20	**5,552**	18,080
Less: Outstanding payables at 31 December	20	**(7,443)**	(5,552)
Add: Advance payments at 31 December	12	**7,325**	14,340
Less: Advance payments at 1 January	12	**(14,340)**	–
Net cash outflow for purchase of PPE		**16,473**	42,125

Note B - Proceeds from disposal of PPE

During the financial year, the proceeds from disposal of PPE amounting to RMB1,165,000 (2014: Nil) were utilised to off-set against the outstanding trade payables.

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

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

During the financial year ended 31 December 2015, the Group incurred a net loss of RMB8,431,000 and reported net cash outflows from operating activities of RMB62,388,000, and the Company incurred a net loss of RMB5,799,000. At 31 December 2015, the Group's and the Company's current liabilities exceeded the current assets by RMB115,851,000 and RMB3,373,000 respectively. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Group's and the Company's ability to continue as a going concern.

The ability of the Group and the Company 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 23;

(ii) the ability of the Group and the Company to generate sufficient cash flows from their operations to meet their current and future obligations; and

(iii) the availability of credit facilities from the Group's and the Company's lenders over the next twelve months.

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

(i) sourced for new customers and held discussions with the Group's major customers to seek higher sales volume and negotiate for better prices;

(ii) the Group has obtained continuing financial support from Anhua and Anyang Jiulong. The details of the financial support are described in Note 23; and

2 Summary of significant accounting policies (cont'd)

(a) Going concern (cont'd)

(iii) continuously seek improvements in the production efficiency of the Group's production facilities through technological enhancements and system re-engineering in order to further reduce the costs of production.

After considering the measures taken described above, the Group and the Company believe that they have adequate resources to continue their operations as a going concern. For these reasons, the Group and the Company continue 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 and the Company are unable to continue as a going concern. In the event that the Group and the Company are 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 and the Company may have to provide for further liabilities that might arise and to reclassify non-current assets and liabilities as current assets and liabilities.

(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 (RMB'000) 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.

2 Summary of significant accounting policies (cont'd)

(b) Basis of preparation (cont'd)

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. The adoption of these new and revised FRS and INT FRS did not have any material effect on the financial performance or financial position of the Group and the Company.

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 2015 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:

FRS 115 Revenue from Contracts with Customers

FRS 115 replaces FRS 18 'Revenue', FRS 11 'Construction contracts' and other revenue-related interpretations. It applies to all contracts with customers, except for leases, financial instruments, insurance contracts and certain guarantee contracts and non-monetary exchange contracts. FRS 115 provides a single, principle-based model to be applied to all contracts with customers. It provides guidance on whether revenue should be recognised at a point in time or over time, replacing the previous distinction between goods and services. The standard introduces new guidance on specific circumstances where cost should be capitalised and new requirements for disclosure of revenue in the financial statements. The standard is effective for annual periods beginning on or after 1 January 2018. The Group will reassess its contracts with customers in accordance with FRS 115.

FRS 109 Financial Instruments

FRS 109 includes guidance on (i) the classification and measurement of financial assets and financial liabilities; (ii) impairment requirements for financial assets; and (iii) general hedge accounting. 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 reassess the potential impact of FRS 109 and plans to adopt the standard on the required effective date.

(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.

2 Summary of significant accounting policies (cont'd)

(c) Basis of consolidation (cont'd)

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.

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 a subsidiary company that do not result in a loss of control are accounted for as equity transactions (ie transactions with owners in their capacity as owners). The carrying amount of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary company. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributable to owners of the Company.

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 company 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.

2 Summary of significant accounting policies (cont'd)

(e) Associated companies (cont'd)

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.

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.

2 Summary of significant accounting policies (cont'd)

(f) Goodwill (cont'd)

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.

Depreciation is calculated on a straight-line basis to write off the cost of property, plant and equipment, less any estimated residual value, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

2 Summary of significant accounting policies (cont'd)

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

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

Construction work-in-progress represents assets 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.

Change in accounting estimate

During the financial year, management revised the estimated residual values of property, plant and equipment from zero to 5% of the depreciable cost, after reassessment that these property, plant and equipment will have scrap values at the end of their estimated useful lives. The revision in estimated residual values has been applied prospective basis from 1 February 2015. This revision in estimated residual values has reduced current year depreciation charge and net loss for the financial year of the Group by approximately RMB2,900,000 respectively.

(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 operation period of 5 to 13 years respectively.

The amortisation period and amortisation method of land use rights 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.

(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.

2 Summary of significant accounting policies (cont'd)

(i) Impairment of non-financial assets excluding goodwill (cont'd)

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.

(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. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

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 Summary of significant accounting policies (cont'd)

(k) Leases (cont'd)

(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.

Contingent rents are recognised as revenue in the period in which they are earned.

(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) and "cash and cash equivalents" on the statement of financial position.

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.

2 Summary of significant accounting policies (cont'd)

(l) Financial assets (cont'd)

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.

Offset

Financial assets and liabilities are offset and the net amount presented on the statement of financial position when, and only when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(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) and bank borrowings. Financial liabilities are recognised on the statement 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.

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;

2 Summary of significant accounting policies (cont'd)

(r) Revenue recognition (cont'd)

Sales of goods (cont'd)

Revenue from sale of goods is recognised when all the following conditions are satisfied: (cont'd)

- 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.

Management fee

Management fee income is recognised when services are rendered.

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 statement 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.

2 Summary of significant accounting policies (cont'd)

(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.

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.

2 Summary of significant accounting policies (cont'd)

(w) Foreign currencies (cont'd)

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.

3 Critical accounting judgments and key sources of estimation uncertainty

The preparation of the 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.

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

Critical accounting judgments (cont'd)

Investment in subsidiary company

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 35% (2014: 45%) of the voting rights in Herunsheng is acting in concert with the Group, although the Group owns 45% (2014: 45%) of the voting rights in Herunsheng. The investor with 35% (2014: 45%) of the voting rights in Herunsheng has signed a concert party agreement 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 80% (2014: 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 Herunsheng'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% (2014: 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 in the consolidated financial statements 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. 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 and the depreciation charge for the financial year are disclosed in Note 15.

Impairment of property, plant and equipment and land use rights

The Group assesses whether there are any indicators of impairment for property, plant and equipment and land use rights in accordance with the accounting policy in Note 2(i). Where indicators exist, the recoverable amounts of property, plant and equipment and land use rights 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.

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

Key sources of estimation uncertainty (cont'd)

Impairment of property, plant and equipment and land use rights (cont'd)

The recoverable amounts of property, plant and equipment and land use rights are determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the sales volume, gross profit margin and discount rates. The sales volume and gross profit margin are based on past performances and expectations developments in the market. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to their industry.

The Group's value-in-use calculations used cash flow forecasts derived from the most recent financial budgets approved by management covering the useful lives of the property, plant and equipment and land use rights. The rate used to discount the forecast cash flows is 15% (2014: 19%).

As at 31 December 2015, the estimated recoverable amounts exceed the carrying amounts of property, plant and equipment and land use rights by approximately RMB3.00 million. A further decrease in the sales volume by approximately 1% or a decrease in gross profit margin by approximately 1% or an increase in discount rate by approximately 6% respectively, would result in the recoverable amounts to be equal to the carrying amounts of property, plant and equipment and land use rights at 31 December 2015.

As at 31 December 2014, management believed that no reasonably possible changes in any of the key assumptions would have caused the carrying amounts of property, plant and equipment and land use rights to materially exceed their recoverable amounts.

Based on management's assessment, no additional allowance for impairment loss on property, plant and equipment and land use rights is necessary at the end of the reporting period and also no reversal of impairment loss recognised in prior financial years is required in 2015.

The carrying amounts of property, plant and equipment and land use rights are disclosed in Note 15 and Note 14 respectively.

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 payables and recoverable of the Group at 31 December 2015 is RMB269,000 (2014: RMB143,000) and RMB4,510,000 (2014: Nil) 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.

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 2015 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. The recoverable amounts of investments in subsidiary companies and associated companies are determined based on value-in-use calculations, using the pre-tax discount rate of 15% (2014: 19%). Management believes that no reasonably possible changes in any of the key assumptions would cause the carrying amounts of the investments in subsidiary companies and associated companies to materially exceed their recoverable amounts.

Management has evaluated the recoverability of these investments 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 the current financial year.

The carrying amount of the Company's investment in subsidiary companies is disclosed in Note 16. The carrying amounts of the Group's and the Company's investment in associated companies are 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 amounts 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 - Group

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

5 Other income

	Group	
	2015	2014
	RMB'000	RMB'000
Interest income	**2,090**	1,084
Rental income:		
- Lease of property, plant and equipment to related party	**1,338**	1,761
- Others	**149**	445
Amortisation of deferred income (Note 21)	**64**	65
Gain on disposal of property, plant and equipment	**984**	245
Management fees from related party	**775**	–
Sundry income	**1,377**	1,219
	6,777	4,819

6 Other expenses

	Group	
	2015	2014
	RMB'000	RMB'000
Allowance for doubtful receivables (Note 12)	**–**	2,023
Reversal of allowance for doubtful receivable (Note 12)	**(104)**	–
Net loss on foreign exchange	**112**	201
Property, plant and equipment written off	**747**	967
Others	**–**	173
	755	3,364

7 (Loss)/profit before tax

(Loss)/profit before tax is arrived at after charging:

	Group	
	2015	2014
	RMB'000	RMB'000
Amortisation of land use rights (Note 14)	**933**	935
Auditors' remuneration paid/payable to:		
- independent auditor of the Company	**948**	969
- other auditors of the Group	**144**	326
Depreciation of property, plant and equipment (Note 15)	**28,181**	30,459
Fees for non-audit services paid/payable to:		
- independent auditor of the Company	**–**	–
- other auditors of the Group	**–**	–
Inventories written down	**1,231**	–
Staff costs (Note 8)	**25,291**	21,170
Operating leases expenses	**1,450**	1,627
Transportation charges	**10,253**	14,158
Finance costs - interest expenses on bank borrowings	**1,235**	–

8 Staff costs

	Group	
	2015	2014
	RMB'000	RMB'000
Directors of the Company		
- Fees	**769**	819
- Salaries, bonus and other benefits	**1,423**	2,403
- Defined contribution benefits	**79**	83
Directors of the subsidiary companies		
- Salaries and bonus	**115**	156
- Defined contribution benefits	**18**	14
Key management personnel (non-directors)		
- Salaries and bonus	**622**	964
- Defined contribution benefits	**85**	115
Other personnel		
- Salaries, bonus and other benefits	**17,500**	12,987
- Defined contribution benefits	**4,680**	3,629
	25,291	21,170

9 Tax (credit)/expense

	Group	
	2015	2014
	RMB'000	RMB'000
Income tax		
- Current year	**270**	3,875
- (Over)/underprovision in respect of prior years	**(1,048)**	1,991
Deferred income tax		
- Current year (Note 18)	**–**	(5,022)
	(778)	844

The income tax (credit)/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:

9 Tax (credit)/expense (cont'd)

	Group	
	2015	2014
	RMB'000	RMB'000
(Loss)/profit before tax	**(9,209)**	27,856
Share of results of associated companies	**(11,237)**	(5,986)
(Loss)/profit before tax excluded share of results of associated companies	**(20,446)**	21,870
Tax at the domestic rates applicable to profit/loss in the countries where the Group operates	**(4,647)**	6,071
Income not subject to income tax	**(2)**	(127)
Expenses not deductible for tax purposes	**1,476**	1,639
Utilisation of previously unrecognised deferred tax assets	**–**	(8,150)
Deferred tax assets not recognised	**3,443**	–
(Over)/underprovision of income tax in respect of prior years	**(1,048)**	1,991
Others	**–**	(580)
	(778)	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% (2014: 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% (2014: 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 (Loss)/earnings per share

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

	Group	
	2015	2014
(Loss)/profit for the year attributable to equity holders of the Company (RMB'000)	**(8,717)**	27,012
Weighted average number of ordinary shares ('000)	**1,818,444**	1,818,444
(Loss)/earnings per share (RMB cents)	**(0.48)**	1.49

Diluted (loss)/earnings per share is same as basic (loss)/earnings per share as there was no potential dilutive ordinary shares for the financial years ended 31 December 2015 and 31 December 2014.

11 Cash and cash equivalents

	Group		Company	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash on hand and at bank	**28,702**	29,816	**700**	1,718
Fixed deposits	**24,139**	10,668	**1,839**	1,857
	52,841	40,484	**2,539**	3,575
Pledged fixed deposits	**(22,300)**	(8,810)	**–**	–
Pledged bank balance	**(2,000)**	–	**–**	–
Cash and cash equivalents in the consolidated statement of cash flows	**28,541**	31,674	**2,539**	3,575

Fixed deposits, except for the amounts pledged to secure bills payables to banks (Note 20), bear interest rates ranging from 0.10% to 2.25% (2014: 0.12% to 0.17%) 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.

At 31 December 2015, RMB2.00 million (2014: Nil) of bank balance is pledged as security for the bail amount. The bail amount is subsequently discharged on 18 January 2016 and available for general use by the Group thereafter.

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	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
Singapore dollars	**2,452**	3,493	**2,452**	3,493
United States dollars	**87**	82	**87**	82

12 Trade and other receivables

	Group 2015 RMB'000	Group 2014 RMB'000	Company 2015 RMB'000	Company 2014 RMB'000
Trade receivables from:				
- Outside parties	**13,845**	22,476	**–**	–
- Related parties	**193**	–	**–**	–
Trade bills receivables	**258,691**	414,317	**–**	–
	272,729	436,793	**–**	–
Less: Allowance for doubtful receivables - outside parties	**(4,716)**	(4,920)	**–**	–
Total trade receivables, net	**268,013**	431,873	**–**	–
Advance payments to suppliers	**12**	2,842	**–**	–
Advance payments for purchase of property, plant and equipment	**7,325**	14,340	**–**	–
Advances to associated company	**61,422**	55,934	**–**	–
Advances to related parties	**18,742**	20,162	**–**	–
Value-added tax recoverable	**1,714**	53	**–**	–
Income tax recoverable	**4,510**	–	**–**	–
Prepayments	**349**	337	**–**	–
Refundable deposits	**709**	63	**62**	63
Others	**239**	288	**–**	–
Security deposits paid to secure corporate guarantee of the bank borrowing (Note 19)	**3,000**	–	**–**	–
	98,022	94,019	**62**	63
	366,035	525,892	**62**	63

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

	Group 2015 RMB'000	Group 2014 RMB'000	Company 2015 RMB'000	Company 2014 RMB'000
Balance at beginning of the year	**4,920**	4,389	**–**	–
Allowance made and recognised in profit or loss (Note 6)	**–**	2,023	**–**	–
Reversal of allowance made and recognised in profit or loss (Note 6)	**(104)**	–	**–**	–
Bad debts written off against allowance	**(100)**	(1,492)	**–**	–
Balance at end of the year	**4,716**	4,920	**–**	–

12 Trade and other receivables (cont'd)

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	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
Singapore dollars	**62**	63	**62**	63

The average credit period on sales of goods is 90 days (2014: 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 RMB16.80 million (2014: RMB19.30 million) which bear interest rate of 5.60% (2014: 5.60%) per annum and payable in 2016.

Included in the Group's trade bills receivables are trade bills receivables amounting to RMB214.03 million (2014: RMB306.44 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 20).

Included in the Group's trade receivables are debtors totalling RMB2.88 million (2014: RMB5.45 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	
	2015	2014
	RMB'000	RMB'000
Not past due and not impaired	**265,135**	426,423
Past due but not impaired (i)	**2,878**	5,450
	268,013	431,873
Impaired receivables - individually assessed (ii)	**4,716**	4,920
Less: Allowance for doubtful receivables	**(4,716)**	(4,920)
	–	–
Total trade receivables, net	**268,013**	431,873

12 Trade and other receivables (cont'd)

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

	Group	
	2015	2014
	RMB'000	RMB'000
Past due 1 day to 30 days	**567**	3,449
Past due 31 days to 275 days	**670**	928
Past due above 275 days	**1,641**	1,073
	2,878	5,450

(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	
	2015	2014
	RMB'000	RMB'000
Raw materials, at cost	**14,057**	13,712
Finished goods, at cost or net realisable value	**11,107**	15,342
	25,164	29,054
Cost of inventories recognised as an expense in cost of sales	**663,886**	876,749

The cost of inventories recognised as an expense in cost of sales included an amount of RMB1.20 million (2014: Nil) in respect of write downs of inventories to net realisable value.

14 Land use rights

	Group	
	2015	2014
	RMB'000	RMB'000
Cost		
At 1 January and 31 December	**14,936**	14,936
Accumulated amortisation		
At 1 January	**6,791**	5,856
Amortisation charge (Note 7)	**933**	935
At 31 December	**7,724**	6,791
Carrying amount		
At 31 December	**7,212**	8,145

14 Land use rights (cont'd)

	Group 2015 RMB'000	Group 2014 RMB'000
Amount to be amortised:		
- Not later than one financial year	**933**	933
- Later than one financial year but not later than five financial years	**2,942**	3,521
- Later than five financial years	**3,337**	3,691
	7,212	8,145

The details of the land use rights as at 31 December 2015 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
Group					
Cost					
At 1 January 2014	92,701	497,414	7,788	20,885	618,788
Additions	–	1,601	356	13,300	15,257
Disposals	–	(488)	(230)	–	(718)
Write-offs	–	(2,860)	(1,565)	–	(4,425)
Reclassifications	–	13,596	–	(13,596)	–
At 31 December 2014	92,701	509,263	6,349	20,589	628,902
Additions	–	3,614	–	21,765	25,379
Disposals	–	–	(1,493)	–	(1,493)
Write-offs	–	(3,431)	–	(721)	(4,152)
Reclassifications	–	9,912	–	(9,912)	–
At 31 December 2015	**92,701**	**519,358**	**4,856**	**31,721**	**648,636**
Accumulated depreciation					
At 1 January 2014	21,065	194,190	4,569	–	219,824
Depreciation charge	3,101	26,520	838	–	30,459
Disposals	–	(171)	(98)	–	(269)
Write-offs	–	(1,203)	(1,565)	–	(2,768)
At 31 December 2014	24,166	219,336	3,744	–	247,246
Depreciation charge	2,878	24,644	659	–	28,181
Disposals	–	–	(1,312)	–	(1,312)
Write-offs	–	(3,384)	–	–	(3,384)
At 31 December 2015	**27,044**	**240,596**	**3,091**	**–**	**270,731**
Accumulated impairment losses					
At 1 January 2014	–	101,673	–	–	101,673
Disposals	–	(26)	–	–	(26)
Write-offs	–	(690)	–	–	(690)
At 31 December 2014	–	100,957	–	–	100,957
Write-offs	–	(21)	–	–	(21)
At 31 December 2015	**–**	**100,936**	**–**	**–**	**100,936**
Carrying amount					
At 31 December 2015	**65,657**	**177,826**	**1,765**	**31,721**	**276,969**
At 31 December 2014	68,535	188,970	2,605	20,589	280,699

15 Property, plant and equipment (cont'd)

	Company 2015 RMB'000	Company 2014 RMB'000
Machinery and equipment		
Cost		
At 1 January and 31 December	**795**	795
Accumulated depreciation		
At 1 January and 31 December	**795**	795
Carrying amount		
At 31 December	**–**	–

16 Investment in subsidiary companies

	Company 2015 RMB'000	Company 2014 RMB'000
Unquoted equity shares, at cost	**265,724**	265,724
Impairment losses	**(178,697)**	(178,697)
	87,027	87,027

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

Name of subsidiary company	Proportion of ownership interest 2015 %	Proportion of ownership interest 2014 %	Principal activities (Place of establishment/operation)
Anyang Jiutian Fine Chemical Co., Ltd.	**100**	100	Production, sale and service of industrial methanol, methylamine, dimethylformamide ("DMF") and gas (PRC)
Changzhou Jiutian Xiean Chemical Co., Ltd.	**80**	80	Sale of methylamine, DMF, polyurethane and downstream products (PRC)
Henan Herunsheng Isotope Technology Co., Ltd.	**45**	45	Research and development of isotope technology and, manufacturing and trading of Oxygen 18 and deuterium depleted water (PRC)
Xinjiang Jiutian Energy Technology Co., Ltd. ("Xinjiang Jiutian")	**100**	100	Research, development and commercialisation of natural gas processing technology (PRC)

16 Investment in subsidiary companies (cont'd)

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

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 RMB20,000,000 (Note 26) and its payable within 5 years from the date of obtained business license, 30 September 2014.

The subsidiary companies are audited by Baker Tilly China Certified Public Accountants ("Baker Tilly China") (an independent member firm of the Baker Tilly International network) for the purpose of preparation of the consolidated financial statements of the Group.

(b) Significant restrictions

Cash and cash equivalents of RMB50.30 million (2014: RMB36.91 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.

(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	Proportion of ownership interest held by NCI	
		2015	2014
		%	%
Herunsheng	PRC	**55**	55

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

	2015	2014
	RMB'000	RMB'000
Summarised statement of financial position		
Non-current assets	**10,892**	525
Current assets	**39,897**	73,273
Current liabilities	**(269)**	(23,798)
Net assets	**50,520**	50,000
Net assets attributable to NCI	**27,786**	27,500

16 Investment in subsidiary companies (cont'd)

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

	2015 RMB'000	2014 RMB'000
Summarised statement of profit or loss and other comprehensive income		
Revenue	–	–
Profit/(loss) before tax	**791**	(1)
Profit/(loss) and total comprehensive income/(loss)	**521**	(1)
Profit/(loss) allocated to NCI	**286**	*

* Amount below RMB1,000

	2015 RMB'000	2014 RMB'000
Summarised statement of cash flows		
Cash flows from operating activities	**(393)**	(1)
Cash flows from investing activities	**(921)**	(34,660)
Cash flows from financing activities	**–**	50,000
Net (decrease)/increase in cash and cash equivalents	**(1,314)**	15,339

17 Investment in associated companies

	Group		Company	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
Anyang Jiulong	**313,867**	302,398	**299,709**	299,709
Anyang Jiujiu	**39,581**	39,813	**40,000**	40,000
	353,448	342,211	**339,709**	339,709

The details of the associated companies are as follows:

Name of associated company	Proportion of ownership interest 2015	2014	Principal activities (Place of establishment/operation)
	%	%	
Anyang Jiulong Chemical Co., Ltd.	**49**	49	Production of coal-based chemicals (PRC)
Anyang Jiujiu Chemical Technology Co., Ltd. #	**74**	74	Manufacturing and selling of sodium hydrosulfite (PRC)

17 Investment in associated companies (cont'd)

\# 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 China 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:

	Anyang Jiulong and its subsidiary company		Anyang Jiujiu	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
Summarised statement of profit or loss and other comprehensive income				
Revenue	**139,795**	188,508	**–**	–
Profit/(loss) and total comprehensive income/(loss) attributable to:				
- Equity holders of the company	**23,407**	12,600	**(473)**	(382)
- Non-controlling interest	**(232)**	(187)	**–**	–
	23,175	12,413	**(473)**	(382)
Summarised statement of financial position				
Non-current assets	**945,107**	873,262	**600,779**	500,615
Current assets	**299,460**	357,445	**92,165**	98,975
Non-current liabilities	**(96,996)**	(127,836)	**(89,916)**	(120,574)
Current liabilities	**(467,443)**	(445,918)	**(522,250)**	(397,766)
Non-controlling interest	**(39,581)**	(39,813)	**–**	–
Total equity attributable to equity holders of the company	**640,547**	617,140	**80,778**	81,250
Group's share of net assets based on proportion of ownership interest and carrying amount of investment in associated company	**313,867**	302,398	**39,581**	39,813

17 Investment in associated companies (cont'd)

Included in current liabilities and non-current liabilities are finance lease payables totalling RMB122.83 million (2014: 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 27).

Significant restrictions

The associated companies in PRC 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.

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	Total
	RMB'000	RMB'000	RMB'000
Group			
At 1 January 2014	113	8,363	8,476
(Charge)/credit to profit or loss	(16)	5,038	5,022
At 31 December 2014	97	13,401	13,498
(Charge)/credit to profit or loss	(16)	16	–
At 31 December 2015	**81**	**13,417**	**13,498**

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	
	2015	2014
	RMB'000	RMB'000
Unabsorbed tax losses	**45,843**	21,396
Accelerated accounting depreciation	**2,875**	14,232
Others	**3,427**	2,745
	52,145	38,373

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 Bank borrowings

	Group	
	2015	2014
	RMB'000	RMB'000
Non-current - Loan I	**50,000**	–
Current - Loan II	**15,000**	–
	65,000	–

Security for borrowings

Loan I bears interest rate of 5.25% per annum and is payable in 2018. Loan I is guaranteed by Anhua.

Loan II bears interest rate of 6.40% per annum and is payable in 2016. Loan II is guaranteed by HNEC. In addition, property, plant and equipment with carrying amount of RMB60.00 million and security deposit of RMB3.00 million (Note 12) are pledged to HNEC for the corporate guarantee provided.

Fair values

The carrying amount of current bank borrowing approximates its fair value at the end of the reporting period.

Based on discounted cash flows using market lending rate for similar borrowing which the management expects would be available to the Group at the end of the reporting period, the fair value of the non-current borrowing at the end of the reporting period approximates its carrying value as there are no significant changes in the interest rate available to the Group at the end of the reporting period. This fair value measurement for disclosure purposes is categorised in the Level 3 of the fair value hierarchy.

20 Trade and other payables

	Group		Company	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables due to:				
- Outside parties	**32,557**	55,493	**–**	–
- Associated company	**158,881**	159,973	**–**	–
- Related parties	**71,496**	191,053	**–**	–
Trade bills payables due to:				
- Outside parties	**152,257**	210,891	**–**	–
- Associated company	**13,153**	37,557	**–**	–
- Related parties	**48,623**	57,992	**–**	–
Bills payables to banks	**37,300**	8,395	**–**	–
Total trade payables	**514,267**	721,354	**–**	–

20 Trade and other payables (cont'd)

	Group		Company	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
Advances from customers	**10,818**	8,789	**–**	–
Advances from a related party	**4,594**	–	**4,594**	–
Payable for purchase of property, plant and equipment	**7,443**	5,552	**–**	–
Accrued operating expenses	**2,931**	2,212	**655**	500
Security deposits received	**355**	1,150	**–**	–
Value-added tax payables	**89**	2,512	**–**	–
Rental payable to associated company	**959**	175	**–**	–
Staff related costs	**1,498**	976	**725**	712
Others	**1,668**	3,349	**–**	–
	30,355	24,715	**5,974**	1,212
Total trade and other payables	**544,622**	746,069	**5,974**	1,212

The average credit period on purchases of goods is 120 days (2014: 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).

The advances from a related party, Anyang Longyu (HK) Development Co., Ltd., are unsecured, interest bearing of 2.20% per annum and payable in 2016.

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

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	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
Singapore dollars	**5,974**	1,212	**5,974**	1,212

21 Deferred income

	Group	
	2015	2014
	RMB'000	RMB'000
At beginning of the year	**388**	453
Credit to profit or loss (Note 5)	**(64)**	(65)
At end of the year	**324**	388

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.

22 Share capital

	Group and Company			
	2015	2014	**2015**	2014
	Number of ordinary shares **'000**	'000	**RMB'000**	RMB'000
Issued and paid up capital:				
At beginning and end of the year	**1,818,444**	1,818,444	**661,153**	661,153

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

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.

23 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 2015, Anyang Longyu holds 502,429,900 (2014: 482,450,000) ordinary shares through its nominee, RHB Securities Singapore Pte Ltd (formerly known as DMG & Partners Securities Pte. Ltd.), representing approximately 27.63% (2014: 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

On 14 January 2016 (2014: 1 January 2015), the Group secured a letter of continuing financial support from Anhua and Anyang Jiulong, which Anhua and Anyang Jiulong had agreed to defer the payments of trade and other payables owing to them as at 31 December 2015 totalling RMB229.90 million (2014: RMB351.03 million) till Anyang Jiutian is able to settle its other liabilities. This agreement is for a period of 2 years ending 31 December 2017 and subject to further review.

23 Related party transactions (cont'd)

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	
	2015	2014
	RMB'000	RMB'000
With associated companies (subsidiary company of HNEC)		
Sales of goods	**9,417**	14,836
Purchases of electricity	**26,324**	20,656
Purchases of industrial steam	**48,085**	84,407
Purchases of goods	**337**	464
Rental expense	**784**	647
Advances given to	**196,758**	42,307
Repayment of advances given from	**116,900**	–
Payment on behalf	**3,333**	15,578
With other subsidiary companies of HNEC		
Sales of goods	**298**	558
Rental income	**1,686**	1,761
Service fee	**775**	–
Purchases of goods and industrial steam	**161,002**	182,115
Rental expense	**249**	249
Advances received	**99,594**	862
Repayment of advances received	**95,000**	–
Gain on disposal of property, plant and equipment	**955**	–
With a company in which key management personnel of subsidiary company has controlling interest		
Advances given	**–**	19,300
Interest income receivable	**1,077**	–

Outstanding balances with related parties at the end of the reporting period are disclosed in Note 12 and Note 20 respectively.

In 2015, the Group received an interest-free advance with no terms of repayment from Anyang Guolong Logistics Co., Ltd. ("Angyang Guolong"), a wholly-owned subsidiary company of Anhua amounting to RMB95.00 million for working capital purposes. During the financial year, Anhua had then repaid the RMB95.00 million to Anyang Guolong on behalf of the Group. (collectively the "Anhua Advances"). The Anhua Advances were subsequently fully repaid during the financial year.

24 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	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	**190,933**	242,364	**2,601**	3,638
Financial liabilities				
Amortised cost	**384,682**	428,328	**5,974**	1,212

(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.

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	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
SGD	**2,514**	3,556	**5,974**	1,212	**2,514**	3,556	**5,974**	1,212
USD	**87**	82	**–**	–	**87**	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:

24 Financial instruments (cont'd)

(b) Financial risk management (cont'd)

Foreign currency risk (cont'd)

	Increase/(decrease) in profit after tax			
	Group		**Company**	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
SGD against RMB				
- Strengthened	**(173)**	117	**(173)**	117
- Weakened	**173**	(117)	**173**	(117)

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

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their borrowings, fixed deposits and amounts due from/to related parties.

Borrowings, fixed deposits and amounts due from/to related parties are at fixed rates of interest which expose the Group and the Company to fair value interest rate risk (i.e. the risk that the value of a financial instrument will fluctuate due to changes in market rates).

The Group's policy is to obtain the most favourable interest rates available and manage interest costs using a mix of fixed and floating rate debts depending on market and economic conditions. For interest income from fixed deposits, the Group and the Company manage interest rate risks by placing fixed deposits with reputable financial institutions on varying maturities and interest rate terms. The Group and Company do not utilise derivatives to mitigate their interest rate risk.

At the end of the reporting period, the Group and the Company have no significant interest-bearing assets and liabilities at variable rates of interest, therefore the Group's and the Company's performance are substantially independent of changes in market interest rates. Accordingly, the sensitivity analysis for interest rate risk is not disclosed.

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.

24 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 amounts of financial assets as presented on the statement of financial position and the amount of RMB122.83 million (2014: RMB150.00 million) relating to corporate guarantee given by the Group to a financial institution for finance lease obtained by associated company as disclosed in Note 27, 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 table below summarises the maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligation.

	1 year or less RMB'000	1 to 5 years RMB'000	Total RMB'000
Group			
2015			
Trade and other payables	319,682	–	319,682
Bank borrowings	18,025	54,703	72,728
	337,707	**54,703**	**392,410**
2014			
Trade and other payables	428,328	–	428,328
Company			
2015			
Trade and other payables	**5,974**	**–**	**5,974**
2014			
Trade and other payables	1,212	–	1,212

24 Financial instruments (cont'd)

(c) Fair value

(i) Fair value hierarchy

The tables below analyse the fair value measurements by the levels in the fair value hierarchy based on the inputs to the valuation techniques. The different levels are defined as follows:

a) Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

b) Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (i.e. derived from prices); and

c) Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(ii) Assets and liabilities not carried at fair value but which fair values are disclosed

The carrying amount of non-current borrowing approximates its fair value at the end of the reporting period, as the market lending rate at the end of the reporting period was not significantly different from either its coupon rate of the agreement or market lending rate at the initial measurement date. The basis of determining fair value for disclosure purpose at the end of the reporting period is disclosed in Note 19.

The above does not include financial assets and financial liabilities whose carrying amounts measured on the amortised cost basis approximate their fair values due to their short-term nature and where the effect of discounting is immaterial.

(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 2014.

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2015 and 31 December 2014.

25 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	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
Not later than one financial year	**970**	1,234	**198**	200
Later than one financial year but not later than five financial years	**770**	1,518	**–**	–
Later than five financial years	**116**	140	**–**	–
	1,856	2,892	**198**	200

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 1 - 19 years and rentals are fixed for an average of 1 - 19 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	
	2015	2014
	RMB'000	RMB'000
Not later than one financial year	**136**	232

26 Capital commitments

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

	Group		Company	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
Capital commitments for the construction work-in-progress of property, plant and equipment	**35,853**	8,836	**–**	–
Capital contribution for the investment in Xinjiang Jiutian	**–**	–	**20,000**	20,000

26 Capital commitments (cont'd)

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

	Group	
	2015	2014
	RMB'000	RMB'000
Capital commitments for the construction work-in-progress of property, plant and equipment	**14,000**	13,398

27 Contingent liabilities

The Group together with a related party have provided corporate guarantee totalling RMB136.13 million (2014: RMB173.98 million) to a financial institution for finance lease of RMB122.83 million (2014: RMB150.00 million) taken by Anyang Jiujiu (Note 17).

Management have assessed the fair value of this financial guarantee to have no material financial impact on the financial performance of the Group for the financial years ended 31 December 2015 and 31 December 2014.

28 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.

Information about major customer

Revenue of approximately RMB68,916,000 (2014: Nil) are derived from 1 external customer who individually contributed 10% or more of the Group's total revenue.

29 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 2015 were authorised for issue in accordance with a resolution of the directors dated 31 March 2016.

SHAREHOLDING STATISTICS

As at 18 March 2016

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	65	1.21	61,595	0.00
1,001 – 10,000	1,401	26.00	11,214,800	0.62
10,001 – 1,000,000	3,821	70.90	384,225,899	21.13
1,000,001 and above	102	1.89	1,422,941,706	78.25
Total	**5,389**	**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	538,008,900	29.59
2	OCBC SECURITIES PRIVATE LTD	145,608,500	8.01
3	PHILLIP SECURITIES PTE LTD	99,299,700	5.46
4	RAFFLES NOMINEES (PTE) LTD	93,807,100	5.16
5	SANJEEV GUPTA	77,299,800	4.25
6	CITIBANK NOMINEES SINGAPORE PTE LTD	45,321,900	2.49
7	GOH SEOK TOR	43,640,000	2.40
8	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	26,829,000	1.48
9	PEK KOK SAM	25,836,000	1.42
10	DBS NOMINEES PTE LTD	19,491,900	1.07
11	UOB KAY HIAN PTE LTD	18,240,500	1.00
12	LING MANG KHONG STANLEY	14,868,300	0.82
13	GOH LIK TUAN	14,000,000	0.77
14	MOE KHONG KIOEN	12,445,000	0.68
15	OCBC NOMINEES SINGAPORE PTE LTD	12,065,200	0.66
16	UNITED OVERSEAS BANK NOMINEES PTE LTD	11,218,000	0.62
17	MAYBANK KIM ENG SECURITIES PTE LTD	11,042,400	0.61
18	LEE CHEE SENG	10,250,000	0.56
19	KOH PEY PEY	7,227,000	0.40
20	CHUA TIONG JOO	7,085,000	0.39
	TOTAL	**1,233,584,200**	**67.84**

SHAREHOLDING STATISTICS

As at 18 March 2016

SUBSTANTIAL SHAREHOLDERS

		Direct Interest		Deemed Interests	
No.	Name	No. of shares held	%	No. of shares held	%
1.	Anyang Longyu (HK) Development Co, Ltd	–	–	502,429,900	27.63
2.	Sanjeev Gupta	77,299,800	4.25	30,000,000	1.65

COMPLIANCE WITH RULE 723 OF THE SGX-ST LISTING MANUAL

Based on information available and to the best knowledge of the Directors, as at 18 March 2016, approximately 63.45% 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.

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APPENDIX I DATED 08 APRIL 2016

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 2015 (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 Friday, 22 April 2016 at M Hotel Singapore, Anson IV, Level 2, 81 Anson Road, Singapore 079908 at 09:30 a.m..

If you are in any doubt about the contents of this Appendix I or the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

If you have sold or transferred 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 transferee or to the stockbroker or the bank or the agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

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.

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

JIUTIAN CHEMICAL GROUP LIMITED

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

APPENDIX IN RELATION TO

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

APPENDIX I

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APPENDIX I

DEFINITION

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[(1)] 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[(1)]
"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 Friday, 22 April 2016 at M Hotel Singapore, Anson IV, Level 2, 81 Anson Road, Singapore 079908 at 09:30 a.m.
"Annual Report"	:	The annual report of the Company for FY2015
"Appendix I"	:	This Appendix I dated 08 April 2016
"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

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"associate"	:	(a) in relation to any director, chief executive officer, substantial shareholder 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 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, 29 April 2014 and 29 April 2015, permitting the Entities at Risk to enter into the Recurrent IPTs with the Interested Persons
"Latest Practicable Date"	:	31 March 2016, being the latest practicable date prior to the printing of this Appendix I
"Listing Manual"	:	The listing manual of the SGX-ST
"Notice of AGM"		The notice of AGM dated 08 April 2016

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 81SF of the SFA.

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 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

APPENDIX I

LETTER TO SHAREHOLDERS

JIUTIAN CHEMICAL GROUP LIMITED

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

Board of Directors:

Gao Heng *(Non-Independent and Non-Executive Chairman)*
Sun Zhiqiang *(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

08 April 2016

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 22 April 2016 for the proposed renewal of the IPT Mandate.

The Company refers to the Notice of AGM accompanying the Annual Report for FY2015 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/amended at the annual general meetings of the Company held respectively on 26 April 2013, 29 April 2014 and 29 April 2015.

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.

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

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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 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 FY2015, the Jiutian Group's latest audited NTA as at 31 December 2015 was approximately RMB484.95 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, RMB24.25 million, being 5% of the Jiutian Group's latest audited NTA as at 31 December 2015; 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, RMB24.25 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.

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.

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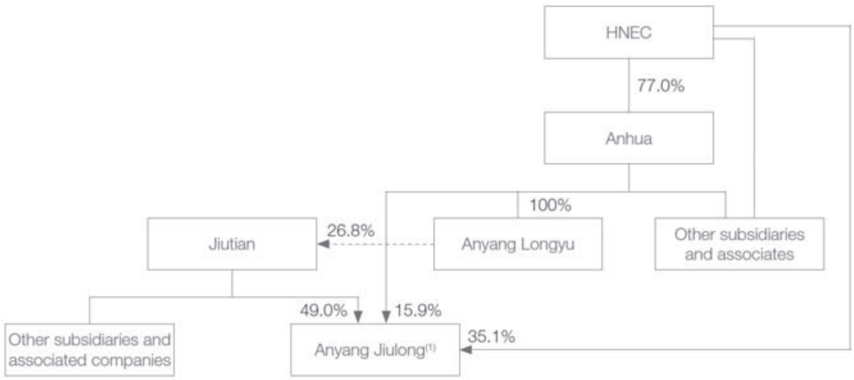
4.2 Information on the Entities at Risk and the Interested Persons

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 502,429,900 Shares through its nominee, RHB Securities Singapore Pte. Ltd. (formerly known as DMG & Partners Securities Pte. Ltd.), representing approximately 27.63% 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.

(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	Purchase of Raw Materials Type I and Raw Materials Type II from the Anhua Group Purchase of Repair Materials from the Anhua Group (the above transactions are collectively referred to as "Transactions A")
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 "Transaction 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 "Transaction C")
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 "Transaction D")
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 "Transaction E")
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 ("Transaction F")

Entities At Risk	Interested Persons	Type of transaction
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 "Transaction G")
Jiutian Group as the supplier	Anhua Group and/or Anyang Jiulong as the cusomers	Sale of Dimethylamine to the Anhua Group and/or Anyang Jiulong (the said transaction is referred to as "Transaction H")

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 <u>Transactions A, E and F – Purchase of raw materials from the Anhua Group and/or Anyang Jiulong</u>

(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:-

Raw Materials Type I	As a percentage of total raw materials purchased from the Interested Persons (%)
Liquid ammonia	21.5
Methanol	23.9
Nitrogen and carbon dioxide	1.8

(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.

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 Formula.

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	0.3
Recycled water	3.6
Clean water and desalinated water	5.3

(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 Formulae.

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	17.3
Industrial steam	23.9

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 FY2015, 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 RMB53.43 million 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 RMB26.32 million 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 Formulae.

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 markup of 10% consisting of maintenance related administrative expenses (7.5%) and taxes (2.5%) to be borne by the lessor in connection therewith.

For FY2015, 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 RMB1.69 million was received from Anhua for equipment leased by the Jiutian Group (including Anyang Jiulong) to the Anhua Group; and

(b) an aggregate amount of RMB1.03 million was paid or to be paid by the Jiutian Group to the Anhua Group for equipment rented by the Jiutian Group.

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

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 FY2015, the Jiutian Group received or will receive an aggregate amount of RMB6.98 million 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 9.2% 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.

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) <u>Transactions D and G - Sale of Repair Materials and/or electricity and industrial steam to the Anhua Group</u>

(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.

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 markup 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% markup 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.

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 2015; 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)

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.

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	
	Number of Shares	**%(1)**	**Number of Shares**	**%(1)**
Directors				
Gao Heng	–	–	–	–
Sun Zhiqiang	–	–	–	–
Lee Chee Seng	10,250,000	0.56	44,419,000(2)	2.44
Wu Yu Liang	300,000	0.02	–	=
Chan Kam Loon	–	–	–	–
Foo Meng Kee	–	–	–	–
Gao Guoan	–	–	–	–
Su Jing	–	–	–	–
Huo Xiaofan	–	–	–	–
	–	–	–	–
Substantial Shareholders				
Anyang Longyu	–	–	502,429,900(3)	27.63
Sanjeev Gupta	77,299,800	4.25	30,000,000(4)	1.65

Notes:

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

(2) Lee Chee Seng holds 100% of the issued share capital of Woolston Park Limited. Accordingly he is deemed to have an interest in the shares held by Woolston Park Limited.

(3) Anyang Longyu is deemed interested in 502,429,900 Shares held through its nominee, RHB Securities Singapore Pte. Ltd. formerly known as DMG & Partners Securities Pte. Ltd.

(4) Sanjeev Gupta holds 30,000,000 shares through its nominee.

8. ANNUAL GENERAL MEETING

The AGM, notice of which is contained in the Annual Report of the Company, will be held on Friday, 22 April 2016 at M Hotel Singapore, Anson IV, Level 2, 81 Anson Road, Singapore 079908 at 09:30 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.

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 72 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.

APPENDIX I

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 Constitution of the Company; and

(b) 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

APPENDIX II DATED 08 APRIL 2016

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 2015 (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 Friday, 22 April 2016 at M Hotel Singapore, Anson IV, Level 2, 81 Anson Road, Singapore 079908 at 09:30 a.m..

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

If you have sold or transferred 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 transferee or to the stockbroker or the bank or the agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

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.

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

JIUTIAN CHEMICAL GROUP LIMITED

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

APPENDIX IN RELATION TO

THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

APPENDIX II

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APPENDIX II

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 Friday, 22 April 2016 at 9.30 a.m. at M Hotel Singapore, Anson IV, Level 2, 81 Anson Road, Singapore 079908
"Anyang Longyu"		Anyang Longyu (HK) Development Co., Ltd
"Annual Report"	:	The annual report of the Company for the financial year ended 31 December 2015
"Appendix II	:	This Appendix II dated 08 April 2016
"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
"Constitution"	:	The Constitution (formerly the Memorandum and Articles and Association) of the Company, as amended or modified or supplemented from time to time
"Controlling Shareholder"	:	A person who: (a) holds directly or indirectly 15% or more of the total number of shares excluding treasury shares in Company; or (b) in fact exercise control of the Company
"Directors"	:	The directors of the Company for the time being
"EPS"	:	Earnings per Share
"Group"	:	The Company, its subsidiaries and its associated companies
"HNEC"	:	Henan Energy and Chemical Industry Group Co., Limited
"Latest Practicable Date"	:	31 March 2016, being the latest practicable date prior to the printing of this Appendix II

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"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 8 April 2016
"NTA"	:	Net tangible assets
"Relevant Period"	:	The period commencing from the date of AGM on which the ordinary resolution relating to the proposed renewal of the Share Buyback Mandate is passed and 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.
"SGX-ST"	:	Singapore Exchange Securities Trading Limited
"SFA"	:	Securities and Futures Act, Chapter 289 of Singapore, as amended or modified or supplemented from time to time
"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
"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
"SIC"	:	Securities Industry Council of Singapore
"subsidiary"	:	A company which is for the time being a subsidiary of the Company, as defined by Section 5 of the Companies Act
"Substantial Shareholder"	:	A person who has an interest in voting Shares of the Company and the total votes attached to that Share, or those Shares, are not less than 5% of the total votes attached to all voting Shares in the Company
"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

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"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 81SF of the SFA 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 RMB4.5943 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.

APPENDIX II

LETTER TO SHAREHOLDERS

JIUTIAN CHEMICAL GROUP LIMITED

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

Board of Directors:

Gao Heng *(Non-Independent and Non-Executive Chairman)*
Sun Zhiqiang *(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

08 April 2016

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 22 April 2016 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 2015 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 any doubt about its contents or as to the action he should take, he should consult his stockbroker, bank manager, solicitor, accountant, tax adviser 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 2015.

The Share Buyback Mandate, renewed at the last annual general meeting of the Company held on 29 April 2015, will expire on 22 April 2016, 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.

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 Constitution 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.

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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.

The authority conferred on the Directors by the Share Buyback Mandate to purchase or acquire Shares may be renewed by the Shareholders in a general meeting of the Company, such as at the next annual general meeting of the Company or any other general meeting of the Company.

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 Constitution 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

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(vii) whether the Shares purchased or acquired by the Company would be cancelled or kept as Treasury Shares.

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. In the event that the aggregate number of Treasury Shares held by the Company exceeds the aforesaid limit, the Company shall dispose of or cancel the excess Treasury Shares in accordance with Section 76K of the Companies Act within six (6) months from the day the aforesaid limit is first exceed or such further periods as ACRA may allow.

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 any share scheme, whether for its employees, Directors or other person;

(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.

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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.

Within 30 days of the cancellation or disposal of Treasury Shares in accordance with the provisions of the Companies Act, the Directors shall lodge with ACRA the notice of cancellation or disposal of Treasury Shares in the prescribed form as required by ACRA.

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.

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 Section 76F of the Companies Act, a company is solvent if at the date of payment of purchase or acquisition of its shares, the following conditions are satisfied:

(a) there is no ground on which the company could be found to be unable to pay its debts;

(b) if:

  (1) it is intended to commence winding up of the company within the period of 12 months immediately after the date of payment, the company will be able to pay its debts in full within the period of 12 months after the date of commencement of the winding up; or

(2) it is not intended so to commence winding up, the company will be able to pay its debts as they fall due during the period of 12 months immediately after the date of the payment; and

(c) the value of the company's assets is not less than the value of its liabilities (including contingent liabilities) and such value of its assets will not, after the proposed purchase or acquisition of shares, become less than the value of its liabilities (including contingent liabilities).

In determining whether the Company is solvent, the Directors must have regard to the most recently audited financial statements, other relevant circumstances, and may rely on valuations of assets or estimates of liabilities. In determining the value of contingent liabilities, the Directors may take into account the likelihood of the contingency occurring, as well as any counter-claims by the Company.

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.

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 Company and the Group's 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 (including 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 (including brokerage, commission, applicable goods and services tax and other related expenses) 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 Company and Group, based on the audited financial statements of the Group for the financial year ended 31 December 2014, are based on the following assumptions as set out below:-

(a) Details of the assumed Share Buybacks

Share Buybacks					Maximum Number of Shares to be Purchased	Equivalent Percentage of issued Shares[(2)]
Scenario	Out Of Capital or Profits	Type	Whether held as Treasury Shares or cancelled	Maximum Price per Share (S$/RMB)[(1)]		
(A)	Capital	Market Purchase	Held as Treasury Shares	S$0.026 / RMB0.119	181,844,400	10.0%
(B)	Capital	Market Purchase	Cancelled	S$0.026 / RMB0.119	181,844,400	10.0%
(C)	Capital	Off-Market Purchase	Held as Treasury Shares	S$0.030 / RMB0.138	181,844,400	10.0%
(D)	Capital	Off-Market Purchase	Cancelled	S$0.030 / RMB0.138	181,844,400	10.0%

As the Company and the Group has accumulated losses of RMB237,790,000 and RMB203,987,000 respectively as at 31 December 2015, the Company will not be able to undertake any share buybacks out of profits.

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.

(b) external financing of RMB21,639,000 and RMB25,095,000 were undertaken for market purchases and off market purchases respectively;

(c) transaction costs incurred for the purchase or acquisition of shares pursuant to the Share Buyback Mandate are assumed to be insignificant and have been ignored for the purposes of computing the financial effects; and

(d) the purchase or acquisition of Shares by the Company took place on 1 January 2015.

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 2015 (RMB'000)	As per the audited consolidated financial statements of the Company	Pro-forma financial effects as at 31 December 2015			
		Scenario (A)	Scenario (B)	Scenario (C)	Scenario (D)
Share capital	661,153	661,153	639,514	661,153	636,058
Accumulated losses	(203,987)	(203,987)	(203,987)	(203,987)	(203,987)
Treasury shares	–	(21,639)	–	(25,095)	–
Total Shareholders' equity	457,166	435,527	435,527	432,071	432,071
Net asset value	484,952	463,313	463,313	459,857	459,857
Current assets	444,040	444,040	444,040	444,040	444,040
Current liabilities	559,891	581,530	581,530	584,986	584,986
External borrowings	65,000	86,639	86,639	90,095	90,095
Cash and cash equivalents	52,841	52,841	52,841	52,841	52,841
Number of Shares[(1)] ('000)	1,818,444	1,636,600	1,636,600	1,636,600	1,636,600
Financial Ratios					
Net asset value per Share (RMB cents)	26.67	28.31	28.31	28.10	28.10
Basic loss per Share (RMB cents)	(0.48)	(0.53)	(0.53)	(0.53)	(0.53)
Gearing ratio (times)	0.13	0.20	0.20	0.21	0.21
Current ratio (times)	0.79	0.76	0.76	0.76	0.76

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 2015 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 Interested Persons

The Company is prohibited from knowingly buying Shares on the SGX-ST from an interested person, that is, a Director, the chief executive officer of the Company or Substantial Shareholder of the Company or any of their Associates, and any interested person is prohibited from knowingly selling his Shares to the Company.

2.10 Taxation

Shareholders who are in doubt as to their respective tax positions or any tax implications arising from the purchase or acquisition of Shares by the Company, or who may be subject to tax in a jurisdiction should consult their own professional advisers.

2.11 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.

2.11.1 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 ("**Rule 14**"). 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.

2.11.2 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;

(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.

2.11.3 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.

2.11.4 Application of the Take-over Code

Mr Gao Heng, the Company's Non-Independent and Non-Executive Chairman, and Mr Su Jing and Mr Huo Xiaofan, the Company's Non-Executive and Non-Independent Directors, were appointed to the Board as nominees of HNEC (the "HNEC Directors"). HNEC is the ultimate holding company of Anyang Longyu, a Controlling Shareholder of the Company. Accordingly, under the Take-over Code, the HNEC Directors and Anyang Longyu are deemed to be persons acting in concert with each other (the "Concert Party Group").

As at the Latest Practicable Date, Anyang Longyu holds 502,429,900 Shares through its nominee, RHB Securities Singapore Pte. Ltd., representing approximately 27.63% of the Company's issued share capital. None of the HNEC Directors holds any Shares as at the Latest Practicable Date.

Assuming that the Company purchases or acquires a maximum of 181,844,400 Shares pursuant to the Share Buyback Mandate and assuming that none of the HNEC Directors acquires any Shares and the total number of issued Shares of 1,818,444,000 Shares and the voting rights of Anyang Longyu as at the Latest Practicable Date of 27.63% remain unchanged, the voting rights of Anyang Longyu will increase from 27.63% to 30.70% solely as a result of Share Buybacks up to the full ten per cent. (10%) limit pursuant to the Share Buyback Mandate. Accordingly, the Concert Party Group would, unless exempted, become obliged to make a general offer under the Take-over Code for the Shares not owned by them, if as a result of the exercise of the Share Buyback Mandate, their interest in the voting rights of the Company increases to 30% or more.

Anyang Longyu has undertaken to the Company that it will not acquire further Shares and/or sell, transfer or otherwise dispose any of its shareholding in the Company for the period commencing from the Latest Practicable Date till the date of the AGM. Based on the said undertaking, the interest of Anyang Longyu in the Company as at the date of the AGM will be as per illustrated in the preceding section 3 of this Appendix II.

The HNEC Directors have undertaken to the Company that none of them will acquire any Shares for the period commencing from the Latest Practicable Date till the date of the AGM. Based on the said undertakings, as at the date of the AGM, none of the HNEC Directors will hold Shares of the Company.

2.11.5 Conditions for exemption from having to make a general offer under Rule 14 of the Take-over Code

Section 3(a) of Appendix 2 of the Take-over Code sets out the conditions for exemption from the obligation to make a general offer under Rule 14 of the Take-over Code in the case of directors and persons acting in concert with them incurring such an obligation as a result of a listed company purchasing its own shares as per the provisions of the Companies Act.

Pursuant to Section 3(a) of Appendix 2 of the Take-over Code, the Concert Party Group will be exempted from the requirement to make a general offer under Rule 14 of the Take-over Code as a result of any Share Buyback carried out by the Company pursuant to the Share Buyback Mandate, subject to the following conditions:

(i) the circular to Shareholders on the resolution to approve the renewal of the Share Buyback Mandate contains advice to the effect that by voting in favour of the resolution to approve the renewal of the Share Buyback Mandate (the "Share Buyback Resolution"), Shareholders are waiving their right to a general offer at the required price from the Concert Party Group who, as a result of Share Buybacks by the Company, would increase their percentage of total voting rights to 30% or more;

(ii) the aforesaid circular discloses the names and voting rights of the members of the Concert Party Group (a) as at the time of the Share Buyback Resolution and (b) after Share Buybacks up to the maximum limit under the Share Buyback Mandate;

(iii) the Share Buyback Resolution is approved by a majority of those Shareholders present and voting at the meeting on a poll who could not become obliged to make a general offer for the Company as a result of Share Buybacks;

(iv) the members of the Concert Party Group abstain from (a) voting on the Share Buyback Resolution and (b) recommending Shareholders to vote in favour of the Share Buyback Resolution;

(v) within 7 days after the passing of the Share Buyback Resolution, each of the HNEC Directors submits to SIC a duly signed form as prescribed by the SIC; and

(vi) the Concert Party Group not having acquired and not to acquire any Shares between the date on which they know that the announcement of the proposed renewal of the Share Buyback Mandate is imminent and the earlier of:-

(a) the date on which the authority for the Share Buyback Mandate expires; and

(b) the date on which the Company announces that it has bought back such number of Shares as authorised by the Share Buyback Mandate or it has decided to cease buying back the Shares, as the case may be,

if such acquisitions, taken together with the Share Buybacks, would cause their aggregate voting rights to increase to 30% or more.

2.11.6 Form 2 submission to the SIC

Form 2 (Submission by directors and their concert parties pursuant to Appendix 2) is the prescribed form to be submitted to the SIC by a director and persons acting in concert with him pursuant to the conditions for exemption as set out in section 2.11.5(v) above from the requirement to make a take-over offer under Rule 14 of the Take-over Code as a result of the buy-back of shares by a listed company under its share buyback mandate.

As at the Latest Practicable Date, the HNEC Directors have informed the Company that each of them will be submitting the Form 2 to the SIC within seven (7) days after the passing of the resolution relating to the renewal of the Share Buyback Mandate.

2.11.7 Abstention from Voting

In compliance with the conditions of the exemption set out in section 2.11.5 above, each of the members of the Concert Party Group will abstain from voting in respect of the resolution relating to the renewal of the Share Buyback Mandate. They shall also not accept appointment as proxies or otherwise for voting at the AGM for the renewal of the Share Buyback Mandate unless the Shareholder who appoints them as proxies shall have given specific instructions as to voting.

The HNEC Directors will abstain from recommending Shareholders to vote in favour of the resolution relating to the renewal of the Share Buyback Mandate.

2.11.8 Advice to Shareholders

Shareholders should note that by approving the renewal of the Share Buyback Mandate, they are waiving their rights to a take-over offer at the required price from the Concert Party Group in the circumstances set out above. Such a take-over offer, if required to be made and had not been exempted, would have to be made in cash or be accompanied by a cash alternative at the required price.

Save as disclosed above, the Directors are not aware of any facts or factors which suggest or imply that any particular person(s) and/or Shareholder(s) are, or may be regarded as, persons acting in concert such that their respective interests in voting shares in the capital of the Company should or ought to be consolidated, and consequences under the Take-over Code would ensue as a result of Share Buyback by the Company pursuant to the Share Buyback Mandate.

Pursuant to Appendix 2 of the Take-over Code and in accordance with the Listing Manual, the resolution relating to the renewal of the Share Buyback Mandate will be voted on by way of a poll and is to be approved by a majority of those Shareholders present and voting at the meeting who could not become obliged to make an offer under the Take-over Code as a result of Share Buybacks.

The statements herein do not purport to be a comprehensive or exhaustive description of all implications that may arise under the Take-over Code. Shareholders who are in doubt as to whether they would incur any obligation to make a take-over offer under the Take-over Code as a result of Share Buybacks by the Company pursuant to the Share Buyback Mandate are advised to consult their professional advisers and/or the SIC at the earliest opportunity.

2.12 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.

2.13 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 the Share Buyback (Number of Shares)			Before the Share Buyback	After the Share Buyback
	Direct Interest	Deemed Interest	Total Interest	%[1]	%[2]
Directors					
Gao Heng	–	–	–	–	–
Sun Zhiqiang	–	–	–	–	–
Lee Chee Seng[3]	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	–	–	–	–	–
Foo Meng Kee	–	–	–	–	–
Gao Guoan	–	–	–	–	–
Su Jing	–	–	–	–	–
Huo Xiaofan	–	–	–	–	–
	–	–	–	–	–
Substantial Shareholders					
Anyang Longyu (HK) Development Co., Ltd[4]	–	502,429,900	502,429,900	27.63	30.70
Sanjeev Gupta[5]	77,299,800	30,000,000	107,299,800	5.90	6.56

Notes:

(1) The percentages in the table are calculated based on 1,818,444,000 Shares as at the Latest Practicable Date.

(2) The percentages in the table are calculated based on 1,636,599,600 shares assuming the Company acquired or purchased a maximum of 181, 844,400 Shares pursuant to Shares Buyback Mandate.

(3) Lee Chee Seng holds 100% of the issued share capital of Woolston Park Limited. Accordingly he is deemed to have an interest in the Shares held by Woolston Park Limited.

(4) Anyang Longyu holds 502,429,900 Shares through its nominee, RHB Securities Singapore Pte Ltd formerly known as (DMG & Partners Securities Pte Ltd).

(5) Sanjeev Gupta holds 30,000,000 Shares through its nominee.

4. **ANNUAL GENERAL MEETING**

The AGM, notice of which is contained in the Annual Report of the Company, will be held on Friday, 22 April 2016 at M Hotel Singapore, Anson IV, Level 2, 81 Anson Road, Singapore 079908 at 09:30 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 72 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 (Save for Mr Gao Heng, Mr Su Jing and Mr Huo Xiaofan who had abstained from making any recommendation) 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.

8. DOCUMENTS FOR INSPECTION

The Constitution of the Company is available for inspection during normal office hours at the registered office of the Company at 80 Robinson Road, #02-00, Singapore 068898 from the date of this Appendix II up to the date of the AGM.

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 ELEVENTH ANNUAL GENERAL MEETING

九天化工集团有限公司
JIUTIAN CHEMICAL GROUP LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No.: 200415416H)

NOTICE OF THE ELEVENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Eleventh Annual General Meeting of Jiutian Chemical Group Limited (the "Company") will be held at M Hotel Singapore, Anson IV, Level 2, 81 Anson Road, Singapore 079908 on Friday, 22 April 2016 at 09:30 a.m. for the purpose of transacting the following businesses:

Ordinary Business

1. To receive and adopt the Directors' Statement and the Audited Financial Statements for the financial year ended 31 December 2015 together with the Auditors' Report thereon. **(Resolution 1)**

2. To approve the payment of Directors' fee of S$153,000.00 for the financial year ending 31 December 2016, to be paid quarterly in arrears. **(Resolution 2)**

3. To re-elect the following directors who are retiring in accordance with the Article 91 of the Constitution of the Company and have offered themselves for re-election:

   a. Mr Chan Kam Loon *[See Explanatory Note 1]* **(Resolution 3)**

   b. Mr Su Jing *[See Explanatory Note 2]* **(Resolution 4)**

   c. Mr Huo Xiaofan *[See Explanatory Note 3]* **(Resolution 5)**

4. To re-appoint Mr Gao Guoan as a Director of the Company. *[See Explanatory Note 4]* **(Resolution 6)**

5. To re-appoint Messrs Baker Tilly TFW LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

Special Business

To consider and, if thought fit, to pass the following as Ordinary Resolutions, with or without modifications:

7. 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 5]

8. Proposed Renewal of the 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 to the Company's Annual Report for its financial year ended 31 December 2015 dated 8 April 2016 (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 which may be prescribed by the SGX-ST from time to time; and

(d) the Directors or any one 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 6]

9. 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 hereinafter 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**");

(b) unless varied or revoked by the Company at a general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buyback Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Ordinary 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; or

(ii) the date on which purchases or acquisitions of Shares by the Company pursuant to the Share Buyback Mandate are carried out to the full extent mandated;

(c) in this Ordinary 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 Ordinary 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 10% limit; and

NOTICE OF THE ELEVENTH ANNUAL GENERAL MEETING

"**Relevant Period**" means the period commencing from the date on which the last annual general meeting of the Company was held and expiring on the date on which the next annual general meeting of the Company is held or is required by law to be held, whichever is the earlier, after the date of this Ordinary Resolution is passed; and

"**Maximum Price**", in relation to a Share to be purchased or acquired, 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 hereinafter defined); and

(ii) in the case of an Off-Market Purchase, one hundred and twenty per cent. (120%) of the Average Closing Price (as hereinafter 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 before the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer (as hereinafter defined) pursuant to Off-Market Purchase, and deemed to be adjusted for any corporate action which occurs after the relevant five (5) market day period; and

"**date of 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

(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 Ordinary Resolution.
[See Explanatory Note 7]

BY ORDER OF THE BOARD

Teo Meng Keong
Lee Wei Hsiung
Company Secretaries

Singapore, 8 April 2016

NOTICE OF THE ELEVENTH ANNUAL GENERAL MEETING

Explanatory Notes:-

1. Mr Chan Kam Loon, upon re-election as a director of the Company, will remain as the Chairman of Audit Committee and a member of the Nominating 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. He does not have any relationships including immediate family relationships between himself and the Directors, the Company and its 10% shareholders (as defined in the Code). The detailed of his information can be found under the section entitled "Board of Directors" in the page 16 of the Annual Report.

2. Mr Su Jing, upon re-election as a director of the Company, will remain as a Non-Independent Non-Executive Director. He is a Vice General Manager of HNEC Investment Co., Ltd, a related company of Anyang Longyu (HK) Development Co., Ltd, substantial shareholders (27.63% shareholding). Save as disclosed herein, he does not have any relationships including immediate family relationships between himself and the Directors, the Company and its 10% shareholders (as defined in the Code). The detailed of his information can be found under the section entitled "Board of Directors" in the page 17 of the Annual Report.

3. Mr Huo Xiaofan, upon re-election as a director of the Company, will remain as a Non-Independent Non-Executive Director. He is a CFO of Anyang Chemical Industry Group Co., Ltd, immediate holding company of Anyang Longyu (HK) Development Co., Ltd, substantial shareholders (27.63% shareholding). Save as disclosed herein, he does not have any relationships including immediate family relationships between himself and the Directors, the Company and its 10% shareholders (as defined in the Code). The detailed of his information can be found under the section entitled "Board of Directors" in the page 17 of the Annual Report.

4. Mr Gao Guoan was re-appointed during the Company's last Annual General Meeting to hold office until next Annual General Meeting pursuant to Section 153(6) of the Singapore's Companies Act, Chapter 50, which has been repealed since 3 January 2016. Accordingly, there is a need to re-appoint him during the coming Annual General Meeting to allow him to continue in office. He will upon re-appointment as a Director of the Company, remain as the Independent Non-Executive Director. He does not have any relationships including immediate family relationships between himself and the Directors, the Company and its 10% shareholders (as defined in the Code). The detailed of his information can be found under the section entitled "Board of Directors" in the page 17 of the Annual Report.

5. Resolution 8 in item 7 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.

6. Resolution 9 in item 8 above, if passed, will renew the IPT Mandate approved by shareholders on 16 November 2012 to allow the Entities at Risk (as defined in Appendix I to the Company's Annual Report for its financial year ended 31 December 2015 dated 8 April 2016 (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 said IPT Mandate.

7. Resolution 10 in item 9 above, if passed, will empower the Directors of the Company to buyback issued ordinary shares of the Company (the "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 of the Company (excluding treasury shares) at the prices of up to but not exceeding the Maximum Price (as defined in Appendix II to the Company's Annual Report for its financial year ended 31 December 2015 dated 8 April 2016 (the "Appendix II")) and in accordance with the terms and subject to the conditions of the Share Buyback Mandate (as defined in Appendix II), the Companies Act, Chapter 50 of Singapore, and the Listing Manual of the Singapore Exchange Securities Trading Limited. This authority will, unless revoked or varied at general meeting, continue in force until the earlier of (a) the date that the next annual general meeting of the Company is held or required by law to be held and (b) the date on which 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 proposed Share Buyback Mandate on the audited financial statements of the Company and its subsidiaries and associated companies for the financial year ended 31 December 2015, based on certain assumptions, are set out in paragraph 2.8 of Appendix II.

NOTICE OF THE ELEVENTH ANNUAL GENERAL MEETING

Notes:

1. A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. A proxy need not be a member of the Company. Where such member's form of proxy appoints more than one proxy, the proportion of his shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

2. A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "Relevant Intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

3. The instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road #11-02, Singapore 068898 not less than 48 hours before the time appointed for the meeting.

4. 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.

5. A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time fixed for holding the Annual General Meeting in order for the Depositor to be entitled to attend and vote at the Annual General Meeting.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

九天化工集团有限公司
JIUTIAN CHEMICAL GROUP LIMITED
(Company Registration No.: 200415416H)
(Incorporated in the Republic of Singapore)

PROXY FORM

Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 8 April 2016.

Important :
1. For investors who have used their CPF/SRS 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 / SRS Approved Nominees and are sent solely For Information Only.
2. This Proxy Form is not valid for use by CPF/SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF/SRS Investors who wish to vote should contact their CPF / SRS Approved Nominees.

I/We ______________________________ NRIC/Passport No.:______________________

of ____

being a member/members of Jiutian Chemical Group Limited (the "Company") hereby appoint:

Name	Address	NRIC/ Passport No.	Proportion of Shareholding (%)

*and/or

Name	Address	NRIC/ Passport No.	Proportion of Shareholding (%)

or failing *him/her/them, the Chairman of the Eleventh Annual General Meeting ("11th AGM") of the Company as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the 11th AGM of the Company, to be held at M Hotel Singapore, M Hotel Singapore, Anson IV, Level 2, 81 Anson Road, Singapore 079908 on Friday, 22 April 2016 at 09:30 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 11th AGM as indicated hereunder WITH AN "x" in the spaces provided hereunder. If no specific directions as to voting are given, the *proxy/proxies will vote or abstain from voting at *his/their discretion.

No.	Resolutions	FOR*	AGAINST*
1	To receive and adopt the Directors' Statement and the Audited Financial Statements for the financial year ended 31 December 2015 together with the Auditors' Report thereon.		
2	To approve the payment of Directors' fee of S$153,000.00 for the financial year ending 31 December 2016, to be paid quarterly in arrears.		
3	To re-elect Mr Chan Kam Loon as a Director.		
4	To re-elect Mr Su Jing as a Director.		
5	To re-elect Mr Huo Xiaofan as a Director.		
6	To re-appoint 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.		
	Special Business		
8	To authorise Directors to issue shares.		
9	To approve the renewal of the General Mandate for Interested Person Transactions.		
10	To approve the renewal of the Share Buyback Mandate		

Note:
* 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 __________________ 2016

Total No. of Shares in	No. of Shares
CDP Register	
Register of Members	

____
Signature of Shareholder(s)
Or, Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS PROXY FORM

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A Shareholder (other than a Relevant Intermediary) of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote on his behalf. Such proxy need not be a Member of the Company. Where a Shareholder appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.

3. A member of the Company who is a Relevant Intermediary entitled to attend and vote at the AGM of the Company is entitled to appoint more than two (2) proxies to attend and vote in his/her stead, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares to be represented by each proxy must be stated.

   "**Relevant Intermediary**" means:

   (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore or a wholly owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore and who holds shares in that capacity; or

   (c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

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 authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Chapter 50.

8. The submission of an instrument or form appointing a proxy by a shareholder does not preclude him from attending and voting in person at the AGM if he so wishes.

9. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the AGM in person. CPF and SRS Investors who are unable to attend the AGM but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the AGM to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the AGM.

10. The Company shall be entitled to reject an instrument appointing a proxy or proxies which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of a member whose shares are entered against his name in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at seventy two (72) hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Ltd to the Company.

九天化工集团有限公司

JIUTIAN CHEMICAL GROUP LIMITED

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