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

STRIVING FORWARD

ANNUAL REPORT 2019

OUR MISSION STATEMENT

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

This annual report has been prepared by Jiutian Chemical Group Limited (the "Company") and its contents have been reviewed by the Company's Sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") in accordance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist.

This annual report has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the contents of this annual report, including the correctness of any of the statements or opinions made or reports contained in this annual report.

The contact person for the Sponsor is Ms Gillian Goh, Director, Head of Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).

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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 three main business divisions:

1. DMF division producing DMF as its main product and methylamine as our secondary product.
2. Sodium Hydrosulfite division producing Sodium Hydrosulfite.
3. Gas and Oxygen 18 division producing consumable carbon dioxide, Oxygen 18 and deuterium-depleted water.

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 are occurring at a rapid pace in these regions, and the consequent establishment of factories producing a 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 (within 500km 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 our secure and low-cost access to the coal-based raw materials that are used in the manufacture of our products. Our production efficiency and cost-effective supply chain management strategy, which include direct piping-in of raw materials from our main supplier, has provided us a relative cost advantage against our competitors.

Henan Province is also on the Beijing-Guangzhou railway and its capital Zhengzhou, has one of Asia's largest railway stations and network. Zhengzhou has been 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.

CORPORATE PROFILE

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 tons 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 tons 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 tons per hour steam boilers, two 10,000 tons methanol storage tanks, a 400 tons per hour distilled water station, two 25,000 kilo watts per hour power station and a 20,000 tons DMAC (Dimethylacetamide) plant. The partnership with HNEC and investment in Anyang Jiulong will strengthen the integration of our operations and diversify our earnings base.

The Group's 74% owned associated company, Anyang Jiujiu Chemical Technology Co., Ltd. is undertaking the Project Sodium Hydrosulfite (the "Project"). Since 31 December 2017, the Project has commenced commercial production of sodium hydrosulfite. The facilities in the Project will enable us to produce 140,000 tons of sodium hydrosulfite annually and together with the ancillary facilities, 45,000 tons of sodium formate, 45,000 tons of sodium matabisulfite and 45,000 tons of liquid sulphur dioxide which are main feedstock of sodium hydrosulfite. This will make us the most integrated and the second largest manufacturer of sodium hydrosulfite in China.

The Group is also branching out into producing Oxygen-18 ("^{18}O") and deuterium-depleted water ("DDW") through our 45% owned subsidiary company, Henan Herunsheng Isotope Technology Co., Ltd. The construction of the main production facilities for the manufacture of ^{18}O have already been substantially completed with trial productions ongoing.

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 tons 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.

PU - DMF AS A KEY FEEDSTOCK

One of the most important applications of DMF is its use as a feedstock in the production of PU, an important chemical used in a wide range of consumer related applications. PU 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. PU absorbs weight, improves durability, enhances insulation in the products and provides added comfort and resiliency.

KEY USES OF PU INCLUDE:

CONSUMER GOODS

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

SHOE SOLE

DMF is commonly used in manufacturing extremely versatile PU 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 pu 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.

OUR PRODUCTS

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 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

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 contstantly.

ELECTRONICS

DMF is also used to dissolve the catalyst in the epoxylaminated printed circuit boards ("PCB") 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.

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.

OUR PRODUCTS

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.

SODIUM HYDROSULFITE

Sodium hydrosulfite is a white crystalline powder with a weak sulfurous odor. Its low toxicity makes it suitable for a wide variety of uses. These include water treatment, gas purification, cleaning, stripping, and the industrial processing of textiles, leather, foods, polymers, photography and others.

OXYGEN-18

Oxygen-18 is a natural and stable isotope of oxygen. Being an environmental isotope it is an important precursor for the production of fluorodeoxyglucose (FDG) used in positron emission tomography (PET), a medical diagnostic technique.

DEUTERIUM-DEPLETED WATER

Deuterium-depleted water, also known more as light water, is water with a lower concentration of deuterium than occurs naturally. Studies have shown that such water with a low deuterium concentration (<65% percent of volume) can inhibit cancer growth.

CHAIRMAN'S STATEMENT

HAN LIANGUO
Non-Executive and
Non-Independent Chairman

"WE WILL BE TAKING A PRUDENT APPROACH AND WILL CONTINUE TO MONITOR THE MARKET CONDITION CLOSELY AND ADAPT OUR BUSINESS STRATEGIES TO THE VOLATILE SITUATION."

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

It is my pleasure to report the financial results of the Group for the financial year ended 31 December 2019 ("FY2019"). Against the backdrop of an unpredictable year with global growth recording its weakest pace since the global financial crisis a decade ago, the Group's operations were impeded – its revenue and profits eroded. After reporting continuous profits for the past 3 consecutive years, we were impacted with a net loss for FY2019.

FY2019 – OPERATING AMIDST CHALLENGING MARKET CONDITIONS

Amidst rising trade barriers and tensions, most specifically the China-US trade war and economic uncertainties, business sentiments have been weighed down in the macroeconomic and domestic landscape, causing a general slowdown in China's economy. Our performance took a hit from these snowballed effects.

The Group started off with a slightly better performance in the first half of the year in FY2019, albeit marking a decrease of 12% in sales compared to the first half of FY2018. For the second half year of FY2019, sales reported a decline of 27% from the same corresponding period in FY2018. Revenue for the year slipped 19% (RMB 0.25 billion) from the preceding year to RMB 1.05 billion in FY2019, mainly due to decreases in both the selling price and sales volume of Dimethylformamide ("DMF") and Methylamine, our two core products. In FY2019, the average selling price of DMF recorded 20% lower at RMB 4,462 per tonne while its sales volume dipped 4% from FY2018. For Methylamine, the average selling price reduced by 14% to RMB 7,295 per tonne and sales volume decreased 9% from that of FY2018.

Despite our successful efforts and measures to readapt our operations in line with the tightening environmental regulations, which had paid off in FY2018, the capacity utilisation of our DMF plant decreased from 70% to 62%, while the Methylamine plant teetered just slightly to 99% from the 100% utilisation rate year-on-year ("YOY"). The main cause that had resulted in this overall decrease in capacity utilisation of both our plants was the scheduled major maintenance shutdown of approximately 20 days for both plants during the third quarter of FY2019.

In line with the decline in revenue, gross profit fell by 44% to RMB 74.89 million in FY2019, with gross profit margin decreasing, mainly due to the lower sales prices of DMF and Methylamine during the financial year. On the sodium hydrosulfite business end, our bid to diversify our revenue streams had been hampered by weakened demand as well as with strict industry-wide environmental control policies, that led to unplanned stoppages at our plant, disrupted operations across the industry, and reduced production volumes and increased production costs.

OUTLOOK

During 2019, activity in major economies slowed down more markedly than previously expected. Manufacturing activity had been very weak, growth in advanced economies slowed, with lower productivity growth noted to be underway in developing and emerging economies. Policy uncertainty associated with trade tensions, too, weighed down on economic activity in the United States and China.

CHAIRMAN'S STATEMENT

While subdued growth was previously forecast for the global and Chinese economies, world markets were dealt a major blow with the recent global pandemic arising from the coronavirus disease 2019 ("COVID-19"). The outbreak has caused the economy in China to practically come to a crawl, with enforced quarantines and lockdowns across multiple provinces and cities. The growing epidemic that has been accelerating its spread worldwide has also severely impacted the livelihood of people and economies across the many countries that have reported cases of COVID-19 as all take to implementing quarantine measures, travel restrictions, restaurant and store closures, and the likes to slow and limit the spread. Projections for the global economy have since been downgraded to a sobering 1.9% decline in 2020, while annual growth within the Chinese economy is expected to stall to below 2.0%[1].

Our sodium hydrosulfite plant continued to register significant losses in FY2019 due to the various reasons aforementioned. We have taken a mix of measures, including cost-cutting, working with other key producers to lobby the environmental authorities to reduce unplanned stoppages, widening our customer base and exploring export opportunities, all with a view to improve the project's performance in the past two years. Besides that, the Management has also started exploring the possibility of modifying part of the facilities to enable us to produce other more profitable products with the permission of regulatory authorities. The COVID-19 epidemic however, slowed down our efforts on that end, resulting in uncertainties in the future performance of the plant. We will be taking a prudent approach towards this and will continue to monitor the market condition closely and adapt our business strategies to the volatile situation.

IN APPRECIATION

On behalf of my fellow Board members, I would like to give all shareholders, customers, business partners, staff as well as all stakeholders my heartfelt appreciation as we cross the hurdle this year and look towards tiding over the challenging year ahead. We shall persevere with your continued support to do our best to bring our performance around.

Thank you.

HAN LIANGUO
Non-Executive and Non-Independent Chairman

[1] *Global Economic Outlook - Coronavirus Crisis Update.* Fitch Ratings. 2 April 2020.

主席致辞

尊敬的各位股东，

我很高兴与大家分享本集团截至2019年12月31日的财政年度（“ 2019财年”）的财务业绩。 在全球变幻莫测的一年中，全球增长创下十年前全球金融危机以来最弱的步伐，本集团的业务受到了影响，其收入和利润受到侵蚀。 在连续三年的连续实现利润后，本集团在2019财年呈现净亏损。

“我们将对此采取审慎的方法，并将继续密切监视市场状况，并在瞬息万变的形势下应用适当的商业战略。”

2019财年 – 在充满挑战的市场及行业环境中运营

在中美贸易紧张局势不断攀升的背景下，宏观经济和国内格局都压低了贸易的信心，导致中国经济总体放缓。这些滚雪球般的效果使我们的业绩大受打击。

本集团于2019财政年度上半年的表现稍好，尽管与2018财政年度上半年相比销售额下降了12%。2019财年下半年的销售额较2018财年同期下降了27%。2019财政年度的收入较上年减少19%（人民币2.5亿元）至人民币10.5亿元，主要由于我们的两大主要产品二甲基甲酰胺（DMF）和甲胺的售价和销量均下降。 2019财年，DMF的平均售价下跌20%，至每吨4,462元人民币，而销量却比2018财年下降4%。 甲胺的平均售价较2018财年下降14%，至每吨人民币7,295元，销量下降9%。

尽管我们成功的采取了措施重新调整了运营模式以适应严格的环境保护法规，该措施让我们在2018财年获得了回报，但DMF设备的产能利用率从70%下降至62%，而甲胺设备的产能利用率仅微降至99% 同比100%的利用率。 导致设备的产能利用率总体下降的主要原因是计划在2019财年第三季度对这设备进行为期约20天的的主要停车维护。

随着收入的下滑，2019财年的毛利润下降了44%至人民币7,489万元，毛利率整体下降，主要是由于本财政年度DMF和甲胺的销售价格下降。 在连二亚硫酸钠业务方面，我们收入来源多样化的策略受到了打击，由于市场需求疲弱以及严格的行业范围内环境控制政策导致我们的装备在计划外停产，破坏整个行业的运营中断整个行业的运营并进一步降低产量，同时提高生产成本。

前景展望

在2019年期间，主要经济体的经济活动放缓幅度超出了此前的预期。制造业活动非常薄弱，发达经济体的增长放缓，而发展中经济体和新兴经济体的生产性增长较低。与贸易紧张局势相关的政策也压制了美国和中国的经济活动。

主席致辞

尽管先前预测了全球和中国的增长将放缓，但世界市场受到了2019年新型冠状病毒引起的全球大流行的打击。疫情的爆发使中国的经济几乎崩溃了，随之而来的隔离和封锁遍及多个省份和城市。这种流行病在全球范围内的蔓延加速，也严重影响了许多国家的人民和经济生活，一些已经发现确诊新型冠状病例的国家都在实施检疫措施，旅行限制，餐馆和商店关闭以放慢疫情传播的速度。　此后，全球经济预测在2020年被下调至令人震惊的1.9%，而中国经济的年增长率预计将停滞在2.0%以下[1]。

由于上述各种原因，我们的连二亚硫酸钠项目，在2019财年继续呈现重大的亏损。　在过去的两年里，我们采取了多种措施，包括削减成本，与其他主要生产商合作，游说环境主管部门以减少计划外的停工，扩大我们的客户群并探索出口机会，所有这些都是为了改善连而亚硫酸钠项目的业绩　。　除此之外，管理层还开始探索修改部分设施的可能性，以使我们能够在监管机构的许可下生产其他更有利可图的产品。　但是，2019年新冠肺炎的疫情减慢了我们的努力的速度，从而导致了该项目的未来充满着不确定性。　我们将对此采取审慎的方法，并将继续密切监视市场状况，并在瞬息万变的形势下应用适当的商业战略。

[1] 全球经济展望 – 新冠病毒危机更新。 惠誉国际信用评级。 2020年4月2日。

鸣谢

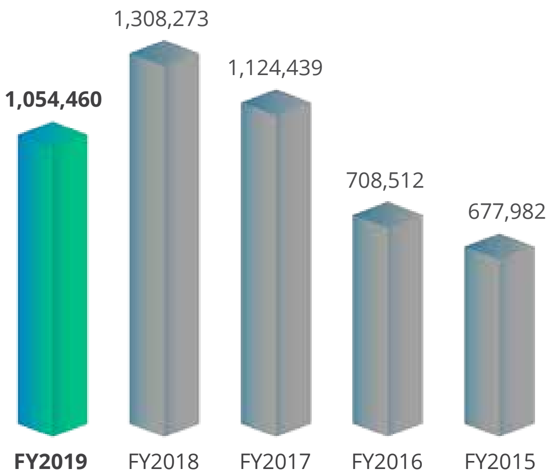
我谨代表我的董事会其他成员，衷心感谢所有股东，客户，业务合作伙伴，员工以及所有利益相关者. 今年我们跨过障碍，期待度过充满挑战的一年。在您持续的支持下，我们将坚持不懈尽我们最大的努力来提高我们的表现。

韩联国
非执行及非独立主席

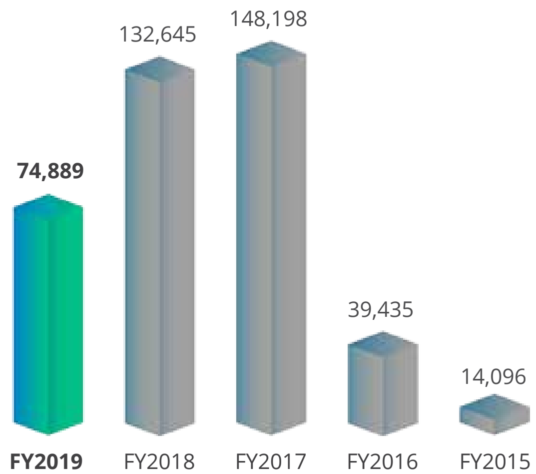
FINANCIAL HIGHLIGHTS

	FY2019	FY2018	FY2017	FY2016	FY2015
Revenue (RMB'000)	**1,054,460**	1,308,273	1,124,439	708,512	677,982
Gross Profit (RMB'000)	**74,889**	132,645	148,198	39,435	14,096
(Loss)/Profit Attributable to Equity Holders (RMB'000)	**(248,418)**	22,079	70,817	586	(8,717)
(Loss)/Earnings per share (RMB cents)	**(13.66)**	1.21	3.89	0.03	(0.48)

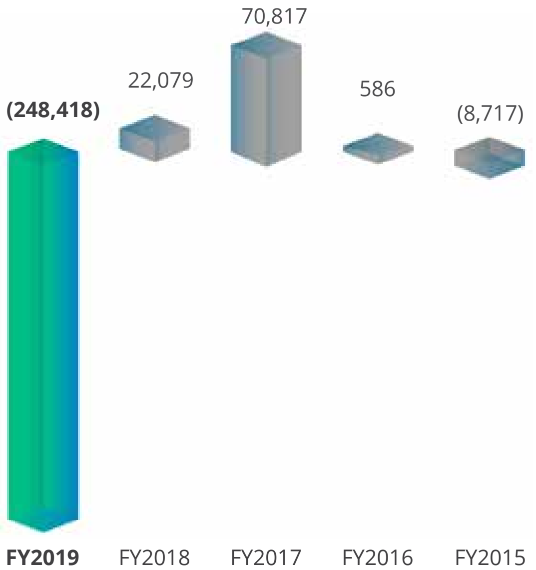
REVENUE (RMB'000)



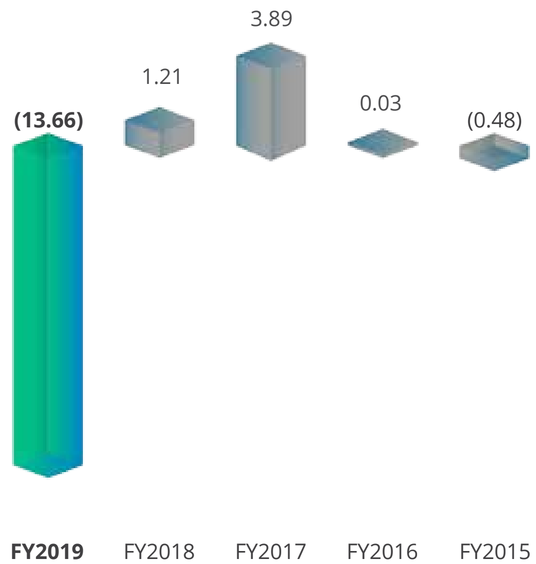
GROSS PROFIT (RMB'000)



(LOSS)/PROFIT ATTRIBUTABLE TO EQUITY HOLDERS (RMB'000)



(LOSS)/EARNINGS PER SHARE RMB Cents



REVIEW OF OPERATIONS

OPERATIONS REVIEW

THE YEAR IN REVIEW

During the year in review, global economic activity waned as a result of headwinds around the world. The Group's operations suffered alongside, rendering the less-than-stellar performance for this year.

Group revenue decreased for FY2019, reporting a year-on-year 19% fall from RMB 1.31 billion in FY2018 to RMB 1.05 billion. This was caused by a combination of lower average selling prices as well as sales volume for the two core products, DMF and Methylamine. In FY2019, the Group sold 4% less DMF at a 20% lower average selling price of RMB 4,462 per tonne compared to FY2018. Sales for Methylamine for the year were 9% lower with a 14% fall in average selling price to RMB 7,295 per tonne. This downward pressure was brought about by challenging market conditions. There were slight slips in capacity utilisation, with our DMF plant faring 62% utilisation and the Methylamine plant attaining 99% utilisation, a year-on-year decrease of 8 and 1 percentage points respectively. Both plants had a scheduled major maintenance shutdown during the third quarter of FY2019 for approximately 20 days.

Gross profit dropped 44% from RMB 132.65 million in FY2018 to RMB 74.89 million, in line with the decrease in revenue. Gross profit margin correspondingly decreased, mainly due to the lower sales prices of DMF and Methylamine during the financial year. Other income marked a 20% decrease of RMB 0.94 million to RMB 3.70 million in FY2019 as there were lesser service fees received, together with lower gain on disposal of property plant and equipment, partially offset by higher interest income mainly attributable to an increase in pledged bank deposits during the financial year.

Distribution costs had a slight increase of 8%, climbing up from RMB 20.90 million in FY2018 to RMB 22.67 million for the year in review, mainly led by an increase in transportation costs under Anyang Jiutian Fine Chemical Co., Ltd ("Anyang Jiutian"). There was an increase in the transportation fees charged by the transportation company as motor vehicles who fail to meet the Fifth Stage Emission Limits of National Motor Vehicle Emission Standards were prohibited on the road during the financial year. Administrative expenses had a slight decrease to RMB 23.62 million from the RMB 25.93 million recorded for FY2018, accounting for lower staff related expenses as fewer performance bonuses were given during the year.

Other expenses saw a sharp spike to RMB 129.07 million for the financial year (FY2018: RMB 0.04 million), relating to impairment loss on investment in our associated companies Anyang Jiulong Chemical Co., Ltd ("Anyang Jiulong") and impairment loss on property, plant and equipment of our subsidiary Companies Henan Herunsheng Isotope Technology Co., Ltd. ("Herunsheng"). The impairment loss arose from the periodic assessment of the recoverable amounts based on their expected future cash flows. Finance costs increased marginally by 16% or RMB 1.09 million, due to an increase in bank borrowings during the financial year.

Share of results of associated companies in FY2019 is largely attributed to the share of loss of RMB 19.12 million (FY2018: share of profit RMB 0.86 million) and RMB 127.65 million (FY2018: share of loss RMB 49.25 million) from Anyang Jiulong and Anyang Jiujiu respectively. For Anyang Jiulong, the losses mainly arose from an unexpected temporary shutdown of one of the boilers for repair and maintenance during the third quarter of FY2019, only resuming its operations in 4Q2019. As for Anyang Jiujiu, it suffered a financial loss in FY2019 that can be accounted by the material impairment for its Sodium Hydrosulfite plant (the "Plant") arising from the periodic assessment of the recoverable amounts based on expected future cash flows of the Plant. The performance of the Plant has been impacted by the slew of economic and industrial factors including the China-US trade war that caused a general slowdown in China's economy, in turn resulting in softened demand for Sodium Hydrosulfite, and strict industry-wide environmental control policies causing unplanned stoppages, leading to low production volume and higher production cost.

REVIEW OF OPERATIONS

STATEMENT OF FINANCIAL POSITION

Current assets held by the Group totalled RMB 900.27 million as at 31 December 2019, an increase of 5% (RMB 46.38 million) from RMB 853.89 million as at 31 December 2018. The increase was largely attributed to:

- An increase in cash and cash equivalents due largely to cash generated from operating activities and financing activities;

partially offset by the decrease in:

- Trade receivables as a result of decrease in revenue in FY2019; and
- Inventories, due largely to fewer finished goods kept as at 31 December 2019, due to customers stocking up on more goods to operate over earlier Chinese New Year holidays beginning 25 January 2020.

The Group's non-current assets decreased from RMB 603.17 million to RMB 293.15 million, mainly due to the decrease in:

- Land use rights arising from amortisation;
- Property, plant and equipment comprising mainly of impairment loss and depreciation charges partially offset by purchase of property, plant and equipment; and
- Investment in associated companies arising from share of loss of associated companies and allowance for impairment loss on investment in associated companies as explained in the preceding paragraphs.

As at 31 December 2019, the Group's current liabilities grew by RMB 15.31 million from the RMB 875.1 million in the previous period to RMB 890.41 million. The increase was mainly due to:

- A drawdown of bank borrowings during the financial year for the purposes of working capital;
- An increase in trade bills payables to banks as more suppliers opted for trade bills as a form of repayment; and

partially offset by the decreases in:

- Trade and other payables due to higher repayment made;
- Contract liabilities due to lesser advance receipts from customers; and
- Income tax payables due to lower profit before tax recorded in Anyang Jiutian's book.

REVIEW OF OPERATIONS

WORKING CAPITAL

As at 31 December 2019, the Group's net current assets position stands at RMB 9.86 million, a turnaround from the negative working capital of RMB 21.21 million as at 31 December 2018.

STATEMENT OF CASH FLOWS

In FY2019 operating activities generated a net cash flow of RMB 61.21 million, up from the RMB 31.22 million obtained in FY2018, mainly due to the inflow from operations and working capital changes caused by the decrease in inventories and trade receivables and partially offset by decrease in trade payables due to higher repayment made.

Net cash used in investing activities in FY2019 amounted to RMB 20.54 million, mainly arising from the advance provided to Anyang Jiujiu for working capital purposes as well as the purchase of property, plant and equipment.

Net cash generated from financing activities amounting to RMB 32.81 million was mainly due to increase in bank borrowings and increase in bill payables to banks, partially offset by an increase in pledged bank deposits and interest paid during the financial year.

BOARD OF DIRECTORS

MR HAN LIANGUO
Non-Executive and Non-Independent Chairman

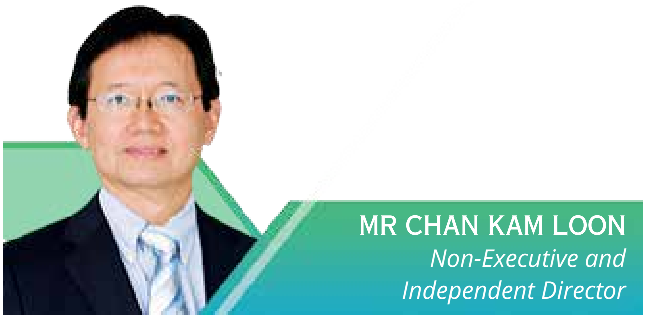
Mr Han Lianguo was appointed as the Non-Executive and Non-Independent Chairman of the Group on 22 March 2019. Mr Han graduated from the Zhengzhou University of Technology with a bachelor's degree in engineering. He is currently also the Chairman of Anyang Chemical Industry Group Co., Ltd. and the General Manager of Anyang Yongjin Chemical Co., Ltd. Prior to these appointments, Mr Han also held various managerial and supervisory positions in Anyang Chemical Industry Group Co., Ltd. across a span of over 23 years.

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 an 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 an 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 Limited.

BOARD OF DIRECTORS

MR GAO GUOAN
Non-Executive and Independent Director

Mr Gao Guoan was appointed as a 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 the president of Henan Province Coal Industrial Association.

MR ZHANG HONGTAO
Non-Executive and Non-Independent Director

Mr Zhang Hongtao was appointed as a Non-Executive and Non-Independent Director on 1 February 2018. Mr Zhang obtained a Bachelor Degree in Auditing from Wuhan University and a Master Degree in Statistics and Risk Management from the University of South Australia. Mr Zhang is currently the Deputy Head of Capital Operations of Henan Energy and Chemical Industry Group Co., Limited ("HNEC"). Prior to his current appointment in HNEC, Mr Zhang was Deputy Head of Capital Operations in China Pingmei Shenma Energy & Chemical Group Co., Ltd. from March 2011 to July 2017.

MR WANG GANG
Non-Executive and Non-Independent Director

Mr Wang Gang was appointed as a Non-Executive and Non-Independent Director on 1 February 2018. Mr Wang specialises in accounting and has a Bachelor Degree in Accounting from the Henan University of Finance and Economics. He is currently the Chief Financial Officer of Anyang Chemical Industry Group Co. Ltd. Prior to his current appointment in Anyang Chemical, Mr Wang was the Department Head of Finance of Henan Province Gas (Group) Co., Ltd. from December 2012 to December 2016.

MR CHEN MINGJIN
Non-Executive and Independent Director

Mr Chen Mingjin was appointed as a Non-Executive and Independent Director on 1 February 2018. Mr Chen graduated from Northeast Forestry University of China with a Bachelor Degree in Forestry Economy. Subsequently, he obtained a Master's Degree in Economic Management from Heilongjiang Academy of Social Sciences. Between 2001 and 2012, he was the Vice Mayor of Anyang City, Henan Province. He also served as Deputy Secretary of the municipal Government and Municipal Standing Committee.

BOARD OF DIRECTORS

Mr Koh Eng Kheng Victor was appointed as a Non-Executive and Independent Director on 1 February 2018. Mr Koh graduated from the National University of Singapore in 1986 with a Bachelor of Business Administration (Honours). He was awarded the designation of Chartered Financial Analyst in 1992, and is a member of CFA Society Singapore. Mr Koh has over 26 years of experience with Asia ex-Japan equity markets, principally in the area of asset allocation and portfolio management. He was 18 years with AIG Global Investment Corporation (Singapore) Ltd. (subsequently renamed PineBridge Investments Singapore Limited) where he served as Managing Director of Asia ex-Japan equities and subsequently as Chairman and Chief Executive Officer of the company. Mr Koh had also previously served as a member of Commercial Affairs Department Panel of Experts on Security offences.

KEY MANAGEMENT

MR WEI HONGGUANG
General Manager of Subsidiaries

Mr Wei Hongguang graduated from Anyang Institute of Technology with a Bachelor Degree in Chemical Engineering and Technology. Mr Wei was appointed as the General Manager of the China Subsidiaries in May 2017. He is responsible for taking care of the daily operations of the subsidiaries. Prior to joining the Group, Mr Wei was a Manager in Anyang Chemical Industry Group Co., Ltd., where he held a number of supervisor and manager positions spanning over 10 years.

MR NG HAN KIAT
Group Financial Controller

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 working at accounting and business advisory firms in Singapore.

MR HE QINGWU
Head of Marketing

Mr He Qingwu is responsible for directing market research, planning, market analysis and forecast, monitoring national and international development and changes in the product market, formulating marketing strategy and brand strategy. Mr He joined the group in August 2017 as Deputy Head of Marketing and was promoted to the current position in July 2019. Mr He obtained a Bachelor Degree from Xi'an Jiaotong University.

MR CHEN YIQUAN
Vice General Manager of Subsidiaries
-Production and Technology

Mr Chen Yiquan 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 Chen joined Anyang Jiutian in October 2010. Mr Chen graduated with a Bachelor's Degree in Open University of China.

MS LIU SHUXIN
Financial Controller of Subsidiaries

Ms Liu Shuxin graduated from Zhengzhou Institute of Aeronautical Industry Management with a degree in Accounting. She worked in the Finance Department of Anhua from 1994 to 2010 and participated in the production costing, project financial management and manages the company's finances. Ms Liu later joined Anyang Jiutian in 2010 as Finance Supervisor and was in charge of the financial budget, financial statements, and taxation matters of the China subsidiaries. She was appointed as the financial controller of subsidiaries in 2017.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Han Lianguo
Lee Chee Seng
Wu Yu Liang
Chan Kam Loon
Gao Guoan
Zhang Hongtao
Wang Gang
Chen Mingjin
Koh Eng Kheng Victor

AUDIT COMMITTEE

Chan Kam Loon (Chairman)
Wu Yu Liang
Koh Eng Kheng Victor

NOMINATING COMMITTEE

Gao Guoan (Chairman)
Koh Eng Kheng Victor
Han Lianguo

REMUNERATION COMMITTEE

Wu Yu Liang (Chairman)
Chan Kam Loon
Gao Guoan

COMPANY SECRETARIES

Lee Wei Hsiung, ACIS
Lee Pay Lee, ACIS

REGISTERED OFFICE

80 Robinson Road #02-00
Singapore 068898
Telephone number: 6536 3738
Fax number: 6236 4399

COMPANY REGISTRATION NUMBER

200415416H

PRINCIPAL PLACE OF BUSINESS ADDRESS

350 Orchard Road
#21-03 Shaw House
Singapore 238868
Telephone number: 6536 3738
Fax number: 6536 3898

Zhangwu Street, LongAn 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
Chartered Accountants of Singapore
600 North Bridge Road
#05-01 Parkview Square
Singapore 188778
Partner-in-charge: Mr Ong Kian Guan
Appointed since financial year ended 31 December 2018

CONTINUING SPONSOR

PrimePartners Corporate Finance Pte. Ltd.
16 Collyer Quay
#10-00 Income at Raffles
Singapore 049318

CORPORATE GOVERNMENT REPORT

JIUTIAN CHEMICAL GROUP LIMITED ("**Jiutian Chemical**" or the "**Company**") is committed to maintaining 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 outlines the Company's corporate governance processes and activities that were in place, with specific reference to the Code of Corporate Governance 2018 (the "**Code**") and the disclosure guide (the "**Guide**") developed by Singapore Exchange Securities Trading Limited (the "**SGX-ST**").

The Group is generally in compliance with the principles and provisions as set out in the Code and the Guide. Appropriate explanations have been provided in relevant sections where there are deviations.

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 long-term success of the Company. The composition of the Board as at the date of this report is as follows:

Mr Han Lianguo	Non-Executive and Non-Independent Chairman
Mr Lee Chee Seng	Executive Director
Mr Wang Gang	Non-Executive and Non-Independent Director
Mr Zhang Hongtao	Non-Executive and Non-Independent Director
Mr Wu Yu Liang	Non-Executive and Lead Independent Director
Mr Chan Kam Loon	Non-Executive and Independent Director
Mr Gao Guoan	Non-Executive and Independent Director
Mr Chen Mingjin	Non-Executive and Independent Director
Mr Koh Eng Kheng Victor	Non-Executive and Independent Director

All Directors are fiduciaries who objectively discharge their duties and responsibilities at all times in the interest of the Company. 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) align the interests of the Board and Management with that of shareholders and balance the interests of all stakeholders;

(d) 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;

(e) review management performance;

(f) ensure compliance with all laws and regulations as may be relevant to the business;

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

(h) identifying the key stakeholder groups and recognise that their perceptions affect the Company's reputation;

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

(j) considering sustainability issues including environmental and social factors in the formulation of Group's strategies.

CORPORATE GOVERNMENT REPORT

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.

Where Board Meetings are not convened, the Board may use circular resolution in writing to sanction certain decisions. Directors facing conflict of interest will recuse themselves from discussions and decisions involving the issues of conflict.

The Board has put in place a code of conduct and ethics, sets appropriate tone-from-the-top and desired organisational culture and ensures proper accountability within the Company. The Group has adopted and documented internal guidelines setting forth the 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, 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, dividends release or changes in capital;
- Material interested person transactions; and
- Any investment or expenditures.

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.

In financial year ended 31 December 2019 ("**FY2019**"), the number of the Board and Board Committee meetings held and the attendance of each Board member are shown below:

	General Meeting	**Board**	**AC**(1)	**NC**(2)	**RC**(3)
	Number of Meetings held: 1	**Number of Meetings held: 4**	**Number of Meetings held: 4**	**Number of Meetings held: 1**	**Number of Meetings held: 1**
Name	**Number of Meetings Attended**	**Number of Meetings Attended**	**Number of Meetings Attended**	**Number of Meetings Attended**	**Number of Meetings Attended**
Mr Han Lianguo*	1	3	n.a.	-	n.a.
Mr Lee Chee Seng	1	4	n.a.	n.a.	n.a.
Mr Wang Gang	1	4	n.a.	n.a.	n.a.
Mr Zhang Hongtao	1	3	n.a.	n.a.	n.a.
Mr Wu Yu Liang	1	4	4 (Member)	n.a.	1 (Chairman)
Mr Chan Kam Loon	1	4	4 (Chairman)	n.a	1 (Member)
Mr Gao Guoan	1	4	n.a.	1 (Chairman)	1 (Member)
Mr Chen Mingjin	1	3	n.a.	n.a.	n.a.
Mr Koh Eng Kheng Victor	1	4	4 (Member)	1 (Member)	n.a.
Mr Wang Yi Ming**	n.a.	n.a.	n.a.	n.a.	n.a.

* Appointed as a Non-Executive and Non-Independent Chairman with effect from 22 March 2019.

** resigned as a Non-Executive and Non-Independent Chairman on 22 March 2019.

n.a.: not applicable

CORPORATE GOVERNMENT REPORT

For FY2019

(1) The AC comprises 3 members, all of whom, including the Chairman, are independent. All members of the AC are Non-Executive Directors.

(2) The NC comprises 3 members, the majority of whom, including the Chairman, are independent. All members of the NC are Non-Executive Directors.

(3) The RC comprises 3 members, all of whom, including the Chairman, are independent. All members of the RC are Non-Executive Directors.

The Board values on-going professional development and recognises that it is important that all Directors receive regular training so as to be able to serve efficiently on and contribute to the Board. 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 Group has an open policy for professional training for all 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 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.

While the Directors have not attended any external trainings for FY2019, briefings and updates for the Directors include:

- The independent auditors had briefed the AC on changes or amendments to accounting standards; and
- The Company Secretary has briefed the Board on regulatory changes, such as changes to the Companies Act and/or the SGX-ST Listing Manual Section B: Rules of Catalist ("**Catalist Rule**"); and
- The Executive Director briefed the Board on the business activities and updates of 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. Timely communication with the Board can be achieved through electronic means.

From time to time, the directors are furnished with detailed information concerning the Group to enable them to be fully aware and understand the decisions and actions of the management of the Group. The Board has unrestricted access to the Group's records and information. As a general rule, the Board papers are required to be sent to directors at least five (5) working days before Board meeting so that members may better understand the matters before the Board meeting and discussion may be focused on questions that the Board has about the Board papers. The Board papers include sufficient information from the management on financial, business and corporate issues to enable the directors to be properly briefed on issues to be considered at Board meetings. Directors with multiple board representations (if any) will ensure that sufficient time and attention are given to the affairs of the Company.

The independent directors have separate and independent access to the Group's senior management and Company Secretary at all times. The appointment and removal of the company secretary are subject to the approval of the Board. The Board also takes independent professional advice as and when necessary to enable them to discharge their responsibilities effectively. Subject to the approval of the Chairman, Directors, whether as a group or individually, may seek and obtain independent professional advice to assist them in their duties, at the Company's expense.

Principle 2 – Board Composition and Guidance

The Board comprises nine (9) Directors: one (1) Executive Director ("**ED**"), five (5) Non-Executive and Independent Directors ("**ID**") and three (3) Non-Executive and Non-Independent Directors ("**NENID**") as at the date of this report. The profiles of the Directors are set out on pages 16, 17 and 18 of this Annual Report.

In view of the fact that the Chairman is not an Independent Director, the majority of the Board are independent.

CORPORATE GOVERNMENT REPORT

The Board assesses the effectiveness of the Board and Board Committee 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. In addition, each Director has been appointed on the strength of his calibre and experience which brings about a valuable range of experience and expertise to contribute to the development of the strategy and performance of the Company. 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 IDs have confirmed that they are independent in conduct, character and judgement, and have no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the directs' independent business judgement in the best interests of the Company as stipulated in Provision 2.1 of the Code as well as 406(3)(d) of the Catalist Rules. Annually, each ID is required to complete the Director's Independence confirmation checklist in their assessment of independence. The NC has reviewed, determined and confirmed the independence of the IDs in accordance with the Code and the Catalist Rules.

The NC has affirmed that Mr Wu Yu Liang, Mr Chan Kam Loon, Mr Gao Guoan, Mr Chen Mingjin and Mr Koh Eng Kheng Victor are independent. Each ID has abstained from the NC/Board's determination of his independence. There is no Director who is deemed independent by the Board, notwithstanding the existence of a relationship as stated in the Code.

The Board recognises that IDs may over time develop significant insights into the Group's business and operations, and can continue to objectively provide significant and valuable contributions to the Board as a whole. Where there are such Directors serving as an ID for beyond nine years from their first appointment, the Board will do a rigorous review of their continuing contribution, character, background and independence. As at the date of this Annual Report, Mr Wu Yu Liang and Mr Chan Kam Loon have served beyond nine years and they shall continue to hold the position of IDs of the Company. In addition, these long serving directors are very familiar with the Company's history and the Group's businesses.

The NC considered that Mr Wu Yu Liang and Mr Chan Kam Loon continued to demonstrate 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 in the deliberation for the best interest of the Company and objectivity which did not diminish over time. The length of their services on the Board didn't affect their independence from the Management and the Board as they continue to express their independent views and debate the issues in the Meetings.

In view of the above, the NC confirms that Mr Wu Yu Liang and Mr Chan Kam Loon continue to be independent notwithstanding each of them having served beyond nine years.

Additionally, the Board is of the opinion that it would be most effective to draw on the wealth of experience from the long serving directors while concurrently taking progressive steps to review and consider opportunities to refresh the Board as and when deemed required. To meet the changing challenges in the industry, such review includes considering factors such as the expertise, skills and perspectives which the Board needs against the existing competencies would be done on an annual basis to ensure that the Board dynamics remain optimal.

The Board's policy in identifying director nominees is primarily to have an appropriate mix of members with complementary skills, core competencies and experience for the Group, regardless of gender.

The current Board composition provides a diversity of skills, experience, and knowledge to the Company as follows:

Table 2.4 – Balance and Diversity of the Board

	Number of Directors	Proportion of Board
Core Competencies		
- Accounting or finance	5	56%
- Business management	9	100%
- Legal or corporate governance	3	33%
- Relevant industry knowledge or experience	5	56%
- Strategic planning experience	9	100%

CORPORATE GOVERNMENT REPORT

The Board has taken the following steps to maintain or enhance its balance and diversity:

- Annual review by the NC to assess if the existing attributes and core competencies of the Board are complementary and enhance the efficacy of the Board; and

- Annual evaluation by the Directors of the skill sets the other Directors possess, with a view to understand the range of expertise which is lacking by the Board.

The NC will consider the results of these exercises in its recommendation for the appointment of new directors and/or the re-appointment of incumbent directors.

The Board and management recognise the benefits of open and constructive debates, Non-Executive Directors may challenge and help to develop proposals on strategy and guidance to the management in the best interest of the Company.

The Non-Executive Directors and/or Independent Directors are scheduled to meet regularly, and as warranted, in the absence of key management personnel to discuss concerns or matters such as the effectiveness of Management. For FY2019, the Non-Executive Directors and Independent Directors have met once in the absence of key management personnel.

Principle 3 – Chairman and Chief Executive Officer

To ensure a balance of power and authority within the Company, the role of the Non-Executive and Non-Independent Chairman ("**Chairman**") and the Acting Chief Executive Officer ("**Acting CEO**") of the Company are undertaken by separate persons, Mr Han Lianguo and Mr Wei Hongguang respectively as at the date of this report.

Mr Han Lianguo was appointed as the Non-Executive and Non-Independent Chairman, plays a key role in developing a strong leadership and vision of the Group. The Chairman is responsible for the workings of the Board, ensuring the integrity and effectiveness of its governance process. He works closely with the Board to implement the policies set by the Board to realise the Group's vision. He also promotes a culture of openness and debate at the Board, facilitate the effective contribution of the Board and encourages constructive relations within the Board and between the Board and the Management. All major decisions made by the Chairman are reviewed by the Board.

As the Acting CEO, Mr Wei Hongguang's responsibility includes overseeing the business operations of the Group with the assistance of key management personnel and takes a leading role in developing the business of the Group. He also oversees the execution of the business and corporate strategy decision made by the Board.

None of the Chairman or the former Chairman of the Company and Acting CEO or Chief Executive Officer is related to each other.

Mr Wu Yu Liang, has also been appointed as the Lead Independent Director of the Company and make himself available the shareholders if they have concerns relating to matters contact through the Chairman or Acting CEO or Group Financial Controller have failed to resolve or is inappropriate, the Lead Independent Director makes himself available to shareholders at the Company's general meetings.

Led by the Lead Independent Director, the IDs will meet in the absence of the other Directors as and when circumstances warrant. In FY2019, the IDs have met once in the absence of the other Directors.

Principle 4 – Board Membership

Nominating Committee

In FY2019, the NC comprises the following three (3) members, majority of whom, including the Chairman are independent:

Gao Guoan	(NC Chairman, ID)
Koh Eng Kheng Victor	(Member, ID)
Han Lianguo	(Member, NENID)

CORPORATE GOVERNMENT REPORT

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

(a) review and make recommendations to the Board on all candidates nominated for appointment and re-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 Provision 2.1 of the 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 for directors, in particular, of the chairman of the Board and the key management personnel 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) the process and criteria to 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 IDs. (or such other minimum proportion and criteria as may be specified in the CG Code from time to time.)

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.

The Company currently does not have any alternate director.

The following non-independent Directors are nominees of Henan Energy and Chemical Industry Group Co., being the ultimate holding Company of Anyang Longyu (HK) Development Co., Ltd (Controlling Shareholder of the Company):

(1) Mr Han Lianguo, Chairman of Anyang Chemical Industry Group Co., Ltd, the holding Company of the Anyang Longyu (HK) Development Co., Ltd, being the Controlling Shareholder of the Company and General Manager of Anyang Yongjin Chemical Co., Ltd;

(2) Mr Wang Gang, Chief Financial Officer of Anyang Chemical Industry Group Co., Ltd; and

(3) Mr Zhang Hongtao, Deputy head of Capital Operations of Henan Energy and Chemical Industry Group Co., Limited.

CORPORATE GOVERNMENT REPORT

In accordance with the provisions of the Company's Constitution and Rule 720(4) of the Catalist Rule, one-third of the Directors will retire by rotation and being eligible, submit for re-election at every Annual General Meeting ("**AGM**"). No Director can stay in office for more than 3 years without being re-elected by the shareholders in the Company. Any new director appointed prior to the AGM, is also required to seek re-election by shareholders at the forthcoming AGM.

The tabulation of the Company's assessment processes for re-election of incumbent Directors are shown below:

1.	Assessment of director	• The NC would assess the performance of the director in accordance with the performance criteria set by the Board; and • The NC would also consider the current needs of the Board.
2.	Re-appointment of director	• Subject to the NC's satisfactory assessment, the NC would recommend the proposed re-appointment of the director to the Board for its consideration and approval.

Pursuant to Article 91 of the Company's Constitution, the NC had reviewed and recommended the following Directors for re-election as Director at the forthcoming AGM of the Company:

1. Mr Gao Guoan, upon re-election as a director of the Company, will remain as a Non-Executive and Independent Director, the Chairman of NC and a member of the RC.

2. Mr Chan Kam Loon, upon re-election as a director of the Company, will remain as a Non-Executive and Independent Director, the Chairman of AC and a member of the RC. The Board considers Mr Chan to be independent for the purpose of Rule 704(7) of the Catalist Rule.

3. Mr Zhang Hongtao, upon re-election as a director of the Company, will remain as a Non-Executive and Non-Independent Director.

Pursuant to Rule 720(5) of the Catalist Rules of the SGX-ST, the information relating to the retiring Directors as set out in Appendix 7F of the Catalist Rules of the SGX-ST is disclosed below:

Name of Director	**Gao Guoan ("Mr Gao")**	**Chan Kam Loon ("Mr Chan")**	**Zhang Hongtao ("Mr Zhang")**
Date of Appointment	26 April 2013	19 April 2006	1 February 2018
Date of last re-appointment (if applicable)	27 April 2018	27 April 2018	27 April 2018
Age	78	60	52
Country of principal residence	PRC	Singapore	PRC
The Board's Comments on the appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr Gao as the Non-Executive and Independent Director was recommended by the NC and the Board has accepted the recommendation, after taking into consideration his qualifications, past experience and overall contribution since he was appointed as a Director of the Company.	The re-election of Mr Chan as the Non-Executive and Independent Director was recommended by the NC and the Board has accepted the recommendation, after taking into consideration his qualifications, past experience and overall contribution since he was appointed as a Director of the Company.	The re-election of Mr Zhang as the Non-Executive and Non-Independent Director was recommended by the NC and the Board has accepted the recommendation, after taking into consideration his qualifications, past experience and overall contribution since he was appointed as a Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive	Non-Executive

CORPORATE GOVERNMENT REPORT

Name of Director	Gao Guoan ("Mr Gao")	Chan Kam Loon ("Mr Chan")	Zhang Hongtao ("Mr Zhang")
Job title (e.g. Lead ID, AC Chairman, AC Member etc)	Non-Executive and Independent Director, Chairman of NC and member of RC.	Non-Executive and Independent Director, Chairman of AC and RC member.	Non-Executive and Non-Independent Director
Professional Qualifications	Nil	Bachelor of Science (Economics) in Accounting and Finance from London School of Economics and Political Science. Mr. Chan is currently a Member of Institute of Chartered Accountants in England & Wales.	Nil
Working experience and occupation(s) during the past 10 years	December 2008 to February 2015: Independent Director of Zhengzhou Coal Mining Machinery Group Co., Ltd	Mr Chan has many years of experience in accounting and audit with KPMG London and PWC Singapore, investment banking with Morgan Grenfell Asia and HG Asia Securities and was a director of investments at private firm Suez Asia Holdings. Mr Chan was head of the Listings Function of Markets Group at the Singapore Exchange for a number of years. Presently he serves as an independent director of several other SGX listed companies.	July 2017 to Present: Deputy head of Capital Operations of Henan Energy and Chemical Industry Group Co., Limited March 2011 to July 2017: Deputy head of Capital Operations of China Pingmei Shenma Energy & Chemical Group Co., Ltd. January 2008 to March 2011: Head of Finance of China Zhengzhou Grain Wholesale Market
Shareholding interest in the listed issuer and its subsidiaries	None	None	None
Any relationship (including immediate family relationship) with any existing director, existing executive officer the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None	None	None
Conflict of interest (including any competing business)	None	None	None
Other principal commitment Including Directorships	None	Present Directorships: 1) Sarine Technologies Ltd 2) Megachem Ltd 3) Uni-Asia Group Limited Past Directorships: 1) Hupsteel Limited 2) DLF Holding Ltd	Present Principal Commitment: Deputy head of Capital Operations of Henan Energy and Chemical Industry Group Co., Limited
Undertaking (in the format set out in Appendix 7H) under Rule 720 (1) has been submitted to the listed issuer	Yes	Yes	Yes

CORPORATE GOVERNMENT REPORT

Name of Director	Gao Guoan ("Mr Gao")	Chan Kam Loon ("Mr Chan")	Zhang Hongtao ("Mr Zhang")
Information required pursuant to Catalist Rules 704 (6) and/or 704(7)			
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	None except that in June 2014, Receivers PWC were appointed to Z-Obee Holdings Ltd ("Z-Obee") by its bankers. The Independent Directors and officers of the company at that time were not informed and were kept totally in the dark by the Executive Directors. Mr Chan resigned immediately on 30 June 2014 as the offices were locked and no one related to the Z-Obee were contactable.	No
(c) Whether there is any unsatisfied judgment against him?	No	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No

CORPORATE GOVERNMENT REPORT

Name of Director	Gao Guoan (“Mr Gao”)	Chan Kam Loon (“Mr Chan”)	Zhang Hongtao (“Mr Zhang”)
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No

CORPORATE GOVERNMENT REPORT

Name of Director	Gao Guoan ("Mr Gao")	Chan Kam Loon ("Mr Chan")	Zhang Hongtao ("Mr Zhang")
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:– (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	None except for a letter dated 22 January 2018 issued by the Stock Exchange of Hong Kong Limited ("HKEX") relating to the delay in the publication of Z-Obee annual results and annual report for FY2014, FY2015 and FY2016 and interim results and report for 6 months ended 30 September 2014. The HKEX had requested each of the former directors of Z-Obee to acknowledge the receipt of the warning letter but had indicated that no disciplinary action would be taken against any of the former directors.	No

CORPORATE GOVERNMENT REPORT

Name of Director	Gao Guoan ("Mr Gao")	Chan Kam Loon ("Mr Chan")	Zhang Hongtao ("Mr Zhang")
		Mr Chan had acknowledged the receipt of the letter issued by HKEX and had also replied to HKEX on 1 September 2018 to state that after the Receivers PWC were appointed and his resignation as an Independent Director of Z-Obee on 30th June 2014, it was not possible or Mr Chan to fulfil the directors' obligation to ensure timely release of such results and report as PWC was in full control of all executive aspects of the company including the operations and finance of the company. Besides, all the Company's finance and administrative employees had been released following the appointment of Receivers. In addition, Mr Chan was not kept informed of any of the pertinent events leading to the appointment of the Receivers by the Executive Directors who were all non-contactable.	

In making the recommendations, the NC considered the Directors' overall contribution and performance. Their profiles are shown on pages 16, 17 and 18 of the Annual Report.

All Directors are required to declare their board appointments. The NC has reviewed the time spent and attention given by each Director to the Company's affairs, taking into account the multiple directorships and other principal commitments of each of the Directors (if any), and is satisfied that all Directors have adequately discharged their duties for FY2019.

The Board has not capped the maximum number of listed company board representations each Director may hold. The NC is of the view that the effectiveness of each Director is best assessed by a qualitative assessment of the Director's contributions, after taking into account his other listed company board directorships and other principal commitments, not guided by a numerical limit. The NC also believes that it is for each Director to assess his own capacity and ability to undertake other obligations or commitments together with serving on the Board effectively. The NC does not wish to omit from consideration outstanding individuals who, despite the demands on their time, have the capacity to participate and contribute as members of the Board.

CORPORATE GOVERNMENT REPORT

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

Name of Directors	Date of first appointment	Date of last re-election	Nature of Appointment	Membership of Board Committee	Directorship held presently and those over the preceding three years in other listed company	Other Principal Commitments
Han Lianguo	22 March 2019	N/A	Non-Executive and Non-Independent Chairman	Nominating Committee	Present Past three years –	Chairman of Anyang Chemical Industry Group Co., Ltd. and General Manager of Anyang Yongjin Chemical Co., Ltd.
Lee Chee Seng	30 November 2004	25 April 2019 (Article 91)	Executive Director	–	Present – Past three years –	–
Wang Gang	1 February 2018	25 April 2019 (Article 91)	Non-Executive and Non-Independent Director	–	Present – Past three years –	Chief Financial Officer of Anyang Chemical Industry Group Co., Ltd.
Zhang Hongtao	1 February 2018	27 April 2018 (Article 97)	Non-Executive and Non-Independent Director	–	Present – Past three years –	Deputy head of Capital Operations of Henan Energy and Chemical Industry Group Co., Limited.
Wu Yu Liang	19 April 2006	25 April 2019 (Article 91)	Non-Executive and Lead Independent Director	1. Remuneration Committee (Chairman) 2. Audit Committee	Present 1. Pan Asian Holdings Limited 2. AusGroup Limited Past three years –	Managing Director of Wu LLC
Chan Kam Loon	19 April 2006	27 April 2018 (Article 91)	Non-Executive and Independent Director	1. Audit Committee (Chairman) 2. Remuneration Committee	Present 1. Sarine Technologies Ltd 2. Megachem Limited 3. Uni-Asia Group Ltd. Past three years 1. Hupsteel Limited 2. DLF Holdings Ltd	–

CORPORATE GOVERNMENT REPORT

Name of Directors	Date of first appointment	Date of last re-election	Nature of Appointment	Membership of Board Committee	Directorship held presently and those over the preceding three years in other listed company	Other Principal Commitments
Gao Guoan	26 April 2013	27 April 2018 (Article 91)	Non-Executive and Independent Director	1. Nominating Committee (Chairman) 2. Remuneration Committee	Present – Past three years –	–
Chen Mingjin	1 February 2018	27 April 2018 (Article 97)	Non-Executive and Independent Director	-	Present – Past three years –	–
Koh Eng Kheng Victor	1 February 2018	27 April 2018 (Article 97)	Non-Executive and Independent Director	1. Audit Committee 2. Nominating Committee	Present – Past three years China Star Food Group Limited	–

CORPORATE GOVERNMENT REPORT

Principle 5 – Board Performance

A review of the performance and effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board are 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 on the various aspects of the Board's performance from each Director to continually improve the Board's performance and assess the overall effectiveness of the Board.

The NC had decided on the evaluation form for the Board's performance and the objective performance criteria. Such performance criteria allow the comparison with industry peers which are required to be approved by the Board in order to enhance the shareholders' value in long term. The NC did not propose any changes to the performance criteria for FY2019 as compared to the previous financial year as the Board composition and the Group's principal business activities remained the same.

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 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. In addition, the evaluation exercise also assists the NC in determining whether to re-nominate Directors who are resigning or in appointing new directors in order to improve the performance and contributions of the Board.

All NC members have abstained from the voting or review process of any matters in connection with the assessment of his performance.

The Board has not engaged any external facilitator in conducting the assessment of the Board's performance. The Board has met its performance objectives in FY2019.

Management provides the Board with key information that is complete, adequate and timely, pertaining to areas such as budget forecast, funding positions and cash flow projections of the Group to help them carry out their responsibilities effectively. The following tabulates the information provided and the frequency in FY2019:

	Information	Frequency
1.	Board papers (with background or explanatory information relating to the matters brought before the Board, where necessary)	Quarterly
2.	Updates to the Group's operations and the markets in which the Group operates in	Quarterly
3.	Budgets and/or forecasts (with variance analysis) and management accounts (with financial ratios analysis)	Monthly
4.	Reports on on-going or planned corporate actions	Quarterly
5.	Enterprise risk framework and internal auditors' ("IA") report(s)	Quarterly
6.	Research report(s)	Quarterly
7.	Shareholding statistics	Quarterly
8.	Regulatory updates and implications	Quarterly
9.	Significant project updates	Quarterly
10.	Independent auditor's report(s)	Annually

Management will also on best endeavours, encrypt documents which bear material price sensitive information when circulating documents electronically.

All Board members are provided with the contact details of senior management personnel in order to facilitate separate and independent access to these personnel, when required.

CORPORATE GOVERNMENT REPORT

REMUNERATION MATTERS

Principle 6 – Procedures for Developing Remuneration Policies

Remuneration Committee

In FY2019, the RC comprises the following three (3) members, all of whom are independent:

Wu Yu Liang	(RC Chairman, ID)
Chan Kam Loon	(Member, ID)
Gao Guoan	(Member, ID)

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 Non-Executive Directors.

In preparation for the extent of termination of executive directors' and key management personnel's contract of service, the RC reviews such contracts of services and institutes safeguards for fair and reasonable termination clauses which are not overly generous.

The Company did not appoint an external remuneration consultant during the financial year.

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

Principle 7 – 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 Executive Director. The recommendations of the RC on the remuneration of Directors would be submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses and benefits-in-kind shall be reviewed by the RC to ensure that they are fair.

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 as well as prevailing market conditions. The RC also ensures that the remuneration policies and systems of the Group support the Group's objectives and strategies.

The Company currently does not have any contractual provisions which allow it to reclaim incentives from the Executive Director and key management personnel in certain circumstances. The Board is of the view that as the Group pays performance bonuses based on the actual performance of the Group and/or Company (and not on forward-looking results) as well as the actual results of its Executive Director and key management personnel, "claw back" provisions in the service agreements may not be relevant or appropriate.

For the remuneration packages of Non-Executive Directors, the effort, time spent, and responsibilities of the Non-Executive Directors are taken into account. None of Non-Executive Directors decides his own remuneration. Directors' fees to be paid to Directors are subject to the approval of shareholders at the forthcoming AGM.

The Company has no share-based compensation schemes or any long-term scheme involving the offer of shares or option in places.

CORPORATE GOVERNMENT REPORT

Principle 8 – Disclosure on Remuneration

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

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

During FY2019, NENID who are the nominee director for HNEC were not paid any remuneration.

During the financial year, the RC met once to review and recommend the remuneration of the ED, NENIDs and IDs. The RC had recommended the directors' fee for the IDs of S$190,000 for FY2019 to be paid quarterly in arrears.

The aggregate amount of the retirement and post-employment benefits to the Directors, the CEO and top 5 key management personnel (who are not directors or CEO) is approximately S$51,904. Details of the said benefits can be found on page 79 of the Annual Report.

The remuneration band of the Directors and key management personnel for FY2019 and the various components of their remuneration in percentage terms are set out below in compliance with the recommendation of the Code. The remuneration received by the Executive Director and key management personnel takes into consideration his or her individual performance and contribution towards the overall performance of the Group for FY2019. Their remuneration is made up of fixed and variable compensations. The fixed compensation consists of an annual base salary, fixed allowance and annual wage supplement. The variable compensation is determined based on the level of achievement of corporate and individual performance objectives.

For FY2019, the details of the annual remuneration of the Directors and Top 5 key management personnel are as follows:

	Fees	Salary	Bonus	Other Benefits	Total %
EXECUTIVE DIRECTOR					
S$250,000 – S$500,000					
Lee Chee Seng	–	79%	7%	14%	100%
NON-EXECUTIVE DIRECTORS					
Below S$250,000					
Wang Yiming	–	–	–	–	–
Zhang Hongtao	–	–	–	–	–
Wang Gang	–	–	–	–	–
Han Lianguo	–	–	–	–	–
INDEPENDENT DIRECTORS					
Below S$250,000					
Chan Kam Loon	100%	–	–	–	100%
Wu Yu Liang	100%	–	–	–	100%
Gao Guoan	100%	–	–	–	100%
Chen Mingjin	100%	–	–	–	100%
Koh Eng Kheng Victor	100%	–	–	–	100%
KEY MANAGEMENT PERSONNEL					
Below S$250,000					
Wei Hongguang	–	81%	–	19%	100%
Ng Han Kiat	–	81%	7%	12%	100%
Liu Shuxin	–	81%	–	19%	100%
Chen Yiquan	–	79%	–	21%	100%
He Qingwu	–	86%	–	14%	100%

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Due to a highly competitive environment where industry poaching of executives is commonplace, and for confidentiality reasons, Company is therefore not disclosing the exact remuneration of Directors and key management personnel. The Company is instead disclosing the remuneration in bands of S$250,000.

For FY2019 the aggregate amount of the remuneration paid to the top 5 key management personnel is approximately S$260,000.

There is no employee of the Group who is substantial shareholder of the Company or an immediate family member of the Director, the CEO or a substantial shareholder of the Company whose remuneration exceeded S$100,000 in FY2019.

The Company does not adopt any Employee Share Options or Share Schemes.

The remuneration received by the Executive Directors and key management personnel takes into consideration his performance and contribution towards the overall performance of the Group for FY2019. Their remuneration was made up of fixed and variable compensations. The fixed compensation consists of an annual base salary and fixed allowances. The variable compensation is determined based on the level of achievement of individual performance objectives.

The following performance conditions are used by the Group to remain competitive and to motivate the Executive Directors and key management personnel to work in alignment with the goals of all stakeholders:

1. Financial performance of the Group
2. Leadership
3. People development
4. Commitment

The RC has reviewed and is satisfied that the qualitative and quantitative performance conditions of the key management personnel and Executive Director were met for FY2019.

ACCOUNTABILITY AND AUDIT

Principle 9 – Risk Management and Internal Controls

The Board is responsible for the overall risk governance, risk management and internal control framework of the Group and is fully aware of the need to put in place a system of internal controls within the Group to safeguard shareholders' interest and the Group's assets and to manage risk. 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. The Board regularly reviews the effectiveness of all internal controls including operational controls. The role of risk management has been delegated to the AC.

<u>Risk Management</u>

The AC assisted the Board to review the adequacy and effectiveness of the Company's risk management and internal audit function annually based on the report of the internal and independent auditors. The Company had engaged Crowe Horwath First Trust Risk Advisory Pte Ltd to perform a review on its internal controls and enterprise risk management (the "**Reviews**"). During the financial year, the AC had reviewed and based on the internal auditors' reports of the Reviews, internal controls and risk management system established and maintained by the Group, work performed by independent auditors and reviews performed by Management, the Board with the concurrence of the AC is of the opinion that the Company's internal controls (including financial, operational, compliance, information technology) and risk management are adequate and effective for FY2019.

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

In line with the Code, the Board has received assurance from the Acting CEO and the Group Financial Controller that the financial records as at 31 December 2019 have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances. The Board has also received assurance from the Acting CEO and Group Financial Controller that the Group's risk management and internal control systems are adequate and effective.

Principle 10 – Audit Committee

In FY2019, the AC comprises the following three (3) members, all of whom are independent:

Chan Kam Loon	(AC Chairman, ID)
Wu Yu Liang	(Member, ID)
Koh Eng Kheng Victor	(Member, ID)

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, among others, the following main functions:

(a) to review with the independent auditors their audit plan, their evaluation of the system of internal accounting controls relevant to their statutory audit and their report on the financial statements;

(b) reviewing the assurance from the CEO and the CFO (or their equivalents) on the financial records and financial statements;

(c) 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;

(d) to review the assistance given by management to the independent auditors;

(e) to review any significant unresolved differences between the independent auditors, internal auditors and management;

(f) to review the scope and results of the audit and its cost effectiveness. The independence of independent auditors should be reviewed annually;

(g) to review annually the nature and extent of non-audit services (where these are substantial) provided by the independent auditors to the Company to ensure that these are provided objectively, on a value-for-money basis;

(h) 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;

(i) to consider the appointment/re-appointment and removal of the independent auditors, the remuneration, terms of engagement and matters relating to the resignation or dismissal of the independent auditors for the purpose of making recommendations to the Board;

(j) 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;

CORPORATE GOVERNMENT REPORT

(k) to review the adequacy and effectiveness 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;

(l) 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;

(m) to review the adequacy, independence, scope, results and cost-effectiveness of internal audit procedures as well as the effectiveness of the Group's and Company's internal audit function;

(n) to review interested person transactions periodically to ensure that they comply with the internal control procedures;

(o) to undertake such other reviews and projects as may be requested by the Board of Directors; and

(p) to undertake such other functions and duties as may be required by the Catalist Rule 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 auditors, 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.

The Board considers Mr Chan Kam Loon, who has extensive and practical accounting and financial management knowledge and experience, well qualified to chair the AC. Mr Wu Yu Liang and Mr Koh Eng Kheng Victor of the AC are also trained in accounting and financial management.

The members of the AC collectively have over 10 combined years of strong accounting and related financial management expertise and experience and are appropriately qualified to discharge their responsibilities.

During the financial year, AC met once with the internal auditors and independent auditors, without the presence of the management to discuss, amongst others, audit finding and evaluations of the Group's internal controls.

The AC had reviewed the scope and quality of audit by the independent auditors and the independence and objectivity of the independent auditors as well as the cost effectiveness, and is satisfied that the nature and extent of such services would not prejudice the independence of the independent auditors. The AC also reviewed the audit fees paid to the independent auditors. The audit fees for the Group and its associated companies for the financial year ended 31 December 2019 was S$300,000. The independent auditors did not render any non-audit services to the Group during the financial year.

No former partner or director of the Company's existing auditing firm or auditing corporation has acted as a member of the Company's AC: (a) within a period of two years commencing on the date of his/her ceasing to be a Partner of the auditing firm or Director of the auditing corporation; and in any case (b) for as long as he/she has any financial interest auditing firm or auditing corporation.

The Company is in compliance with Rules 712 and 715 of the Catalist Rule in relation to its independent auditors, as the subsidiary 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 is also satisfied that the independent auditors, Baker Tilly TFW LLP is able to meet the audit obligations of the Company and is pleased to recommend to the Board, 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 GOVERNMENT REPORT

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. The internal audit function is currently outsourced to Crowe Horwath First Trust Risk Advisory Pte Ltd ("**Crowe Horwath**") as the internal auditors of the Group. Crowe Horwath primarily reports to the AC Chairman.

The internal auditors' carrying out of their function is in accordance to 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 perform this function.

The AC is satisfied that Crowe Horwath is effective, independent and adequately resourced with the relevant qualifications and experience as Crowe Horwath is able to discharge its duties effectively as the internal auditor has the appropriate standing in the Company, given, inter alia, its involvement in certain AC meetings and its unfettered access to all the Group's documents, records, properties and personnel, including direct access to the AC. The AC also satisfied that the internal audit function is stated by suitably qualified and experienced professionals with the relevant experience.

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.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Principle 11 – Shareholder Rights and Conduct of General 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 Meeting. Every matter requiring shareholders' approval is proposed as a separate resolution. Where the resolutions are "bundled", the Company will explain the reasons and material implications in the notice of meeting.

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 forms are sent with the 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. However, as the authentication of shareholder identity information and other related security issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail, email or fax.

All Directors, Management, Company Secretary, independent auditors and legal advisors (if necessary), attend the Annual General 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 put 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 and posted on the Company's website after the meetings.

CORPORATE GOVERNMENT REPORT

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 meetings, and responses from the Board and Management. These minutes are made available to shareholders on SGXNET as soon as practicable.

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. The Board does not recommend any dividend for FY2019 as the Group wishes to reserve adequate resources for Company's ongoing projects and respond to any adverse changes in the macroeconomic environment.

Principle 12 – Engagement with the Shareholders

The Annual General Meeting of the Company is the principal forum for dialogue and interaction with all shareholders to gather views or inputs, and address shareholders' concern. 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 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 are disclosed in a comprehensive, accurate and timely manner via SGXNET. The Company currently does not have a corporate website. A dedicated and well-maintained investor relations website will be created together with the corporate website when operational needs requires.

All shareholders are accorded their rights in accordance with the Companies Act, Chapter 50 of Singapore and the Company's Constitution.

The Company currently does not have an investor relations policy but considers advice from its corporate lawyers and professionals on appropriate disclosure requirements before announcing material information to shareholders. The Company will consider the appointment of a professional investor relations officer to manage the function should the need arises.

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.

The Company has been conducting voting by poll. An announcement of the detailed results showing the number of vote cast for and against each resolution and the respective percentages will be made immediately after Annual General Meeting / Extraordinary General Meeting is concluded.

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 Catalist Rule.

MANAGING STAKEHOLDERS RELATIONSHIPS

Principle 13 – Engagement with Stakeholders

The Company is poised to take a leading role in the environmental, health and safety aspects in order to ensure the sustainability of the operations and fulfil the responsibility of the Company towards the stakeholders. The Company has engaged in constructive dialogue with the stakeholders and focus on the Quality Management, Production Safety, Environmental Protection and Employee Well-being.

CORPORATE GOVERNMENT REPORT

The Company also emphasises on the environmentally-friendly industrial operations to keep abreast of related regulatory developments and consequently improving the operations to comply with these changes.

In addition, the Board has considered sustainability issues as part of its strategic formulation. The Board has determined the material environmental, social and governance ("ESG") factors and overseen the management in monitoring these material ESG factors.

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 Catalist Rule. The Board has the responsibility to ensure that the Directors and employees are prohibited from securities dealings on short-term consideration and while they are in possession of price-sensitive information.

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

Interested Person 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 Catalist Rule, the aggregate value of the IPT, including recurrent interested persons transactions of revenue or trading in nature conducted during the financial year ended 31 December 2019 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)**
	FY2019	**FY2019**
Anyang Chemical Industry Group Co., Ltd[(1)]	Sales of Dimethylacetamide RMB 3.08 million	Sales of Repair Material, industrial steams and electricity RMB 48.92 million
		Purchase of Raw Materials I and II (as defined in shareholders' mandate) RMB 265.09 million
		Purchase of Repair Materials RMB 18.38 million
		Rental of equipment RMB 0.64 million
Anyang Jiujiu Chemical Technology Co., Ltd[(2)]	Advances given for working capital purposes ("Advances") RMB 17.45 million	Nil

CORPORATE GOVERNMENT REPORT

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)**
	FY2019	**FY2019**
Anyang Jiulong Chemical Co., Ltd[3]	Nil	Sale of Dimethylamine RMB 26.09 million
		Rental of equipment RMB 0.69 million
		Purchase of electricity and industrial steam RMB 101.49 million

Notes:

(1) Anhua is the holding company of Anyang Longyu (HK) Development Co., Ltd.("Anyang Longyu"), a major shareholder of the Company. Anyang Longyu holds approximately 27.63% of the issued share capital of the Company.

(2) Anyang Jiujiu is a joint venture between Jiutian Chemical Group Limited and Anyang Jiulong pursuant to which Anyang Jiulong holds 51% and Jiutian Chemical Group Limited holds 49% of the registered capital of Anyang Jiujiu. The effective interest of the Group in Anyang Jiujiu is therefore approximately 74%. However, it was 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. As Anyang Jiulong is a subsidiary company of Anhua, Anhua would have control over Anyang Jiujiu through Anyang Jiulong. Accordingly, Anyang Jiujiu deemed to be a subsidiary of Anhua, the holding company of the controlling shareholder, and is considered to be an "interested person".

The Advances were made for Anyang Jiujiu's working capital and were provided by the joint venture partners, namely the Company and Anyang Jiulong, in proportion to their respective equity interest in Anyang Jiujiu and on the same terms and conditions. The Advances are interest-free, payable on demand and is guaranteed by a related party of the Group, Anhua.

Pursuant to Rule 916(3) of the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalist, the Audit Committee of the Company, having considered the terms of the Advances and the joint venture, is of the view that (i) the provision of the Advances is not prejudicial to the interest of the Company and its minority shareholders, and (ii) the risk and rewards of the joint venture are in proportion to the equity of each joint venture partner and the terms of the joint venture are on normal commercial terms and are not prejudicial to the interest of the Company and its minority shareholders.

(3) Anyang Jiulong is a joint venture between Jiutian Chemical Group Limited and Anhua pursuant to which Anhua holds 51% and Jiutian Chemical Group Limited holds 49% of the registered capital of Anyang Jiulong.

Save as disclosed above, there are no other IPTs of S$100,000 and above in FY2019.

Material Contracts

Save as disclosed in the IPT section above, there were no material contracts entered into by the Group involving the interests of the Chairman, Directors or controlling shareholders, which are either still subsisting at the end of FY2019 or if not then subsisting, entered into since the end of the previous financial year.

Sustainability Report

The Company is working towards the issuance of its sustainability report by 31 May 2020 and such report will be made available to shareholders on the SGXNET.

Such report will highlight the key economic, environmental, social and governance (ESG) factors, such as quality management, production safety, environmental protection, employee well-being.

Non-sponsor fees

No non-sponsor fees were paid/payable to the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd for FY2019.

DIRECTORS' STATEMENT

The directors 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 2019.

Opinion of the directors

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 as set out on pages 55 to 108 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 2019, and of 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 Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International); 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 going concerns as described in Note 3 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:

Han Lianguo
Lee Chee Seng
Wu Yu Liang
Chan Kam Loon
Gao Guoan
Wang Gang
Zhang Hongtao
Chen Mingjin
Koh Eng Kheng Victor

Arrangement 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' STATEMENT

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/or related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Act except as follows:

	Number of ordinary shares			
	Shareholdings registered in the name of the director		Shareholdings in which a director is deemed to have an interest	
Name of directors and companies in which interest are held	**At 1.1.2019**	**At 31.12.2019**	**At 1.1.2019**	**At 31.12.2019**
The Company				
Lee Chee Seng	10,250,000	10,250,000	44,419,000	44,419,000
Wu Yu Liang	300,000	300,000	–	–

The directors' interests in the ordinary shares of the Company as at 21 January 2020 were the same as those as at 31 December 2019.

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") at the date of this statement comprises three (3) directors, all of whom are independent. The AC members are as follows:

Chan Kam Loon (Chairman)	(Non-Executive and Independent Director)
Koh Eng Kheng Victor	(Non-Executive and Independent Director)
Wu Yu Liang	(Non-Executive and Independent Director)

The AC has a written term 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 their audit plan, their evaluation of the system of internal accounting controls relevant to their statutory audit and their report on the financial statements;

(b) to review quarterly and full year financial statements of the Company and the Group, including announcements in relation thereto before their recommendation to the Board of Directors for approval to be released to Singapore Exchange Securities Trading Limited ("SGX-ST");

(c) to review the assistance given by management to the independent auditor;

(d) to review any significant unresolved differences between the independent auditor, internal auditor and management;

DIRECTORS' STATEMENT

Audit Committee (cont'd)

(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 judgements 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 and effectiveness 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 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 SGX-ST Listing Manual Section B: Rules of Catalist ("Catalist Rules") or by law, and by such amendments made thereto from time to time.

The AC has full access to, and cooperation from 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.

The Board of Directors considers Mr Chan Kam Loon, who has extensive and practical accounting and financial management knowledge and experience, well qualified to chair the AC. Mr Wu Yu Liang and Mr Koh Eng Kheng Victor, members of the AC, are also trained in accounting and financial management.

The members of the AC collectively have over 10 combined years of strong accounting and related financial management expertise and experience and are appropriately qualified to discharge their responsibilities.

During the financial year, the AC had met once with the internal auditor and independent auditor, without the presence of management to discuss, amongst others, their audit finding and evaluations of the Group's internal controls.

DIRECTORS' STATEMENT

Audit Committee (cont'd)

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, and is satisfied that the nature and extent of such services would not prejudice the independence of the independent auditor. The AC also reviewed the audit fee paid to the independent auditor. The audit fee for the Group and its associated companies for the financial year ended 31 December 2019 is S$300,000. The independent auditor did not render any non-audit services to the Group during the financial year.

None of the AC members were previous partners or directors of the Company's external audit firm within the last twelve months and none of the AC members hold any financial interest in the external audit firm.

The Company is in compliance with Rule 712 and Rule 715 of the Catalist Rules 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 is 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.

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

Han Lianguo
Director

Wang Gang
Director

1 April 2020

INDEPENDENT AUDITOR'S REPORT

To the Members of Jiutian Chemical Group Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Jiutian Chemical Group Limited (the "Company") and its subsidiary companies (the "Group") as set out on pages 55 to 108, which comprise the statements of financial position of the Group and the Company as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 3 to the financial statements with respect to the Group's and the Company's ability to continue as going concerns. During the financial year ended 31 December 2019, the Group and the Company reported net loss of RMB278,892,000 and RMB228,593,000 respectively. At 31 December 2019, the Company's current liabilities exceeded the current assets by RMB10,063,000 (2018: RMB9,717,000).

These factors indicate the existence of a material uncertainty that may cast significant doubt about the Group's and the Company's ability to continue as going concerns and to realise their assets and discharge their liabilities in the ordinary course of business. Nevertheless, for the reasons disclosed in Note 3 to the financial statements, the Directors are of the view that it is appropriate for the financial statements of the Group and of the Company to be prepared on a going concern basis. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT

To the Members of Jiutian Chemical Group Limited

Report on the Audit of the Financial Statements (cont'd)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

1. Investment in associated companies

Description of key audit matter:

As disclosed in Note 17 to the financial statements, the carrying amount of the Group's and the Company's investment in associated companies is RMB71,749,000 (2018: RMB297,213,000) and RMB71,749,000 (2018: RMB339,709,000) respectively which accounted for approximately 6% (2018: 20%) and 22% (2018: 61%) respectively of the Group's and the Company's total assets as at 31 December 2019. The Group's result is affected by its share of losses from associated companies and impairment loss on investment in associated companies amounting to RMB146,772,000 and RMB78,692,000 respectively for the financial year ended 31 December 2019.

The significant losses in associated companies is considered an indication that the non-financial assets of the associated companies and consequently, the Group's and Company's investment in associated companies may need to be impaired. Any impairment of the associated companies' non-financial assets will have a significant adverse impact on the share of losses from associated companies and impairment loss on the investment in associated companies. Management performed an impairment assessment of the associated companies' non-financial assets and the Group's and Company's investment in the associated companies based on the discounted cash flow projections of the cash generating units to determine the value-in-use of the associated companies.

We considered this is to be a key audit matter because of the significance of these investments and the element of judgement and estimates applied by management in forecasting and discounting future cash flows for the impairment assessment of the non-financial assets of the associated companies and the Company's investment in associated companies as disclosed in Note 3 to the financial statements.

Our procedures to address the key audit matter:

We evaluated the independence, objectivity, capabilities and competence of the component auditor of the associated companies. We also engaged in continuous communications with the component auditor throughout the audit and reviewed information and document provided by the component auditor to satisfy our group audit requirements.

We evaluated the sufficiency and appropriateness of the audit work performed and evidence obtained by the component auditor on the impairment loss on the associated companies' non-financial assets and the corresponding impact on the share of results of associated companies. For the impairment assessment of investment in associated companies, we have obtained value-in-use calculations from management and assessed the reasonableness of the key assumptions and inputs applied by management by comparing the cash flow's projection against recent performances and trends. This include obtaining an understanding of management's sale and costs management strategies. We performed sensitivity analysis on forecast sale volume, gross profit margin and discount rates assumption in the value-in-use calculations. We involved our valuation specialists in assessing the reasonableness of the discount rate used.

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

INDEPENDENT AUDITOR'S REPORT

To the Members of Jiutian Chemical Group Limited

Report on the Audit of the Financial Statements (cont'd)

Key Audit Matters (cont'd)

2. Amount due from associated company

Description of key audit matter:

As disclosed in Note 12 to the financial statements, the Group has non-trade amount due from associated company, Anyang Jiujiu amounting to RMB145,000,000 (2018: RMB145,442,000) and contributes 12% (2018: 10%) to the Group's total assets as at 31 December 2019. The non-trade amount was advanced to Anyang Jiujiu for the construction of its manufacturing plants. A loss allowance of RMB17,893,000 was recognised during the financial year.

The impairment assessment of the non-trade amount due from associated company is considered a key audit matter as the non-trade receivables form a material portion of the Group's assets and any impairment of the amount due from associated company will have a significant adverse impact on the Group's financial results. Management has assessed the financial position, credit risk of the counterparty and the reliability of the corporate guarantee provided by a related party in determining if the amount due from Anyang Jiujiu need to be impaired.

Our procedures to address the key audit matter:

We have obtained an understanding of management's impairment assessment of amount due from associated company. We assessed the reasonableness of management's judgement and assumptions applied in its credit loss assessment and basis for relying on the corporate guarantee provided by a related party. We have also evaluated the adequacy and appropriateness of the disclosures made in the financial statements.

3. Impairment review of the Group's property, plant and equipment and land use rights

Description of key audit matter:

As disclosed in Note 3, Note 15 and Note 14 to the financial statements, the Group's property, plant and equipment of RMB208,433,000 (2018: RMB289,073,000) after deducting accumulated impairment losses of RMB145,634,000 (2018: RMB95,483,000) and land use rights of RMB3,980,000 (2018: RMB4,624,000) respectively, which in aggregate accounted for approximately 18% (2018: 20%) of the Group's total assets as at 31 December 2019. An impairment loss of RMB50,207,000 on the Group's property, plant and equipment was recognised during the financial year.

Impairment review of property, plant and equipment and land use rights is considered to be a key audit matter due to the significance of the assets to the Group's consolidated financial position, and the estimation involved in the determination of the value in use of the cash generating unit ("CGUs"). The estimation relates to the forecast sales volume, gross profit margin and discount rates and results of the CGUs that are affected by expected future market and economic conditions and the discount rates applied to future cash flow projections as disclosed in Note 3 to the financial statements.

Our procedures to address the key audit matter:

We obtained an understanding of management's impairment assessment process. We assessed the key inputs and assumptions applied by management with a focus on forecast sales volume and appropriateness of discount rate and gross profit margin. We also compared current year actual results to prior year forecast where relevant, to assess the reasonableness of the estimates made. We assessed the sensitivity of the key estimates on the impairment assessment, based on reasonably possible changes in the key estimates. We involved our valuation specialists in assessing the reasonableness of the discount rate used.

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

INDEPENDENT AUDITOR'S REPORT

To the Members of Jiutian Chemical Group Limited

Report on the Audit of the Financial Statements (cont'd)

Key Audit Matters (cont'd)

4. Impairment review of the Company's investment in subsidiary companies

Description of key audit matter:

As disclosed in Note 16 to the financial statements, the carrying amount of the Company's investment in subsidiary companies as at 31 December 2019 is RMB257,736,000 (2018: RMB218,023,000). There are indicators that the carrying amounts may not be recoverable or impairment loss recognised in prior periods may no longer exist or may have decreased. Management performed an impairment assessment on the investment in subsidiary companies based on the discounted cash flow projections to determine the value-in-use. The value in use calculations involve management's assessment of future cash flow projections of the business, and the appropriate discount rates applied to the future cash flow projections. Arising from the impairment assessment, a reversal of impairment loss of RMB39,713,000 was recognised in the Company's profit or loss during the financial year.

We focus on this area due to the significance of the investment to the Company's statement of financial position as well as the significant estimates and assumptions involved in management's assessment of the value in use.

Our procedures to address the key audit matter:

Our procedures included reviewing management's assessment of the existence of impairment indicators or if the impairment loss recognised in prior years may no longer exist or may have decreased. For investments where there are indications, we assessed the key inputs and assumptions applied by management in their impairment assessments with a focus on forecast revenue, gross profit margin and appropriateness of discount rate. We also compared current year actual results to prior year forecast where relevant, to assess the reasonableness of the estimates made. We assessed the sensitivity of the key estimates on the impairment assessment, based on reasonably possible changes in the key estimates. We involved our valuation specialists in assessing the reasonableness of the discount rate used.

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report 2019, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), 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.

INDEPENDENT AUDITOR'S REPORT

To the Members of Jiutian Chemical Group Limited

Report on the Audit of the Financial Statements (cont'd)

Responsibilities of Management and Directors for the Financial Statements (cont'd)

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT

To the Members of Jiutian Chemical Group Limited

Report on the Audit of the Financial Statements (cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Ong Kian Guan.

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

1 April 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2019

		Group	
			(Restated)
		2019	2018
	Note	**RMB'000**	RMB'000
Revenue	4	**1,054,460**	1,308,273
Cost of sales		**(979,571)**	(1,175,628)
Gross profit		**74,889**	132,645
Other income	5	**3,696**	4,636
Distribution costs		**(22,672)**	(20,904)
Administrative expenses		**(23,621)**	(25,928)
Other expenses	6	**(129,067)**	(36)
Impairment loss on financial assets	26(b)	**(17,893)**	–
Finance costs	6	**(7,911)**	(6,820)
Share of results of associated companies		**(146,772)**	(48,383)
(Loss)/profit before tax	7	**(269,351)**	35,210
Tax expense	9	**(9,541)**	(14,259)
(Loss)/profit and total comprehensive (loss)/income for the year		**(278,892)**	20,951
(Loss)/profit and total comprehensive/(loss) income for the year attributable to:			
Equity holders of the Company		**(248,418)**	22,079
Non-controlling interests		**(30,474)**	(1,128)
		(278,892)	20,951
(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	**(13.66)**	1.21

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

		Group			Company	
			(Restated)	(Restated)		
		31.12.2019	31.12.2018	1.1.2018	**31.12.2019**	31.12.2018
	Note	**RMB'000**	RMB'000	RMB'000	**RMB'000**	RMB'000
ASSETS						
Current assets						
Cash and cash equivalents	11	**400,842**	230,437	148,713	**565**	1,825
Trade and other receivables	12	**475,450**	580,943	648,268	**394**	117
Inventories	13	**23,975**	42,512	36,568	**–**	–
Total current assets		**900,267**	853,892	833,549	**959**	1,942
Non-current assets						
Land use rights	14	**3,980**	4,624	5,345	**–**	–
Property, plant and equipment	15	**208,433**	289,073	305,320	**–**	–
Investment in subsidiary companies	16	**–**	–	–	**257,736**	218,023
Investment in associated companies	17	**71,749**	297,213	345,596	**71,749**	339,709
Deferred tax assets	18	**8,987**	12,264	12,157	**–**	–
Total non-current assets		**293,149**	603,174	668,418	**329,485**	557,732
Total assets		**1,193,416**	1,457,066	1,501,967	**330,444**	559,674
LIABILITIES AND EQUITY						
Current liabilities						
Bank borrowings	19	**444,098**	307,150	195,000	**–**	–
Trade and other payables	20	**423,835**	538,963	726,381	**11,022**	11,659
Contract liabilities	21	**20,491**	22,157	13,097	**–**	–
Income tax payables		**1,983**	6,830	11,909	**–**	–
Total current liabilities		**890,407**	875,100	946,387	**11,022**	11,659
Non-current liability						
Deferred income	22	**2,064**	2,129	194	**–**	–
Total liabilities		**892,471**	877,229	946,581	**11,022**	11,659
Capital and reserves						
Share capital	23	**661,153**	661,153	661,153	**661,153**	661,153
Accumulated losses		**(358,923)**	(110,505)	(132,584)	**(341,731)**	(113,138)
Equity attributable to equity holders of the Company		**302,230**	550,648	528,569	**319,422**	548,015
Non-controlling interests	16	**(1,285)**	29,189	26,817	**–**	–
Total equity		**300,945**	579,837	555,386	**319,422**	548,015
Total liabilities and equity		**1,193,416**	1,457,066	1,501,967	**330,444**	559,674

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

	Share capital	Accumulated losses	Equity attributable to equity holders of the Company	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group					
Balance at 1 January 2018	661,153	(132,584)	528,569	26,817	555,386
Capital injected by non-controlling interests	–	–	–	3,500	3,500
Profit/(loss) and total comprehensive income/(loss) for the financial year	–	22,079	22,079	(1,128)	20,951
Balance at 31 December 2018	661,153	(110,505)	550,648	29,189	579,837
Loss and total comprehensive loss for the financial year	–	(248,418)	(248,418)	(30,474)	(278,892)
Balance at 31 December 2019	**661,153**	**(358,923)**	**302,230**	**(1,285)**	**300,945**

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

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

	Share capital RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Company			
Balance at 1 January 2018	661,153	(127,667)	533,486
Profit and total comprehensive income for the financial year	–	14,529	14,529
Balance at 31 December 2018	661,153	(113,138)	548,015
Loss and total comprehensive loss for the financial year	–	(228,593)	(228,593)
Balance at 31 December 2019	661,153	(341,731)	319,422

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019

	Note	Group 2019 RMB'000	Group (Restated) 2018 RMB'000
Cash flows from operating activities			
(Loss)/profit before tax		**(269,351)**	35,210
Adjustments for:			
Amortisation of deferred income		**(65)**	(65)
Amortisation of land use rights		**644**	721
Depreciation of property, plant and equipment		**27,182**	28,362
Impairment loss on financial asset		**17,893**	–
Impairment loss on investment in associated companies		**78,692**	–
Impairment loss on property, plant and equipment		**50,207**	–
Interest expense		**5,836**	5,398
Interest income		**(2,190)**	(1,640)
Bank charges		**1,452**	918
Net gain on disposal of property, plant and equipment		**(239)**	(845)
Property, plant and equipment expense-off to cost of sales		**–**	9,775
Share of results of associated companies		**146,772**	48,383
Unrealised gain on foreign exchange		**(156)**	(140)
Operating cash flows before movements in working capital		**56,677**	126,077
Changes in operating assets and liabilities:			
Inventories		**26,804**	(5,944)
Receivables		**105,044**	109,545
Payables and contract liabilities		**(118,396)**	(180,650)
Cash generated from operations		**70,129**	49,028
Interest received		**2,190**	1,640
Income tax paid		**(11,111)**	(19,445)
Net cash generated from operating activities		**61,208**	31,223
Cash flows from investing activities			
Purchases of property, plant and equipment	A	**(3,332)**	(17,706)
Proceeds from disposal of property, plant and equipment		**239**	1,055
Advances to associated company		**(20,646)**	(125,600)
Repayment from associated company		**3,195**	83,377
Net cash used in investing activities		**(20,544)**	(58,874)

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

CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

For the financial year ended 31 December 2019

	Note	Group 2019 RMB'000	(Restated) 2018 RMB'000
Cash flows from financing activities			
Drawdown of bank borrowings		**120,000**	110,000
Repayment of bank borrowings		**(110,000)**	(110,000)
Increase in pledged fixed deposits		**(96,965)**	(82,150)
Increase in bills payables to banks		**126,948**	112,150
Proceeds from issuance of ordinary shares to non-controlling interests		**–**	3,500
Interest paid		**(5,724)**	(5,297)
Bank charges paid		**(1,452)**	(918)
Net cash generated from financing activities		**32,807**	27,285
Net increase/(decrease) in cash and cash equivalents		**73,471**	(366)
Cash and cash equivalents at beginning of the year		**63,287**	63,713
Effect of exchange rate changes on cash and cash equivalents		**(31)**	(60)
Cash and cash equivalents at end of the year	11	**136,727**	63,287

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

	Note	2019 RMB'000	2018 RMB'000
Aggregate cost of PPE acquired	15	**5,016**	22,100
Add: Outstanding payables at 1 January	20	**28,850**	24,456
Less: Outstanding payables at 31 December	20	**(30,534)**	(28,850)
Net cash outflow for purchases of PPE		**3,332**	17,706

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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 ("SGX-ST").

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) 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 indicated). The financial statements have been prepared in accordance with the provisions of the Companies Act and Singapore Financial Reporting Standards (International) ("SFRS(I)"). 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 SFRS(I) 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.

Use of estimates and judgements

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 judgement 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 and current bank borrowings approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

New and revised standards

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

The adoption of these new and revised SFRS(I) and SFRS(I) INT did not have any material effect on the financial results or position of the Group and the Company except as follows:

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2 Summary of significant accounting policies (cont'd)

(a) *Basis of preparation (cont'd)*

SFRS(I) 16 Leases

SFRS(I) 16 replaces the existing SFRS(I) 1-17: Leases for financial periods beginning 1 January 2019. It reforms lessee accounting by introducing a single lessee accounting model. Lessees are required to recognise all leases on their balance sheet to reflect their rights to use leased assets (a "right-of-use" asset) and the associated obligations for lease payments (a lease liability), with limited exemptions for short term leases (less than 12 months) and leases of low value items. In addition, the nature of expenses related to those leases will change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge of right-of-use asset and interest expense on lease liability.

The adoption of SFRS(I) 16 did not have significant impact on the Group and Company's financial position and financial results for the financial year ended 31 December 2019 (Note 25).

New standards, amendments to standards and interpretations that have been issued at the end of the reporting date but are not yet effective for the financial year ended 31 December 2019 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group and the Company.

(b) *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies at the end of the reporting period. Subsidiary companies are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiary companies are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2 Summary of significant accounting policies (cont'd)

(b) ***Basis of consolidation (cont'd)***

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.

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 SFRS(I).

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 SFRS(I). Profits reflected in the financial statements prepared in accordance with SFRS(I) 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.

(c) ***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, if any. 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.

(d) ***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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2 Summary of significant accounting policies (cont'd)

(d) ***Associated companies (cont'd)***

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

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

Subsequent to initial recognition, the consolidated financial statements include the Group's share of the post-acquisition profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

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 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, unrealised gains and losses are eliminated to the extent of the Group's interest in the relevant associated company. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred.

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 losses, if any. 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.

(e) ***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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2 Summary of significant accounting policies (cont'd)

(e) ***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 profit or loss on disposal.

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

(f) ***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, if any.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2 Summary of significant accounting policies (cont'd)

(g) *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.

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.

(h) *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.

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.

(i) *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.

(j) *Leases*

The accounting policy for leases before 1 January 2019 are as follows:

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 outstanding liability and finance charges. The corresponding lease liabilities, net of finance charges, are included in borrowings. The finance charge 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2 Summary of significant accounting policies (cont'd)

(j) ***Leases (cont'd)***

The accounting policy for leases before 1 January 2019 are as follows (cont'd):

When a group entity is the lessee (cont'd):

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.

The accounting policy for leases after 1 January 2019 are as follows:

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

When a Group entity is the lessee:

The Group applies a single recognition and measurement approach for all contracts that are, or contain, a lease, except for short-term leases (i.e. for leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low-value assets (e.g. leases of tablet and personal computers, small items of office equipment and telephones). For these exempted leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

Lease liabilities are presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability using the effective interest method, and reducing the carrying amount to reflect the lease payments made.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2 Summary of significant accounting policies (cont'd)

(j) *Leases (cont'd)*

The accounting policy for leases after 1 January 2019 are as follows (cont'd):

When a Group entity is the lessee (cont'd):

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, initial direct cost, less any lease incentive received.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under SFRS(I) 1-37. To the extent that the cost relates to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are subsequently measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter period of the lease term and useful life of the underlying asset. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The depreciation starts at the commencement date of the lease.

The right-of use assets are presented as "Land use rights" in the statement of financial position.

The Group applies SFRS(I) 1-36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 2(h).

(k) *Financial assets*

Recognition and derecognition

Regular way 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.

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets (other than financial assets at fair value through profit or loss) are added to the fair value of the financial assets on initial recognition. Transaction costs directly attributable to acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss. Trade receivables without a significant financing component is initially measured at transaction prices.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2 Summary of significant accounting policies (cont'd)

(k) ***Financial assets (cont'd)***

Classification and measurement

All financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

The Group's classifies its financial assets at amortised cost. The classification is based on the Group's business model for managing the financial asset and the contractual cash flow characteristics of the financial assets.

Subsequent measurement

Debt instruments include cash and cash equivalents and trade and other receivables (excluding trade bills receivables that have been endorsed as payments, prepayments, income tax recoverable, value-added tax recoverable and advance payments to suppliers). The subsequent measurement category is depending on the Group's business model for managing the asset and cash flow characteristics of the asset.

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. Interest income from these financial assets is included in interest income using the EIR method.

Impairment

The Group recognises an allowance for expected credit losses ("ECLs") for financial assets carried at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

The impairment methodology applied depends on whether there has been a significant increase in credit risk. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables that do not have a significant financing component, the Group applies a simplified approach to recognise a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted as appropriate for current conditions and forward-looking factors specific to the debtors and the economic environment.

If the Group has measured the loss allowance for a financial asset at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2 Summary of significant accounting policies (cont'd)

(k) *Financial assets (cont'd)*

Impairment (cont'd)

The Group recognises an impairment gain or loss in profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

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.

(l) *Cash and cash equivalents in the consolidated statement of cash flows*

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 and bank balance.

(m) *Financial liabilities*

Financial liabilities include trade and other payables (excluding trade bills payables, value-added tax payables and advance receipt from subsidiary) and bank borrowings. Trade bills payables represent trade bills receivables that have been endorsed as payments to the suppliers and yet to mature at the end of the reporting period.

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 recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, derivatives are measured at fair value. Other financial liabilities (except for the financial guarantees) are measured at amortised cost using the effective interest method.

For financial liabilities other than derivatives, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in profit or loss. Net gains or losses on derivatives include exchange differences. A financial liability is derecognised when the obligation under the liability is extinguished.

(n) *Financial guarantees*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are initially recognised at their fair values plus transaction costs. Financial guarantees are classified as financial liabilities. Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the expected loss computed using the impairment methodology under SFRS(I) 9. Financial guarantees contracts are amortised in profit or loss over the period of the guarantee.

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***

Sales of goods

The Group sells chemical-based products, methylamine and dimethylformamide ("DMF"). The Group transfers control and recognises a sale when they deliver goods to the customers. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied performance obligation. Transaction price is the amount of consideration in the sales invoice and sales contract to which the Group expects to be entitled in exchange for transferring the promised goods. No element of financing is deemed present as the sales are made with an average credit period of 90 days which is consistent with market practice. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

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.

Management fee

Management fee income is recognised when services are rendered.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2 Summary of significant accounting policies (cont'd)

(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.

(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. Current and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised outside profit or loss, either in other comprehensive income or directly in equity in which the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity respectively).

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. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2 Summary of significant accounting policies (cont'd)

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

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

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

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

(w) ***Foreign currencies***

Functional and presentation currency

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

Transactions and balances

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

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

(x) ***Segment reporting***

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

3 Critical accounting judgements and key sources of estimation uncertainty

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

Critical accounting judgements

Going concern assumption

During the financial year ended 31 December 2019, the Group and the Company reported net loss of RMB278,892,000 and RMB228,593,000 respectively. At 31 December 2019, the Company's current liabilities exceeded the current assets by RMB10,063,000 (2018: RMB9,717,000). These factors indicate the existence of a material uncertainty that may cast significant doubt on the Group's and the Company's ability to continue as going concerns and to realise their assets and discharge their liabilities in the ordinary course of business.

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

(i) the continuing financial support from Anyang Chemical Industry Group Co., Ltd. ("Anhua"), a subsidiary company of Henan Energy and Chemical Industry Group Co., Ltd. ("HNEC") and a related party of the Group. The details of the financial support which was provided to Anyang Jiutian Fine Chemical Co., Ltd. ("Anyang Jiutian"), a significant subsidiary company of the Group, are described in Note 24;

(ii) the ability of the Group 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; and

(ii) 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 described above, the directors and the management believe that the Group and the Company have adequate resources to continue their operations as going concerns.

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

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% of the voting rights in Herunsheng is acting in concert with the Group, although the Group owns 45% of the voting rights in Herunsheng. The investor with 35% of the voting rights in Herunsheng has signed an agreement to vote in accordance with the 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%. The sole director of Herunsheng is appointed by the Group. Accordingly, the Group has accounted for this investment as its subsidiary company (Note 16).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

Critical accounting judgements (cont'd)

Investment in associated company

As disclosed in Note 17, the Group's effective interest in Anyang Jiujiu Chemical Technology Co., Ltd. ("Anyang Jiujiu") is 74%. However, management has assessed and concluded that the Group has no control but only significant influence over Anyang Jiujiu as the majority voting rights and representative of the board of the directors in Anyang Jiujiu are held by Anyang Jiulong. Anyang Jiulong is in turn a subsidiary company of HNEC Group. As such, 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.

Useful lives and residual values of 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(f). The estimation of the useful lives and residual values involves assumptions concerning the future and estimation 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 amounts of property, plant and equipment and the depreciation charges for the financial year. The carrying amounts of property, plant and equipment and the depreciation charges for the financial year are disclosed in Note 15.

Impairment review 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(h). The Group also assesses whether there is any indication that an impairment loss recognised in prior periods for property, plant and equipment may no longer exist or may have decreased. Where indicators exist, the recoverable amounts of property, plant and equipment and land use rights are determined based on value-in-use calculations. An impairment loss exists when the carrying value of the property, plant and equipment and land use rights exceeds their recoverable amount. An impairment loss recognised in prior periods shall be 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. 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 judgements and estimates.

The recoverable amounts of property, plant and equipment and land use rights are determined from value-in-use calculations. The key assumptions and inputs 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 in cash flow forecasts derived from the most recent financial budget approved by management. The pre-tax rate used to discount the forecast cash flows is 13% - 17% (2018: 14% - 17%). Details of key assumption used in value in use calculations are disclosed in Note 15.

An impairment loss on the Group's property, plant and equipment of RMB50,207,000 was recognised during the financial year. The net carrying amount of the Group's property, plant and equipment and land use rights at the end of the reporting period are disclosed in Notes 14 and 15.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

Key sources of estimation uncertainty (cont'd)

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 of the Group at 31 December 2019 is RMB1,983,000 (2018: RMB6,830,000).

Impairment review of investments in subsidiary companies and associated companies

The management assesses whether there are any indicators of impairment for investments in subsidiary companies and associated companies in accordance with the accounting policy in Note 2(h). The management also assess whether there is any indication that an impairment loss recognised in prior periods for investment in subsidiary companies may no longer exist or may have decreased. Where indicators exist, the recoverable amounts of investments in subsidiary companies and associated companies are determined based on value-in-use calculations. The value-in-use calculations requires management 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. Significant estimation uncertainty is involved in the determination of the key assumptions and inputs regarding the sales volume, gross profit margin and discount rates for the value-in-use calculations. 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 17% (2018: 17%) and 12% to 14% (2018: 13% to 19%) respectively.

The carrying amount of the investment in subsidiary companies and investment in associated companies are disclosed in Note 16 and Note 17 respectively.

Calculation of loss allowance

When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions and forecasts of future economic conditions. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

As the calculation of loss allowance on trade and other receivables is subject to assumptions and forecasts, any changes to these estimations will affect the amounts of loss allowance recognised and the carrying amounts of trade and other receivables. Details of ECL measurement and carrying value of trade and other receivables at the reporting date are disclosed in Note 26(b).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

4 Revenue - Group

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

The following table provides a disaggregation disclosure of the Group's revenue by major product of the Group.

	Group	
	2019	2018
	RMB'000	RMB'000
At a point in time:		
Methylamine	**580,043**	720,564
DMF	**388,324**	486,289
Others	**86,093**	101,420
	1,054,460	1,308,273

Revenue recognised during the financial year from amounts included in contract liabilities at the beginning of the financial year amounted to RMB22,157,000 (2018: RMB13,097,000).

The Group applies the practical expedient in SFRS(I)15 and does not disclose information about its remaining performance obligation as the performance obligation is part of contracts that have original expected duration of one year or less.

5 Other income

	Group	
	2019	2018
	RMB'000	RMB'000
Interest income from deposits with banks	**2,190**	1,640
Rental income:		
- Lease of property, plant and equipment to related party	**–**	133
Amortisation of deferred income (Note 22)	**65**	65
Gain on disposal of property, plant and equipment	**239**	845
Service fees	**231**	929
Sundry income	**971**	1,024
	3,696	4,636

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

6 Other expenses and finance costs

	Group	
	2019	2018
	RMB'000	RMB'000
Other expenses		
Net loss on foreign exchange	**168**	36
Impairment loss on property, plant and equipment	**50,207**	–
Impairment of investment in associated companies	**78,692**	–
	129,067	36
Finance costs		
Interest expenses on:		
- Bank borrowings	**5,724**	5,297
- Amount due to related party	**112**	101
Financing bank charges	**1,452**	918
Others	**623**	504
	7,911	6,820

7 (Loss)/profit before tax

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

	Group	
	2019	2018
	RMB'000	RMB'000
Amortisation of land use rights (Note 14)	**644**	721
Auditors' remuneration paid/payable to:		
- independent auditor of the Company	**667**	745
- other auditors of the Group	**39**	71
Depreciation of property, plant and equipment (Note 15)	**27,182**	28,362
Fees for non-audit services paid/payable to:		
- independent auditor of the Company	**–**	–
- other auditors of the Group	**–**	–
Inventories written down	**–**	5,238
Staff costs (Note 8)	**29,256**	31,901
Leases expenses (Note 25)	**910**	979
Property, plant and equipment expense-off to cost of sales (Note 15)	**3,482**	9,775
Transportation charges	**19,090**	18,003

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

8 Staff costs

	Group	
	2019	2018
	RMB'000	RMB'000
Directors of the Company		
- Fees	**967**	935
- Salaries, bonus and other benefits	**1,626**	1,413
- Defined contribution benefits	**60**	127
Directors of the subsidiary companies		
- Salaries and bonus	**145**	121
- Defined contribution benefits	**34**	49
Key management personnel (non-directors)		
- Salaries and bonus	**969**	1,028
- Defined contribution benefits	**168**	266
Other personnel		
- Salaries, bonus and other benefits	**17,428**	21,155
- Defined contribution benefits	**7,859**	6,807
	29,256	31,901

9 Tax expense

	Group	
	2019	2018
	RMB'000	RMB'000
Income tax		
- Current year	**6,051**	21,213
- Under/(over)provision in respect of prior years	**213**	(6,847)
Deferred income tax		
- Current year (Note 18)	**3,277**	(107)
	9,541	14,259

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

9 Tax expense (cont'd)

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

	Group	
	2019	2018
	RMB'000	RMB'000
(Loss)/profit before tax	**(269,351)**	35,210
Share of results of associated companies	**146,772**	48,383
(Loss)/profit before tax excluded share of results of associated companies	**(122,579)**	83,593
Tax at the domestic rates applicable to profit in the countries where the Group operates	**(31,017)**	23,458
Income not subject to income tax	**–**	(2,633)
Expenses not deductible for tax purposes	**40,872**	513
Deferred tax assets not recognised	**159**	–
Utilisation of previously unrecognised deferred tax assets	**(846)**	(895)
Under/(over)provision of income tax expenses in prior year	**213**	(6,847)
Others	**160**	663
	9,541	14,259

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% (2018: 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 a uniform rate of 25% (2018: 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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	
	2019	2018
(Loss)/profit for the year attributable to equity holders of the Company (RMB'000)	**(248,418)**	22,079
Weighted average number of ordinary shares ('000)	**1,818,444**	1,818,444
(Loss)/earnings per share (RMB cents)	**(13.66)**	1.21

Diluted (loss)/earnings per share are the same as basic (loss)/earnings per share as there were no potential dilutive ordinary shares for the financial years ended 31 December 2019 and 31 December 2018.

11 Cash and cash equivalents

	Group		Company	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash on hand and at bank	**136,727**	63,287	**565**	1,825
Fixed deposits	**264,115**	167,150	**–**	–
	400,842	230,437	**565**	1,825
Pledged fixed deposits	**(264,115)**	(167,150)	**–**	–
Cash and cash equivalents in the consolidated statement of cash flows	**136,727**	63,287	**565**	1,825

Fixed deposits are pledged to secure bills payables to banks (Note 19) and bear interest rates ranging from 1.25% to 1.50% (2018: 1.55% to 1.75%) per annum. The pledged fixed deposits will be released upon the settlement of the bills payables to banks on maturity date. The carrying amounts of these assets approximates their fair values.

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

	Group		Company	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Singapore dollar	**467**	1,729	**467**	1,729
United States dollar	**98**	96	**98**	96

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

12 Trade and other receivables

	Group		Company	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables from:				
- Related parties	**8,725**	20	**–**	–
- Outside parties	**7,702**	10,253	**–**	–
Trade bills receivables	**308,516**	424,320	**–**	–
	324,943	434,593	**–**	–
Less: Allowance for expected credit loss - outside parties	**(4,520)**	(4,520)	**–**	–
Total trade receivables, net	**320,423**	430,073	**–**	–
Amount due from associated company	**162,893**	145,442	**–**	–
Less: Allowance for expected credit loss	**(17,893)**	–	**–**	–
Net amount due from associated company	**145,000**	145,442	**–**	–
Advance payments to suppliers	**5,499**	1,037	**–**	–
Value-added tax recoverable	**1,081**	1,032	**–**	–
Prepayments	**–**	3	**–**	–
Refundable deposits	**394**	117	**394**	117
Others	**53**	239	**–**	–
Security deposits paid to secure corporate guarantee of the bank borrowing (Note 19)	**3,000**	3,000	**–**	–
Total other receivables	**155,027**	150,870	**394**	117
	475,450	580,943	**394**	117

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	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Singapore dollar	**394**	117	**394**	117

The average credit period on sales of goods is 90 days (2018: 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 365 days (2018: 90 to 365 days).

The non-trade amount due from associated company represents advances to Anyang Jiujiu for the construction of its manufacturing plants and is interest-free, payable on demand and guaranteed by a related party of the Company.

Management assessed the amount due from associated company using the expected credit loss model, taking into the consideration the corporate guarantee on the balance of RMB145,000,000 provided by a related party of the Company. A loss allowance of RMB17,893,000 was recognised during the financial year.

Included in the Group's trade bills receivables are trade bills receivables amounting to RMB298,172,000 (2018: RMB372,735,000) 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).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

13 Inventories

	Group	
	2019	2018
	RMB'000	RMB'000
Raw materials, at cost	**9,829**	8,689
Finished goods, at cost and net realisable value	**14,146**	33,823
	23,975	42,512
Cost of inventories recognised as an expense in cost of sales	**968,544**	1,164,820

The cost of inventories recognised as an expense in cost of sales included an amount of RMB Nil (2018: RMB5,238,000) in respect of write downs of inventories to net realisable value.

14 Land use rights

	Group	
	2019	2018
	RMB'000	RMB'000
Cost		
At 1 January and 31 December	**14,936**	14,936
Accumulated amortisation		
At 1 January	**10,312**	9,591
Amortisation charge (Note 7)	**644**	721
At 31 December	**10,956**	10,312
Carrying amount		
At 31 December	**3,980**	4,624
Amount to be amortised:		
- Not later than one financial year	**644**	644
- Later than one financial year but not later than five financial years	**2,575**	2,575
- Later than five financial years	**761**	1,405
	3,980	4,624

The Group has made an upfront payment to secure the right-of-use of 47-50 years leasehold land.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

14 Land use rights (cont'd)

The details of the land use rights as at 31 December 2019 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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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 2018	91,273	550,901	4,369	83,214	729,757
Additions	–	4,641	596	16,863	22,100
Disposals	–	(10,945)	(1,444)	–	(12,389)
Expense-off to cost of sales	–	–	–	(9,775)	(9,775)
Reclassifications	–	251	–	(251)	–
At 31 December 2018	91,273	544,848	3,521	90,051	729,693
Additions	–	1,687	–	3,329	5,016
Disposals	–	(579)	–	–	(579)
Expense-off to cost of sales	–	–	–	(3,482)	(3,482)
Reclassification to inventories	–	–	–	(4,785)	(4,785)
Reclassifications	–	414	–	(414)	–
At 31 December 2019	**91,273**	**546,370**	**3,521**	**84,699**	**725,863**
Accumulated depreciation and impairment losses					
At 1 January 2018	32,290	388,781	3,366	–	424,437
Depreciation charge	2,830	25,359	173	–	28,362
Disposals	–	(10,807)	(1,372)	–	(12,179)
At 31 December 2018	35,120	403,333	2,167	–	440,620
Depreciation charge	2,607	24,404	171	–	27,182
Disposals	–	(579)	–	–	(579)
Impairment loss	–	–	–	50,207	50,207
At 31 December 2019	**37,727**	**427,158**	**2,338**	**50,207**	**517,430**
Representing:					
Accumulated depreciation	35,120	307,850	2,167	–	345,137
Accumulated impairment losses	–	95,483	–	–	95,483
At 31 December 2018	35,120	403,333	2,167	–	440,620
Accumulated depreciation	37,727	331,731	2,338	–	371,796
Accumulated impairment losses	–	95,427	–	50,207	145,634
At 31 December 2019	**37,727**	**427,158**	**2,338**	**50,207**	**517,430**
Carrying amount					
At 31 December 2019	**53,546**	**119,212**	**1,183**	**34,492**	**208,433**
At 31 December 2018	56,153	141,515	1,354	90,051	289,073

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

15 Property, plant and equipment (cont'd)

	Company	
	2019	2018
	RMB'000	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	**–**	–

During the current financial year, a review of the recoverable amounts of the Property, plant and equipment ("PPE") of the Group as at 31 December 2019 was carried out. An impairment loss of RMB50,207,000 was recognised in the Group's profit or loss.

Anyang Jiutian

The recoverable amount of the PPE relating to Anyang Jiutian was determined based on its value-in-use calculations which included management's assumptions and estimation of the sales volume, gross profit margin and discount rate. The sales volume and gross profit margin are based on past performances and expectations developments in the market. Management estimates discount rate using the pre-tax rates that reflect current market assessments of the time value of money and the risks specific to its industry. The value-in-use calculations used cash flow forecasts derived from the most recent financial budgets approved by management using the remaining useful lives of PPE. The pre-tax discount rate used to discount the cash flow forecasts is 17% (2018: 17%). As a result of the review, no additional allowance for impairment loss was considered necessary for Anyang Jiutian's PPE the financial year ended 31 December 2019.

Sensitivity changes in assumptions

Management considered the gross margin applied as the most significant assumption used in the value-in-use calculation.

A 1% decrease in gross margin will result in the Company recognising an impairment loss of approximately RMB27,119,000.

Herunsheng

During the financial year, management performed an impairment review for the Company's investment in Herunsheng as Herunsheng recorded losses in the current and previous financial years. An impairment loss of RMB50,207,000 was recognised during the financial year. The recoverable amount of the PPE relating to Herunsheng was determined based on its value-in-use calculations. The value-in-use calculations used cash flow forecasts derived from the most recent financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period were extrapolated using estimated terminal year growth rate of 3% (2018: 3%).

Sensitivity changes in assumptions

Management considered the selling price applied as the most significant assumption used in the value-in-use calculation.

A 1% decrease in selling price will result in the Company recognising an additional impairment loss of approximately RMB1,907,000.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

16 Investment in subsidiary companies

	Company	
	2019	2018
	RMB'000	RMB'000
Unquoted equity shares, at cost	**265,724**	265,724
Allowance for impairment loss	**(7,988)**	(47,701)
	257,736	218,023

Movement in allowance for impairment loss during the financial year are as follows:

	Company	
	2019	2018
	RMB'000	RMB'000
Balance at beginning of the year	**47,701**	62,701
Reversal of allowance for impairment loss	**(39,713)**	(15,000)
Balance at end of the year	**7,988**	47,701

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

Name of subsidiary company	Proportion of ownership interest		Principal activities (Place of establishment/operation)
	2019	2018	
	%	%	
Held by the Company			
Anyang Jiutian Fine Chemical Co., Ltd. ("Anyang Jiutian")	**100**	100	Production, sale and service of industrial methanol, methylamine, DMF and gas (PRC)
Changzhou Jiutian Xiean Chemical Co., Ltd. ("Changzhou Jiutian")	**80**	80	Sale of methylamine, DMF, polyurethane and downstream products (PRC)
Held by Anyang Jiutian			
Henan Herunsheng Isotope Technology Co., Ltd. ("Herunsheng")	**45**	45	Research and development of isotope technology and, manufacturing and trading of Oxygen 18 and deuterium depleted water (PRC)

As disclosed in Note 3, management has assessed and concluded that the Group has control over Herunsheng and accordingly, the Group accounted for this investment as its subsidiary company.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

16 Investment in subsidiary companies (cont'd)

(b) Significant restrictions

Cash and cash equivalents of RMB400,277,000 (2018: RMB228,612,000) 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 management to be material to the Group is as follows:

Name of subsidiary company	Principal place of business/Country of incorporation	Proportion of ownership interest held by NCI	
		2019	2018
		%	%
Henan Herunsheng Isotope Technology Co., Ltd. ("Herunsheng")	PRC	**55**	55

The summarised financial information of Herunsheng based on its financial statements, which is prepared in accordance with International Financial Reporting Standards, but before inter-company eliminations are as follows:

	2019	2018
	RMB'000	RMB'000
Summarised statement of financial position		
Non-current assets	**29,216**	86,509
Current assets	**6,236**	2,479
Current liabilities	**(34,152)**	(32,282)
Non-current liabilities	**(2,000)**	(2,000)
Net (liabilities)/assets	**(700)**	54,706
Net (liabilities)/assets attributable to NCI	**(385)**	30,089

	2019	2018
	RMB'000	RMB'000
Summarised statement of profit or loss and other comprehensive income		
Revenue	**–**	–
Loss and total comprehensive loss	**(55,406)**	(2,051)
Loss allocated to NCI	**(30,474)**	(1,128)
Summarised statement of cash flows		
Cash flows (used in)/from operating activities	**(1,394)**	166
Cash flows used in investing activities	**488**	(7,694)
Cash flows from financing activities	**–**	7,624
Net (decrease)/increase in cash and cash equivalents	**(906)**	96

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

16 Investment in subsidiary companies (cont'd)

(d) **Company level - Impairment review of investment in subsidiary companies**

Management performed a review of the recoverable amount on its investment in Anyang Jiutian because the subsidiary company was profitable and generated positive cash inflow from operating activities during the financial year. Management estimated the recoverable amount of Anyang Jiutian as at 31 December 2019 to be RMB257,570,000 (2018: RMB217,857,000). Accordingly, a reversal of impairment loss of RMB39,713,000 (2018: RMB15,000,000) is recognised in the Company's profit or loss in the financial year ended 31 December 2019.

The above recoverable amount of Anyang Jiutian is determined from value-in-use calculations. The key assumptions and inputs for the value-in-use calculations are those regarding the sales volume, gross profit margin and discount rate. The sales volume and gross profit margin are based on past performances and expectations developments in the market. Management estimates discount rate using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to its industry.

The value-in-use calculations used cash flow forecasts derived from the most recent financial budgets approved by management. The pre-tax rate applied to the cash flow forecasts used to extrapolate cash flow forecasts are 17% (2018: 17%).

Sensitivity to changes in assumptions

With regards to the assessment of value-in-use, management believes that reasonably possible changes in any of the above key assumptions would not cause the recoverable amount to be decreased significantly that lower the reversal of impairment charge as recognised for the current financial year.

17 Investment in associated companies

	Group		Company	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Unquoted equity shares, at cost	**339,709**	339,709	**339,709**	339,709
Share of post-acquisition reserves, net of dividend received	**(189,268)**	(42,496)	**–**	–
Allowance for impairment loss	**(78,692)**	–	**(267,960)**	–
	71,749	297,213	**71,749**	339,709

Movements in allowance for impairment loss during the financial year are as follows:

	Group		Company	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Balance at beginning of the year	**–**	–	**–**	–
Allowance for impairment loss	**78,692**	–	**267,960**	–
At beginning and ending of financial year	**78,692**	–	**267,960**	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

17 Investment in associated companies (cont'd)

The details of the associated companies are as follows:

Name of associated company	Proportion of ownership interest held		Principal activities (Principal place of business/Country of incorporation)
	2019	2018	
	%	%	
Anyang Jiulong Chemical Co., Ltd* ("Anyang Jiulong")	**49**	49	Production of coal-based chemicals (PRC)
Anyang Jiujiu Chemical Technology* Co., Ltd ("Anyang Jiujiu")	**74**	74	Manufacturing and selling of sodium hydrosulfite (PRC)

* Audited by Baker Tilly China for the purpose of preparation of the consolidated financial statements of the Group. The activities of the associated companies are strategic to the Group's activities.

The Group's associated companies are Anyang Jiulong and Anyang Jiujiu. The Company's direct ownership interests in both Anyang Jiulong and Anyang Jiujiu are 49%. The remaining 51% interest in Anyang Jiujiu is owned by Anyang Jiulong and accordingly, the Group's effective interests in Anyang Jiulong and Anyang Jiujiu are 49% and 74% respectively.

As disclosed in Note 3, management has assessed and concluded that the Group has no control but only significant influence over Anyang Jiujiu. Accordingly, the Group has accounted its investment in Anyang Jiujiu as its associated company.

Anyang Jiulong generated revenue from the production and sales of Dimethylacetamide to third parties, and industrial steam and electricity to Anyang Jiutian and Anhua. Anyang Jiujiu generated revenue from sales of sodium hydrosulfite to third parties. The associated companies incurred losses for the financial year ended 31 December 2019 due mainly to the low production level of the sodium hydrosulfite facility arising from strict industry-wide environmental control measures and lower product prices as a result of decreased demand caused by the slowing PRC economy and ongoing global trade frictions.

The significant losses in the associated companies is considered an indication that the non-financial assets of the associated companies and consequently, the Company's investment in the associate companies may need to be impaired. Any impairment on the associated companies' non-financial assets will have a significant adverse impact on the share of losses from associated companies and impairment loss on the investment in associated companies. Management performed an impairment assessment of the associated companies' non-financial assets and the corresponding impact of the Group's and the Company's investment in associated companies.

An impairment loss of RMB78,692,000 (2018: Nil) and RMB267,960,000 (2018: Nil) was recognised to write down the Group's and the Company's investment in associated companies to their recoverable amounts of RMB71,749,000.

The recoverable amount of the investment was determined based on value-in-use calculations using cash flow projections approved by management. The pre-tax discount rate applied to the cash flow projection is 12% -14% (2018: 13% - 19%).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

17 Investment in associated companies (cont'd)

Sensitivity to changes in assumptions

Management has considered the most significant assumption used in the value-in-use calculation is the gross margin applied.

A 1% decrease in forecasted gross profit margin will result in the Company recognising an additional impairment loss of approximately RMB7,200,000.

The summarised financial information of Anyang Jiulong and Anyang Jiujiu based on their financial statements, which are prepared in accordance with International Financial Reporting Standards, 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	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Summarised statement of profit or loss and other comprehensive income				
Revenue	**230,461**	442,473	**17,017**	169,794
Loss and total comprehensive loss attributable to:				
- Equity holders of the company	**(286,894)**	(32,184)	**(486,023)**	(66,562)
- Non-controlling interests	**(238,151)**	(32,615)	**–**	–
	(525,045)	(64,799)	**(486,023)**	(66,562)

	Anyang Jiulong and its subsidiary company		Anyang Jiujiu	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Summarised statement of financial position				
Non-current assets	**466,778**	935,201	**218,181**	662,810
Current assets	**168,426**	259,072	**29,181**	87,924
Non-current liabilities	**(6,353)**	(6,535)	**–**	–
Current liabilities	**(553,787)**	(587,624)	**(720,738)**	(738,086)
Non-controlling interests	**231,958**	(6,194)	**–**	–
Total equity attributable to equity holders of the company	**307,022**	593,920	**(473,376)**	12,648
Group's share of net assets based on proportion of ownership interest	**150,441**	291,019	**–**	6,194
Other adjustment	**(78,692)**	–	**–**	–
Carrying amount of equity interest	**71,749**	291,019	**–**	6,194

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

17 Investment in associated companies (cont'd)

Sensitivity to changes in assumptions (cont'd)

The Group has not recognised its share of losses of Anyang Jiujiu amounting to RMB231,958,000 (2018: RMB Nil) because the Group's cumulative share of losses has exceeded its interest in that associated company and the Group has no obligation in respect of these losses.

In the previous financial year, included in current liabilities was finance lease payable totalling RMB19.45 million for the acquisition of property, plant and equipment. The finance lease payable was secured by the corporate guarantees from Anhua and Anyang Jiutian (Note 28). The finance lease payable has been fully repaid during the financial year.

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	Others	Total
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Group				
At 1 January 2018	49	11,902	206	12,157
(Charge)/credit to profit or loss	(16)	(1,337)	1,460	107
At 31 December 2018	33	10,565	1,666	12,264
Charge to profit or loss	(16)	(2,078)	(1,183)	(3,277)
At 31 December 2019	**17**	**8,487**	**483**	**8,987**

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	
	2019	2018
	RMB'000	RMB'000
Unabsorbed tax losses	**5,322**	4,835

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. During the financial year, the Group's unabsorbed tax losses brought forward amounting to RMB152,000 (2018: RMB1,366,000) has expired.

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.

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19 Bank borrowings

	Group		
		(Restated)	(Restated)
	31.12.2019	31.12.2018	1.1.2018
	RMB'000	RMB'000	RMB'000
Bank borrowings			
Loan I	**–**	–	50,000
Loan II	**–**	–	30,000
Loan III	**–**	–	30,000
Loan IV	**–**	50,000	–
Loan V	**–**	30,000	–
Loan VI	**–**	30,000	–
Loan VII	**10,000**	–	–
Loan VIII	**50,000**	–	–
Loan IX	**30,000**	–	–
Loan X	**30,000**	–	–
	120,000	110,000	110,000
Bills payables to banks	**324,098**	197,150	85,000
	444,098	307,150	195,000

Security for borrowings

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

Loan II bears interest rate of 5.22% per annum and is fully paid in 2018. Loan II was guaranteed by HNEC and security deposit of RMB3 million (Note 12) were pledged to HNEC for the corporate guarantee provided.

Loan III bears interest rate of 5.00% per annum and is fully paid in 2018. Loan III was guaranteed by Anhua.

Loan IV bears interest rate of 4.99% per annum and is fully paid during the financial year. Loan I is guaranteed by Anhua.

Loan V bears interest rate of 6.09% per annum and is fully paid during the financial year. Loan II is guaranteed by HNEC and security deposit of RMB3 million (Note 12) were pledged to HNEC for the corporate guarantee provided.

Loan VI bears interest rate of 5.00% per annum and is fully paid during the financial year. Loan III is guaranteed by Anhua.

Loan VII bears interest rate of 5.22% per annum and is payable in 2020. Loan IV is guaranteed by Anhua.

Loan VIII bears interest rate of 4.35% per annum and is payable in 2020. Loan V is guaranteed by Anhua.

Loan IX bears interest rate of 6.09% per annum and is repayable in 2020. Loan VI is guaranteed by HNEC and security deposit of RMB3 Million (Note 12) were pledged to HNEC for corporate guarantee provided.

Loan X bears interest rate of 5.00% per annum and is repayable in 2020. Loan VII is guaranteed by Anhua.

Bills payables to banks

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

19 Bank borrowings (cont'd)

Fair values

The carrying amounts of current bank borrowings approximate their fair values at the end of the reporting period.

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Amount due to related party (Note 20)	Bank loans	Bills payables to banks	Total
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
At 1 January 2018	5,178	110,000	85,000	200,178
Changes from financing cash flows:				
- Drawdown	–	110,000	112,150	222,150
- Repayments	–	(110,000)	–	(110,000)
- Interest paid	–	(5,297)	–	(5,297)
- Bank charges paid	–	(792)	(126)	(918)
Non-cash changes				
- Interest expenses	101	5,297	–	5,398
- Bank charges	–	792	126	918
Effect of changes in foreign exchange rates	162	–	–	162
At 31 December 2018	5,441	110,000	197,150	312,591
Changes from financing cash flows:				
- Drawdown	–	120,000	126,948	246,948
- Repayments	–	(110,000)	–	(110,000)
- Interest paid	–	(5,724)	–	(5,724)
- Bank charges paid	–	(925)	(527)	(1,452)
Non-cash changes				
- Interest expenses	112	5,724	–	5,836
- Bank charges	–	925	527	1,452
Effect of changes in foreign exchange rates	144	–	–	144
At 31 December 2019	**5,697**	**120,000**	**324,098**	**449,795**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

20 Trade and other payables

	Group		Company	
		(Restated)		
	31.12.2019	31.12.2018	**31.12.2019**	31.12.2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables due to:				
- Outside parties	**75,965**	68,159	**–**	–
- Associated company	**184**	29,088	**–**	–
- Related parties	**468**	17,680	**–**	–
Trade bills payables due to:[(a)]				
- Outside parties	**294,434**	368,481	**–**	–
- Associated company	**–**	3,318	**–**	–
- Related parties	**3,738**	936	**–**	–
Total trade payables	**374,789**	487,662	**–**	–
Advance receipt from subsidiary	**–**	–	**3,619**	–
Amount due to related party[(b)]	**5,697**	5,441	**5,697**	5,441
Amount due to subsidiary[(c)]	**–**	–	**–**	5,268
Payable for purchase of property, plant and equipment	**30,534**	28,850	**–**	–
Accrued operating expenses	**762**	7,177	**155**	122
Security deposits received	**527**	405	**–**	–
Value-added tax payables	**–**	3,028	**–**	–
Staff related costs	**8,508**	6,032	**791**	828
Others	**3,018**	368	**760**	–
Total other payables	**49,046**	51,301	**11,022**	11,659
Total trade and other payables	**423,835**	538,963	**11,022**	11,659

The average credit period on purchases of goods is 120 days (2018: 120 days).

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	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Singapore dollar	**11,022**	6,391	**11,022**	6,391

(a) 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).

(b) The amount due to related party, Anyang Longyu (HK) Development Co., Ltd. ("Anyang Longyu"), is non-trade in nature, unsecured, interest bearing of 2.20% (2018: 2.20%) per annum and payable within 12 months (2018: 12 months) after the end of the reporting period.

(c) In the previous financial year, the amount due to subsidiary, Anyang Jiutian, is unsecured, interest bearing of 2.20% per annum and payable within 12 months after the end of the reporting period. This has been fully repaid during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

21 Contract liabilities

The Group receives payments from customers based on a billing schedule as established in the contracts. Contract liabilities relate to advance consideration received from customers, billings in excess of revenue recognised to-date and deferred revenue. Contract liabilities are recognised as revenue as (or when) the Group satisfies the performance obligations under its contracts.

The following table provides information about contract liabilities from contract with customers.

	Group	
	2019	2018
	RMB'000	RMB'000
Contract liabilities	**20,491**	22,157

Significant changes in the contract liabilities balances during the financial year are as follows:

	Group Contract liabilities	
	2019	2018
	RMB'000	RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the financial year	**22,157**	13,097
Increases due to advances received, excluding amounts recognised as revenue during the financial year	**20,491**	22,157

22 Deferred income

	Group	
	2019	2018
	RMB'000	RMB'000
At beginning of the year	**2,129**	194
Addition during the year	**–**	2,000
Credit to profit or loss (Note 5)	**(65)**	(65)
At end of the year	**2,064**	2,129

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

23 Share capital

	Group and Company			
	2019	2018	**2019**	2018
	Number of ordinary shares		**RMB'000**	RMB'000
	'000	'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.

24 Related party transactions

Major shareholder

As at 31 December 2019, Anyang Longyu holds 502,429,900 (2018: 502,429,900) ordinary shares through its nominee, RHB Securities Singapore Pte Ltd, representing approximately 27.63% (2018: 27.63%) 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

On 31 December 2019, Anyang Jiutian secured a letter of continuing financial support from Anhua for a period of 2 years, which Anhua had agreed to defer the payments of trade and other payables owing to them till Anyang Jiutian is able to settle its other liabilities. In addition, Anhua will extend credit period when Anyang Jiutian has cash flow problems and agreed to supply the raw materials to Anyang Jiutian for the financial years ended 31 December 2020 and 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

24 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	
	2019	2018
	RMB'000	RMB'000
With associated companies (subsidiary company of HNEC)		
Sales of goods	**29,484**	37,862
Purchases of electricity and industrial steam	**114,680**	154,450
Purchases of goods	**774**	–
Rental expense	**694**	618
Advances given to	**20,646**	125,600
Repayment of advances given from	**3,195**	83,377
With other subsidiary companies of HNEC		
Sales of goods	**18,522**	12,116
Rental income	**–**	133
Service fee	**–**	800
Purchases of goods and industrial steam	**287,941**	155,029
Rental expense	**130**	130
Finance costs	**112**	101

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

25 Lease

The Group as a lessee

Nature of the Group's leasing activities

The carrying amount of right-of-use assets are disclosed in Note 14.

The Group leases land and buildings from Anhua where lease payment is recognised as expense on a straight-line basis over the lease term. The Group has elected not to recognise right-of-use assets and lease liabilities for the lease.

Information about the lease for which the Group is a lessee is presented below:

Amounts recognised in profit or loss

	2019
	RMB'000
Lease expense not included in measurement of lease liabilities	
Lease expense - short term leases (Note 7)	**910**

As at 31 December 2019, the Group is committed to RMB903,442 for short-term leases.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

26 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	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Financial assets at amortised cost	**571,540**	436,573	**959**	1,943
Financial liabilities				
Amortised cost	**569,761**	470,350	**11,022**	11,659

(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 dollar ("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 and Company					
	Assets		Liabilities		Net exposure	
	2019	2018	**2019**	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
SGD	**861**	1,846	**(11,022)**	(6,391)	**(10,161)**	(4,545)
USD	**98**	96	**–**	–	**98**	96

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

26 Financial instruments (cont'd)

(b) Financial risk management (cont'd)

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:

	Group and Company Increase/(decrease) in (loss)/profit after tax	
	2019	2018
	RMB'000	RMB'000
SGD against RMB		
- Strengthened	**508**	(227)
- Weakened	**(508)**	227

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 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 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 manages interest rate risks by placing fixed deposits with reputable financial institutions on varying maturities and interest rate terms. The Group does not utilise derivatives to mitigate their interest rate risk.

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

The Company's exposure to interest rate risk is insignificant as the Company has no interest-bearing assets and liabilities at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

26 Financial instruments (cont'd)

(b) Financial risk management (cont'd)

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.

The following sets out the Group's internal credit evaluation practices and basis for recognition and measurement of expected credit losses ("ECL"):

Description of evaluation of financial assets	**Basis for recognition and measurement of ECL**
Counterparty has a low risk of default and does not have any past due amounts	12-month ECL
Contractual payments are more than 30 days past due or where there has been a significant increase in credit risk since initial recognition	Lifetime ECL - not credit-impaired
Contractual payments are more than 90 days past due or there is evidence of credit impairment	Lifetime ECL - credit-impaired
There is evidence indicating that the Group has no reasonable expectation of recovery of payments such as when the debtor is over 720 days past due, or has been placed under liquidation or has entered into bankruptcy proceedings	Write-off

Significant increase in credit risk

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial asset as at the balance sheet date with the risk of a default occurring on the financial asset as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information, such as future economic and industry outlook, that is available without undue cost or effort.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

26 Financial instruments (cont'd)

(b) Financial risk management (cont'd)

Credit risk (cont'd)

Significant increase in credit risk (cont'd)

In particular, the Group considers the historical and current payment patterns of the debts when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results / key financial performance ratios of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Regardless of the evaluation of the above factors, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group also assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the end of the reporting period. A financial instrument is determined to have low credit risk if it has an internal or external credit rating of "investment grade" as per globally understood definition, or the financial asset has a low risk of default; the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

26 Financial instruments (cont'd)

(b) Financial risk management (cont'd)

Credit risk (cont'd)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred such as evidence that the borrower is in significant financial difficulty, there is a breach of contract such as default or past due event; there is information that it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for that financial asset because of financial difficulties; or the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Estimation techniques and significant assumptions

There has been no change in the estimation techniques or significant assumptions made during the current financial year for recognition and measurement of credit loss allowances.

Maximum exposure and concentration of credit risks

The Group's trade receivables comprise 1 debtor (2018: 2 debtors) that individually represented 10% of the trade receivables. The Group has significant concentration of credit risk in relation to the amount due from associated company as 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 represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The Company's maximum exposure to credit risk is the carrying amount of each class of financial instruments presented on the statement of financial position.

Trade receivables

The Group has applied the simplified approach to measure the lifetime expected credit loss allowance for trade receivables.

The Group estimates the expected credit loss rates for each category of past due status of the debtors based on historical credit loss experience adjusted as appropriate to reflect current conditions and forecasts of future economic conditions.

There has been no change in the estimation techniques or significant assumptions made during the current financial year.

The Group has recognised a loss allowance of 100% against all trade receivables over 720 days past due because historical experience has indicated that these receivables are generally not recoverable. A trade receivable is written off when there is information indicating that there is no realistic prospect of recovery from the debtor.

The Group does not hold collateral as security. The trade bills receivables are considered integral part of trade receivables and considered in the calculation of impairment. As at 31 December 2019, 96.28% (2018: 98.66%) of the Group's trade receivables are covered by trade bills receivables. The Group assesses the concentration of risk with respect to trade receivables is low as its customers are located in several industries and operate in largely independent markets.

Based on a simplified approach, an allowance for impairment amounting to RMB4,520,000 (2018: RMB4,520,000) was recognised by the Group as at 31 December 2019 for specific debtors as a result of occurrence of credit impairment events.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

26 Financial instruments (cont'd)

(b) Financial risk management (cont'd)

Credit risk (cont'd)

Amount due from associated company

The Group applied the general approach for expected credit loss model to measure the loss allowance on the amount of RMB162,893,000 due from associated company. The Group assessed the latest performance and financial position of the associated company, adjusted for future outlook of the industry in which the associated company operates in, and concluded that there has been significant increase in the credit risk. However, the Group has considered the corporate guarantee provided by a related party on the balance of RMB145,000,000 due from associated company and assessed that the credit risk exposure in relation to this balance is insignificant. Consequently, the Group has recognised an expected credit loss on the remaining balance of RMB17,893,000 as this balance is assessed to be impaired.

Financial guarantee.

As disclosed in Note 28, the Group together with a related party have provided corporate guarantee to a financial institution for finance lease taken by Anyang Jiujiu in the previous financial year. These guarantees are subject to the impairment requirements of SFRS(I) 9. The Group has assessed that Anyang Jiujiu has sufficient financial capacity to meet the contractual cash flow obligations and does not expect significant credit losses arising from this guarantee. The corporate guarantee has been discharged during the financial year.

Other financial assets at amortised cost

The credit loss exposure in relation to cash and cash equivalents and other receivables are immaterial and accordingly, no credit loss allowance is recognised at 31 December 2019.

Movements in credit loss allowance are as follows:

	Trade receivable (Note 12)	**Amount due from associated company (Note 12)**	**Total**
	RMB'000	**RMB'000**	**RMB'000**
Group			
Balance at 1 January 2019	4,520	–	4,520
Loss allowance measured:			
Lifetime ECL	–	17,893	17,893
Balance at 31 December 2019	**4,520**	**17,893**	**22,413**

There are no movement in the allowance for impairment of financial assets under SFRS(I) 9 in the previous financial year.

26 Financial instruments (cont'd)

(b) Financial risk management (cont'd)

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 3, management has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

The Group's and the Company's financial liabilities are all due within the next 12 months from the end of the reporting date and approximate the contractual undiscounted payments.

At the end of the reporting period, the Group does not consider it probable that a claim will be made against the Group under the financial guarantee contract of RMB Nil (2018: RMB19,767,000) (Note 28).

(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) **Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value**

The carrying amounts of financial assets and financial liabilities at amortised cost are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

(iii) The Group and the Company has no other financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

26 Financial instruments (cont'd)

(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 2018.

27 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**
	2018	2018
	RMB'000	RMB'000
Not later than one financial year	1,542	682
Later than one financial year but not later than five financial years	838	171
Later than five financial years	46	–
	2,426	853

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.

28 Contingent liabilities

In the previous financial year, the Group together with a related party have provided corporate guarantee totalling RMB19.77 million to a financial institution for finance lease of RMB19.45 million taken by Anyang Jiujiu (Note 17).The corporate guarantee has been discharged during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

29 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 RMB119,715,000 (2018: RMB136,864,000) are derived from 1 external customer who individually contributed 10% or more of the Group's total revenue.

30 Comparative figures

Certain reclassifications have been made to the previous year's financial statements to conform to the current year's presentation as the Group recognised bill payables to banks amounting to RMB197,150,000 and RMB85,000,000 at 31 December 2018 and 1 January 2018 respectively as trade and other payables instead of bank borrowings and related bank charges as administrative expenses instead of finance cost.

As a result, certain line items have been amended on the Group's statements of financial position, consolidated statements of comprehensive income, consolidated statement of cash flows and the related notes to the financial statements for the previous financial year ended 31 December 2018 and 1 January 2018. The items were reclassified as follows:

	As previously reported	Group Amount reclassified	As reclassified
	RMB'000	RMB'000	RMB'000
Statement of Financial Position as at 31 December 2018			
Bank borrowings	110,000	197,150	307,150
Trade and other payables	736,113	(197,150)	538,963
Statement of Financial Position as at 1 January 2018			
Bank borrowings	110,000	85,000	195,000
Trade and other payables	811,381	(85,000)	726,381
Consolidated statement of comprehensive income for the financial year ended 31 December 2018			
Administrative expenses	27,350	(1,422)	25,928
Finance costs	5,398	1,422	6,820
Consolidated statement of cash flow for the financial year ended 31 December 2018			
Net cash used in operating activities	30,305	918	31,223
Net cash used in financing activities	28,203	(918)	27,285

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

31 Subsequent event

The emergence of COVID-19 since early 2020 has brought about uncertainties to the Group's operating environment and has impacted the Group's operations in China and its financial position subsequent to the financial year end. The Group is cognizant of the challenges posed by these developing events and the potential impact they have on our business sector. The Group will continuously assess the situation, work closely with the local authorities in China to support their efforts in containing the spread of COVID-19, and put in place measures to minimise impact to our business. As the situation is still evolving, the full effect of the outbreak is subject to uncertainty and could not be ascertained yet.

32 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 2019 were authorised for issue in accordance with a resolution of the directors dated 1 April 2020.

SHAREHOLDING STATISTICS

As at 18 March 2020

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

There are no treasury shares and subsidiary holdings held in the issued share capital of the Company.

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Holders	No. of Shares	% of Shares
1 – 99	–	–	–	–
100-1000	72	1.39	58,695	0.00
1,001 – 10,000	1,236	23.93	9,858,000	0.54
10,001 – 1,000,000	3,685	71.33	464,974,099	25.57
1,000,001 and above	173	3.35	1,343,553,206	73.88
	5,166	**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.	520,331,500	28.61
2	OCBC SECURITIES PRIVATE LTD	104,360,400	5.74
3	RAFFLES NOMINEES (PTE) LIMITED	69,943,600	3.85
4	HSBC (SINGAPORE) NOMINEES PTE LTD	37,316,000	2.05
5	DBS NOMINEES PTE LTD	33,318,600	1.83
6	PHILLIP SECURITIES PTE LTD	32,127,400	1.77
7	PEK KOK SAM	25,836,000	1.42
8	MAYBANK KIM ENG SECURITIES PTE. LTD	19,656,000	1.08
9	UOB KAY HIAN PTE LTD	16,518,500	0.91
10	TENG TECK SENG	15,500,000	0.85
11	CITIBANK NOMINEES SINGAPORE PTE LTD	15,188,200	0.84
12	LEE YOW FEE	12,794,000	0.70
13	MOE KHONG KIOEN	12,445,000	0.68
14	HONG LEONG FINANCE NOMINEES PTE LTD	11,616,400	0.64
15	LEE CHEE SENG	10,250,000	0.56
16	EST OF LIM TCHEN NAN, DECEASED	10,000,000	0.55
17	OCBC NOMINEES SINGAPORE PTE LTD	9,982,000	0.55
18	LEE CHOONG ONN	8,905,000	0.49
19	UNITED OVERSEAS BANK NOMINEES PTE LTD	8,634,000	0.47
20	WANG PENG	8,298,000	0.46
	TOTAL	**983,020,600**	**54.05**

SHAREHOLDING STATISTICS

As at 18 March 2020

SUBSTANTIAL SHAREHOLDER

		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

* Anyang Longyu (HK) Development Co, Ltd is deemed interested in 502,429,900 shares held through its nominees, RHB Securities Singapore Pte. Ltd.

COMPLIANCE WITH RULE 723 OF THE SGX-ST LISTING MANUAL SECTION B: RULES OF CATALIST

Based on information available and to the best knowledge of the Directors, as at 18 March 2020, approximately 69.35% 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 Section B: Rules of Catalist of Singapore Exchange Securities Trading Limited.

APPENDIX I

APPENDIX I DATED 15 APRIL 2020

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 2019 (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 by 29 June 2020. Shareholders are advised to stay updated through the Company's further announcement(s) released on the SGXNET in respect of details relating to the Annual General Meeting of the Company to be convened, such as the date, time and address.

IF YOU ARE IN ANY DOUBT ABOUT ITS CONTENTS 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, summary of resolutions to be passed in the upcoming Annual General Meeting to the purchaser or transferee or to the stockbroker or the banker 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 summary of resolutions to be passed in the upcoming Annual General Meeting, of which is contained in the Annual Report.

This Appendix I has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**") in accordance with Rules 226(2)(b) and 753(2) for compliance with the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist.

This Appendix I has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the contents of this Appendix I, including the correctness of any of the statements or opinions made or reports contained in this Appendix I.

The contact person for the Sponsor is Ms Gillian Goh, Director, Head of Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).

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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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"	:	Anhua and their respective subsidiaries and associates
"Anyang Jiulong"	:	Anyang Jiulong Chemical Co., Ltd., a subsidiary of Anhua and an associated company of Jiutian
"Anyang Jiujiu"	:	Anyang Jiujiu Chemical Technology Co., Ltd, an associate of the Company, wherein 74% of its registered capital (direct interest of 49% and indirect interest of 25%) is held by the Company. The Company has significant influence but not control or joint control over the financial and operating policies of Anyang Jiujiu
"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
"Anyang Yongjin"	:	Anyang Yongjin Chemical Co., Ltd., a wholly-owned direct subsidiary of HNEC
"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, independent of both Anhua Group and Jiutian Group
"HNEC"	:	Henan Energy and Chemical Industry Group Co., Ltd. (formerly known as Henan Coal and Chemical Group Co., Ltd.)
"Guolong Logistics"	:	Anyang Guolong Logistics Co., Ltd, a wholly-owned direct subsidiary of Anhua
"Jiutian Group"	:	The Company, its subsidiaries and its associated companies
"SGX-ST"	:	Singapore Exchange Securities Trading Limited

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 by 29 June 2020
"Annual Report"	:	The annual report of the Company for FY2019
"Appendix I"	:	This Appendix I dated 15 April 2020
"associated companies"	:	A company in which at least 20% but not more than 50% of its shares are held by the Company or Jiutian Group and that it is not listed on the SGX-ST or an approved exchange. This definition shall include Anyang Jiujiu and Anyang Jiulong, both of which are as defined above) in which the Group holds

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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 Jiutian Group
"Audit Committee"	:	The audit committee of the Company, comprising Mr. Chan Kam Loon, Mr. Wu Yu Liang and Mr Koh Eng Kheng Victor
"Board" or "Directors"	:	The board of directors of the Company for the time being
"Catalist"	:	The sponsor-supervised listing platform of the SGX-ST
"Catalist Rules"	:	The SGX-ST Listing Manual (Section B: Rule of Catalist), as amended, modified or supplemented from time to time
"controlling shareholder"	:	A person who:- (a) holds directly or indirectly 15% or more of the nominal amount of all voting shares (excluding treasury shares and subsidiary holdings) 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
"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
"FY"	:	Financial year ended 31 December
"Interested Persons"	:	(a) a director, chief executive officer, or controlling shareholder of the issuer; or (b) an associate of any such director, chief executive officer, or controlling shareholder. The interested persons of the Company who fall within the IPT Mandate are as set out in Section 4.2 of this Appendix I
"IPT Mandate"	:	The general mandate that was first approved by Shareholders at the extraordinary general meeting of the Company held on 16 November 2012, amended at the annual general meeting of the Company held on 29 April 2014; and last renewed at the annual general meeting of the Company held on 25 April 2019, permitting the Entities at Risk to enter into the Recurrent IPTs with the Interested Persons

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"Latest Practicable Date"	:	2 April 2020, being the latest practicable date prior to the printing of this Appendix I
"Non-interested Directors"	:	The Directors who are deemed to be non-interested in respect of and for the purpose of the IPT Mandate, namely, Mr. Lee Chee Seng, Mr. Wu Yu Liang, Mr. Chan Kam Loon, Mr. Gao Guoan, Mr. Chen Mingjin and Mr. Koh Eng Kheng Victor
"Notice of AGM"	:	The notice of AGM to be issued when the AGM date is determined
"NTA"	:	Net tangible assets
"Raw Materials Type I"	:	Includes liquid ammonia, methanol, nitrogen and carbon dioxide
"Raw Materials Type II"	:	Includes liquid coal gas, oxygen, clean water, desalinated water, recycled water and instrument air
"Recurrent IPTs"	:	The categories of transactions with the Interested Persons which fall within the IPT Mandate, as set out in sections 4.2.2(b) and 4.3 of this Appendix I
"Shares"	:	Ordinary shares in the capital of the Company

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

The terms "Depositor", "Depository Agent" and "Depository Register" shall have the meanings ascribed to them respectively in Section 81F of the Securities and Future Act (Chapter 289) of Singapore ("**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 statue or enactment is a reference to that statute or enactment as for the time being amended or re-enacted. Any word defined under the Act, the SFA, the Catalist Rules or any statutory modification thereof and used in this Appendix I shall, where applicable, have the same meaning ascribed to it under the Act, the SFA, the Catalist Rules 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.

APPENDIX I

LETTER TO SHAREHOLDERS

JIUTIAN CHEMICAL GROUP LIMITED

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

Board of Directors:

Mr Han Lianguo *(Non-Executive and Non-Independent Chairman)*
Mr Lee Chee Seng *(Executive Director)*
Mr Zhang Hongtao *(Non-Executive and Non-Independent Director)*
Mr Wang Gang *(Non-Executive and Non-Independent Director)*
Mr Wu Yu Liang *(Non- Executive and Lead Independent Director)*
Mr Chan Kam Loon *(Non-Executive and Independent Director)*
Mr Gao Guoan *(Non-Executive and Independent Director)*
Mr Chen Mingjin *(Non-Executive and Independent Director)*
Mr Koh Eng Kheng Victor *(Non-Executive and Independent Director)*

Registered Office:

80 Robinson Road #02-00
Singapore 068898

15 April 2020

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 by 29 June 2020 for the proposed renewal of the IPT Mandate.

The Company refers to the Notice of AGM accompanying the Annual Report for FY2019 and Resolution 8 in relation to the proposed renewal of the IPT Mandate under the heading "Special Business" set out in the Summary of resolutions to be passed in the upcoming 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 Jiutian Group as "entities at risk" within the meaning of Chapter 9 of the Catalist Rules, 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 Catalist Rules is set out in Section 3 of this Appendix I.

2. PROPOSED RENEWAL OF THE IPT MANDATE

Under Chapter 9 of the Catalist Rules, 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, amended at an annual general meeting of the Company held on 29 April 2014; and last renewed at the annual general meetings of the Company held on 25 April 2019.

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.

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

3. THE CATALIST RULES

3.1 Chapter 9 of the Catalist Rules

Chapter 9 of the Catalist Rules 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 Catalist Rules:-

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 its equivalent) or controlling shareholder of the listed company or an associate of any such director, Chief Executive Officer (or its equivalent) or controlling shareholder. The SGX-ST may deem any person or entity to be an interested person if the person or entity has entered into, or proposes to enter into: (i) a transaction with an entity at risk and (ii) an agreement or arrangement with an interested person in connection with that transaction;

3.1.3 an "**associate**":-

(a) in relation to any director, Chief Executive Officer (or its equivalent) or controlling shareholder (being an individual) means:-

(i) his immediate family;

(ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and

(iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more;

(b) in relation to a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more;

3.1.4 an "**approved exchange**" means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9 of the Catalist Rules; 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 goods or 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.

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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 and as set out under Rule 905(2) of the Catalist Rules.

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 However, a transaction which has been approved by shareholders, or is the subject of aggregation with another transaction that has been approved by shareholders, need not be included in any subsequent aggregation as set out under Rule 906(1)(b) of the Catalist Rules.

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 Catalist Rules.

The SGX-ST should be consulted on the appropriate benchmark to calculate the relevant thresholds as set out above if the group's latest audited net tangible assets is negative, which may be based on its market capitalisation. In addition, while transactions below S$100,000 entered into with the same interested person during the same financial year are not normally aggregated, the SGX-ST may aggregate any such transaction entered into during the same financial year and treat them as if they were one transaction in accordance with Rule 902 of the Catalist Rules. Reference is to be made to Rule 908 of the Catalist Rules in the interpretation of the term "same interested person" as abovementioned.

Pursuant to Rule 909 of the Catalist Rules, 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.

(d) In the case that the market value or book value of the asset to be disposed of is higher than the consideration from an interested person, the value of the transaction is the higher of the market value or book value of the asset.

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3.3 Illustration

For illustration purposes, based on Jiutian Group's latest Audited Accounts for FY2019, Jiutian Group's latest audited NTA as at 31 December 2019 was approximately RMB 289.26 million. Accordingly, in relation to Jiutian Group, for the purposes of Chapter 9 of the Catalist Rules in the current financial year, shareholders' approval is required where:-

(a) the transaction is of a value equal to, or more than, RMB14.46 million, being 5% of Jiutian Group's latest audited NTA as at 31 December 2019; 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, RMB14.46 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 Catalist Rules 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 those 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

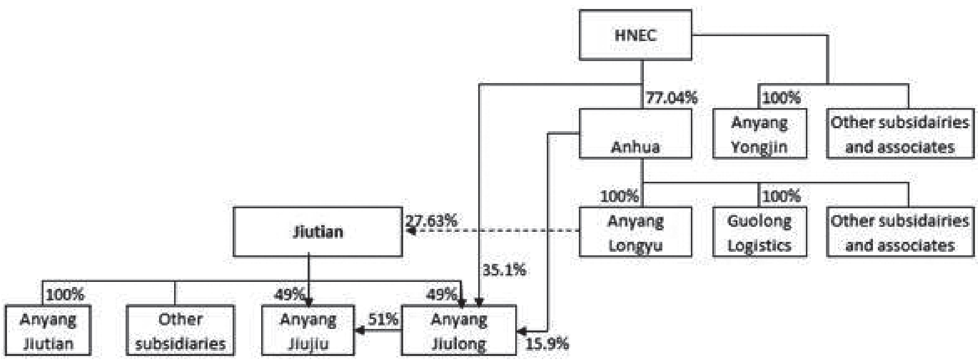
Jiutian Group and the Interested Persons are in related businesses. It is envisaged that in the ordinary course of their respective businesses, certain recurrent transactions (as more particularly set out in sections 4.2.2(b) and 4.3 of this Appendix I) between Jiutian Group and the Interested Persons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

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 for Jiutian Group and Anyang Jiulong to undertake such transactions in a more expeditious manner, the Company is seeking the approval of its shareholders for the proposed renewal of the IPT Mandate in respect of the Recurrent IPTs provided that such transactions are made on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

4.2 Information on the Entities at Risk and the Interested Persons

4.2.1 <u>Relationship between the Entities at Risk and the Interested Persons</u>

As at the Latest Practicable Date, the corporate structure of Jiutian Group, Anhua Group and the relationships among them were as follows:-



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Notes:-

(1) Anyang Jiulong is a joint venture between Jiutian and Anhua Group pursuant to which 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 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 Jiutian Group. It would also be deemed to be an Interested Person as being part of Anhua Group when it enters into transactions with Jiutian Group.

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

4.2.2 Classes of the Entities at Risk and the Interested Persons

(a) *Background*

As at the Latest Practicable Date, Anyang Longyu holds 502,429,000 Shares through its nominee, RHB Securities Singapore 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. As such, all transactions entered into by Anhua, Guolong Logistics (subsidiary of Anhua) and Anyang Yongjin (subsidiary of HNEC) (as interested person are associates of controlling shareholder, Anyang Longyu) with Jiutian Group (which includes Anyang Jiutian, Anyang Jiulong and Anyang Jiujiu (as Entities at Risk) became interested person transactions under Chapter 9 of the Catalist Rules.

Anhua Group has been a key supplier of raw materials to Jiutian Group since 2005 pursuant to a 20-year supply agreement was entered into between Anyang Jiutian and Anhua commencing on 1 January 2005 and expiring on 31 December 2024. (the "**Supply Agreement**"). The term of the Supply Agreement is renewable on the 18th year for a further period of 20 years through negotiations between Jiutian Group and Anhua.

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 Jiutian Group's dimethylformamide and methylamine workshops;

(b) liquid coal gas, water, electricity, industrial steam, meter gas and nitrogen to Jiutian Group's methanol workshop and

(c) carbon dioxide, oxygen, production water, electricity and industrial steam to Jiutian Group's gas workshop.

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 Jiutian Group and Anhua. Anyang Jiutian also has the right, under the Supply Agreement, to purchase raw materials directly from other third parties.

With the Supply Agreement, 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 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 Jiutian Group.

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

Pursuant to Chapter 9 of the Catalist Rules 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 as customer	Anhua, Anyang Yongjin and/or Guolong Logistics as suppliers	Purchase from Anhua, Anyang Yongjin and/or Guolong Logistics (i) Raw Materials Type I and Type II; or (ii) Repair Materials (the above transactions are collectively referred to as "**Transactions A**")
Jiutian Group as customer	Anhua and/or Anyang Jiulong as supplier	Purchase of electricity and industrial steam from Anhua and/or Anyang Jiulong (the said transaction is referred to as "**Transactions B**")
Jiutian Group as supplier	Anhua and/or Anyang Yongjin as customers	Sale of Repair Materials to Anhua and/or Anyang Yongjin (the said transactions are referred to as "**Transactions C**")
Jiutian Group as supplier	Anhua and/or Anyang Yongjin as customers	Sale of electricity and industrial steam to Anhua and/or Anyang Yongjin (the said transactions are referred to as "**Transactions D**")
Jiutian Group as supplier	Anyang Jiulong as customer	Sale of Dimethylamine to Anyang Jiulong (the said transaction is referred to as "**Transactions E**")
Jiutian Group as lessor	Anhua and/or Anyang Yongjin as lessees	Leasing of equipment to Anhua and/or Anyang Yongjin (the said transactions are referred to as "**Transactions F**")
Jiutian Group as lessee	Anhua and/or Anyang Yongjin as lessors	Renting of equipment from Anhua and/or Anyang Yongjin (the said transactions are referred to as "**Transactions G**")

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 which are recurrent transactions of revenue or trading nature or those which are necessary for the day-to-day operations of Jiutian Group. The categories of the Recurrent IPTs which are covered by the IPT Mandate include the following:-

4.3.1 *(a)* *Transactions A – Purchase of liquid ammonia, methanol, nitrogen and carbon dioxide ("**Raw Materials Type I**")*

Jiutian Group require Raw Materials Type I to produce its chemical products. Currently, they purchase 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 Anhua. Due to the close proximity of the factories of Jiutian Group and Anhua, these raw materials are being delivered to the factories of Jiutian Group via pipelines without any transportation costs being incurred by Jiutian Group. Jiutian Group will incur transportation costs if they purchased such raw materials from other unrelated third parties.

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Jiutian Group is able to purchase Raw Materials Type I from unrelated third parties. However, purchasing such raw materials from unrelated third parties will be much higher as transportation costs will be incurred to store these raw materials in either storage bottles or tanks and transporting them to the factories of Jiutian Group via trucks. On the other hand, Jiutian Group is able to purchase such raw materials from Anhua at a lower cost as the same are delivered to the factories of Jiutian Group via pipelines without any transportation costs being incurred.

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

(b) *Transactions A – Purchase of liquid coal gas, oxygen, clean water, desalinated water, recycled water and instrument air ("**Raw Materials Type II**")*

Jiutian Group is unable to either obtain quotes or purchase Raw Materials Type II from unrelated third parties. Since 2005, Jiutian Group has been purchasing Raw Materials Type II from Anhua, Anyang Yongjin and/or Guolong Logistics. Anyang Jiulong has been purchasing clean water and desalinated water from Anhua since September 2010

Jiutian Group shall purchase liquid coal gas, oxygen and instrument air from Anhua, Anyang Yongjin and/or Guolong Logistics based on the prices computed by Jiutian Group using the Technical Cost Conversion Formulae.

For clean water, desalinated water and recycled water, the prices of such raw materials are determined based on the unit production costs of Anhua, Anyang Yongjin and/or Guolong Logistics for the said raw materials with a mark-up of 5% (the "Production Cost Method"). The 5% mark-up is to cover the 5% sales tax that is payable by Anhua, Anyang Yongjin and/or Guolong Logistics to the PRC authorities for sale of raw materials to Jiutian.

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

(c) *Transactions B – Purchase of electricity and industrial steam from Anhua and/or Anyang Jiulong*

Jiutian Group purchases from Anhua and/or Anyang Jiulong electricity which is delivered to Jiutian Group's factories via power lines without incurring delivery costs. The only other vendor in the vicinity 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 purchased by Jiutian Group from Anhua and/or Anyang Jiulong will not be higher than the unit price of electricity quoted by Henan Electric and the same unit price of electricity will apply to the sale of electricity by Jiutian Group to Anhua and/or Anyang Yongjin. Please refer to section 4.3.2 of this Appendix I for further information relating to the sale of electricity by Jiutian Group to Anhua and/or Anyang Yongjin.

In addition, the purchase of electricity from Anhua and/or Anyang Jiulong is deemed by Jiutian Group to be more cost effective than to incur costs to build 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 Jiutian Group, Anhua and/or Anyang Jiulong is able to transmit electricity through such power lines and Jiutian Group does not incur any delivery costs in connection therewith. This results in cost savings to Jiutian Group.

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Due to the close proximity of the factories of Jiutian Group and Anhua and/or Anyang Jiulong, Jiutian Group is able to purchase industrial steam from Anhua and/or Anyang Jiulong which is delivered via pipelines and without incurring transportation costs. There are no other factories which are in the vicinity of Jiutian Group's factories for industrial steam to be supplied via pipelines and Jiutian Group will incur transportation costs for purchasing the same from unrelated third parties. It is not practicable for industrial steam to be transported via trucks or long distance pipes.

Jiutian Group uses the relevant Technical Cost Conversion Formula in arriving at the purchase price of industrial steam. It is not practicable for 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 for their own use. Purchase of industrial steam from Anhua and/or Anyang Jiulong is deemed by Jiutian Group to be more cost effective compared to investing heavy capital expenditure for the building of steam boilers to produce industrial steam internally.

4.3.2 <u>Transactions D – Sale of electricity and industrial steam by Jiutian Group to Anhua and/or Anyang Yongjin</u>

Jiutian Group has been selling electricity and industrial steam to Anhua and/or Anyang Yongjin since September 2010.

The unit price of electricity when purchases are made by Anhua and/or Anyang Yongjin from Jiutian Group 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 purchase of electricity by Jiutian Group from Anhua and/or Anyang Jiulong. Please refer to section 4.3.1(c) of this Appendix I for further information relating to the purchase of electricity by Jiutian Group from Anhua and/or Anyang Jiulong.

The selling price for the industrial steam is determined by Jiutian Group using the Technical Cost Conversion Formulae.

Electricity and industrial steam are respectively delivered to the factories of Anhua and/or Anyang Yongjin via power lines and pipelines without any transportation costs being imposed.

4.3.3 <u>Transactions A and C – Purchase and/or sale of Repair Materials</u>

Jiutian Group purchase from Anhua, Anyang Yongjin and/or Guolong Logistics and sells to Anhua and/or Anyang Yongjin 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 Anhua, Anyang Yongjin and/or Guolong Logistics are not less favourable than those purchased from unrelated third parties.

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

4.3.4 <u>Transaction E – Sale of Dimethylamine to Anyang Jiulong</u>

Dimethylamine is one of the products which Jiutian Group produces and sells to third parties in its ordinary course of business. Jiutian Group started selling Dimethylamine to Anyang Jiulong since 28 February 2013.

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

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4.3.5 Transactions F and G – Rental and/or lease of equipment

Jiutian Group and Anhua and/or Anyang Yongjin, from time to time, lease and/or rent equipment from each other whenever the 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.

Jiutian Group 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 by and/or rented from Anhua include compressors and storage tanks which are necessary and critical in the chemical industry. Each of Jiutian Group and Anhua and/or Anyang Yongjin have their own compressors and storage tanks and whenever there is a shortage of capacity due to higher production requirements or maintenance issues, Jiutian Group and Anhua and/or Anyang Yongjin will lease to 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% which consist maintenance related administrative expenses (7.5%) and taxes (2.5%) that is to be borne by the lessor in connection therewith.

4.4 The Technical Cost Conversion Formulae

Jiutian Group 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 Jiutian Group from Anhua are reasonable.

Jiutian Group also uses the Technical Cost Conversion Formula to arrive at the purchase price of industrial steam when it purchases industrial steam from Anhua 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 Anhua and/or Anyang Yongjin.

Each of the Technical Cost Conversion Formulae was formulated by Wuhuan engineering, an independent technical consultant in the PRC, who is not related in any way to Jiutian Group, Anhua Group, Anyang Yongjin, and Guolong Logistics. The Technical Cost Conversion Formulae takes 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.

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. Further information about Wuhuan Engineering and the services provided by them can be found at their website at www.cwcec.com.

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 Jiutian Group, Anhua Group, Anyang Yongjin, or Guolong Logistics. 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

Jiutian Group 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 Anhua for the said raw materials with a mark-up of 5%. Anhua, Anyang Yongjin and Guolong Logistics pays approximately 5% tax on the sale of raw materials to Jiutian Group and the 5% mark-up is to cover the tax that is payable to the PRC authorities.

In order to ensure that the prices of the raw materials, whereby the Production Cost Method is used, are fair and reasonable, the local finance team (which includes the Group Financial Controller of Jiutian Group will request for the costing report of such raw materials from Anhua, Anyang Yongjin and Guolong Logistics and reviews the key component costs of the raw materials. As all of Jiutian Group and Anhua, Anyang Yongjin and Guolong Logistics are in related businesses, Jiutian Group is able to review and determine whether the production costs for the aforesaid raw materials are reasonable.

Jiutian Group 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 Jiutian Group are able to, on their own, determine the unit production cost of the aforesaid raw materials thereby ensuring that the prices quoted by Anhua, Anyang Yongjin and Guolong Logistics are reasonable. Moreover, when Jiutian Group purchase such raw materials from Anhua, Anyang Yongjin and Guolong Logistics, it does not incur any transportation costs and that results in savings to Jiutian Group.

Any inefficiencies in the production of the aforesaid raw materials by Anhua, Anyang Yongjin and Guolong Logistics will invariably add to the cost of production for which Jiutian Group will have to bear. Notwithstanding such cost increase, Jiutian Group still have to purchase the aforesaid raw materials from Anhua, Anyang Yongjin and Guolong Logistics because it is not possible for Jiutian Group 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 Jiutian Group to install 3 waterlines to receive the aforesaid raw materials.

The management of the Company, together with the Audit Committee, will constantly monitor the volume of purchases of the aforesaid raw materials from Anhua, Anyang Yongjin and Guolong Logistics, and consider accordingly if the installation of the 3 waterlines to receive the aforesaid raw materials is commercially justifiable.

4.6 Rationale for and benefits of the IPT Mandate

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

(a) the Directors are of the view that it is beneficial to Jiutian Group to continue to transact with Anhua, Anyang Yongjin and Guolong Logistics as they do not incur any transportation costs if they purchase the raw materials from Anhua, Anyang Yongjin and Guolong Logistics as opposed to purchasing the same from unrelated third parties;

(b) there are certain raw materials such as industrial steam, clean water, desalinated water and recycled water which are to be procured from facilities which are near to the factories of Jiutian Group and there are no other facilities which offers such an option;

(c) timely delivery is an essential element in the businesses of Jiutian Group. 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 Jiutian Group. 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 corporate and business objectives.

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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 and are not prejudicial to the interests of the Company and its minority shareholders. In general, these are procedures established by the Company to ensure that the Recurrent IPTs are undertaken on normal commercial terms consistent with the usual business practices and policies of Jiutian Group 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 A and B</u>

(i) Purchase of Raw Materials Type I and/or Repair Materials from Anhua, Anyang Yongjin and/or Guolong Logistics

When Jiutian Group purchases Raw Materials Type I which are readily available in the market and/or Repair Materials from Anhua, Anyang Yongjin and/or Guolong Logistics, 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 Raw Materials Type I and/or 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 Anhua, Anyang Yongjin and/or Guolong Logistics shall not be less favourable than those obtained from unrelated third parties.

(ii) Purchase of Raw Materials Type II from Anhua, Anyang Yongjin and Guolong Logistics

When Jiutian Group purchases Raw Materials Type II from Anhua, Anyang Yongjin and/or Guolong Logistics whereby it is not practicable to transact with unrelated third parties, Jiutian Group and/or Anyang Jiulong uses the Technical Cost Conversion Formulae or the Production Cost Method to ensure that the prices of Raw Materials Type II 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 Anhua, Anyang Yongjin and/or Guolong Logistics, 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 Anhua, Anyang Yongjin and/or Guolong Logistics, 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 Group Financial Controller of Jiutian Group will request for the costing report from Anhua, Anyang Yongjin and Guolong Logistics and reviews the key component costs of the raw materials. As all of Jiutian Group and Anhua, Anyang Yongjin and Guolong Logistics are in related businesses, Jiutian Group is able to review and determine whether the production cost of Anhua, Anyang Yongjin and Guolong Logistics for the aforesaid raw materials are reasonable. This ensures that the prices quoted by Anhua, Anyang Yongjin and Guolong Logistics are reasonable and are of a markup of 5% of the unit production cost of Anhua, Anyang Yongjin and Guolong Logistics. Anhua, Anyang Yongjin and Guolong Logistics pays approximately 5% tax on sale of raw materials to Jiutian Group and the 5% markup is to cover the tax that is payable by Anhua, Anyang Yongjin and Guolong Logistics 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.

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(iii) Purchase of electricity and industrial steam from Anhua and/or Anyang Jiulong

When purchasing electricity from Anhua and/or Anyang Jiulong, Jiutian Group will compare the unit price of electricity as quoted by Anhua 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 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 Jiutian Group to Anhua and/or Anyang Yongjin. In addition, the credit terms obtained from Anhua 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 Anhua and/or Anyang Jiulong, Jiutian Group uses the Technical Cost Conversion Formula in arriving at the price of industrial steam.

(b) Transactions C and D

(i) Sale of Repair Materials by Jiutian Group to Anhua and/or Anhua Yongjin

When selling the Repair Materials which are in excess of the needs of Jiutian Group to Anhua and/or Anhua Yongjin, 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 Anhua and/or Anhua Yongjin, Jiutian Group 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 Jiutian Group to Anhua and/or Anhua Yongjin

When selling electricity to Anhua and/or Anhua Yongjin, Jiutian Group 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 Anhua and/or Anhua Yongjin from 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 purchase of electricity from Anhua and/or Anyang Jiulong to Jiutian Group.

When selling industrial steam to Anhua and/or Anhua Yongjin, the price of the industrial steam shall be determined by Jiutian Group using the Technical Cost Conversion Formula.

(c) Transaction E

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

For the sale of Dimethylamine to Anyang Jiulong, Jiutian Group will compare the sale price and terms of the sale of Dimethylamine to 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 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 Anyang Jiulong will not be lower or more favourable than that transacted with unrelated third parties.

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(d) Transactions F and G - Rental and/or lease of equipment

When renting and/or leasing of equipment to Anhua and/or Anyang Yongjin, 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 Jiutian Group in the PRC, (ii) Anyang Jiulong and (iii) Anhua and/or Anyang Yongjin 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 Anhua and/or Anyang Yongjin is fair and reasonable.

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

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

(a) any single transaction of a value less than RMB500,000 will be reviewed and approved by the group financial controller 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 Acting Chief Executive Officer and the group financial controller 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 in place of the said person being unavailable;

(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, aggregation of transaction with the same interested person pursuant to Rule 908 of the Catalist Rules, 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 during the financial year, 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;

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(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 Acting Chief Executive Officer and the group financial controller 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 aggregate value of all transactions entered into with the same Interested Person in the same financial year is equal to or exceeds RMB20 million. In such a situation, the group financial controller 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. The Audit Committee will obtain a fresh mandate from shareholders if the above guidelines and review procedures become inappropriate.

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, to ensure that such transactions will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

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 25 April 2019; 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.

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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 Catalist Rules 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 Catalist Rules.

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	Nature of relationship	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 Catalist Rules)	Aggregate value of all interested person transactions conducted under the shareholders' mandate pursuant to Rule 920 of the Catalist Rules (excluding transactions less than S$100,000)

5. 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 other than through their respective shareholdings in the Company.

6. 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				
Han Lianguo	–	–	–	–
Lee Chee Seng(2)	10,250,000	0.56	44,419,000	2.44
Wu Yu Liang	300,000	0.02	–	–
Chan Kam Loon	–	–	–	–
Gao Guoan	–	–	–	–
Zhang Hongtao	–	–	–	–
Wang Gang	–	–	–	–
Chen Mingjin	–	–	–	–
Koh Eng Kheng Victor	–	–	–	–
Substantial Shareholders				
Anyang Longyu (3)	–	–	502,429,900	27.63

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Notes:

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

(2) Lee Chee Seng is deemed interested in 44,419,000 shares held through his indirect nominee, Credit Suisse AG, Singapore Branch on his behalf.

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

7. ANNUAL GENERAL MEETING

The AGM of the Company, will be held by 29 June 2020 for the purpose of considering and, if thought fit, passing with or without modifications, Resolution 8 relating to the proposed renewal of the IPT Mandate. Shareholders are advised to stay updated through the Company's further announcement(s) released on the SGXNET in respect of details relating to the Annual General Meeting of the Company to be convened, such as the date, time and address.

8. NON-INTERESTED DIRECTORS' RECOMMENDATION

As Mr. Han Lianguo, Mr. Zhang Hongtao and Mr. Wang Gang are nominee directors of HNEC, each of them will abstain from making any recommendation to the shareholders on Resolution 8 relating to the proposed renewal of the IPT Mandate. Accordingly, the Non-interested 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. Lee Chee Seng, Mr. Wu Yu Liang, Mr. Chan Kam Loon, Mr. Gao Guoan, Mr. Chen Mingjin and Mr. Koh Eng Kheng Victor. Save as disclosed herein, none of the Directors has any interest, direct or indirect, in the proposed renewal of the IPT Mandate other than through their respective shareholdings in the Company.

Having fully considered, among others, the terms, rationale and the benefits of the IPT Mandate to Jiutian Group and Anyang Jiulong as set out in this Appendix I, the Non-Interested Directors are of the view that the proposed renewal of the IPT Mandate is in the best interests of the Company and, accordingly, they recommend that Shareholders vote in favour of Resolution 8 relating to the proposed renewal of the IPT Mandate at the AGM.

9. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders must appoint the Chairman of the general meeting as their proxy instead of their own representatives. The Chairperson will ensure that proxy votes are voted as specified in all proxy forms. Shareholders are requested to complete, sign and return the proxy form 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.

APPENDIX I

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

Rule 919 of the Catalist Rules 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 8 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 8 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. Han Lianguo, Mr. Zhang Hongtao and Mr. Wang Gang have also undertaken to decline to accept appointment as proxies to vote in respect of Resolution 8 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.

11. 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.

12. 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 Technical Cost Conversion Formulae.

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

Lee Chee Seng
Executive Director

APPENDIX II

APPENDIX II DATED 15 APRIL 2020

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 2019 (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 by 29 June 2020. Shareholders are advised to stay updated through the Company's further announcement(s) released on the SGXNET in respect of details relating to the Annual General Meeting of the Company to be convened, such as the date, time and address.

IF YOU ARE IN ANY DOUBT ABOUT ITS CONTENTS 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, summary of resolutions to be passed in the upcoming Annual General Meeting 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 summary of resolutions to be passed in the upcoming Annual General Meeting.

This Appendix II has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**") in accordance with Rule 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist.

This Appendix II has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the contents of this Appendix II, including the correctness of any of the information, statements or opinions made or reports contained in this Appendix II.

The contact person for the Sponsor is Ms Gillian Goh, Director, Head of Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).

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

CONTENTS

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 by 29 June 2020.
"Anyang Longyu"	:	Anyang Longyu (HK) Development Co., Ltd.
"Annual Report"	:	The annual report of the Company for the financial year ended 31 December 2019
"Appendix II"	:	This Appendix II dated 15 April 2020
"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 significant influence but not control or joint control over the financial and operating policies of the said company.
"Board" or "Directors"	:	The board of directors of the Company as at the Latest Practicable Date
"Catalist"	:	The sponsor-supervised listing platform of the SGX-ST
"Catalist Rules"	:	The SGX-ST Listing Manual (Section B: Rules of Catalist), as amended, modified or supplemented from time to time
"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 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 nominal amount of all voting Shares in the Company; or (b) in fact exercise control of the Company
"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"	:	2 April 2020, being the latest practicable date prior to the printing of this Appendix II
"Market Day(s)"	:	A day or days on which the SGX-ST is open for trading in securities
"Notice of AGM"	:	The notice of AGM to be issued when the AGM date is determined

APPENDIX II

"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, or the date on which the share buybacks are carried out to the full extent mandated or the date the said mandate is revoked or varied by the Company in a general meeting
"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 Share(s) by the Company pursuant to the terms of the Share Buyback Mandate
"Share Buyback Mandate"	:	The general and unconditional mandate given by the Shareholders to authorise the Directors to exercise all powers of the Company 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 Catalist Rules
"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 named as Depositors in the Depository Register maintained by CDP whose Securities Accounts are credited with those Shares
"Shares"	:	Ordinary shares in the capital of the Company
"SIC"	:	The Securities Industry Council of Singapore
"Sponsor"	:	PrimePartners Corporate Finance Pte. Ltd.
"subsidiary"	:	A company being a subsidiary of the Company, as defined by Section 5 of the Companies Act
"Subsidiary Holdings"	:	Shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) 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 or supplemented from time to time
"Treasury Shares"	:	Shares purchased by the Company pursuant to the Share Buyback Mandate and held by the Company in accordance with Section 76H of the Companies Act and have since purchase been continuously held by the Company
"RMB" and "RMB cents"	:	Renminbi dollars and cents, the lawful currency of the PRC
"S$" and "cents"	:	Singapore dollars and cents, the lawful currency of Singapore
"%" or "per cent."	:	Per centum or percentage

The terms "Depositor", "Depository Agent" and "Depository Register" shall have the meanings ascribed to them respectively in Section 81SF of the SFA.

APPENDIX II

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. 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, the Catalist Rules or theTake-over Code or any modification thereof and not otherwise defined in this Appendix II shall, where applicable, have the same meaning ascribed to it under the Companies Act, the Catalist Rules or the Take-over Code or such modification thereof, as the case may be, unless the context otherwise requires.

Any reference to date and time of day in this Appendix II shall be a reference to Singapore date 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 RMB5.0001 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:

Mr Han Lianguo *(Non-Executive and Non-Independent Chairman)*
Mr Lee Chee Seng *(Executive Director)*
Mr Wu Yu Liang *(Non- Executive and Lead Independent Director)*
Mr Chan Kam Loon *(Non-Executive and Independent Director)*
Mr Zhang Hongtao *(Non-Executive and Non-Independent Director)*
Mr Wang Gang *(Non-Executive and Non-Independent Director)*
Mr Gao Guoan *(Non-Executive and Independent Director)*
Mr Chen Mingjin *(Non-Executive and Independent Director)*
Mr Koh Eng Kheng Victor *(Non-Executive and Independent Director)*

Registered Office:

80 Robinson Road #02-00
Singapore 068898

15 April 2020

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 for the Proposed Renewal of the Share Buyback Mandate at the AGM to be held by 29 June 2020. Shareholders are advised to stay updated through the Company's further announcement(s) released on the SGXNET in respect of details relating to the Annual General Meeting of the Company to be convened, such as the date, time and address.

The Company refers to the summary of resolutions to be passed in the upcoming Annual General Meeting accompanying the Annual Report for the financial year ended 31 December 2019 and Resolution 9 in relation to the proposed renewal of the Share Buyback Mandate under the heading "Special Business" set out in the summary of resolutions to be passed in the upcoming Annual General Meeting.

The purpose of this Appendix II is to provide Shareholders with information relating to the Share Buyback Mandate.

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 last renewed at the annual general meeting of the Company held on 25 April 2019.

The Share Buyback Mandate will expire on or before 29 June 2020, being the date of the forthcoming AGM.

Shareholders' approval is thus being sought at the AGM for the renewal of the 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 for the duration of the Relevant Period, which is until the earlier of 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 (whereupon it will lapse, unless renewed at such meeting), or the date when Share Buybacks pursuant to a Share Buyback Mandate are carried out to the full extent mandated or the date the Share Buyback Mandate is revoked or varied by the Company in general meeting.

APPENDIX II

Any Share Buyback by the Company will have to be made in accordance with, and in the manner prescribed by, the Companies Act, the Constitution, the Catalist Rules, 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 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 or price volatility, off-set the effects of short-term share speculation and bolster Shareholders' confidence and employees' morale. Share Buybacks will also allow the Directors greater control over the Company's share capital structure, dividend policy and cash reserves with a view to enhancing the EPS and/or NTA per Share of the Company and the Group.

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 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 of Shares pursuant to the Share Buyback Mandate would be made only as and when the Directors consider it to be in the best interest of the Company and/or Shareholders and in circumstances which they believe will not result in any material adverse effect to the financial position of the Company or the Group, or result in the Company being delisted from the SGX-ST. The Directors will use their best efforts to ensure that after a Share Buyback pursuant to the Share Buyback Mandate, the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or adversely affect the orderly trading and listing status of the Shares on the SGX-ST.

2.3 Authority and Limits on the Share Buyback Mandate

The authority and limits of the Share Buyback Mandate, if renewed at the AGM, are the same as were first approved by Shareholders at the extraordinary general meeting of the Company held on 13 January 2014. The authority and limitations placed on purchases 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 by the Company. The total number of Shares that may be purchased by the Company during the Relevant Period shall not exceed 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 and Subsidiary Holdings will be disregarded for purposes of computing the ten per cent. (10%) limit.

Purely for illustrative purposes only, based on the existing issued and paid-up share capital of the Company as at the Latest Practicable Date, comprising 1,818,444,000 Shares, excluding Treasury Shares and Subsidiary Holdings, and assuming that no new Shares are issued between the Latest Practicable Date and the date of the AGM, not more than 181,844,400 Shares (representing ten per cent. (10%) of the total number of issued Shares) may be purchased by the Company pursuant to the Share Buyback Mandate. As at the Latest Practicable Date, the Company does not hold any Treasury Shares and does not have any Subsidiary Holdings.

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2.3.2 *Duration of Authority*

Purchases 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 conclusion of the next annual general meeting or the date by which such 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; or

(c) the date on which the authority conferred by the Share Buyback Mandate is revoked or varied by the Company in general meeting.

(the "**Relevant Period**")

The authority conferred on the Directors by the Share Buyback Mandate to purchase 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 Share Buyback*

Purchases 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 Catalist Rules, 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 Off-Market Purchase must satisfy all the following conditions:-

(i) offers for the Share Buyback shall be made to every person who holds Shares to purchase 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.

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Pursuant to Rule 870 of the Catalist Rules, 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 Share Buyback;

(iv) the consequences, if any, of the Share Buyback by the Company that will arise under the Take-over Code or other applicable take-over rules;

(v) whether the Share Buyback, if made, would have any effect on the listing of the Shares on the SGX-ST;

(vi) details of any Share Buyback 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 of Shares, where relevant, and the total consideration paid for the purchases of Shares; and

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

2.3.4 Maximum Purchase Price

The purchase price per Share (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) to be paid for the Shares purchased pursuant to the Share Buyback Mandate will be determined by the Directors, provided that such purchase price 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 (as defined hereinafter),

(the "**Maximum Price**") in either case, excluding related expenses of the purchase .

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 during the relevant five (5) Market Days period and the day on which the purchases are made.

"**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 Shares

Any Share purchased by the Company is deemed cancelled immediately on purchase (and all rights and privileges attached to that Share will expire on such cancellation) unless such Shares are held by the Company as Treasury Shares to the extent permitted under the Companies Act. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased by the Company and which are not held as Treasury Shares.

APPENDIX II

All Shares purchased 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 .

At the time of each purchase of Shares by the Company, the Directors may decide to cancel Shares which have been purchased 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 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 aggregate 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 exceeded or such further periods as ACRA may allow.

2.5.2 Voting and Other Rights

For the purposes of the Companies Act, the Company cannot exercise any right to attend or vote at meetings in respect of Treasury Shares.

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 of the Company 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 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 Catalist Rules, 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, the percentage of the number of Treasury Shares comprised in the usage against the total number of issued Shares (of the same class as the treasury shares) which are listed on the SGX-ST before and after the usage and the value of the Treasury Shares comprised in the usage.

2.6 Reporting Requirements

Within thirty (30) days of the passing of the Shareholders' resolution to approve the proposed renewal of the Share Buyback Mandate, the Company shall lodge a copy of such resolution with ACRA.

The Company shall notify ACRA in the prescribed form within thirty (30) days of a Share Buyback on the SGX-ST or otherwise. Such notification shall include, inter alia, details of the purchase, the total number of Shares purchased 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 Share Buyback and the amount of consideration paid by the Company for the purchase , whether the Shares were purchased out of profits or the capital of the Company and such other particulars as may be required by ACRA.

Within thirty (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 Catalist Rules specify that a listed company shall notify the SGX-ST of all purchases 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; or

(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 .

The notification of such purchases 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 legally available for such purchase or acquisition as provided in the Constitution, Catalist Rules and the applicable laws in Singapore. The Company may not purchase 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 Share Buyback 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 Share Buyback or the release of obligations, knowing that the Company is not solvent. For this purpose, pursuant to the Section 76F(4) 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 to commence winding up, the company will be able to pay its debts as they fall due within 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, acquisition, variation or release (as the case may be), become less than the value of its liabilities (including contingent liabilities).

APPENDIX II

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 of its Shares pursuant to the Share Buyback Mandate. The amount of funding required for the Company to purchase its Shares and the financial impact on the Company and the Group arising from such purchases of Shares pursuant to the Share Buyback Mandate will depend on, inter alia, the aggregate number of Shares purchased , the consideration paid at the relevant time, and the amount (if any) borrowed by the Company to fund the purchases 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 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 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, whether the Share Buyback is made out of capital and/or profits, the purchase price paid for such Shares, the amount (if any) borrowed by the Company to fund such purchases of Shares and whether the Shares purchased are cancelled or held as Treasury Shares.

Under the Companies Act, purchases 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 Share Buyback is made out of profits, such consideration (including brokerage, stamp duties, 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, stamp duties, applicable goods and services tax and other related expenses) paid by the Company for the Share Buyback 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 Share Buyback 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.

"**Market or Off-Market Purchases made entirely out of profits and cancelled, or held as treasury shares**

The Company does not have enough accumulated profit as at 31 December 2019 to acquire or purchase Shares entirely out of profits and as such, it is not possible to calculate the financial effects of the Share Buyback made entirely out of profits whether by way of Market or Off-Market Purchases."

Purely for illustrative purposes only, the financial effects of the Share Buyback Mandate on the Group, based on the audited financial statements of the Group for the financial year ended 31 December 2019, are based on the following assumptions as set out below:-

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. (a) Details of the assumed Share Buybacks

Share Buybacks						
Scenario	**Out Of Capital**	**Type**	**Whether held as Treasury Shares or cancelled**	**Maximum Price per Share (S$/ RMB)(1)**	**Maximum Number of Shares to be Purchased**	**Equivalent Percentage of issued Shares(2)**
(A)	Capital	Market Purchase	Held as Treasury Shares	S$ 0.010/ RMB0.050	181,844,400	10.0%
(B)	Capital	Market Purchase	Cancelled	S$0.010/ RMB0.050	181,844,400	10.0%
(C)	Capital	Off-Market Purchase	Held as Treasury Shares	S$0.012/ RMB0.060	181,844,400	10.0%
(D)	Capital	Off-Market Purchase	Cancelled	S$0.012/ RMB0.060	181,844,400	10.0%

Notes:-

(1) The Maximum Price per Share for a Market Purchase or an Off-Market Purchase is computed based on respectively one hundred and five per cent. (105%) and one hundred and twenty per cent. (120%) of the average of the closing market prices of the Shares over the last (5) Market Days immediately preceding the Latest Practicable Date on which transactions in the Shares were recorded on the SGX-ST.

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

(b) external financing of approximately RMB9,092,000 and RMB10,911,000 were undertaken to fund the Market Purchases and Off-Market Purchases respectively;

(c) transaction costs incurred for the Share Buyback 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 Share Buyback by the Company took place on 1 January 2019.

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(A) Pro-forma financial effects on the Group for scenarios of Share Buybacks by the Company out of capital

As at 31 December 2019 (RMB'000)	As per the audited consolidated financial statements of the Company	Scenario (A)	Scenario (B)	Scenario (C)	Scenario (D)
Share capital	661,153	661,153	652,061	661,153	650,242
Accumulated losses	(358,923)	(358,923)	(358,923)	(358,923)	(358,923)
Treasury shares	–	(9,092)	-	(10,911)	-
Total Shareholders' equity	302,230	293,138	293,138	291,319	291,319
Total equity	300,945	291,853	291,853	290,034	290,034
NTA	289,263	280,171	280,171	278,352	278,352
Current assets	900,267	900,267	900,267	900,267	900,267
Current liabilities	890,407	899,499	899,499	901,318	901,318
External borrowings	444,098	453,190	453,190	455,009	455,009
Cash and cash equivalents	400,842	400,842	400,842	400,842	400,842
Loss attributable to Shareholders	(248,418)	(248,418)	(248,418)	(248,418)	(248,418)
Total issued no. of Shares[1] ('000)	1,818,444	1,636,600	1,636,600	1,636,600	1,636,600
Financial Ratios					
NTA per Share (RMB cents)	15.91	17.12	17.12	17.01	17.01
LPS (RMB cents)	13.66	15.18	15.18	15.18	15.18
Gearing ratio (times)	1.47	1.55	1.55	1.56	1.56
Current ratio (times)	1.01	1.00	1.00	1.00	1.00

Notes:-

(1) Excludes Treasury Shares and Subsidiary Holdings, where applicable.

(2) NTA per Share equals to NTA (excludes non controlling interests) divided by the number of Shares outstanding adjusted for the effect of the Share Buyback as at 31 December 2019.

(3) Gearing ratio represents total borrowings divided by total equity.

(4) EPS is calculated based on profit attributable to Shareholders and aggregated weighted average number of issued and paid-up Shares (excluding Treasury Shares and Subsidiary Holdings) adjusted for the effect of the Share Buyback based on the audited financial statements of the Company and the Group for FY2019.

(5) Current ratio equals to current assets divided by current liabilities.

Shareholders should note that the financial effects illustrated above are based on the respective aforesaid 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 2019 and is not necessarily representative of the future financial performance of the Company or the Group.

The Company will take into account both financial (such as cash surplus, debt position and working capital requirements) and non-financial factors (such as stock market conditions and 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 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 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 Controlling 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 Share Buyback 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 ("Appendix 2") contains the Share Buy-Back Guidance Note applicable as at the Latest Practicable Date. 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 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, subsidiaries, 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 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;

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(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 after a Share Buyback by the Company are set out in Appendix 2.

2.11.3 *Effect of Rule 14 and Appendix 2 of the Take-over Code*

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 and Subsidiary Holdings shall be excluded.

Under Appendix 2, 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 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*

As at the Latest Practicable Date, Mr Han Lianguo, the Company's Non-Executive and Non-Independent Chairman, Mr Zhang Hongtao and Mr Wang Gang, the Company's Non-Executive and Non-Independent Directors, were appointed to the Board as nominees of HNEC (collectively, 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.

For illustrative purpose only, based on Anyang Longyu's shareholding interest in the Company as at the Latest Practicable Date and assuming that the Company purchased acquired a maximum of 181,844,400 Shares pursuant to the Share Buyback Mandate, and no new shares are issued by the Company, Anyang Longyu's shareholding interest in the Company would increase from approximately 27.63% to approximately 30.70%. 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 thirty per cent (30%) or more.

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Anyang Longyu has undertaken to the Company that it will not acquire any Shares and/or sell, transfer or otherwise dispose any of its Shares for the period commencing from the Latest Practicable Date to 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 ensuing 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 to the date of the AGM. Based on the said undertaking, 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 making a market purchase under Section 76E of the Companies Act or off -market Purchase on equal access scheme under Section 76C of the Companies Act.

Under 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) this Appendix II to Shareholders on the resolution to authorise the renewal of the Share Buyback Mandate to contain 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 voting rights to thirty (30%) or more, or, if they together hold between thirty per cent (30%) and fifty per cent (50%) of the Company's voting rights, would increase their voting right by more than one per cent (1%) in any period of six (6) months;

(ii) this Appendix II discloses the names and voting rights of the members of the Concert Party Group at the time of the Share Buyback Resolution and after the proposed Share Buyback;

(iii) the Share Buyback Resolution to be approved by a majority of those Shareholders present and voting at the AGM 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 to abstain from voting for and/or recommending Shareholders to vote in favour of the Share Buyback Resolution;

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

(vi) the Concert Party Group, and persons acting in concert with them, not to have acquired and not to acquire any Shares between the date on which they know that the announcement of the renewal of the Share Buyback Mandate proposal is imminent and the earlier of:-

    (a) the date on which the authority of 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 its Shares, as the case may be,

    if such acquisitions, taken together with the Share Buybacks, would cause their aggregate voting rights to increase to thirty per cent (30%) or more; and

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(vii) the Concert Party Group: and persons acting in concert with them, together holding thirty per cent (30%) and fifty per cent (50%) of the Company's voting rights, not to have acquired and not to acquire any Shares, between the date on which they know the announcement of the renewal of Share Buyback Mandate proposal is imminent and the earlier of:

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

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

if such acquisitions, taken together with the Share Buybacks, would cause their aggregate voting rights in the Company to increase by more than one per cent (1%) in the preceding six (6) months.

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 (iv) 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 decline to accept appointment as proxies or otherwise for voting at the AGM for the renewal of the Share Buyback Mandate unless the Shareholders concerned have given specific instructions as to the manner in which their votes are to be cast for the said resolution.

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 by the SIC, 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, 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 Shareholders who are 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.

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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 The Catalist Rules

While the Catalist Rules do not expressly prohibit any purchase of shares by a listed company during any particular time or times, because the 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 Share Buyback pursuant to the Share Buyback Mandate at any time 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 any Shares through Market Purchases during the period of two (2) weeks and one (1) month immediately preceding the announcement of the Company's quarterly and full year results respectively, as the case may be, and ending on the date of announcement of the relevant results.

The Company is required under Rule 723 of the Catalist Rules 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" is defined under the Catalist Rules as persons other than (a) the directors, chief executive officer, Substantial Shareholders or Controlling Shareholders of the listed company and its subsidiary companies and (b) the associates (as defined in the Catalist Rules) of the persons described in paragraph (a).

As at the Latest Practicable Date, 1,261,045,100 Shares (excluding nil Treasury Shares and Subsidiary Holdings), representing approximately 69.35% of the issued Shares of the Company, are in the hands of the public. Assuming that the Company purchases its 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 1,079,200,700 Shares (excluding nil Treasury Shares and Subsidiary Holdings), representing approximately 65.94% of the issued Shares of the Company. Accordingly, the Company is of the view that there is a sufficient number of Shares held in the hands of the public which would permit the Company to undertake purchases of its 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 or to affect orderly trading.

In undertaking any purchases of Shares pursuant to the Share Buyback Mandate, the Directors will use their best efforts to ensure that, notwithstanding such purchases, a sufficient float in the hands of the public will be maintained so that the purchases 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 any Shares during the twelve (12) month period immediately preceding the Latest Practicable Date.

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3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

Based on the Register of Director's Shareholdings and the Register of Substantial Shareholders maintained pursuant to Sections 164 and 88 of the Companies Act respectively, as at the Latest Practicable Date, the shareholdings of the Directors and Substantial Shareholders before and after the Share Buyback pursuant to the Share Buyback Mandate, assuming (a) the Company purchases the maximum limit of ten per cent. (10%) of the issued share capital of the Company as at the Latest Practicable Date; and (b) there is no change in the number of Shares held or deemed to be held by the Directors and Substantial Shareholders of the Company, 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					
Han Lianguo	–	–	–	–	–
Lee Chee Seng(3)	10,250,000	44,419,000(2)	54,669,000	3.01	3.34
Zhang Hongtao	–	–	–	–	–
Wang Gang					
Wu Yu Liang	300,000	–	300,000	0.02	0.02
Chan Kam Loon	–	–	–	–	–
Gao Guoan	–	–	–	–	–
Chen Mingjin	–	–	–	–	–
Koh Eng Kheng Victor	–	–	–	–	–
Substantial Shareholders					
Anyang Longyu (HK) Development Co., Ltd(4)	–	502,429,900(3)	502,429,900	27.63	30.70

Notes:

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

(2) Calculated based on 1,636,599,600 Shares assuming the purchase of the maximum of 181,844,400 Shares pursuant to the Share Buyback Mandate.

(3) Lee Chee Seng is deemed interested in 44,419,000 shares held through his indirect nominee, Credit Suisse AG, Singapore Branch.

(4) Anyang Longyu is deemed interested in 502,429,900 Shares through its nominee, RHB Securities Singapore Pte Ltd.

4. ANNUAL GENERAL MEETING

The AGM, notice of which is contained in the Annual Report of the Company, will be held by 29 June 2020 for the purpose of considering and, if thought fit, passing with or without modifications, Resolution 9 relating to the proposed renewal of the Share Buyback Mandate. Shareholders are advised to stay updated through the Company's further announcement(s) released on the SGXNET in respect of details relating to the Annual General Meeting of the Company to be convened, such as the date, time and address.

5. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders must appoint the Chairperson of the general meeting as their proxy instead of their own representatives. The Chairperson will ensure that proxy votes are voted as specified in all proxy forms. Shareholders are requested to complete, sign and return the proxy form 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

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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, inter alia, the rationale and benefit of the Share Buyback Mandate, the Directors (save for the HNEC Directors, being Mr Han Lianguo, Mr Zhang Hongtao and Mr Wang Gang who have abstained from making any recommendation to Shareholders) 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 9 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 and the Annual Report of the Company are 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 date of the AGM.

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

Lee Chee Seng
Executive Director

SUMMARY OF RESOLUTIONS TO BE PASSED IN THE UPCOMING 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)

ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements for the financial year ended 31 December 2019 together with the Auditors' Report thereon. **(Resolution 1)**

2. To approve the payment of Directors' fee of S$171,000 for the financial year ending 31 December 2020, to be paid quarterly in arrears (FY2019: S$190,000) **(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 Gao Guoan *[See Explanatory Note 1]* **(Resolution 3)**

   b. Mr Chan Kam Loon *[See Explanatory Note 2]* **(Resolution 4)**

   c. Mr Zhang Hongtao *[See Explanatory Note 3]* **(Resolution 5)**

4. To re-appoint Messrs Baker Tilly TFW LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

5. 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:

6. Authority to allot and issue shares **(Resolution 7)**

That, pursuant to Section 161 of the Companies Act, Cap. 50 of Singapore (the "Companies Act") and Rule 806 of Section B: Rules of Catalist of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), ("Catalist Rules"), authority be and is hereby given to the Directors of the Company to:

(a) (i) allot and 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) options, 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

SUMMARY OF RESOLUTIONS TO BE PASSED IN THE UPCOMING ANNUAL GENERAL MEETING

(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 (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to be issued pursuant to this Resolution does not exceed one hundred per cent (100%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (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 fifty per cent (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below);

(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 and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Resolution is passed, after adjusting for:

(i) new Shares arising from the conversion or exercise of Instruments or any convertible securities;

(ii) new Shares arising from excising share options or vesting of share awards, provided that the share options or share awards (as the case may be) were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

(iii) any subsequent bonus issue, consolidation or subdivision of Shares.

Adjustments in accordance with Rule 806(3)(a) or Rule 806(3)(b) are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of the resolution approving the mandate.

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST), and all applicable legal requirements under the Companies Act, and otherwise, the Company's Constitution for the time being; 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 4]

SUMMARY OF RESOLUTIONS TO BE PASSED IN THE UPCOMING ANNUAL GENERAL MEETING

7. Proposed Renewal of the General Mandate for Interested Person Transactions **(Resolution 8)**

That :

(a) approval be and is hereby given, for the purposes of Chapter 9 of the Catalist Rules, for the Entities at Risk (as defined in Appendix I to the Company's Annual Report for its financial year ended 31 December 2019 dated 15 April 2020 (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 Catalist Rules 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 5]

8. Proposed Renewal of the Share Buyback Mandate **(Resolution 9)**

That :

(a) for the purposes of Sections 76C and 76E of the Companies Act and Catalist Rules, 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 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 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 Catalist Rules as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "Share Buyback Mandate");

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(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 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 Resolution:

"**Prescribed Limit**" means that number of issued Shares representing ten per cent (10%) of the total number of issued Shares as at the date of the passing of this Resolution unless the Company has effected a reduction of the total number of issued Shares of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period (as hereafter defined), in which event the total number of issued Shares shall be taken to be the total number of issued Shares as altered. Any Shares which are held as treasury shares and subsidiary holdings will be disregarded for purposes of computing the 10% limit; and

"**Relevant Period**" means the period commencing from the date of the annual general meeting at which the renewal of the Share Buyback Mandate is approved and thereafter, expiring on the date on which the next annual general meeting of the Company is held or is required by law to be held, whichever is the earlier, after the date of this Resolution is passed; and

"**Maximum Price**", in relation to a share to be purchased or acquired pursuant to the Share Buyback Mandate means an amount (excluding brokerage, commission, applicable goods and services tax and other related expenses) not exceeding:

(i) in the case of a Market Purchase, one hundred and five per cent (105%) of the Average Closing Price (as 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 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 hereinafter defined) pursuant to Off-Market Purchase, and deemed to be adjusted for any corporate action which occurs during the relevant five (5) market day period and the day on which the purchases are made; 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 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;

SUMMARY OF RESOLUTIONS TO BE PASSED IN THE UPCOMING ANNUAL GENERAL MEETING

(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 Resolution.
[See Explanatory Note 6]

Explanatory Notes:

1. Mr Gao Guoan, upon re-election as a director of the Company, will remain as a Non-Executive and Independent Director, the Chairman of Nominating Committee and member of Remuneration Committee. Pursuant to Rule 720(5) of the Catalist Rules, further information on Mr Gao Guoan is set out on the pages 27 to 32 of the Company's Annual Report.

2. Mr Chan Kam Loon, upon re-election as a director of the Company, will remain as a Non-Executive and Independent Director, the Chairman of Audit Committee and member of Remuneration Committee. The Board considers Mr Chan Kam Loon to be independent for the purpose of Rule 704(7) of the Catalist Rules. Pursuant to Rule 720(5) of the Catalist Rules, further information on Mr Chan Kam Loon is set out on the pages 27 to 32 of the Company's Annual Report.

3. Mr Zhang Hongtao, upon re-election as a director of the Company, will remain as a Non-Executive and Non-Independent Director. Pursuant to Rule 720(5) of the Catalist Rules, further information on Mr Zhang Hongtao is set out on the pages 27 to 33 of the Company's Annual Report.

4. Resolution 7 in item 6 above, if passed, will authorise and empower the Directors of the Company from the date of the above meeting until the next annual general meeting to allot and issue shares and/or convertible securities in the Company. The aggregate number of Shares (including any Shares issued pursuant to Instruments made or granted) which the Directors may allot and issue under this Resolution, shall not exceed one hundred per cent (100%) of the Company's total number of issued Shares (excluding treasury shares and subsidiary holdings). For issues of Shares other than a pro-rata basis to all shareholders, the aggregate number of Shares to be issued will not exceed fifty per cent (50%) of Company's total number of issued Shares (excluding treasury shares and subsidiary holdings). This authority will, unless revoked or varied at a general meeting, expire at 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 earlier. However, notwithstanding the cessation of this authority, the Directors are empowered to issue Shares pursuant to any instruments made or granted under this authority.

5. Resolution 8 in item 7 above, if passed, will renew the IPT Mandate initially 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 2019 dated 15 April 2020 (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.

6. Resolution 9 in item 8 above, if passed, will empower the Directors of the Company to buyback issued Shares from time to time (whether by way of market purchases or off-market purchases on an equal access scheme) of up to ten per cent (10%) of the total number of issued Shares of the Company (excluding treasury shares and subsidiary holdings) 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 2019 dated 15 April 2020 (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, and the Catalist Rules. 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 2019, based on certain assumptions, are set out in paragraph 2.8 of Appendix II.

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Important Notice from the Company on the Novel Coronavirus (COVID-19)

As the COVID-19 situation continues to evolve, the Company is closely monitoring the situation, including any precautionary measures which may be required or recommended by government agencies to minimise the risk of spread of COVID-19. The Company reserves the right to take measures as appropriate in order to minimise any risk to shareholders and others attending the annual general meeting. In the event of such measures are adopted, the Company will make announcements as appropriate via SGXNet closer to the annual general meeting date. For latest updates on COVID-19, please refer to the Ministry of Health website at https://www.moh.gov.sg.

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.

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