

JIUTIAN CHEMICAL GROUP LIMITED

(Company Registration Number: 200415416H)

Unaudited Financial Statement Announcement for the Quarter Ended 30 June 2020.

PURSUANT TO RULES 705(2C) OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (THE "SGX-ST") LISTING MANUAL SECTION B: RULES OF CATALIST, JIUTIAN CHEMICAL GROUP LIMITED IS REQUIRED BY SGX-ST TO ANNOUNCE ITS QUARTERLY FINANCIAL STATEMENTS.

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

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

	Unaudited Group Three months ended 30-Jun-20 RMB'000	Audited Group Three months ended 30-Jun-19 RMB'000	Increase/ (Decrease) %	Unaudited Group Six months ended 30-Jun-20 RMB'000	Unaudited Group Six months ended 30-Jun-19 RMB'000	Increase/ (Decrease) %
Revenue	276,347	295,521	(6)	475,734	596,161	(20)
Cost of sales	(222,838)	(273,260)	(18)	(408,552)	(553,595)	(26)
Gross profit	53,509	22,261	140	67,182	42,566	58
Other income	1,032	(428)	n/m	1,908	1,617	18
Distribution costs	(2,976)	(5,063)	(41)	(5,595)	(12,313)	(55)
Administrative expenses	(6,207)	(5,087)	22	(10,802)	(10,364)	4
Other expenses	50	(72)	n/m	(1,027)	(25)	n/m
Finance costs	(1,839)	(2,163)	(15)	(4,049)	(4,085)	(1)
Share of result of associated companies	(1,789)	(14,174)	(87)	(1,845)	(26,566)	(93)
Profit/(loss) before tax	41,780	(4,726)	n/m	45,772	(9,170)	n/m
Tax expense	(9,173)	(2,238)	310	(10,390)	(4,358)	138
Profit/(loss) and total comprehensive income/(loss) for the period	32,607	(6,964)	n/m	35,382	(13,528)	n/m
Profit/(loss) and total comprehensive income/(loss) for the period attributable to:						
Equity holders of the Company	32,699	(6,941)	n/m	35,569	(13,256)	n/m
Non-controlling interest	(92)	(23)	300	(187)	(272)	-31
	32,607	(6,964)	n/m	35,382	(13,528)	n/m

n/m - not meaningful

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

	Unaudited Group Three months ended 30-Jun-20 RMB'000	Unaudited Group Three months ended 30-Jun-19 RMB'000	Increase/ (Decrease) %	Unaudited Group Six months ended 30-Jun-20 RMB'000	Unaudited Group Six months ended 30-Jun-19 RMB'000	Increase/ (Decrease) %
Profit before tax is arrived at after charging/(crediting):						
Amortisation of deferred income	(17)	(16)	6	(32)	(32)	-
Amortisation of land use rights	161	161	-	322	322	-
Depreciation of property, plant and equipment	6,438	6,928	(7)	12,943	13,782	(6)
Interest expenses	1,443	1,440	0	2,953	2,830	4
Interest income	(812)	(371)	119	(1,604)	(767)	109
Net gain on disposal of property, plant and equipment	-	782	(100)	-	(239)	n/m
Property, plant and equipment written off	-	-	-	1,030	-	n/m
Net (gain)/loss on foreign exchange	(50)	72	n/m	(3)	25	n/m

n/m – not meaningful

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

	Unaudited Group 30-Jun-20 RMB'000	Audited Group 31-Dec-19 RMB'000	Unaudited Company 30-Jun-20 RMB'000	Audited Company 31-Dec-19 RMB'000
ASSETS				
<u>Current assets</u>				
Cash and cash equivalents	333,437	400,842	2,316	565
Trade and other receivables	536,764	475,450	230	394
Inventories	25,607	23,975	-	-
Total current assets	895,808	900,267	2,546	959
<u>Non-current assets</u>				
Land use rights	3,658	3,980	-	-
Property, plant and equipment	195,814	208,433	377	-
Investment in subsidiary companies	-	-	257,736	257,736
Investment in associated companies	69,904	71,749	71,749	71,749
Deferred tax assets	8,987	8,987	-	-
Total non-current assets	278,363	293,149	329,862	329,485
Total assets	1,174,171	1,193,416	332,408	330,444
LIABILITIES AND EQUITY				
<u>Current liabilities</u>				
Bank borrowings	418,940	444,098	-	-
Trade and other payables	392,725	423,835	977	11,022
Contract liabilities	17,598	20,491	-	-
Income tax payables	6,549	1,983	-	-
Total current liabilities	835,812	890,407	977	11,022
<u>Non-current liabilities</u>				
Amount owing to subsidiary	-	-	10,900	-
Deferred income	2,032	2,064	-	-
Total non-current liabilities	2,032	2,064	10,900	-
<u>Capital and reserves</u>				
Share capital	661,153	661,153	661,153	661,153
Accumulated losses	(323,354)	(358,923)	(340,622)	(341,731)
Equity attributable to equity holders of the Company	337,799	302,230	320,531	319,422
Non-controlling interests	(1,472)	(1,285)	-	-
Total equity	336,327	300,945	320,531	319,422
Total liabilities and equity	1,174,171	1,193,416	332,408	330,444

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

Amount repayable in one year or less, or on demand

	<u>(Unaudited)</u> As at 30 June 2020		<u>(Audited)</u> As at 31 December 2019	
	<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings	120,000	-	120,000	-
Bills payable to banks	298,940	-	324,098	-
Total	418,940	-	444,098	-

Details of any collaterals

As at 30 June 2020, there were RMB 90 million (31 December 2019: RMB 90 million) short-term borrowings guaranteed by one of the Group's related party, Anyang Chemical Industry Group Co., Ltd. ("Anhua").

As at 30 June 2020, there were RMB 30 million (31 December 2019: RMB 30 million) short-term borrowings guaranteed by a related party of the Group, Henan Energy and Chemical Co., Ltd ("HNEC"). A security deposit of RMB 3 million were pledged to HNEC for the aforementioned corporate guarantee provided.

Bills payable to banks

As at 30 June 2020, there were RMB 298.94 million (31 December 2019: RMB 324.10 million) in bills payable to bank. Bills payable to banks have an average maturity period of 60 to 120 days and are interest-free as repayments will be made within the credit period. The bills payable to banks are secured by pledged bank deposits amounting of RMB 241.52 million (31 December 2019: RMB 264.12 million).

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

	(Unaudited) Group Three months ended 30-Jun-20 RMB'000	(Unaudited) Group Three months ended 30-Jun-19 RMB'000	(Unaudited) Group Six months ended 30-Jun-20 RMB'000	(Unaudited) Group Six months ended 30-Jun-19 RMB'000
Cash flows from operating activities				
Profit/ (loss) before tax	41,780	(4,726)	45,772	(9,170)
Adjustments for:				
Amortisation of deferred income	(17)	(16)	(32)	(32)
Amortisation of land use rights	161	161	322	322
Depreciation of property, plant and equipment	6,438	6,928	12,943	13,782
Interest expense	1,443	1,440	2,953	2,830
Interest income	(812)	(371)	(1,604)	(767)
Net gain on disposal of plant and equipment	-	782	-	(239)
Property, plant and equipment written off	-	-	1,030	-
Share of result of associated companies	1,789	14,175	1,845	26,567
Operating cash flows before movement in working capital	50,782	18,373	63,229	33,293
Inventories	18,448	(10,867)	(1,632)	4,955
Receivables	(124,962)	(58,737)	(60,093)	112,949
Payables	116,942	56,668	(34,003)	(125,155)
Cash generated from/ (used in) operations	61,210	5,437	(32,499)	26,042
Interest received	812	371	1,604	767
Income tax paid	(4,960)	(6,415)	(5,824)	(10,461)
Net cash generated from/ (used in) operating activities	57,062	(607)	(36,719)	16,348
Cash flows from investing activities				
Advances to associated company	154	(2,487)	(1,221)	(12,082)
Purchase of property, plant and equipment (Note 1)	(1,272)	(2,707)	(1,354)	(3,700)
Proceed from disposal of property, plant and equipment	-	-	-	1,021
Net cash used in investing activities	(1,118)	(5,194)	(2,575)	(14,761)
Cash flows from financing activities				
Drawdown of bank borrowings	10,000	-	10,000	10,000
Repayment of bank borrowings	-	-	(10,000)	-
Decrease/ (increase) in pledged bank deposits	23,872	(23,500)	22,593	(10,500)
(Decrease)/ increase in bill payables to bank	(26,431)	83,500	(25,158)	40,500
Interest paid	(1,443)	(1,412)	(2,953)	(2,775)
Net cash generated from/ (used in) financing activities	5,998	58,588	(5,518)	37,225
Net decrease in cash and cash equivalents	61,942	52,787	(44,812)	38,812
Cash and cash equivalents at beginning of period	29,973	49,312	136,727	63,287
Cash and cash equivalents at end of period	91,915	102,099	91,915	102,099
Cash and bank balances at end of period	333,437	279,749	333,437	279,749
Less: Pledged bank deposit	(241,522)	(177,650)	(241,522)	(177,650)
	91,915	102,099	91,915	102,099
<u>Note 1:Purchase of property, plant and equipment</u>				
Aggregate cost of property, plant and equipment acquired	1,272	2,707	1,354	4,440
Add: outstanding payables at the beginning of the period	30,534	29,590	30,534	28,850
Less: outstanding payables at the end of the period	(30,534)	(29,590)	(30,534)	(29,590)
	1,272	2,707	1,354	3,700

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

	Share capital	Accumulated losses	Equity attributable to equity holders of the Company	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>Group</u>					
Balance at 1 April 2020 (Unaudited)	661,153	(356,053)	305,100	(1,380)	303,720
Profit and total comprehensive income for the financial period	-	32,699	32,699	(92)	32,607
Balance at 30 June 2020 (Unaudited)	661,153	(323,354)	337,799	(1,472)	336,327
Balance at 1 April 2019 (Unaudited)	661,153	(116,820)	544,333	28,940	573,273
Loss and total comprehensive loss for the financial period	-	(6,941)	(6,941)	(23)	(6,964)
Balance at 30 June 2019 (Audited)	661,153	(123,761)	537,392	28,917	566,309

	Share capital	Accumulated losses	Total equity
	RMB'000	RMB'000	RMB'000
<u>Company</u>			
Balance at 1 April 2020 (Unaudited)	661,153	(339,467)	321,686
Loss and total comprehensive loss for the financial period	-	(1,155)	(1,155)
Balance at 30 June 2020 (Unaudited)	661,153	(340,622)	320,531
Balance at 1 April 2019 (Unaudited)	661,153	(108,721)	552,432
Loss and total comprehensive loss for the financial period	-	(1,856)	(1,856)
Balance at 30 June 2019 (Audited)	661,153	(110,577)	550,576

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

	Number of shares	Issued and paid-up share capital
		RMB
As at 31 December 2019 and 30 June 2020	1,818,444,000	661,152,648

There were no outstanding options, convertibles, treasury shares and subsidiary holdings as at 30 June 2020 and 30 June 2019.

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

There were no treasury shares as at 30 June 2020 and 31 December 2019. The total number of issued shares of the Company are:

	Number of shares	Issued and paid-up share capital
		share capital
		RMB
As at 31 December 2019 and 30 June 2020	1,818,444,000	661,152,648

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

Not applicable. The Company did not have any treasury shares during and as at the end of the financial period reported on.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable. The Company did not have any subsidiary holdings during and as at the end of the financial year reported on.

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

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

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

Not applicable.

3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:—

- (a) Updates on the efforts taken to resolve each outstanding audit issue.
- (b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

This is not required for any audit issue that is a material uncertainty relating to going concern.

Not applicable. The Company's audit issue is a material uncertainty relating to going concern.

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

The accounting policies and methods of computation adopted in the preparation of the financial statements for the current financial period are consistent with those described in the audited financial statements for the financial year ended 31 December 2019.

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

Not applicable.

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

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

	(Unaudited) Group Three months ended 30 Jun 2020	(Unaudited) Group Three months ended 30 Jun 2019	(Unaudited) Group Six months ended 30 Jun 2020	(Unaudited) Group Six months ended 30 Jun 2019
Basic and Diluted earnings/(loss) per share (RMB fen)	1.80	(0.38)	1.96	(0.73)

Earnings/(loss) per share ("EPS/(LPS)") for the respective financial periods are computed based on the net profit/(loss) attributable to equity holders of the Company and the weighted average number of the shares of 1,818,444,000.

The basic and diluted EPS/(LPS) are the same as there were no potentially dilutive ordinary shares outstanding during the respective financial periods.

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

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

	(Unaudited) Group 30 Jun 2020	(Audited) Group 31 Dec 2019	(Unaudited) Company 30 Jun 2020	(Audited) Company 31 Dec 2019
Net asset value per ordinary share (RMB fen)	18.50	16.62	17.63	17.57

Net asset value per ordinary share as at 30 June 2020 and 31 December 2019 respectively have been computed based on total issued shares of 1,818,444,000.

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

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

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

Commentaries on performance

2Q2020

Revenue decreased mainly due to a lower selling price of Methylamine and lower sales volume of Dimethylformamide (“DMF”). During 2Q2020, while the average selling price of Methylamine was RMB 7,041 per tonne and 6% lower than what it was in 2Q2019, the average selling price of DMF was RMB 4,512 per tonne and 6% higher than what it was in 2Q2019. The sales volume of DMF and Methylamine in 2Q2020 were 5% lower and 3% higher than that of 2Q2019 respectively. The decrease in average selling prices of methylamine and decline in DMF sales volume were mainly due to challenging market conditions led by competition and Covid-19.

Year on year, capacity utilisation of the Anyang Jiutian DMF plant decreased from 75% to 56% whilst capacity utilisation of the Anyang Jiutian methylamine plant remained at 100%.

Gross profit increased by RMB 31.2 million mainly due to 20.5% decrease in purchase price per ton of Methanol, one of the key raw materials, resulting in lower cost of production for DMF and Methylamine during the financial period. As a result of the foregoing, gross profit margins increased from 8% in 2Q2019 to 19%.

Other income increased mainly due to higher interest income attributable to higher pledged bank deposits that were brought forward from 31 December 2019.

Total operating expenses decreased by RMB 13.8 million mainly due to

a) RMB 12.4 million Improvement in share of results of associated companies in 2Q2020 mainly due to:

(i) Decrease in share of loss of RMB 1.14 million (2Q2019: share of loss RMB 3.03 million) from the Company's 49% associated company, Anyang Jiulong Chemical Co., Ltd (“Anyang Jiulong”). This was mainly due to more repair and maintenance expenses incurred at Anyang Jiulong's plant during 2Q2019; and

(ii) Decrease in share of loss of RMB 0.65 million (2Q2019: share of loss of RMB 11.14 million) from Anyang Jiujiu Chemical Technology Co., Ltd (“Anyang Jiujiu”), an associated company in which the Group has an effective interest of 74%. This was mainly due to significant impairment of property, plant and equipment in FY2019, thus resulting in lower depreciation charges for current financial period.

b) Administrative expenses increased in 2Q2020 mainly due to higher staff cost incurred as higher performance bonus given against the corresponding period.

c) Distribution costs decreased mainly due to a decrease of transportation costs under Anyang Jiutian arising from a waiver of highway toll charges in the People's Republic of China (“PRC”) during the COVID-19 pandemic prevention and control work period.

The decrease in finance cost was mainly due to quarter on quarter decrease in bill payables to bank during 2Q2020.

As a result of the above, the net profit before tax for 2Q2020 increased by RMB 46.5 million compared to a loss before tax of RMB 4.7 million last year.

Commentaries on balance sheet and cash flow

Group's balance sheet:

The Group's decrease in current assets was largely attributed to:

- a. a decrease in cash and cash equivalents due largely to cash used in operating activities, investing activities and financing activities as presented in the cash flow statements and decrease in pledged bank deposits; and
- b. partially offset by an increase in trade receivables, as more customers opted to use trade bills as a form of repayment during 1H2020 and this led to a longer credit repayment period. However, the trade bills received from customers during 1H2020 were then used to repay the supplier trade bills payables resulting in a decrease in trade bills payable to banks as discussed below.

The Group's decrease in current liabilities was largely attributed to:

- a. a decrease in gross trade and other payables due to more timely payment made to suppliers, lower purchases and transport cost incurred during the financial period as explained in the paragraphs above;
- b. a decrease in trade bills payables to banks, categorized under 'bank borrowings', as less suppliers opted for trade bills as a form of repayment; and
- c. a decrease in contract liabilities due to lesser advance receipts from customers.
- d. offset by an increase in income tax payables

Working Capital

The Group is in a net current assets position as at 30 June 2020 of RMB 60 million.

Group's cash flow

Net cash generated from operating activities in 2Q2020 was mainly due to profit before tax and the inflow from working capital changes caused by decrease in inventories and increase in trade payables and partially offset by increase in trade receivables.

Net cash used in investing activities in 2Q2020 was mainly due to purchase of property, plant and equipment.

Net cash generated from financing activities in 2Q2020 was mainly due to drawdown of bank borrowing and decrease in pledged bank deposits compared to 2Q2019. This was partially offset by a decrease in bill payables to bank and interest paid during 2Q2020.

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

Not applicable. No forecast or prospect statements have been previously disclosed to shareholders.

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

In the midst of the global coronavirus pandemic and the lower crude oil price, the price of methanol, one of the key raw materials has been on a downward trend, resulting in lower cost of production for our main products DMF and Methylamine. With the recovery of the Chinese economy from the depth of the COVID-19 crisis in China, the Group has been experiencing robust demand and firm prices for its main products.

Going forward, barring any significant resurgence of COVID-19 in China, we are hopeful that operating environment will continue to be conducive for the rest of 2020.

11. Dividend

(a) Whether an interim (final) ordinary dividend has been declared (recommended); and
Nil

(b)(i) Amount per share (cents)
Nil.

(ii) Previous corresponding period (cents)
Nil.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).
NA.

(d) The date the dividend is payable.
NA.

(e) The date on which Registrable Transfers received by the Company (up to 5.00pm) will be registered before entitlements to the dividend are determined.
NA.

12. If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision.

No dividend has been recommended for the current financial year reported on. In light of the uncertain business environment highlighted in paragraph 10, the Company would like to conserve resources for the Company's ongoing operations so as to respond to any adverse changes in the macroeconomic environment.

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

The Company had at its annual general meeting held on 23 June 2020 obtained shareholders' approval for the renewal of the general mandate for IPTs. Save as disclosed below, there are no other IPTs equal to or above S\$100,000 in 1H2020.

Name of interested person / Nature of relationship	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)
	1H2020	1H2020
Anyang Chemical Industry Group Co., Ltd ("Anhua") ⁽¹⁾	Sales of DMAC RMB 0.54 million	Sales of Repair Material, industrial steams and electricity RMB 32.85 million
		Purchase of Raw Materials I and II RMB 168.04 million
	Sales of Raw Materials RMB 3.20 million	Purchase of Repair Materials RMB 4.36 million
		Rental of equipment RMB 0.32 million
Anyang Jiujiu Chemical Technology Co., Ltd ⁽²⁾	Advances given for working capital purposes RMB 1.22 million	Nil
Anyang Jiulong Chemical Co., Ltd ⁽³⁾	Nil	Sale of Dimethylamine RMB 14.47 million
		Purchase of electricity and industrial steam RMB 27.36 million

Notes:

- (1) Anhua is the holding company of Anyang Longyu (HK) Development Co., Ltd. ("Anyang Longyu"), a controlling 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 HNEC, the parent of Anhua who is in turn the holding company of the controlling shareholder, Anyang Longyu. HNEC would have control over Anyang Jiujiu through Anyang Jiulong.

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 Catalyst, 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 and Henan Energy and Chemical Industry Group Co., Ltd. ("HNEC") pursuant to which Anhua holds 15.9% and HNEC holds 35.1% and Jiutian Chemical Group Limited holds 49% of the registered capital of Anyang Jiulong. HNEC is the parent of Anhua.

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

We, Han Lianguo and Wang Gang, being two directors of Jiutian Chemical Group Limited (the "Company"), do hereby confirm on behalf of the Board of Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial statements of the Company and the Group for the second quarter ended 30 June 2020 to be false or misleading in any material respect.

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in format set out in Appendix 7(H)) under Rule 720(1).

The Company confirms that it has procured undertakings from all its directors and executive officers in the required format.

16. Disclosures on Acquisition and Realisation of Shares pursuant to Catalist Rule 706A

During 2Q2020, the Company did not acquire any shares resulting in any company becoming a subsidiary or associated company or increasing its shareholding percentage in any subsidiary. Additionally, the Company did not dispose any shares resulting in a company ceasing to be a subsidiary or associated company or decreasing its shareholding percentage in any subsidiary.

BY ORDER OF THE BOARD

Name: Han Lianguo
Designation: Non-executive and Non-independent Chairman
Date: 12 August 2020

This announcement has been prepared by the Company and its contents have been reviewed by the sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") for compliance with the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this announcement.

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

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).