PROSPECTUS DATED 24 APRIL 2006
(Registered with the Monetary Authority of Singapore on 24 April 2006)

This document is important. If you are in any doubt as to the action you should take, you should consult your legal, financial, tax or other professional adviser.

We have applied to the Singapore Exchange Securities Trading Limited (the "SGX-ST") for permission to deal in and for quotation of all the ordinary shares ("Shares") in the capital of Jiutian Chemical Group Limited (the "Company") already issued (including the Vendor Shares as defined in this Prospectus) and the new Shares (the "New Shares") which are the subject of this Invitation (as defined herein)(collectively the "Invitation Shares"). Such permission will be granted when we have been admitted to the Official List of the SGX-ST.

Acceptance of applications for the Invitation Shares will be conditional upon, *inter alia*, SGX-ST granting permission to deal in and for quotation of all our existing issued Shares (including the Vendor Shares) and the New Shares. If such permission is not granted for any other reason, monies paid in respect of any application accepted will be returned to you at your own risk, without interest or any share of revenue or other benefit arising therefrom, and you will not have any claim against us, the Vendors or OCBC Bank. Quotation of and dealing in our Shares will be in Singapore dollars.

The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Prospectus. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Invitation, our Company, our subsidiary, our Shares already issued (including the Vendor Shares) and the New Shares.

A copy of this Prospectus, together with a copy of the Application Forms, has been lodged with and registered by the Monetary Authority of Singapore (the "Authority"). The Authority assumes no responsibility for the contents of this Prospectus. Registration of this Prospectus by the Authority does not imply that the Securities and Futures Act, Chapter 289 of Singapore, or any other legal or regulatory requirements, have been complied with. The Authority has not, in any way, considered the merits of our Shares already issued (including the Vendor Shares) and the New Shares, as the case may be, being offered for investment. We have not lodged or registered this Prospectus in any other jurisdiction.

No Shares shall be allotted and/or allocated on the basis of this Prospectus later than six months after the date of registration of this Prospectus by the Authority.

INVESTING IN OUR SHARES INVOLVES RISKS WHICH ARE DESCRIBED IN THE SECTION ENTITLED "RISK FACTORS" OF THIS PROSPECTUS.

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

(Incorporated in Singapore on 30 November 2004)
(Company Registration Number: 200415416H)

Invitation in respect of 94,929,000 Invitation Shares comprising 54,938,000 New Shares and 39,991,000 Vendor Shares as follows:

(a) 3,000,000 Offer Shares at S$0.29 for each Offer Share by way of public offer; and

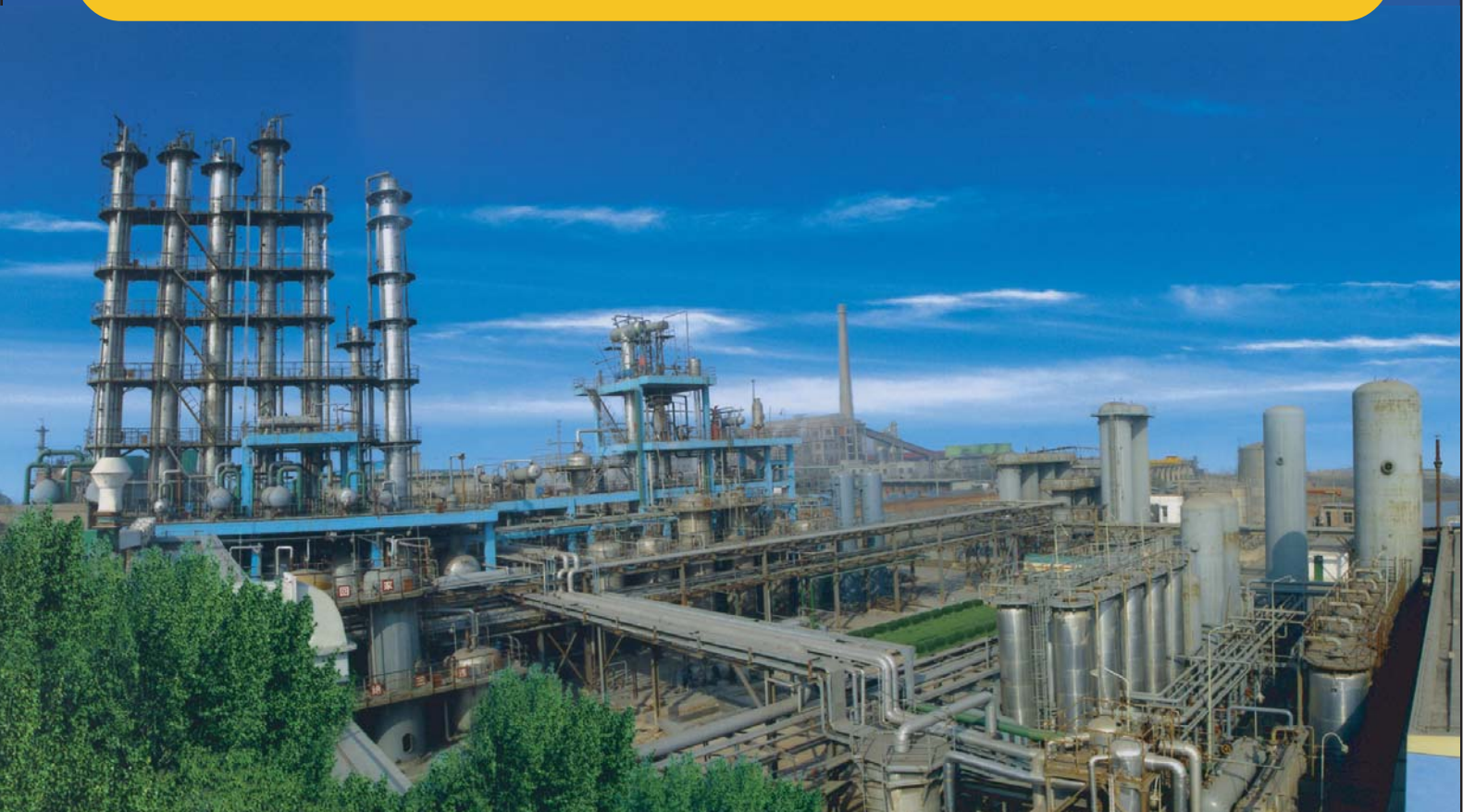
(b) 91,929,000 Placement Shares at S$0.29 for each Placement Share by the way of placement,

payable in full on application.

Manager, Underwriter and Placement Agent

OCBC Bank

Applications should be received by 12.00 noon on 2 May 2006 or such other date and time as our Company and the Vendors may, in consultation with the Manager, decide, subject to any limitation under all applicable laws.



OUR BUSINESS



Jiutian Chemical Group Limited ("Jiutian" or the "Group") through our subsidiary, Anyang Jiutian, has three main business divisions:

(a) METHANOL DIVISION

Our Methanol division produces methanol, which is an important chemical feedstock for the purposes of manufacturing other chemicals. Its main uses include:-

i) the manufacture of pesticides and insecticides;
ii) the manufacture of medicine and other pharmaceutical products; and
iii) the manufacture of other chemicals.

(b) DIMETHYLFORMAMIDE (DMF) DIVISION

Our DMF division produces DMF as the main product and methylamine as a secondary product. DMF is a universal industrial solvent in a number of specialist applications, particularly for selective extraction. Its main uses include:-

i) specialist applications within the pharmaceutical and electronics industries;
ii) used as a laboratory solvent; and
iii) used as an intermediate chemical compound and an additive in the chemical industry.



Methylamine is an important chemical feedstock in the organic chemical industry. It is used widely in various fields such as:-

i) agricultural chemicals;
ii) medicine;
iii) fuel;
iv) synthetic resin; and
v) production of solvent used for chemical fibres.

(c) GAS DIVISION

Our Gas division produces consumable carbon dioxide and oxygen. Consumable carbon dioxide's main uses include:-

i) manufacture of fire extinguishers;
ii) preservation of perishable food products; and
iii) medical processes.



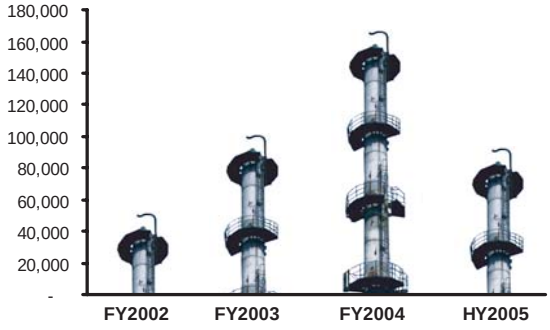
Oxygen is used mainly for metal welding and cutting. In the medical area, it is also used to treat pneumonia, gas poisoning and other anoxia through oxygen therapy.

INDUSTRY PROSPECTS

- **Growth of the PRC fine chemicals industry**
- **Rapid growth in Henan province's fine chemicals industry**
- **Growth in the use of our products**
- **Expansion of our geographical markets**

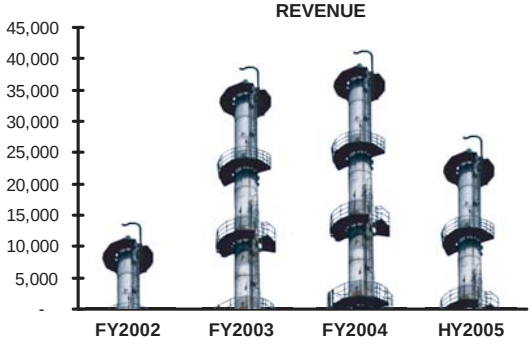
FINANCIAL HIGHLIGHTS

Revenue	(RMB'000)
FY2002	53,195
FY2003	103,076
FY2004	167,644
HY2005	94,455



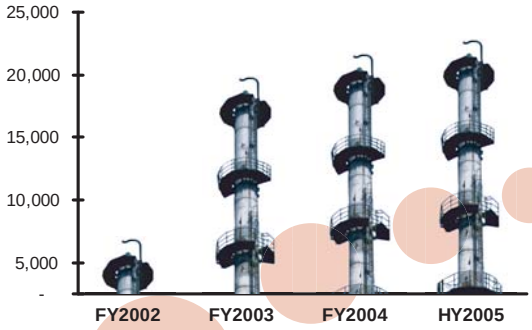
REVENUE

Gross Profit	(RMB'000)
FY2002	13,211
FY2003	38,705
FY2004	40,805
HY2005	27,387



PROFIT MARGIN

Net Profit	(RMB'000)
FY2002	6,149
FY2003	19,577
FY2004	20,566
HY2005	22,621



NET PROFIT

FUTURE PLANS

Expansion of our production capacities for DMF and methylamine

- Given the substantial growth in demand for DMF, we plan to build a new production facility for both DMF and methylamine, which will increase our production capabilities to 90,000 tonnes of DMF per annum ("p.a.") and 90,000 tonnes of methylamine p.a..
- Approximately S$ 9.5 million has been set aside to finance the construction of this new production facility.
- Preliminary work on this facility has commenced in early 2006 and the construction is expected to complete by the second quarter of 2007.

Expansion of our production capacities for consumable carbon dioxide

- We intend to expand our production capacity from 3,000 tonnes p.a. to 30,000 tonnes p.a. by building a new production plant.
- Approximately S$ 1.0 million has been set aside to finance the construction of this new production plant.
- Construction commenced in September 2005 and this is expected to be completed by the first half of 2006.

Moving upstream

- We intend to construct a production facility to commence production of water gas for our own production requirements. This facility is part of the new production facility to be constructed for both DMF and methylamine.

Extending our customer reach in the PRC

- We intend to expand our customer base by exploring new modes of cooperation with external parties, including chemical-trading companies and logistic operators.
- This expansion of sales network is in line with our plan to increase production substantially by 2007.

Sales of our products overseas

- We intend to explore the possibility of exporting our products overseas to take advantage of the increasing worldwide demand for our products, in particular DMF and methylamine.

Potential acquisition of synergistic businesses

- We intend to continually seek opportunities for strategic acquisitions of businesses and/or assets synergistic to our current business. This may include acquisitions of production facilities for downstream products which we believe have good demand prospects and growth.







COMPETITIVE STRENGTHS

Geographical advantage

- Henan province, where Anyang Jiutian is located, is linked with the rest of the country by a good transportation network including, the Beijing-Guangzhou railway. It is close to Zhengzhou, which has one of Asia's largest railway station and network. There are plans for Zhengzhou to be developed into a logistics central station for cargo transportation. This will reduce the transportation costs of our products substantially.
- Being the only DMF producer in Henan province and to the best of our Directors' knowledge and belief, we are the only significant DMF producer within 500km from our location (based on available road and railway networks), the Group commands market leadership in its main product, DMF in Henan and adjacent provinces, which in total have a population exceeding 450 million.

Reliable and stable supply of raw materials

- The Group has entered into a 20-year supply agreement with Anhua, an established state-owned enterprise in the PRC for the supply of our essential raw materials and is thus assured with a stable supply of raw materials at competitive prices.

High level of quality and safety assurance

- The Group enforces quality control checks at all stages of production. Our products meet international standards and our quality management system was certified ISO 9001:2000.
- As at Latest Practicable Date, none of the Group's products has been rejected by our customers and the Group has not experienced any major safety-related incidents.

Experienced management team & quality of labour force

- With a combined industry experience of over 80 years, our senior management spearheads our business operations and drives our growth plans.
- They are supported by a team of young and highly-qualified workforce whose average age is 32 years old. More than 60% of our work force have obtained at least a technical diploma in chemistry or achieved pre-university education.

Superior technology

- The Group keeps abreast of technological advancements to improve our production capacities and efficiency.

Marketing superiority

- The Group has an experienced and highly-skilled sales and marketing team which reaches out to our network of customers.



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

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CORPORATE INFORMATION

BOARD OF DIRECTORS	:	Wang Xianjin Zhang Aiping Sun Zhiqiang Lee Chee Seng Foo Meng Kee Chan Kam Loon Wu Yu Liang
JOINT COMPANY SECRETARIES	:	Choong Mee Fong, ACIS Lim Ka Bee, ACIS
REGISTERED OFFICE	:	8 Cross Street #11-00 PWC Building Singapore 048424
COMPANY REGISTRATION NUMBER	:	200415416H
PRINCIPAL PLACE OF BUSINESS	:	1. 3 Raffles Place, #05-01, Bharat Building, Singapore 048617 2. Zhangwu Street, Long An District, Anyang, Henan Province, People's Republic of China
SHARE REGISTRAR AND SHARE TRANSFER OFFICE	:	Tricor Barbinder Share Registration Services (a business division of Tricor Singapore Pte. Ltd.) 8 Cross Street #11-00 PWC Building Singapore 048424
MANAGER, UNDERWRITER, PLACEMENT AGENT AND RECEIVING BANK	:	Oversea-Chinese Banking Corporation Limited 65 Chulia Street #29-02/04 OCBC Centre Singapore 049513
AUDITORS AND REPORTING ACCOUNTANTS	:	Deloitte & Touche Certified Public Accountants 6 Shenton Way #32-00 DBS Building Tower Two Singapore 068809
SOLICITORS TO THE INVITATION	:	David Lim & Partners 50 Raffles Place #17-01 Singapore Land Tower Singapore 048623
LEGAL ADVISERS TO THE COMPANY ON PRC LAW	:	Haihua Yongtai Law Firm Floor 24 World Plaza No. 855 Pudong South Road Shanghai 200120 People's Republic of China
SOLICITORS TO THE MANAGER, UNDERWRITER AND PLACEMENT AGENT	:	TSMP Law Corporation 6 Battery Road #33-01 Singapore 049909

LEGAL ADVISERS TO THE MANAGER, UNDERWRITER AND PLACEMENT AGENT ON PRC LAW	:	Fangda Partners Suite 1422 China World Tower 1 No. 1 Jian Guo Men Wai Avenue Beijing 100004 People's Republic of China
PRINCIPAL BANKERS	:	1. Agricultural Bank of China Shuiye Branch Fuyan Road, Shuiye Town Anyang City, Henan Province People's Republic of China 2. Industrial and Commercial Bank of China Shuiye Branch Fuyan Road, Shuiye Town Anyang City, Henan Province People's Republic of China
VENDORS		1. Ang Cheng Kee 2. Beh Suan Tiong 3. Chau-Chan Sui Yung 4. Chia Wee Tiong 5. Chiang Chai Ong 6. Chua Eu Liam 7. Daniel Tan Poon Kuan 8. Ho Siew Hong Patricia 9. Kee Siang Hoe 10. Koh Kok Leong 11. Koh Wee Lih 12. Kwan Wai Keong 13. Low Chui Heng 14. Esther Low Suet Cheng 15. Paun Yoon Thai 16. Tan Geu Chuan 17. Tan Hwee Ping Ellen 18. Tan Sung 19. Tay Kang Meng Eugene 20. Wee Ai Keng Angeline 21. Wong Teck Yan Victor

In this Prospectus, the accompanying Application Forms and, in relation to the Electronic Applications, the instructions appearing on the screens of the ATMs of Participating Banks, unless the context otherwise requires, the following definitions apply throughout where the context so admits:-

Group Companies

"Anyang Jiutian"	:	Anyang Jiutian Fine Chemical Co., Ltd. (安阳九天精细化工有限责任公司), a wholly foreign-owned enterprise registered by Anyang Administration of Industry and Commerce
"Company" or "Jiutian Chemical"	:	Jiutian Chemical Group Limited (九天化工集团有限公司), formerly known as "Zhongguo Jiutian Chemical Pte Ltd", a public company incorporated in Singapore on 30 November 2004
"Group" or "Proforma Group"	:	Our Company and its subsidiaries following the completion of the Restructuring Exercise, treated for the purpose of this Prospectus, as if it had been in existence since FY2002

Other Companies and Organisations

"Anhua"	:	Anyang Chemical Industry Group Co., Ltd. (安阳化学工业集团有限责任公司), a state-owned enterprise in the PRC
"Authority"	:	The Monetary Authority of Singapore
"China Hualu"	:	China Hualu Engineering Corporation
"CDP"	:	The Central Depository (Pte) Limited
"CPF"	:	The Central Provident Fund
"ISO"	:	The International Organisation for Standardisation
"Linuo"	:	Henan Linuo Biochemistry Co., Ltd
"OCBC Bank", "Manager", "Underwriter", "Placement Agent" or "Receiving Bank"	:	Oversea-Chinese Banking Corporation Limited
"SCCS"	:	Securities Clearing & Computer Services (Pte) Ltd
"SGX-ST"	:	Singapore Exchange Securities Trading Limited
"Stateglory"	:	Stateglory Investments Limited
"Vendors"	:	The Pre-IPO Investors, except for Alan Wang Yu Huei, Goh Yeo Hwa, Jarle Aakermann, Pierre Rico, Woolston Park Limited and Woon Tai Keat
"Woolston"	:	Woolston Park Limited
"WTO"	:	World Trade Organisation
"Wuzhou"	:	Anyang Wuzhou International Trade Co., Ltd

General

"Addendum 1"	:	Addendum to the Convertible Loan Agreement dated 22 November 2005, more particularly described under the sections entitled "Restructuring Exercise" and "Material Contracts" of this Prospectus
"Addendum 2"	:	Second addendum to the Convertible Loan Agreement dated 29 March 2006, more particularly described under the section entitled "Material Contracts" of this Prospectus
"Application Forms"	:	The official printed application forms to be used for the purpose of the Invitation which form part of this Prospectus
"Application List"	:	The list of applications to subscribe for and/or purchase the Invitation Shares
"Articles of Association"	:	Articles of association of our Company, as amended, supplemented or modified from time to time
"Associate"	:	(a) in relation to an entity, means – (i) in a case where the entity is a substantial shareholder, controlling shareholder, substantial interest-holder or controlling interest-holder, its related corporation, related entity, associated company or associated entity; or (ii) in any other case – (A) a director or an equivalent person; (B) where the entity is a corporation, a controlling shareholder of the entity; (C) where the entity is not a corporation, a controlling interest-holder of the entity; (D) a subsidiary, a subsidiary entity, an associated company, or an associated entity; or (E) a subsidiary, a subsidiary entity, an associated company, or an associated entity, of the controlling shareholder or controlling interest-holder, as the case may be, of the entity; and (b) in relation to an individual, means – (i) his immediate family; (ii) a trustee of any trust of which the individual or any member of the individual's immediate family is – (A) a beneficiary; or (B) where the trust is a discretionary trust, a discretionary object, when the trustee acts in that capacity; or

(iii) any corporation in which he and his immediate family (whether directly or indirectly) have interests in voting shares of an aggregate of not less than 30% of the total votes attached to all voting shares

"Associated Company" : in relation to an entity, means –

(a) any corporation, other than a subsidiary of the entity, in which –

(i) the entity or one or more of its subsidiaries or subsidiary entities has;

(ii) the entity, one or more of its subsidiaries and one or more of its subsidiary entities together have;

(iii) the entity and one or more of its subsidiaries together have;

(iv) the entity and one or more of its subsidiary entities together have; or

(v) one or more of the subsidiaries of the entity and one or more of the subsidiary entities of the entity together have,

a direct interest in voting shares of not less than 20% but not more than 50% of the total votes attached to all voting shares in the corporation; or

(b) any corporation, other than a subsidiary of the entity or a corporation which is an associated company of the entity by virtue of (a), the policies of which –

(i) the entity or one or more of its subsidiaries or subsidiary entities;

(ii) the entity together with one or more of its subsidiaries and one or more of its subsidiary entities;

(iii) the entity together with one or more of its subsidiaries;

(iv) the entity together with one or more of its subsidiary entities; or

(v) one or more of the subsidiaries of the entity together with one or more of the subsidiary entities of the entity,

is or are able to control or influence materially

"ATM" : Automated teller machine of a Participating Bank

"Audit Committee" : The audit committee of our Company as at the date of this Prospectus

"Board" : The board of Directors of our Company

"BVI"	:	British Virgin Islands
"CAGR"	:	Compound annual growth rate
"CEO"	:	Chief Executive Officer
"Companies Act"	:	The Companies Act, Chapter 50 of Singapore
"Controlling Shareholder"	:	In relation to a corporation means:- (a) a person who has an interest in the voting shares of the corporation and who exercises control over the corporation; or (b) a person who has an interest in the voting shares of the corporation of an aggregate of not less than 15% of the total votes attached to all voting shares in the corporation, unless he does not exercise control over the corporation
"Conversion"	:	The conversion of the convertible loans into 54,942,000 Shares by the Pre-IPO Investors on the date of the eligibility-to-list letter from the SGX-ST to our Company pursuant to the terms of the Convertible Loan Agreement
"Convertible Loan"	:	The aggregate of all loans advanced by the Pre-IPO Investors pursuant to the terms of the Convertible Loan Agreement
"Convertible Loan Agreement"	:	The convertible loan agreement entered into between our company and the Pre-IPO Investors dated 11 May 2005, more particularly described under the section entitled "Restructuring Exercise" of this Prospectus as amended by Addendum 1 and Addendum 2
"COO"	:	Chief Operating Officer
"Davy Process Technology"	:	A process technology used for the production of DMF licensed by Davy Process Technology Ltd., more particularly described in the section entitled "Our Production Process" under the heading "Improvements in our production process" of this Prospectus
"Directors"	:	The directors of our Company as at the date of this Prospectus
"Electronic Applications"	:	Applications for the Offer Shares made through an ATM of a Participating Bank in accordance with the terms and conditions of this Prospectus
"EPS"	:	Earnings per Share
"Executive Directors"	:	Our executive Directors as at the date of this Prospectus
"Executive Officers"	:	The executive officers of our Group as at the date of this Prospectus
"FY"	:	Financial year ended or, as the case may be, ending 31 December
"HY"	:	Financial period ended or, as the case may be, ending 30 June
"Independent Directors"	:	The independent Directors as at the date of this Prospectus

"Invitation"	:	The invitation by our Company and the Vendors to the public to subscribe for and/or purchase the Invitation Shares, subject to and on the terms and conditions of this Prospectus
"Invitation Price"	:	$0.29 for each Invitation Share
"Invitation Shares"	:	The 94,929,000 Shares which are the subject of the Invitation, comprising the New Shares and the Vendor Shares
"Latest Practicable Date"	:	17 March 2006, being the latest practicable date prior to the lodgement of this Prospectus
"Lenders"	:	Beh Suan Tiong, Chia Wee Tiong, Chua Eu Liam, Goh Yeo Hwa, Jarle Aakermann, Kee Siang Hoe, Pierre Rico, Tay Kang Meng Eugene, Wee Ai Keng Angeline, Woolston Park Limited and Woon Tai Keat
"Listing Manual"	:	The Listing Manual of the SGX-ST
"Market Day"	:	A day on which the SGX-ST is open for trading in securities
"NAV"	:	Net asset value
"New Shares"	:	54,938,000 new Shares for which our Company invites applications to subscribe pursuant to the Invitation subject to and on the terms and conditions of this Prospectus
"Nominating Committee"	:	The nominating committee of our Company as at the date of this Prospectus
"NTA"	:	Net tangible assets
"Offer"	:	The Invitation by our Company and the Vendors to the public for subscription and/or purchase of the Offer Shares at the Invitation Price, subject to and on the terms and conditions of this Prospectus
"Offer Shares"	:	The 3,000,000 Invitation Shares which are the subject of the Offer
"Participating Banks"	:	OCBC Bank, DBS Bank Ltd (including POSB) ("DBS") and United Overseas Bank Limited and its subsidiary, Far Eastern Bank Limited (the "UOB Group") and "Participating Bank" means any of them
"Placement"	:	The placement by the Placement Agent on behalf of our Company and the Vendors, of the Placement Shares at the Invitation Price, subject to and on the terms and conditions of this Prospectus
"Placement Shares"	:	The 91,929,000 Invitation Shares which are the subject of the Placement
"PRC"	:	The People's Republic of China, for the purpose of this Prospectus, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan

"Pre-IPO Investors"	:	Alan Wang Yu Huei, Ang Cheng Kee, Beh Suan Tiong, Chau-Chan Sui Yung, Chia Wee Tiong, Chiang Chai Ong, Chua Eu Liam, Daniel Tan Poon Kuan, Goh Yeo Hwa, Ho Siew Hong Patricia, Jarle Aakermann, Kee Siang Hoe, Koh Kok Leong, Koh Wee Lih, Kwan Wai Keong, Low Chui Heng, Esther Low Suet Cheng, Paun Yoon Thai, Pierre Rico, Tan Geu Chuan, Tan Hwee Ping Ellen, Tan Sung, Tay Kang Meng Eugene, Wee Ai Keng Angeline, Wong Teck Yan Victor, Woolston Park Limited and Woon Tai Keat.
"Prospectus"	:	This Prospectus dated 24 April 2006 issued by our Company in respect of the Invitation
"R&D"	:	Research and development
"Remuneration Committee"	:	The remuneration committee of our Company as at the date of this Prospectus
"Restructuring Exercise"	:	The restructuring exercise undertaken by our Group as described in the section entitled "Restructuring Exercise" of this Prospectus
"Securities Account"	:	Securities account maintained by a Depositor with CDP and does not include a securities sub-account
"Securities and Futures Act"	:	Securities and Futures Act, Chapter 289 of Singapore
"Service Agreement"	:	The service agreements entered into between our Company and our Executive Directors, as described in the section entitled "Service Agreement" of this Prospectus
"SGXNET"	:	The corporate announcement system maintained by the SGX-ST for the submission of announcements by listed companies
"Shareholders"	:	Registered holders of Shares, except where the registered holder is the CDP, the term "Shareholders" shall, in relation to such Shares mean the Depositors whose Securities Accounts are credited with Shares
"Shares"	:	Ordinary shares in the capital of our Company
"Sub-division"	:	The sub-division of each two (2) ordinary shares into 21,609 ordinary shares as described in the section entitled "Share Capital" of this Prospectus
"Substantial Shareholder"	:	A person who has an interest of 5% or more of the aggregate of the nominal amount of all our Shares
"VAT"	:	Value added tax
"Vendor Shares"	:	The 39,991,000 issued and fully-paid shares for which the Vendors invites applications to purchase pursuant to the Invitation, subject to and on the terms and conditions of this Prospectus
"WFOE"	:	Wholly foreign-owned enterprise

Currencies, Units and Others

"km"	:	Kilometre
"km^3"	:	Cubic kilometre

"kt"	:	Kilo tonne
"mpa"	:	Mega pascal, equivalent 1,000,000 pascal (unit for pressure)
"PPm"	:	Parts per million (a measure of concentration)
"RMB"	:	PRC Renminbi
"$" or "SGD" and "cents"	:	Singapore dollars and cents, respectively
"US$" or "USD"	:	US dollars
"sq m" or "m^2"	:	Square metres
"ton" or "tonne"	:	Metric tonne
"N.A."	:	Not applicable
"%" or "per cent"	:	Per centum or percentage

Chemical Terms

"CO"	Carbon monoxide (一氧化碳)
"CO_2"	Carbon dioxide (二氧化碳)
"DMA"	Dimethylamine (二甲胺)
"DMF"	Dimethylformamide (二甲基甲酰胺)
"H_2"	Hydrogen gas (氢气)
"MMA"	Monomethylamine (一甲胺)
"O_2"	Oxygen gas (氧气)
"TMA"	Trimethylamine (三甲胺)

The terms "Depositor", "Depository Agent" and "Depository Register" shall have the same meanings ascribed to them respectively in Section 130A of the Companies Act.

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*. References to persons shall include corporations.

Any discrepancies in tables included herein between the amounts listed 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.

Any reference in this Prospectus, the Application Forms and/or Electronic Applications to any statute or enactment is a reference to that statute or enactment for the time being amended or re-enacted. Any word defined in the Companies Act, the Securities and Futures Act or any statutory modification thereof or the Listing Manual and used in this Prospectus, the Application Forms and/or Electronic Applications shall, where applicable, have the meaning ascribed to it under the Companies Act, the Securities and Futures Act (as the case may be) or any statutory modification or the Listing Manual (as the case may be).

Any reference in this Prospectus, the Application Forms and/or Electronic Applications to our Shares being allotted or allocated to an applicant includes allotment and/or allocation to CDP for the account of that applicant.

Any reference to a time of day in this Prospectus, the Application Forms and/or Electronic Applications shall be a reference to Singapore time unless otherwise stated.

Any reference to "we", "us" and "our" or other grammatical variations in this Prospectus is a reference to our Company, our Group or any member of our Group as the context requires.

Certain names with Chinese characters have been translated into English names. Such translations, which are provided solely for the convenience of Singapore-based investors, may not have been registered with the relevant PRC authorities and should not be construed as representations that the English names actually represent the Chinese characters. In the case of any inconsistency between the English names and their respective official Chinese names, the Chinese names shall prevail.

LISTING ON THE MAIN BOARD OF SGX-ST

Application has been made to the SGX-ST for permission to deal in and for quotation of, all our Shares already issued (including the Vendor Shares) and the New Shares. Such permission will be granted when our Company has been admitted to the Official List of the SGX-ST. Acceptance of applications for the Invitation Shares will be conditional upon, *inter alia*, permission being granted by the SGX-ST to deal in and for quotation of all our existing issued Shares (including the Vendor Shares) and the New Shares. If the completion of Invitation does not occur because the SGX-ST's permission is not granted or for any other reason (including where the Authority issues a stop order), monies paid in respect of any application accepted will, subject to applicable laws, be returned to the applicant, without interest or any share of revenue or other benefit arising therefrom and at the applicant's own risk and the applicant will not have any claim against us, the Vendors, the Manager, or OCBC Bank.

The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Prospectus. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Invitation, our Company, our subsidiaries, our Shares (including the Vendor Shares) already issued or the New Shares.

A copy of this Prospectus, together with the Application Forms, has been lodged with and registered by the Authority. The Authority assumes no responsibility for the contents of this Prospectus. Registration of this Prospectus by the Authority does not imply that the Securities and Futures Act, or any other legal or regulatory requirements, have been complied with. The Authority has not, in any way, considered the merits of our existing issued Shares (including the Vendor Shares) or the New Shares, as the case may be, being offered or in respect of which the Invitation is made, for investment. We have not lodged or registered this Prospectus in any other jurisdiction.

This Prospectus has been seen and approved by our Directors and the Vendors and they individually and collectively accept full responsibility for the accuracy of the information given in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts contained in this Prospectus are true and accurate and not misleading, all expressions of opinion, intention and expectation contained in this Prospectus are fair and accurate in all material respects as at the date of this Prospectus, there are no other material facts the omission of which would make any statement in this Prospectus misleading and this Prospectus constitutes full and true disclosure of all material facts about the Invitation and our Group.

No person has been or is authorised to give any information or to make any representation not contained in this Prospectus in connection with the Invitation and, if given or made, such information or representation must not be relied upon as having been authorised by our Company, the Vendors, the Manager, the Underwriter or the Placement Agent. Neither the delivery of this Prospectus and the Application Forms nor any document relating to the Invitation shall, under any circumstances, constitute a continuing representation or create any suggestion or implication that there has been no change, or development reasonably likely to invoke a change in the affairs of our Company or of our subsidiaries or in any statements of fact or information contained in this Prospectus since the date of this Prospectus. Where such changes occur, our Company may lodge a supplementary or replacement prospectus with the Authority and make an announcement of the same to the SGX-ST and will comply with the requirements of the Securities and Futures Act and/or any other requirements of the Authority and/or SGX-ST. All applicants should take note of any such announcement supplementary or replacement prospectus and, upon release of the same, shall be deemed to have notice of such changes.

Save as expressly stated in this Prospectus, nothing herein is, or may be relied upon as, a promise or representation as to our future performance or policies. The Invitation Shares are offered for subscription and/or purchase solely on the basis of the information contained and representations made in this Prospectus.

Neither our Company, the Vendors, the Manager, the Underwriter or the Placement Agent nor any other parties involved in this Invitation is making any representation to any person regarding the legality of an investment in our Shares by such person under any investment or any other laws or regulations. No information in this Prospectus should be considered to be business, financial, legal or tax advice regarding an investment in our existing issued Shares (including the Vendor Shares) and the New Shares. Each prospective investor should consult his own professional or other advisers for business, financial, legal or tax advice regarding an investment in our Shares (including the Vendor Shares) and the New Shares.

This Prospectus has been prepared solely for the purpose of the Invitation and may not be relied upon by any persons other than the applicants in connection with their application for the Invitation Shares or for any other purpose. This Prospectus does not constitute an offer, solicitation or invitation to subscribe for and/or purchase the Invitation Shares in any jurisdiction in which such offer, solicitation or invitation is unauthorised or unlawful nor does it constitute an offer, solicitation or invitation to any person to whom it is unlawful to make such offer, solicitation or invitation.

In the event that a supplementary or replacement prospectus is lodged with the Authority, the Invitation shall be kept open for at least 14 days after the lodgement of such supplementary or replacement prospectus.

Where prior to the lodgement of the supplementary or replacement prospectus, applications have been made under this Prospectus to subscribe for and/or purchase our Invitation Shares and:-

(a) where the Invitation Shares have not been issued and/or sold to the applicants, our Company shall (for itself as well as on behalf of the Vendors) either:-

    (i) within seven days from the date of lodgement of the supplementary or replacement prospectus, give the applicants the supplementary or replacement prospectus, as the case may be, and provide the applicants with an option to withdraw their applications; or

    (ii) treat the applications as withdrawn and cancelled, in which case the applications shall be deemed to have been withdrawn and cancelled, and our Company shall (for itself as well as on behalf of the Vendors), within seven days from the date of lodgement of the supplementary or replacement prospectus, return all monies paid in respect of any application, without interest or any share of revenue or benefit arising therefrom, at the applicant's own risk; or

(b) where the Invitation Shares have been issued and/or allocated to the applicants, our Company shall (for itself as well as on behalf of the Vendors) either:-

    (i) within seven days from the date of lodgement of the supplementary or replacement prospectus, give the applicants the supplementary or replacement prospectus, as the case may be, and provide the applicants with an option to return to our Company the Invitation Shares, which they do not wish to retain title in; or

    (ii) treat the issue and/or sales of the Invitation Shares as void, in which case the issue or sales shall be deemed void and our Company shall (for itself as well as on behalf of the Vendors), within seven days from the date of lodgement of the supplementary or replacement prospectus, return all monies paid in respect of any application, without interest or any share of revenue or benefit arising therefrom, at the applicant's own risk.

An applicant who wishes to exercise his option under paragraph (a)(i) to withdraw his application shall, within 14 days from the date of lodgement of the supplementary or replacement prospectus, notify our Company of this, whereupon our Company shall (for itself as well as on behalf of the Vendors), within seven days from the receipt of such notification, pay to him all monies paid by him on account of his application for those Shares without interest or any share of revenue or benefit arising therefrom, at the applicant's own risk.

An applicant who wishes to exercise his option under paragraph (b)(i) to return the Invitation Shares issued or allocated to him shall, within 14 days from the date of lodgement of the supplementary or replacement prospectus, notify our Company of this and return all documents, if any, purporting to be evidence of title to those Shares, to our Company, whereupon our Company shall (for itself as well as on behalf of the Vendors), subject to compliance with the Companies Act, within seven days from the receipt of such notification and documents, if any, pay to him all monies paid by him for those Shares, without interest or any share of revenue or benefit arising therefrom at the applicant's own risk and the issue and/or sale of those Shares shall be deemed to be void.

Under the Securities and Futures Act, the Authority may, in certain circumstances issue a stop order (the "Stop Order") to our Company, directing that no Shares or no further Shares to which this Prospectus relates, be allotted, allocated, issued or sold. Such circumstances will include a situation where this Prospectus (i) contains a statement or matter, which in the opinion of the Authority is false or misleading, (ii) omits any information that should be included in accordance with the Securities and Futures Act or (iii) does not, in the opinion of the Authority, comply with the requirements of the Securities and Futures Act. A stop order may also be issued if the Authority is of the opinion that it is in public interest to do so.

Where applications to subscribe for and/or purchase the Invitation Shares to which this Prospectus relates have been made prior to the Stop Order, and:-

(a) where the Invitation Shares have not been issued and/or sold to the applicants, the applications shall be deemed to have been withdrawn and cancelled and our Company shall (for itself as well as on behalf of the Vendors), within 14 days from the date of the Stop Order, pay to the applicants all monies the applicants have paid on account of their applications for the Invitation Shares, without interest or any share of revenue or benefit arising therefrom at the applicant's own risk; or

(b) where the Invitation Shares have been issued and/or sold to the applicants, the Securities and Futures Act provides that the issue and/or sale of our Shares shall be deemed to be void and our Company shall (for itself as well as on behalf of the Vendors) within 14 days from the date of the Stop Order, pay to the applicants all monies paid by them for the Invitation Shares.

Copies of this Prospectus and the Application Forms and envelopes may be obtained on request, subject to availability, during office hours from:-

Oversea-Chinese Banking Corporation Limited
65 Chulia Street
OCBC Centre
Singapore 049513

and from selected branches of OCBC Bank, members of the Association of Banks in Singapore, members of the SGX-ST and merchant banks in Singapore. A copy of this Prospectus is also available on the SGX-ST website http://www.sgx.com.

The Invitation will be open from 25 April 2006 to 2 May 2006.

The Application List will open at 10.00 a.m. on 2 May 2006 and will remain open until 12.00 noon on the same day or such other period or periods as our Company and the Vendors may, in consultation with the Manager, decide subject to any limitation under all applicable laws. Where a supplementary or replacement prospectus has been lodged with the Authority, the Application List shall be kept open for at least 14 days after the lodgement of the supplementary or replacement prospectus.

Details of the procedures for application for the Invitation Shares are set out in Annex D of this Prospectus.

INDICATIVE TIMETABLE FOR LISTING

In accordance with the SGX-ST's News Release of 28 May 1993 on the trading of initial public offering shares on a "when issued" basis, an indicative timetable is set out for reference of applicants:-

Indicative time/date	Event
2 May 2006, 12.00 noon	Close of Application List
3 May 2006	Balloting of applications, if necessary (in the event of an over-subscription for the Offer Shares)
4 May 2006, 9.00 a.m.	Commence trading on a "when issued" basis for our Shares
11 May 2006	Last day of trading on a "when issued" basis for our Shares
12 May 2006	Commence trading on a "ready" basis for our Shares
17 May 2006	Settlement date for all trades done on a "when issued" basis and for trades done on a "ready" basis on 12 May 2006

The above timetable is only indicative as it assumes that the closing of the Application List takes place on 2 May 2006, the date of admission of our Company to the Official List of the SGX-ST will be 4 May 2006, the SGX-ST's shareholding spread requirement will be complied with and the Invitation Shares will be issued or allotted and fully paid-up and/or allocated prior to 4 May 2006. The actual date on which our Shares will commence trading on a "when issued" basis will be announced when it is confirmed by the SGX-ST.

The above timetable and procedures may be subject to such modifications as the SGX-ST may, in its discretion, decide, including the decision to permit trading on a "when issued" basis and the commencement date of such trading. All persons trading in our Shares on a "when issued" basis, do so at their own risk. **In particular, persons trading in our Shares before their Securities Accounts with CDP are credited with the relevant number of Shares do so at the risk of selling Shares which neither they nor their nominees, as the case may be, have been allotted and/or allocated with or are otherwise beneficially entitled to. Such persons are exposed to the risk of having to cover their net sell positions earlier if "when issued" trading ends sooner than the indicative date mentioned above. Persons who have net sell positions traded on a "when issued" basis should close their positions on or before the first day of "ready" basis trading.**

Investors should consult the SGX-ST announcement on the "ready" trading date on the Internet (at SGX-ST's website http://www.sgx.com), INTV or the newspapers or check with their brokers on the date on which trading on a "ready" basis will commence.

In the event of any changes in the closure of the Application List or the time period during which the Invitation is open, we will publicly announce the same:-

(i) through a SGXNET announcement to be posted on the Internet at the SGX-ST's website http://www.sgx.com; and

(ii) in a major Singapore English newspaper such as The Straits Times or The Business Times.

We will provide details of the results of the Invitation through the channels described in (i) and (ii) above.

The information contained in this summary is derived from and should be read in conjunction with the full text of this Prospectus. Terms defined elsewhere in this Prospectus have the same meanings when used herein. Prospective investors should carefully consider the information presented in this Prospectus, particularly the matters set out under "Risk Factors", before buying our Shares.

OVERVIEW OF OUR GROUP

Our Company was incorporated on 30 November 2004 under the laws of Singapore as a private company limited by shares. Pursuant to the Restructuring Exercise through our subsidiary, Anyang Jiutian, we acquired the methanol and gas businesses from Anhua on 13 December 2004. This acquisition was completed on 24 December 2004 when Anyang Jiutian received the new business licence issued by the Anyang Administration of Industry and Commerce (安阳市工商行政管理局). On 24 December 2004, our Company entered into seven share transfer agreements with the original shareholders of Anyang Jiutian, being Anhua and six other individual shareholders to sell all their shares held in Anyang Jiutian. The acquisition of Anyang Jiutian by our Company was completed on 30 December 2004, when Anyang Administration of Industry and Commerce issued the business licence of foreign investment to Anyang Jiutian.

OUR BUSINESS

Through Anyang Jiutian, our Group is currently principally engaged in the manufacture and production of methanol, DMF and methylamine. Our Group is also engaged in the processing and sale of consumable carbon dioxide and oxygen. Our business is divided into three main business divisions: (1) the methanol division producing methanol; (2) the DMF division, producing DMF as our main product and methylamine as our secondary product; and (3) the gas division, producing consumable carbon dioxide and oxygen.

OUR COMPETITIVE STRENGTHS

Our Directors believe that our key competitive strengths are as follows:-

(a) Geographical advantage





Henan province occupies a strategically important location, as it is a central point between the northern and southern parts of the PRC as well as the eastern and the western parts of the PRC. As

a result of its excellent location, the PRC government has been rigorously promoting the region as a strategic economic zone. As part of its policy to promote Henan province, the infrastructure within the region has improved rapidly. Anyang, where our operating subsidiary, Anyang Jiutian, is located, is situated at the north of Henan province. It is linked with the rest of the country by a good transportation network, with the Beijing-Guangzhou railway, Anyang-Lingzhou railway, Tangyin-Puyang railway and Beijing-Zhuhai expressway running through it. It is also close to Zhengzhou, Henan's provincial capital, which has one of Asia's largest railway station and network. Further, a dedicated railway line runs directly to our factory in Anyang. This greatly facilitates the delivery of our products and reduces our transportation costs. Also, through an advanced network of infrastructure found in this region, we are able to reach our customers located further from our region and expand our sales distribution network to regions outside Henan province. Furthermore, it was announced on 1 December 2004 that the PRC government is planning to build a separate railway line in the Henan province specifically for passengers only. This will be completed in 2010. With the completion of this new railway line for passengers, the existing railway lines will be used exclusively for the transportation of cargo. It is planned that Zhengzhou shall be developed into a logistics central station for cargo transportation. This will in turn reduce the transportation costs of our products substantially.

As we are the only DMF producer in Henan province and to the best of our Directors' knowledge and belief, we are the only significant DMF producer within 500km from our location (based on available road and railway networks), we command market leadership in our main product, DMF in Henan and adjacent provinces, which in total have a population exceeding 450 million.

(b) Reliable and stable supply of raw materials

Our main raw materials for the production of our products are water gas and liquid ammonia. This is largely supplied by Anhua, an established chemical-manufacturing group in the northern part of the PRC. Being the most significant state-owned enterprise under the Anyang City Government with more than 3,000 employees and a turnover of about RMB 724 million in 2004, it is a key producer of chemicals used for the agriculture industry in the region. Anhua is expected to have long-term stability and will receive continued support from the Anyang City Government. We have entered into a 20-year supply agreement with Anhua on 1 January 2005, as supplemented by two supplemental agreements dated 30 June 2005 and 1 July 2005 for the supply of our essential raw materials and are thus assured with a stable supply of raw materials which satisfies our standards and requirements. At the same time, with a capped price mechanism for three years from 2006 to 2008 within the 20-year supply agreement for a period of 20 years commencing from 1 January 2005, we are able to implement more confidently our capacity expansion program with investments in 2006 and 2007, more particularly described in the section entitled "Prospects, Business Strategies and Future Plans" of this Prospectus. This is significant as the successful completion of our DMF expansion plans will allow us to triple our current output, lifting our turnover and profits substantially from 2007. An added advantage in entering into the supply agreement with Anhua is that we are not charged for transportation costs for the raw materials supplied due to our close proximity with Anhua.

This 20-year supply arrangement with Anhua offers a high degree of reliability which will translate into competitive prices for our finished products.

(c) High level of quality and safety assurance

We enforce quality control checks at all stages of our production. Our rigorous in-process testing enables our Group to ensure that products which do not meet our internal quality standards are re-processed to maintain the high quality products produced by us. As at the Latest Practicable Date, none of our products have been rejected by our customers.

As a validation of our compliance with international standards for quality, our products met international standards and our quality management system has been certified ISO 9001:2000. Anyang Jiutian was recently awarded the Certificate of Quality Management System Certification for

GB/T19001-2000 idt ISO 9001:2000 Standard for our production, sale and service of industrial methanol, DMF and methylamine by Beijing New Century Certification Co., Ltd on 23 June 2005. This certification is valid up until 22 June 2008. We have also obtained on 1 July 2005 a certification of registration issued by the National Quality Assurance Limited, a UK company for ISO 9001:2000 certification in our quality management system in our production, sale and service of industrial methanol, DMF and methylamine. This certification is valid up until 22 June 2008. This sets us apart from some of our competitors.

We enforce strict safety regulations and take stringent measures to ensure the safety aspects of our production facilities and processes. The emphasis of safety in the production facilities and processes are implemented rigorously both by ourselves, as well as our main supplier, Anhua. Please refer to the section entitled "Safety Measures" of this Prospectus for further details.

As at the Latest Practicable Date, we have not experienced any major safety-related incidents nor breached any environmental-related regulations.

(d) Experienced management team and quality of our labour force

Our management team is headed by Mr Wang Xianjin, our Executive Chairman and CEO, who has over 36 years of experience in the chemical industry, specifically in our business operations when they were under the umbrella of Anhua. Our two other executive directors, Mr Zhang Aiping and Mr Sun Zhiqiang, have also been involved in the chemical industry for 33 years and 12 years respectively. Together with Mr Lee Chee Seng, our local-resident Executive Director, an ex-senior investment banker with an established track record of advising businesses and projects over 15 years, we believe that our management team is well-positioned to manage and grow our current business.

They are supported by a team of young and highly-qualified workforce whose average age is 32 years old. More than 60% of our work force have obtained at least a technical diploma in chemistry or achieved pre-university education.

In addition, in providing quality after-sales support to our customers, our sales staff/engineering staff work closely with our customers to resolve any technical issues that they may face. Through this, our workforce has won the trust and confidence of our customers. These have contributed significantly to the reputation of our Group and will continue to play a crucial role in building and maintaining our customer relationships.

(e) Superior technology

We keep abreast of technological advancements to improve our production capacities and efficiency. The driving force of our business development has been our policy to keep updated with any technological advancement with a view to continually enhance product quality and lower production costs. Please refer to the section entitled "Improvements in our production process" of this Prospectus for further details.

(f) Marketing superiority

We have an experienced and highly-skilled sales and marketing team which reaches out to our network of customers. Not only do they play an important role in cultivating long-term relationships with our customers through their knowledge and excellent after-sales service, they help us to keep in touch with the industry trends and pricing to enable us to plan our marketing strategies.

Based on the above competitive strengths, we believe that we have a commanding position amongst main players in the PRC.

OUR FINANCIAL PERFORMANCE

The following tables present a summary of the consolidated financial highlights of our Proforma Group and should be read in conjunction with the sections entitled "Financial Review" and "Compilation Report of the Reporting Auditors on the Pro Forma Financial Information and Group Financial Information" in Annex E of this Prospectus.

Selected items from the Operating Results of our Group

	← Pro forma[1] →			← Actual →
($'000)	**FY2002**	**FY2003**	**FY2004**	**HY2005**
Revenue	11,482	21,691	34,171	18,827
Gross profit	2,852	8,145	8,317	5,459
Profit before taxation	2,033	6,798	6,496	4,484
Profit after taxation	1,327	4,120	4,192	4,509
Net profit attributable to Shareholders				
EPS[2] (cents)	0.76	2.35	2.40	2.58

Note:-

(1) The results of our Group for FY2002, FY2003 and FY2004 have been prepared on a pro forma basis assuming that the current Group structure had been in place throughout the financial years under review.

(2) For comparative purposes, EPS has computed based on the profit after taxation for the year and the pre-Invitation share capital of 174,990,800 Shares.

Selected items from the Financial Position of our Group

($'000)	**As at 30 June 2005**
Fixed assets	20,606
Long Term Prepayment	486
Deferred tax assets	118
Goodwill on consolidation	106
Current assets	5,631
Total assets	26,947
Current liabilities	21,914
Non-current liabilities	204
NTA	4,723
NTA per Share[1] (cents)	6.90

Note:-

(1) The NTA per Share has been computed based on the net tangible assets of our Group of RMB 23,193,000 (equivalent to $4.72 million) and adjusted for the Conversion amounting to RMB 36,125,000 (equivalent to $7.36 million) and our pre-Invitation issued share capital of 174,990,800 Shares.

OUR BUSINESS STRATEGIES AND FUTURE PLANS

Our corporate vision is to become a fine and speciality chemical producer known for our quality and reliability, utilising new and advanced technology for our production. Based on the competitive strengths set out above, our Directors are optimistic of the prospects of our Group. We will continue to focus on expanding our production capacity and improving our supply chain to take advantage of economies of scale and our strategic geographical location. To realise our objectives, we intend to adopt the strategies and future plans as set out below:-

(a) Expansion of our production capacities for DMF and methylamine

As at Latest Practicable Date, we have the production capacity to produce 30,000 tonnes per annum of methylamine and 30,000 tonnes per annum of DMF. Given the substantial growth in demand for DMF, we plan to build a new production facility for both methylamine and DMF, which will increase our production capacities to 90,000 tonnes of methylamine and DMF per annum respectively. We intend to utilise $9.5 million from the net proceeds from the issue of the New Shares to finance the construction of this new production facility. We intend to fund this new facility by a mixture of IPO proceeds, operating profits and new bank loans. Preliminary work on this facility has commenced in early 2006 and the construction is expected to be completed by the second quarter of 2007.

(b) Expansion of our production capacities for consumable carbon dioxide

Our current production capacity for consumable carbon dioxide is 3,000 tonnes per annum. We intend to expand our production capacity for consumable carbon dioxide to 30,000 tonnes by building a new production plant and the consumable carbon dioxide produced will be able to satisfy the applicable international standards. Construction commenced in September 2005 and is expected to be completed by the first half of 2006. We intend to utilise $1.0 million from the issue of the New Shares to finance the construction of this new production facility. We intend to fund this new facility by a mixture of IPO proceeds, operating profits and new bank loans.

(c) Moving upstream to reduce our reliance on Anhua

As part of our plan to expand our production capacities for DMF and methylamine, we will construct a production facility to commence production of water gas for our own production requirements. This facility is part of the new production facility to be constructed for both methylamine and DMF, further details which have been described in item 1 above.

Water gas is one of our principal raw materials. Please see the section entitled “Production Process” of this Prospectus for further details on our principal raw materials. We have signed a 20-year supply agreement with Anhua on 1 January 2005 and currently obtain our entire supply of water gas from Anhua. Please see the sections entitled “Restructuring Exercise”, “Major Suppliers” and “Material Contracts” of this Prospectus respectively for further details on the 20-year supply agreement.

Although we have a 20-year supply agreement with Anhua for the supply of water gas, we intend to construct a production facility to reduce our reliance on Anhua for the supply of water gas, especially in view of our expansion plans for DMF and methylamine, which will significantly increase our requirement for water gas.

(d) Extending our customer reach in the PRC

Whilst we have and will continue to maintain good relationships with our current customers, we intend to expand our customer base by exploring new modes of cooperation with external parties, including chemical-trading companies and logistic operators. This is to enable us to reach more customers in the PRC, especially beyond the regions where our current customers are based. Please refer to the section entitled "Major Customers" of this Prospectus for further details. This expansion of sales network is in line with our plan to increase production substantially by 2007.

(e) Sales of our products overseas

Whilst demand for our products in the PRC is growing, in line with our plan to expand our production capacity for DMF and methylamine in item 1 above, we intend to explore the possibility of exporting our products overseas to take advantage of the increasing worldwide demand for our products, in particular DMF and methylamine.

(f) Potential acquisition of synergistic businesses

Whilst we focus on the expansion of our production capacity to take advantage of the strong demand for our products, we intend to continually seek opportunities for strategic acquisitions of businesses and/ or assets synergistic to our current business. This may include acquisition of production facilities for downstream products which we believe have good demand prospects and growth.

OUR OWNERSHIP STRUCTURE

Following the Invitation, our Group will be 58.71% owned by Stateglory, Woolston and the Pre-IPO Investors (excluding Woolston and the Vendors). Please refer to the section entitled "Shareholders" of this Prospectus for further details.

OUR CONTACT DETAILS

Our registered address is #11-00 PWC Building, 8 Cross Street, Singapore 048424 and our principal place of business is Zhangwu Street, Long An District, Anyang, Henan Province, People's Republic of China. Our telephone and fax numbers for our registered address are 6236 3333 and 6236 4399 respectively; and for our principal place of business, are +86 372 540 2491 and +86 372 540 2435 respectively.

THE INVITATION

Issue Size	:	94,929,000 Invitation Shares comprising 54,938,000 New Shares and 39,991,000 Vendor Shares. The Invitation Shares, upon issue and allotment, will rank *pari passu* in all respects with the existing issued Shares.
Invitation Price	:	$0.29 for each Invitation Share.
The Offer	:	The Offer comprises an invitation by our Company and the Vendors to the public in Singapore to subscribe for and/or purchase the 3,000,000 Offer Shares at the Invitation Price, subject to and on the terms and conditions of this Prospectus.
The Placement	:	The Placement comprises an offering by our Company and the Vendors of 91,929,000 Placement Shares by way of placement, subject to and on the terms of this Prospectus.
Purpose of the Invitation	:	We consider that the listing and quotation of our Shares on the SGX-ST will enhance our public image locally and internationally and enable us to tap the capital markets to fund our business growth. It will also provide members of the public, our employees and business associates an opportunity to participate in the equity of our Company. The Invitation will also enlarge our capital base for continued expansion of our business.
Use of Proceeds	:	The net proceeds from the issue of the New Shares (after deducting the estimated issue expenses to be borne by the Company of $2.84 million) is estimated to be $13.09 million. We intend to utilise the net proceeds from the issue of the Invitation Shares as follows:-

(i) $9.50 million to be used in respect of expanding the DMF and methylamine production facility to increase its production capacity from 30,000 tonnes to 90,000 tonnes respectively;

(ii) $1.00 million to be used in respect of a new production facility for consumable carbon dioxide to increase our production capacity from 3,000 tonnes to 30,000 tonnes; and

(iii) the balance of approximately $2.59 million to be used as general working capital of our Group.

Pending the deployment of the net proceeds as aforesaid, the net proceeds will be added to our Group's working capital or used for investment in short-term money market or debt instruments as our Directors may in their absolute discretion deem appropriate.

Expenses Incurred : The total estimated amount (including expenses to be borne by the Vendors) that will be used to pay for expenses incurred in connection with the Invitation is approximately as follows:-

	Description	$'000
(a)	Listing fees	26;
(b)	Professional fees	1,766;
(c)	Underwriting commission, placement commission and brokerage	867;
(d)	Miscellaneous expenses	545.

The following table sets out the breakdown of the use of proceeds and the estimated expenses borne by the Company:-

	$'000	Amount allocated for each dollar of the proceeds raised from the Invitation (as a % of gross proceeds due to the Company)
Use of Proceeds		
Expansion of the DMF and methylamine production facility	9,500	59.6
Construction of new production facility for consumable carbon dioxide	1,000	6.3
Working capital	2,590	16.3
Expenses		
Listing fees	26	0.2
Professional fees	1,766	11.1
Underwriting commission, placement commission and brokerage	502	3.2
Miscellaneous expenses	545	3.4

Listing Status : Prior to the Invitation, there has been no public market for our Shares. Our Shares will be quoted in Singapore dollars on the Main Board of the SGX-ST, subject to admission of our Company to the Official List of the SGX-ST and permission for dealing in and for quotation of our Shares being granted by the SGX-ST.

The table below sets forth, for each of the financial periods indicated, the average exchange rates between the RMB and the Singapore dollar calculated using the average of the exchange rates on the last day of each month during each financial period. Where applicable, the exchange rates in this table are used for our Company's financial accounts disclosed elsewhere in this Prospectus.

	RMB/$ Rate	
	Average	**Closing**
FY2002	4.633	4.767
FY2003	4.752	4.871
FY2004	4.906	5.070
HY2004	4.873	4.813
HY2005	5.017	4.911

The table below sets forth the high and low exchange rates of RMB and the Singapore dollar for each month for the past six months from the Latest Practicable Date. The table below indicates how many RMB may be converted into one Singapore dollar.

	RMB/$ Rate	
	High	**Low**
2005		
September	4.839	4.779
October	4.812	4.770
November	4.781	4.738
December	4.857	4.779
2006		
January	4.974	4.857
February	4.957	4.922

As at the Latest Practicable Date, the exchange rate between RMB and the Singapore dollar was RMB 4.966 to $1.00.

The above exchange rates have been calculated with reference to exchange rates quoted from Bloomberg L.P. and should not be construed as representations that the RMB amounts actually represent such amounts or could be converted into the Singapore dollar at the rate indicated, or at any other rate, or at all.

Note:-

Source: Bloomberg L.P.

Bloomberg L.P. has not consented to the inclusion of the exchange rates quoted under this section and is thereby not liable for the relevant exchange rates under Sections 253 and 254 of the Securities and Futures Act.

We have included the above exchange rates in their proper form and context in this Prospectus and have not verified the accuracy of the above exchange rates.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

All statements contained in this Prospectus, statements made in press releases and oral statements that may be made by us or our Directors, Executive Officers or employees acting on our behalf, that are not statements of historical fact constitute "forward-looking statements". Some of these statements can be identified by forward-looking terms such as "expect", "believe", "plan", "intend", "estimate", "anticipate", "may", "will", "would" and "could" or other similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding our expected financial position, business strategies, plans and prospects are forward-looking statements. These forward-looking statements and other matters discussed in this Prospectus regarding matters that are not historical fact are only predictions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expected, expressed or implied by such forward-looking statements. These risks factors and uncertainties are discussed in more detail in this Prospectus, in particular, but not limited to, discussions in the section entitled "Risk Factors" of this Prospectus.

Given the risks and uncertainties that may cause our actual future results, performance or achievements to be materially different from expected, expressed or implied by the forward-looking statements in this Prospectus, we advise you not to place undue reliance on those statements. None of our Company, the Manager, our advisors or any other person represents or warrants that our actual future results, performance or achievements will be discussed in those statements.

Our actual future results may differ materially from those anticipated in these forward-looking statements as a result of the risks faced by us. Our Company, the Vendors and the Manager disclaim any responsibility to update any of those forward-looking statements or publicly announce any revisions to those forward-looking statements to reflect future developments, events or circumstances. We are, however, subject to the provisions of the Securities and Futures Act and the Listing Manual regarding corporate disclosure. In particular, pursuant to Section 241 of the Securities and Future Act, if after this Prospectus is registered by before the close of this Invitation, our Company becomes aware of: (a) a false or misleading statement or matter in this Prospectus; (b) an omission from this Prospectus of any information that should have been included in it under Section 243 of the Securities and Futures Act; or (c) a new circumstance that has arisen since this Prospectus was lodged with the Authority and would have been required by Section 243 of the Securities and Futures Act to be included in this Prospectus, if it has arisen before this Prospectus was lodged and that is materially adverse from the point of view of an investor, we may lodge a supplement or replacement prospectus with the Authority.

SELLING RESTRICTIONS

This Prospectus does not constitute an offer, solicitation or invitation to subscribe for the Invitation Shares in any jurisdiction in which such offer, solicitation or invitation is unlawful or is not authorised or to any person to whom it is unlawful to make such offer, solicitation or invitation. No action has been or will be taken under the requirements of the legislation or regulations of, or of the legal regulatory requirements of any jurisdiction, except for the filing and/or registration of this Prospectus in Singapore in order to permit a public offering of the Invitation Shares and the public distribution of this Prospectus in Singapore. The distribution of this Prospectus and the offering of the Invitation Shares in certain jurisdictions may be restricted by the relevant laws in such jurisdictions. Persons who may come into possession of this Prospectus are required by our Company, the Vendors, the Manager, the Underwriter and the Placement Agent to inform themselves about, and to observe and comply with, any such restrictions.

Prospective investors should carefully consider and evaluate each of the following considerations and all other information set forth in this Prospectus before deciding to invest in our Shares. The following considerations relate principally to the industry in which our Group operates and its business in general. Other considerations relate principally to general economic and political conditions, the securities market and ownership of the Invitation Shares, including possible future dilution in the value of our Shares. To the best of our Directors' knowledge and belief, all risk factors that are material to investors in making an informed judgement have been set out below. If any of the following considerations and uncertainties develops into actual events, our business, financial condition, results of operations or prospects could be materially adversely affected. In such cases, the trading price of our Shares could decline due to any of these considerations, and you may lose all or part of your investment in our Shares.

This Prospectus also contains forward-looking statements having direct and/or indirect implications on our future performance. Our actual results may differ materially from those anticipated by these forward-looking statements due to certain factors, including the risks and uncertainties faced by us, as described below and elsewhere in this Prospectus.

RISKS RELATING TO OUR GROUP

We are dependent on our relationship with Anhua for various aspects of our operations

(a) Our subsidiary, Anyang Jiutian, is reliant on Anhua, our sole supplier for major raw materials such as liquid ammonia, water gas, electricity, steam and water

Anyang Jiutian currently relies on a sole supplier, Anhua, for its supply of liquid ammonia, water gas, electricity, steam, meter running gas, nitrogen and water (which consist of disposable water, recycled water and desalinated water) and has entered into a 20-year supply agreement with Anhua on 1 January 2005. Please refer to the sections entitled "Major Suppliers" and "Material Contracts" of this Prospectus respectively for further details on the 20-year supply agreement.

The water gas (which is the main raw material for the production of methanol) is supplied to Anyang Jiutian through pipes. Please refer to the section entitled "Production Process" of this Prospectus for further details. Currently, there are no alternative suppliers available in the area. However, there are plans by Anyang Jiutian to produce water gas for its own use. Please refer to the section entitled "Business Strategies and Future Plans" of this Prospectus for further details. In the event that prior to Anyang Jiutian setting up its own facilities to produce water gas, Anhua is unable to supply Anyang Jiutian with water gas for any reason, Anyang Jiutian will not be able to produce methanol. As the methanol we produce is largely used for our production of methylamine, which in turn is used for our production of DMF, any disruption in our production of methanol will adversely affect our financial performance. If we have confirmed orders of any of our products, we would also be exposed to claims by our customers for late delivery or non-delivery.

For liquid ammonia, water and steam, Anyang Jiutian can source these from alternative suppliers. In relation to electricity, our Directors believe that it is unlikely that Anhua will not be able to supply electricity. Please refer to the section entitled "Major Suppliers" of this Prospectus for further details. However, in the event that Anyang Jiutian is required to do so on short notice from Anhua, Anyang Jiutian would have to incur time and cost to obtain these supplies from other suppliers. This in turn may result in delays in production and/or higher production cost. Such delays in production and/or higher production cost might affect our financial performance.

(b) We are subject to fluctuations in the prices of principal raw materials

Our subsidiary, Anyang Jiutian, has entered into a 20-year supply agreement with Anhua on 1 January 2005 for the supply of liquid ammonia, water gas, electricity, steam, water and other raw materials. Under the 20-year supply agreement, the prices of such supplies are fixed for a period of three years, commencing from the date of the supply agreement. Thereafter, the prices for the subsequent periods of three years each would be negotiated between Anyang Jiutian and Anhua. Failing an agreement on the prices between Anyang Jiutian and Anhua, the prices would be

determined by a formula stipulated in the supply agreement. Please refer to the sections entitled "Major Suppliers" and "Material Contracts" of this Prospectus for further details on the 20-year supply agreement.

In the event that the prices of these supplies should increase significantly after three (3) years, our profit margins and profitability will be adversely affected should we not be able to pass on these significant increase in the prices to our customers. Alternatively, if demand from our customers is reduced as a result of the price increase being passed on to our customers, our financial results will also be adversely affected.

However, a supplementary agreement was signed between Anyang Jiutian and Anhua varying one of the terms of the 20-year supply agreement under which the agreed supply price may be lowered if the market price is lower than the agreed supply price by more than 10%. Please refer to the section entitled "Major Suppliers" of this Prospectus for further details.

(c) Our agreements prior to the Restructuring Exercise are signed in the name of Anhua and we may not be able to enforce or renew such agreements

Prior to the Restructuring Exercise, most of the agreements related to our businesses were signed in the name of Anhua. Such agreements include agreements relating to the construction of facilities, agreements for the supply of equipment, other supply agreements and sales agreements with our customers. As part of the Restructuring Exercise, Anhua gave an undertaking dated 18 April 2005 that it would enforce such agreements for the benefit of our subsidiary, Anyang Jiutian, and would use its best endeavours to ensure that such agreements are renewed in the name of Anyang Jiutian. Please refer to the sections entitled "Restructuring" and "Material Contracts" of this Prospectus for further details on the undertaking given by Anhua.

Apart from a construction retention sum amounting to RMB 430,000 pertaining to Kaixiang Company, a company in Anyang, that continues to remain unsettled, the rest of the agreements that were entered into by Anhua prior to the Restructuring Exercise have been fulfilled and completed. The retention sum (which has been accrued as a payable) was supposed to have been paid by August 2004. However, Kaixiang Company has so far yet to present the relevant documents as required by the contract, and as such the Group has not made any payment.

However, should Anhua be unwilling or unable for any reason to perform its obligations under its undertaking, we would not be able to directly enforce the agreements for our benefit. We may have to incur time and cost to look for alternative means to enforce our rights against the relevant contracting parties or to rectify the problem that has arisen. To the extent that such inability to enforce the agreements for our benefit affects our production facilities or supplies, our production may be disrupted. In addition, even with the undertaking from Anhua, there is no assurance that we would be able to have such agreements renewed in the name of Anyang Jiutian on terms that are favourable to us. This would have a negative impact on our performance.

(d) Part of the production facilities of our subsidiary, Anyang Jiutian, are situated on land leased from Anhua

The production facilities of Anyang Jiutian for our methanol and gas businesses are situated on plots of land belonging to Anhua. As such, Anyang Jiutian has entered into a lease agreement with Anhua on 1 January 2005. Please refer to the sections entitled "Material Contracts" of this Prospectus for further details on the lease agreement. The production facilities for our methanol and gas businesses are situated on land that are completely surrounded by land belonging to and occupied by Anhua. Whilst the lease agreement grants to Anyang Jiutian the right to certain easements leading to these production facilities, in the event that Anhua breaches any of its obligations in respect of the easements granted under the lease agreement, our production will be disrupted, which may affect our financial performance.

We are subject to the environmental laws and work safety laws of the PRC

Our production operations are subject to certain PRC laws and regulations, including environmental and work safety regulations. A summary of such relevant laws and regulations is set out in Annex C of this Prospectus. Any breach or non-compliance with these PRC laws and regulations may result in the imposition of penalties by the relevant authorities, including the suspension, withdrawal or termination of our Group's manufacturing or business licenses. Furthermore, we may need to incur additional expenses in order to comply with such laws and regulations. Any suspension, withdrawal or termination of our Group's manufacturing or business licenses would cause us to cease production of certain or all of our products, and this would adversely affect our business and our financial performance.

We are exposed to the risk of non-renewal of our licenses, permits or approvals

As an enterprise manufacturing hazardous chemicals in PRC, we are required to obtain a work safety license before production begins. The effective period of the work safety license shall be renewed every three years. We are also required to obtain the Pollutant Discharge Permit which shall be subject to annual examination and renewal. Meanwhile, as a foreign investment enterprise in PRC, Anyang Jiutian is subject to joint annual inspection carried out by local administrations of six government departments, including Ministry of Commerce, Ministry of Finance, Customs General Administration, State Administration of Tax, State Administration for Industry & Commerce and State Administration of Foreign Exchange. The licenses inspected include the approval certificate of foreign investment, Finance Registration Certificate and business license, tax registration certificate of local tax, tax registration certificate of state tax, foreign exchange registration certificate. Any failure of renewal of the above licenses or certificates may result in the suspension, withdrawal or termination of the licenses or certificates. This would also adversely affect our business and our financial performance.

We are dependent on our key management personnel

Our continued success is dependent on our ability to retain the services of our key management and operational personnel. The loss of our Executive Directors, namely Mr Wang Xianjin, Mr Zhang Aiping, Mr Sun Zhiqiang and Mr Lee Chee Seng, without suitable replacements, or the inability to attract and retain qualified personnel or the inability of such personnel to perform their responsibilities and duties for any reason, may adversely affect our operations and hence, revenue and profits. In addition, we have not obtained any key man insurance.

We believe that our future success will depend upon our ability to attract, retain and motivate senior management staff. Our inability to do so may adversely affect our business and financial performance.

We are vulnerable to volatility in the prices of our products

The prices of our principal products are volatile and may vary from year to year, as they are subject to the prevailing demand and supply conditions. Prices are also affected by the availability and prevailing cost of the raw materials. For methanol, our average prices (exclusive of VAT) in FY2002, FY2003, FY2004 and HY2005 were RMB 1,441/ton, RMB 1,827/ton, RMB 1,881/ton and RMB 1,929/ton. For methylamine, our average prices (exclusive of VAT) in FY2004 and HY2005 were RMB 5,170/ton and RMB 5,258/ton. For DMF, our average prices (exclusive of VAT) in FY2004 and HY2005 were RMB 5,044/ton and RMB 4,837/ton. For oxygen, our average prices (exclusive of VAT) in FY2002, FY2003, FY2004 and HY2005 were RMB 610/km^3, RMB 830/km^3, RMB 873/km^3 and RMB 988/km^3. For consumable carbon dioxide, our average prices (exclusive of VAT) in FY2002, FY2003, FY2004 and HY2005 were RMB 306/ton, RMB 354/ton, RMB 382/ton and RMB 323/ton. As such, we are exposed to the risks arising from such price fluctuations. Any significant adverse movements in the prices of our products would adversely affect our revenue and profits.

We may face uncertainties associated with the expansion of our business

We plan to, *inter alia*, invest in production facilities to increase our production capacities. Such an expansion in our production facilities would require us to obtain the rights to use the land adjoining our existing production facilities. Currently, we are in the process of obtaining approval from the relevant authorities to utilise the land adjoining our existing production facilities for our current expansion plans. Please refer to the section entitled "Business Strategies and Future Plans" of this Prospectus for further

details on our expansion plans. There is however, no assurance that we would be able to obtain such approvals for any of our future expansion plans.

In addition, whilst we have planned such expansion based on our current outlook of the PRC market, there is no assurance that such expansion plans will yield a sufficient level of revenue or returns. Our ability to maintain and increase our profitability will depend on, *inter alia*, our ability to generate revenues and to maintain the utilisation rates of our machines and production lines. The expansion of our production facilities, if not properly managed, may result in inefficient use of the expanded capacity. This may have an adverse impact on our business, results of operations and financial position.

We are exposed to operation risks

Our revenues are dependent on the continued operations of our various production facilities. Our production operation is subject to risks including, *inter alia*, the breakdown, failure or sub-standard performance of equipment, shortage of power and rationing of electricity requiring the shut down of the production facilities, natural disasters and the need to comply with all applicable laws, regulations and standards of the PRC. While such operation risks have not materialised in the past three financial years, there is no assurance that such risks will not materialise and the occurrence of material operational problems may have a material and adverse effect on our business, financial condition and the results of our operations. In addition, although we have taken general insurance coverage in respect of damage to our production facilities, our existing general insurance may not fully compensate us for actual losses, damages, claims and liabilities, thus adversely affecting our profitability.

We are exposed to risk of foreign exchange fluctuations

Our operations are conducted through Anyang Jiutian. As all our sale and purchase transactions are conducted in RMB, we are generally not subject to significant foreign exchange transaction risks except for foreign exchange transaction risks on remittance of funds such as payment of dividends and repayment of foreign loans, if any.

Our reporting currency is RMB and therefore we are not subject to foreign exchange translation risk arising from our operations in the PRC. However, as our convertible loans and expenses of our Singapore office are denominated in $, any significant depreciation/appreciation of the $ against RMB will result in a significant foreign exchange translation gain/loss, which is taken directly to the profit and loss account.

We may not have adequate insurance coverage

Although we have taken general insurance coverage in respect of damage to existing properties, inventories and facilities for the production of our products, we do not have any product liability insurance or any third party liability insurance. In the event of product liability or third party claims being made against us and if there are circumstances in which we cannot be covered or fully compensated by insurance in respect of losses, damages, claims and liabilities arising from or in connection with product liability or third party liability, or the compensation from our existing general insurance cannot fully compensate us for actual losses, damages, claims and liabilities, the profitability of our Group may be adversely affected.

We may not be able to adequately protect our trademarks which could adversely affect our business

In the course of our business upon our trademarks being successfully registered details of which are set out in the section entitled “Intellectual Property” of this Prospectus, we may rely on these trademarks. However, the protection of trademarks in the PRC is not as certain or effective as in some developed countries. There is no assurance that we will be able to effectively enforce our trademarks against third persons who violate our trademarks.

In the event that we undertake litigation to enforce our trademarks, such litigation may be costly and time consuming. If we are unable to adequately protect our trademarks, our business may be adversely affected.

We may face intellectual property claims that may be costly to resolve or that may limit our ability to use intellectual property in the future

We use third party technical solutions and develop upon such technical solutions in the course of our business. There is no assurance that third parties will not assert infringement claims against us in the future or that these claims will not be successful. We could incur costs and our time and management resources may be diverted towards defending any such infringement claims. If any party asserts a claim against us, we may have to pay damages, cease the production of the product that is the subject of the infringement claim and may be required to enter into royalty or licensing agreements in order to obtain the right to use the proprietary technology. If so required, there is no assurance that we will be able to obtain these licences on commercially reasonable terms. In such an event, our business results and prospects may be adversely affected.

We may require additional funding for our future growth

Although we have identified our future growth plans set out in the section entitled "Our Business Strategies and Future Plans" of this Prospectus as the avenues to pursue growth in our business, the issue proceeds from the Invitation might not be sufficient to fully cover the estimated costs of implementing all these plans. We may also find opportunities to grow through acquisitions that cannot be predicted at this juncture. Under such circumstances, secondary issue(s) of securities after the Invitation may be necessary to raise the required capital to develop these growth opportunities. If Invitation Shares placed to new and/or existing shareholders are issued after the Invitation, they may be priced at a discount to the then prevailing market price of our Shares trading on the SGX-ST, in which case, existing shareholders' equity interest may be diluted. If we fail to utilise the new equity to generate a commensurate increase in earnings, our EPS will be diluted, and this could lead to a decline in our share price. Any additional debt financing may, apart from increasing interest expense and gearing, contain restrictive covenants with respect to dividends, future fund raising exercises and other financial and operational matters.

RISKS RELATING TO THE INDUSTRY

We face intensive competition in the fine and speciality chemicals industry in the PRC

Our Group operates in a highly competitive environment as our principal products are produced by numerous other chemical producers in the PRC. Differentiation between our products and those of our competitors is low.

Competition in the chemical raw materials industry is very intense. Please see the section entitled "Competition" of this Prospectus for further details. If we do not compete effectively, our profitability will be adversely affected. The PRC government has, on various occasions, reduced tariffs on a wide range of products. This general liberalisation of the PRC market is expected to continue following its accession to WTO. More foreign MNCs may be attracted to enter the PRC chemical industry. As a result, we may face even greater competition, which would affect our sales and profits. Competitive pressures may require us to lower our prices and increase our sales and marketing expenses, which will adversely affect our revenue and profit margin.

Accidents may occur in the production of our products

Most of our products are hazardous chemicals which may cause damage to the environment should accidents occur during the production of these chemicals. Any leakage during the production of our products would result in pollution to the environment. In such an event, we may be penalised by the PRC government for non-compliance with the relevant environment protection laws and regulations. Such penalty may be in the form of fines or in the event of a serious non-compliance, a shutdown of our production facilities. We may also incur costs arising from our obligation to remedy any damage caused by such accidents and to restore the environment to its original state. We may also have to compensate third parties for any personal injury or for any losses or damages to property suffered by them as a result of such accidents. There has not been any occurrence of such accidents and we take every precaution to prevent such accidents from occurring and are insured against such hazards. However, in the event that such accidents occur and should these costs be significant, the damages may exceed our insurance coverage and our financial performance may be adversely affected.

Our operations may be affected by the spread of communicable diseases

The spread of Severe Acute Respiratory Syndrome ("SARS") in the first half of 2003 affected regional businesses. Several countries, including those in which we currently operate such as the PRC, had reported cases of SARS. In the event of the occurrence of communicable diseases (for example, an avian flu pandemic) or the recurrence of SARS, there is no guarantee that the PRC will not be affected. In addition, if any employee of our manufacturing facilities, our suppliers' and/or our customers' facilities is infected with such diseases, we, our suppliers or customers may be required to shut down the affected facility to prevent the spread of the disease, and our operations and financial performance will be adversely affected.

We are exposed to risk of loss from natural disasters

We face the risk of loss and/or damage to our properties, machinery and inventories due to natural disasters. Such events may cause a disruption or cessation in our operations, and thus adversely affect our financial performance. In addition, if such events occur to our customers or suppliers, this may affect our ability to secure sales or obtain supplies.

Whilst our insurance policies cover some losses in respect of loss and/or damage to our properties, machinery and inventories, our insurance may not be sufficient to cover all of our potential losses. In the event such loss exceeds the insurance coverage or is not covered by the insurance policies we have taken up, we may be liable for the shortfall of the amounts claimed. In such an event, our financial performance may be materially or adversely affected.

RISKS RELATING TO THE PRC

We are dependent on the state of the PRC's economy as our business is conducted in the PRC

All of our customers are located in the PRC and all of our business operations are conducted within the PRC. Our Group is thus reliant on the PRC market. Although we plan to geographically expand our product sales beyond the PRC so as to mitigate the risk of such an over-reliance, there is no assurance that our expansion plans will succeed. In the event that there is any significant decline in the condition of the PRC economy, this may cause our industry to reduce expenditure or put off purchases. This will have an adverse impact on our financial results.

We may be adversely affected by any changes in PRC policies, governmental rules and regulations and/or failure to maintain our existing licenses, permits or approvals

Our business and operations in the PRC are subject to policies, governmental rules and regulations, including those relating to licensing requirements and to the production and sale of chemicals. Any changes in such government regulations may have a negative impact on our business. Local authorities may suspend or deny renewal of our existing licences if they determine that we do not meet applicable standards or have infringed applicable laws.

Presently, our business and operations in the PRC entail the procurement of licenses and permits from the relevant authorities. The withdrawal or suspension of our Group's licences or permits, or the imposition of any penalties, as a result of any infringement of any regulatory requirements will have an adverse impact on our business and results of operations. In addition, should there be an increase in the licensing requirements, such as more licences having to be obtained or more stringent criteria having to be satisfied before certain licences are granted, our cost to ensure that we comply with these licensing requirements may increase.

As at the Latest Practicable Date, we have obtained all necessary licenses, permits and approvals for our business operations. Although we have satisfied the licensing requirements and inspection standards, there is no assurance that we will be able to continue to satisfy these licensing requirements and inspection standards. The failure to maintain or renew governmental licences, permits and approvals will have a material adverse effect on our business and results of operations.

Economic conditions of the PRC are subject to uncertainties that may arise from changes in government policies and social conditions

Since 1978, the PRC government has undergone various reforms of its economic systems. Such reforms have resulted in economic growth for the PRC in the last two decades. However, many of the reforms are unprecedented or experimental, and are expected to be refined and modified from time to time. In addition, the scope, application and interpretation of laws relating to such reforms may be uncertain. Other political, economic and social factors may also lead to further readjustment of the reform measures. This refinement and readjustment process may consequently have a material impact on our operations in the PRC or a material adverse impact on our financial performance. Our results and financial conditions may be adversely affected by changes in the PRC's political, economic and social conditions and by changes in policies of the PRC government or changes in laws, regulations or the interpretation or implementation thereof.

Introduction of new laws or changes to existing laws by the PRC government may adversely affect our business

Our business and operations in the PRC are governed by the legal system of the PRC. The PRC legal system is a codified system with written laws, regulations, circulars, administrative directives and internal guidelines. The PRC government is still in the process of developing its legal system, so as to meet the needs of investors and to encourage foreign investment. As the PRC economy is undergoing development generally at a faster pace than its legal system, some degree of uncertainty exists in connection with whether and how existing laws and regulations will apply to certain events or circumstances.

Some of the laws and regulations, and the interpretation, implementation and enforcement thereof, are still being developed and refined and are, therefore, subject to policy changes. Further, court decisions in the PRC do not have any binding effect on the lower courts. Accordingly, the outcome of dispute resolutions may not be consistent or predictable as may be the case in other legal jurisdictions and it may be difficult to obtain swift and equitable enforcement of the laws in the PRC, or to obtain enforcement of judgment by a court of another jurisdiction.

PRC foreign exchange control may limit our ability to utilise our revenue effectively

Anyang Jiutian is subject to the PRC rules and regulations on currency conversion. In the PRC, the State Administration for Foreign Exchange ("SAFE") regulates the conversion of the RMB into foreign currencies. Currently, foreign investment enterprises ("FIEs") are required to apply to SAFE for "Foreign Exchange Registration Certificates for FIEs". Anyang Jiutian is an FIE. With such registration certifications (which need to be renewed annually), FIEs are allowed to open foreign currency accounts for the "current account" items and "capital account" items. Currently translation within the scope of the "current account" items (e.g. remittance of foreign currencies for payment of dividends, etc.) can be effected without requiring the approval of SAFE. However, conversion of currency in the "capital account" items (e.g. for capital items such as direct investments, loans, securities, etc.) would still require the approval of SAFE.

In addition, on 21 October 2005, SAFE promulgated the 国家外汇管理局关于境内居民通过境外特殊目的公司融资及返程投资外汇管理有关问题的通知 (Circular of the State Administration of Foreign Exchange Concerning Relevant Issues on Foreign Exchange Administration of Financing and Repatriation of Investments by Domestic Residents through Foreign Special Purpose Vehicles) (the "Circular"). This Circular came into effect on 1 November 2005. The Circular states that before a special purpose vehicle is set up, the domestic residents must apply for such vehicle to be registered with the local foreign exchange authority. It further requires that PRC residents shall register with the local foreign exchange authority (if they have not previously done so in accordance with previous applicable regulations), even if the special purpose vehicle is set up prior to 1 November 2005. It is further provided in the Circular that registration is required for modification or record with the local foreign exchange authority within 30 days from the date of any increase/decrease of capital, share transfer, merger/splitting, long term equity or debt finance, granting of foreign-related security or other material changes to the capital structure of the special purpose vehicle ("material issues"). The special purpose vehicle is not allowed to receive distributed dividends, profits and other payments from its PRC subsidiary unless and until the aforesaid registration is satisfied in accordance with this Circular. It also requires PRC residents to repatriate, within 180 days, distributed

dividends or profits which the PRC residents receive from the special purpose vehicle and/or income deriving from changes in the shareholding of the special purpose vehicle. Whilst there is requirement of time limit for completion of the above application or registration, there is no description of the result or penalties in case of any delay of registration. If any breaches of this Circular result in foreign exchange evasion or other violations of foreign exchange administration, penalties can be imposed by the SAFE in accordance with the PRC Rules of Foreign Exchange Administration and other relevant regulations. Failure to conduct the above supplemental registration, registration for modification or record of the material issues with the local foreign exchange authority fully could adversely affect our ability to remit our profits, to effect liquidation, share transfer and reduction of registered capital, and could be punished as foreign exchange evasion.

We cannot provide any assurance that the PRC regulatory authorities will not impose further restrictions on the convertibility of the RMB. As our subsidiaries in the PRC generate a significant proportion of our revenue and these revenues are denominated mainly in RMB, any future restrictions on currency exchanges may limit our ability to repatriate such revenues for the distribution of dividends to our Shareholders or for funding our other business activities outside the PRC.

Please refer to the section entitled "Exchange Control" of this Prospectus for further details.

Cessation of income tax exemption and/or reduction for Anyang Jiutian will have an adverse impact on our net profit

In accordance with the "Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises" (中华人民共和国外商投资企业和外国企业所得税法), Anyang Jiutian is entitled to full exemption from Enterprise Income Tax ("EIT") for the first two years and a 50% reduction in EIT for the next three years, commencing from the first profitable year. If Anyang Jiutian makes profit in FY2005, Anyang Jiutian will start enjoying this tax incentive for FY2005 as it received the business licence certifying its status as a foreign investment enterprise on 30 December 2004, which means Anyang Jiutian will be exempted from paying income tax for FY2005 and FY2006, and will enjoy a 50% reduction in tax with the liability of paying only 15% (instead of the national level of 30%) for FY2007, FY2008 and FY2009.

Furthermore, since Anyang Jiutian carries on a business which falls within the encouraged category under Catalogue of Industries for Guiding Foreign Investment jointly issued by the Ministry of Commerce and National Development and Reform Commission, Anyang Jiutian will enjoy the reduced tax rate of 15% for a further period of three years, from FY2010 to FY2012 (both financial years included).

There is however no assurance that the current exemptions and reductions will continue in the future. Any expiry, removal, loss, suspension or reduction of such tax benefits in the future will increase the tax exposure of our Group and reduce our Group's cash flow and net profit after taxation.

Business operations and significant assets of Anyang Jiutian, our subsidiary, are located in the PRC. Shareholders may not be accorded the same rights and protection that would be accorded under the Companies Act.

Our principal operating subsidiary, Anyang Jiutian, is carrying out business operations in the PRC. Anyang Jiutian is therefore subject to the relevant laws in the PRC. The Companies Act may provide shareholders with certain rights and protection of which there may be no corresponding or similar provisions under PRC laws. As such, investors in our Shares may or may not be accorded the same level of shareholder rights and protection in relation to Anyang Jiutian that would be accorded under the Companies Act. In addition, most of our Executive Officers and Directors are non-residents of Singapore, and substantially all our assets and the assets of these persons are located outside Singapore. As a result, it could be difficult for investors to effect service of process in Singapore, or to enforce a judgment obtained in Singapore against Anyang Jiutian or any of these persons.

RISKS RELATING TO AN INVESTMENT IN OUR SHARES

Our Substantial Shareholders, namely Stateglory and Woolston, will retain majority control over our Group of 46.99% and 6.47% of our Company's post-Invitation share capital respectively, which will allow them to influence the outcome of matters submitted to Shareholders for approval

Upon completion of the Invitation, our Substantial Shareholders, namely Stateglory and Woolston, will own approximately 46.99% and 6.47% of our Company's post-Invitation share capital. As a result, they will be able to exercise significant influence over all matters requiring shareholder approval, including the appointment of our directors and the approval of significant corporate transactions. Such concentration of ownership may also have the effect of delaying, preventing or deterring a change in control of our Group which may not benefit our Shareholders.

Our Share price may be volatile, which can result in substantial losses for investors subscribing for the Invitation Shares

The market price of our Shares may be highly volatile and can fluctuate significantly and rapidly in response to, *inter alia*, the following factors, some of which are beyond our control:

(a) variations in our operating results;

(b) success or failure of our management team in implementing business and growth strategies;

(c) gain or loss of an important business relationship or adverse financial performance by a significant customer or group of customers;

(d) changes in securities analysts' recommendations, perceptions or estimates of our financial performance;

(e) changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other events or factors;

(f) changes in market valuations and share prices of companies with similar businesses to our Company that may be listed in Singapore or anywhere else in the world;

(g) additions or departures of key personnel;

(h) fluctuations in stock market prices and volume; or

(i) involvement in litigation.

In addition, our Share price will be under downward pressure if certain of our Directors, management staff or employees sell their Shares immediately after the Invitation or upon expiry of the moratorium period, as the case may be.

Investors in our Shares will face immediate and substantial dilution per Share

The Invitation Price of our Shares of $0.29 is substantially higher than our Adjusted NTA per Share of approximately $0.11 as at 30 June 2005 (adjusted for the net proceeds from the Invitation) based on the post-Invitation share capital. If we are liquidated based on proforma NTA immediately following this Invitation, each Shareholder subscribing for the Invitation Shares will receive less than the price they paid for their Shares. Details of the immediate dilution incurred by new investors are described in the section entitled "Dilution" of this Prospectus.

Any future financing may cause dilution in shareholdings or place restrictions on our operations

Although we have identified our expansion plans as set out on in the section entitled "Our Business Strategies and Future Plans" of this Prospectus as avenues to pursue growth in our business, we may also find other opportunities to grow, including acquisitions which cannot be predicted at this juncture. Under such circumstances, secondary issue(s) of securities after the Invitation may be necessary to raise the required capital to develop these growth opportunities. If Invitation Shares placed to new and/or existing shareholders are issued after the Invitation, they may be priced at a discount to the then prevailing market price of our shares trading on the SGX-ST, in which case, existing shareholders' equity interest will be

diluted. If we fail to utilise the new equity to generate a commensurate increase in earnings, our EPS will be diluted and this could lead to a decline in our share price. Any additional debt financing may, apart from increasing interest expense and gearing, contain restrictive covenants with respect to dividends, future fund raising exercises and other financial and operational matters.

Negative publicity may adversely affect our Share price

Negative publicity involving our Group, any of our Directors, Executive Officers or Substantial Shareholders may adversely affect the market perception or the stock performance of our Company, whether or not it is justified. Some examples are unsuccessful attempts in joint ventures, takeovers or involvement in insolvency or legal proceedings.

Exchange rate fluctuations may adversely affect the value of our Shares and any dividend distribution

Our Shares will be quoted in Singapore dollar on the SGX-ST. Dividends, if any declared, in respect of our Shares will be paid in 2007. Fluctuations in the exchange rate between the two currencies will affect, *inter alia*, the foreign currency value of the dividend distributions. Please refer to the section entitled "Exchange Rate" of this Prospectus for more details.

INVITATION STATISTICS

INVITATION PRICE	29.00 cents
NTA	
NTA per Share based on the proforma consolidated balance sheet of our Group as at 30 June 2005 adjusted for the Restructuring Exercise, the Sub-division of Shares and the Conversion referred to the sections entitled "Share Capital" and "Restructuring Exercise" of this Prospectus ("Adjusted NTA per Share"):-	
(a) before adjusting for the estimated net proceeds of the Invitation and based on the pre-Invitation share capital of 174,990,800 Shares	6.90 cents
(b) after adjusting for the estimated net proceeds of the Invitation and based on the post-Invitation share capital of 229,928,800 Shares	10.95 cents
Premium of Invitation Price per Share over the Adjusted NTA per Share as at 30 June 2005:-	
(a) before adjusting for the estimated net proceeds of the Invitation and based on the pre-Invitation share capital of 174,990,800 Shares	320.3%
(b) after adjusting for the estimated net proceeds of the Invitation and based on the post-Invitation share capital of 229,928,800 Shares	164.8%
EARNINGS	
Historical net EPS of our Group for FY2004 based on the pre-Invitation share capital of 174,990,800 Shares	2.40 cents
Historical net EPS of our Group had the Service Agreements been effected for FY2004 and based on the pre-Invitation share capital of 174,990,800 Shares[(1)]	2.19 cents
PRICE EARNINGS RATIO	
Historical price earnings ratio based on the historical net EPS of our Group for FY2004	12.08 times
Historical price earnings ratio based on the historical net EPS of our Group had the Service Agreements been effected for FY2004[(1)]	13.24 times
NET OPERATING CASH FLOW[(2)]	
Historical net operating cash flow per Share of our Group for FY2004 based on the pre-Invitation share capital of 174,990,800 Shares	3.15 cents
Historical net operating cash flow per Share of our Group for FY2004 had the Service Agreements been effected for FY2004 and based on the pre-Invitation share capital of 174,990,800 Shares[(1)]	2.95 cents
PRICE TO NET OPERATING CASH FLOW RATIO	
Historical price to net operating cash flow ratio based on the historical net operating cash flow per Share for FY2004 and the pre-Invitation share capital of 174,990,800 Shares	9.21 times

Historical price to net operating cash flow ratio based on the historical net operating cash flow per Share had the Service Agreements been effected for FY2004 and the pre-Invitation share capital of 174,990,800 Shares[(1)]	9.83 times

MARKET CAPITALISATION

Market capitalisation based on the Invitation Price and post-Invitation share capital of 229,928,800 Shares	$66.68 million

Notes:-

(1) Had the Service Agreements been in effect from 1 January 2004, the estimated remuneration for our Executive Directors would have been approximately $0.57 million, and profit after taxation for FY2004 would have been approximately $3.83 million instead of approximately $4.19 million.

(2) Net operating cash flow is defined as net profit attributable to Shareholders with depreciation of fixed assets and amortisation of land use rights added back.

PLAN OF DISTRIBUTION

The Invitation Price was determined by our Company and the Vendors in consultation with OCBC Bank and after taking into consideration, *inter alia*, prevailing market conditions and estimated market demand for the Invitation Shares determined through a book-building process. The Invitation Price is the same for all Invitation Shares and is payable in full on application.

Offer Shares

The Offer Shares are made available to members of the public in Singapore for subscription and/or purchase at the Invitation Price.

In the event of an under-subscription for Offer Shares as at the close of the Application List, the number of Offer Shares not subscribed for and/or purchased shall be made available to satisfy excess applications for Placement Shares to the extent there is an over-subscription for Placement Shares as at the close of the Application List.

In the event of an over-subscription for the Offer Shares as at the close of the Application List and the number of Placement Shares are fully subscribed for and/or purchased as at the close of the Application List, the successful applications for the Offer Shares will be determined by ballot or otherwise as determined by our Directors and the Vendors, after consultation with OCBC Bank, and approved by the SGX-ST.

Pursuant to the terms and conditions contained in the Management and Underwriting Agreement signed between our Company, the Vendors and OCBC Bank dated 24 April 2006, OCBC Bank has agreed to manage the Invitation and underwrite the Offer Shares. The Management and Underwriting Agreement may be terminated by the Underwriter at any time prior to the dealing of the Offer Shares upon the occurrence of certain events, including, among other things, certain force majeure events. The Management and Underwriting Agreement will be conditional upon the occurrence of certain events, including the fulfilment, or waiver by the SGX-ST, of all conditions contained in the letter of eligibility from the SGX-ST for the listing and quotation of our Shares on the Main Board of the SGX-ST. In the event of under-subscription for the Offer Shares, at the close of the Application List, OCBC Bank will be committed to subscribe for and/or purchase for all the unsubscribed Offer Shares. However, OCBC Bank may, at its absolute discretion, appoint one or more sub-underwriters for the Offer Shares.

Placement Shares

In the event of an under-subscription for Placement Shares as at the close of the Application List, that number of Placement Shares not subscribed for and/or purchased shall be made available to satisfy applications for Offer Shares to the extent that there is an over-subscription for Offer Shares as at the close of the Application List.

Pursuant to the terms and conditions contained in the Placement Agreement signed between our Company, the Vendors and OCBC Bank dated 24 April 2006, OCBC Bank agreed to subscribe for and/or purchase or procure subscribers and/or purchasers for the Placement Shares. The Placement Agreement may be terminated by the Placement Agent at any time prior to the dealing of the Placement Shares upon the occurrence of certain events, including, among other things, certain force majeure events. The Placement Agreement will be conditional upon the occurrence of certain events, including the fulfilment, or waiver by the SGX-ST, of all conditions contained in the letter of eligibility from the SGX-ST for the listing and quotation of our Shares on the Main Board of the SGX-ST. In the event of under-subscription for the Placement Shares, OCBC Bank will be committed to subscribe for and/or purchase or procure subscribers and/or purchasers of all the unsubscribed Placement Shares. However, OCBC Bank may, at its absolute discretion, appoint one or more sub-placement agents.

Subscribers and/or purchasers of the Placement Shares may be required to pay brokerage of up to 1.0% of the Invitation Price to the Placement Agent (or any sub-placement agent(s)) which may be appointed by the Placement Agent).

Save as disclosed in the Prospectus, none of our Directors or Substantial Shareholders intends to subscribe for the Invitation Shares.

PLAN OF DISTRIBUTION

The terms, conditions and procedures for applications and acceptance for Offer and Placement Shares are described in Annex D of this Prospectus.

As at the Latest Practicable Date and to the best of our knowledge, we are not aware of any person who intends to subscribe for and/or purchase more than 5% of the Invitation Shares. However, in the process of assessing market demand for our Shares, there may be person(s) who may indicate his interest to subscribe for and/or purchase more than 5% of the Invitation Shares. If such person(s) were to make an application for more than 5% of the Invitation Shares and subsequently be allotted and/or allocated such number of Shares, we will make the necessary announcements at an appropriate time. The final allocation of Shares will be in accordance with the shareholding spread and distribution guidelines as set out in Rule 210 of the Listing Manual.

No Shares shall be allotted or allocated on the basis of this Prospectus later than six months after the date of registration of this Prospectus.

CLEARANCE AND SETTLEMENT

Upon listing and quotation on the Main Board of the SGX-ST, our Shares will be traded under the book-entry settlement system of the CDP, and all dealings in and transactions of the Shares through the Main Board of the SGX-ST will be effected in accordance with the terms and conditions for the operation of Securites Accounts with the CDP, as amended from time to time.

Our Shares will be registered in the name of CDP or its nominee and held by CDP for and on behalf of persons who maintain, either directly or through Depository Agents, Securites Accounts with CDP. Persons named as direct Securities Account holders and Depository Agents in the Depository Register maintained by the CDP, rather than CDP itself, will be treated, under our Articles of Association and the Companies Act, as members of our Company in respect of the number of Shares credited to their respective Securites Accounts.

Persons holding our Shares in a Securities Account with CDP may withdraw the number of Shares they own from the book-entry settlement system in the form of physical share certificate(s). Such share certificates will, however, not be valid for delivery pursuant to trades transacted on the Main Board of the SGX-ST, although they will be *prima facie* evidence of title and may be transferred in accordance with our Articles of Association. A fee of $10.00 for each withdrawal of 1,000 Shares or less and a fee of $25.00 for each withdrawal of more than 1,000 Shares is payable upon withdrawing our Shares from the book-entry settlement system and obtaining physical share certificates. In addition, a fee of $2.00 or such other amount as our Directors may decide, is payable to the share registrar for each share certificate issued and a stamp duty of $10.00 is also payable where our Shares are withdrawn in the name of the person withdrawing our Shares or $0.20 per $100.00 or part thereof of the last-transacted price where it is withdrawn in the name of a third party. Persons holding physical share certificates who wish to trade on the Main Board of the SGX-ST must deposit with CDP their share certificates together with the duly executed and stamped instruments of transfer in favour of CDP, and have their respective Securites Accounts credited with the number of Shares deposited before they can effect the desired trades. A fee of $20.00 is payable upon the deposit of each instrument of transfer with CDP.

Transactions in our Shares under the book-entry settlement system will be reflected by the seller's Securities Account being debited with the number of Shares sold and the buyer's Securities Account being credited with the number of Shares acquired. No transfer of stamp duty is currently payable for our Shares that are settled on a book-entry basis.

A Singapore clearing fee for trades in our Shares on the Main Board of the SGX-ST is payable at the rate of 0.05% of the transaction value subject to a maximum of $200.00 per transaction. The clearing fee, instrument of transfer deposit fee and share withdrawal fee may be subject to Singapore Goods and Services Tax at the prevailing rate of 5%.

Dealings in our Shares will be carried out in Singapore dollars and will be effected for settlement through CDP on a scripless basis. Settlement of trades on a normal "ready" basis on the Main Board of the SGX-ST generally takes place on the third Market Day following the transaction date, and payment for the securities is generally settled on the following business day. CDP holds securities on behalf of investors in Securites Accounts. An investor may open a direct account with CDP or a sub-account with a CDP depository agent. The CDP depository agent may be a member company of the SGX-ST, bank, merchant bank or trust company.

The following information should be read in conjunction with the Compilation Report of the Reporting Auditors on the Pro Forma Financial Information and Group Financial Information as set out in Annex E of this Prospectus and the related notes thereto.

Our Group's capitalisation and indebtedness as at 28 February 2006 was as follows:-

(RMB'000)[2]	As at 28 February 2006	As adjusted for the Restructuring Exercise and Conversion[1] but before adjusting for the proceeds from the Invitation	As adjusted for the net proceeds from the Invitation and the
Cash and cash equivalents	20,753	20,753	85,411
Indebtedness			
Current			
Convertible loan	45,668	9,687	9,687
Long Term			
Long-term bank loans	37,000	37,000	37,000
Total indebtedness	82,668	46,687	46,687
Shareholders' Equity	47,212	83,193	147,851
TOTAL CAPITALISATION AND INDEBTEDNESS	129,880	129,880	194,538

Note:-

(1) The figures have been calculated on the assumption that the Restructuring Exercise was completed on the Latest Practicable Date and 65% of the Convertible Loan being converted into ordinary shares on the Latest Practicable Date.

(2) The above figures have been computed based on the average of high and low RMB – $ exchange rates for the month of February 2006.

As at the Latest Practicable Date, convertible loans were advanced to the Group by the Pre-IPO Investors pursuant to a Convertible Loan Agreement dated 11 May 2005 and bear interest of 4% per annum up to and inclusive of the day the Convertible Loan is converted into Shares, or the date on which the Convertible Loan is fully repaid. In accordance with Addendum 1, only 65% of the Convertible Loan will be converted into fully paid ordinary shares of the Company on the date of the eligibility-to-list letter from the Main Board of the SGX-ST to our Company. The outstanding balance of the Convertible Loan together with all accrued interest ("Repayment Portion") remains payable on or before the first anniversary of the date of the Convertible Loan Agreement (i.e. on or before 11 May 2006) or such other date as may be agreed between us and the Pre-IPO Investors who in aggregate have advanced more than two-thirds of the Convertible Loan.

On 22 February 2006, the Company repaid the Pre-IPO Investors 50% of the Repayment Portion. The outstanding balance of the Repayment Portion was repaid to the Pre-IPO Investors on 19 April 2006.

On 26 September 2005, Anyang Jiutian signed a loan agreement with the Agricultural Bank of China, pursuant to which the Agricultural Bank of China advanced to Anyang Jiutian a term loan of RMB 37,000,000 repayable by 28 September 2008 at an interest rate of 5.76% per annum. The proceeds of the said loan are used to repay short term advances from Anhua of the same amount. As a result of these agreements, Anyang Jiutian will, with effect from the date of the commencement of the said loan, replace the then existing short-term liabilities of RMB 37,000,000 by the same amount of long-term liabilities.

Contingent Liabilities

As at the Latest Practicable Date, there are no contingent liabilities.

Dilution is the amount by which the Invitation Price to be paid by the applicants for our New Shares in the Invitation exceeds our NAV per Share after the Invitation. The Adjusted NAV per Share as at 30 June 2005 before adjusting for the net proceeds from the issue of the New Shares and based on the pre-Invitation issued share capital of 174,990,800 Shares was 6.97 cents.

Based on the issue of 54,938,000 New Shares at the Invitation Price pursuant to the Invitation and after deducting the estimated issue expenses, the adjusted NAV of our Group as at 30 June 2005 would have been 10.95 cents per Share based on the post-Invitation issued share capital of 229,928,800 Shares and as adjusted for any disposal or acquisition which occurred between 30 June 2005 and the Latest Practicable Date. This represents an immediate increase in NAV of 4.05 cents per Share to our existing Shareholders and an immediate dilution in NAV of 18.05 cents per Share (or approximately 62.2%) to applicants for the New Shares (the "New Investors") after adjustment for any disposal or acquisition which occurred between 30 June 2005 and the Latest Practicable Date. The following table illustrates such dilution on a per Share basis:-

	Per Share (cents)
Invitation Price	29.00
Adjusted NAV per Share as at 30 June 2005	6.90
Increase in NAV per Share contributed by New Investors	4.05
Adjusted NAV per Share after the Invitation	10.95
Adjusted NAV per Share after the Invitation and as adjusted for any disposal or acquisition which occurred between 30 June 2005 and the date of this Prospectus	10.95
Dilution per Share to New Investors	18.05

The following table summarises the total number of Shares issued by us, the total consideration and the average consideration per Share held by our existing Shareholders (after adjusting for the Restructuring Exercise, the Sub-division of Shares and the Conversion), and the New Investors:-

	Number of Shares ('000)	**%**	**Consideration ($'000)**	**%**	**Average consideration per Share (cents)**
Existing Shareholders					
Stateglory[(1)]	108,045	46.99	4,322	15.38	4.0
Woolston[(2)]	14,884	6.47	764	2.72	5.1
Series A Investors[(3)] (excluding Woolston)	20,356	8.85	2,008	7.15	9.9
Series B Investors[(4)]	31,706	13.79	5,070	18.04	16.0
New Investors (excluding purchasers of Vendor Shares)	54,938	23.90	15,932	56.71	29.0
Total	229,929	100.00	28,096	100.00	

Notes:-

(1) The consideration comprises the amount paid for 10,000 subscriber shares as well as from proportionate distribution of deemed share premium arising from the Conversion.

(2) The consideration comprises the amount paid for 1,111 new shares as well as from proportionate distribution of deemed share premium arising from the Conversion. In addition, as a Series A Investor, Woolston has invested a total amount of $422,300, out of which $283,971 has been converted to equity, amounting to 2,880,000 Shares

(3) Series A investors refer to the Lenders who advanced loans pursuant to the Pre-Investment Loan Agreement dated 28 March 2005, details which can be found in the section entitled "Restructuring Exercise" under the heading "Investments into our Company" of this Prospectus. The consideration comprises approximately $2,008,543 of the total Series A loans (excluding Woolston) of $2,984,425 that have been converted into equity, amounting to 20,356,000 Shares.

(4) Series B investors refer to those Pre-IPO Investors who advanced loans pursuant to the Convertible Loan Agreement. The consideration comprises approximately $5,070,000 of the total Series B loans of $7,800,000 that has been converted into equity, amounting to 31,706,000 Shares.

Our Company (Registration No.200415416H) was incorporated in Singapore on 30 November 2004 under the Companies Act as private company limited by shares under the name "Zhongguo Jiutian Chemical Pte. Ltd." At the date of incorporation, our authorised share capital was $10,000,000.00 comprising 10,000,000 ordinary shares of $1.00 each, of which 10,000 fully paid ordinary shares were issued to Stateglory.

On 9 May 2005, the issued and paid-up share capital of our Company was increased from $10,000 to $11,111 by way of allotment of 1,111 new ordinary shares of $1.00 each for cash to Woolston Park Limited.

Pursuant to the Board Resolution dated 24 November 2005, the Company's authorised share capital was increased from $10,000,000 divided into 10,000,000 ordinary shares of $1.00 each to $45,000,000 divided into 45,000,000 ordinary shares of $1.00 each.

Pursuant to written resolutions in lieu of an extraordinary general meeting dated 29 March 2006, the shareholders of the Company approved that the name of the Company be changed from "Zhongguo Jiutian Chemical Pte. Ltd." to "Jiutian Chemical Group Pte. Limited".

Pursuant to written resolutions in lieu of an extraordinary general meeting dated 30 March 2006, the shareholders of our Company approved, *inter alia*, the following:-

(a) the sub-division of every two ordinary shares in the existing issued and paid-up share capital of our Company into 21,609 ordinary shares;

(b) the conversion of our Company into a public limited company and the change of name to "Jiutian Chemical Group Limited";

(c) the adoption of a new set of Articles of Association of our Company;

(d) the issue of 54,942,000 Shares in the share capital of our Company to the Pre-IPO Investors pursuant to the Conversion;

(e) the issue of the New Shares pursuant to the Invitation, such New Shares, when fully paid, allotted and issued, will rank *pari passu* in all respects with our existing issued and fully paid up Shares;

(f) that authority be given pursuant to Section 161 of the Companies Act to our Directors to (i) allot and issue Shares (other than the Invitation Shares); and (ii) issue convertible securities and any shares in the Company pursuant to the convertible securities (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions whether for cash or otherwise and for such purposes and to such persons as our Directors shall in their absolute discretion deem fit provided that the aggregate number of shares to be issued pursuant to such authority shall not exceed 50 per cent of the post-Invitation issued share capital of our Company and that the aggregate number of shares to be issued other than on a pro-rata basis to the then existing shareholders of our Company shall not exceed 20 per cent of the post-Invitation issued share capital of our Company. Unless revoked or varied by our Company in a general meeting, such authority shall continue in full force until the conclusion of the next annual general meeting of our Company or the date by which the next annual general meeting is required by law to be held, whichever is earlier, except that the Directors shall be authorised to allot and issue new shares pursuant to the convertible securities notwithstanding that such authority has ceased.

For the purposes of this resolution and pursuant to Rules 806(3) and 806(4) of the Listing Manual, "post-Invitation issued share capital" shall mean the enlarged issued and paid-up share capital of our Company after the Invitation, and where applicable, after adjusting for (i) new shares arising from the conversion or exercise of convertible securities, (ii) new shares arising form exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this resolution, provided the options or awards were granted in compliance with the Listing Manual and (iii) any subsequent consolidation or sub-division of shares; and

(g) the listing and quotation of all the issued Shares (including the Invitation Shares to be allotted and issued and the Vendor Shares) on the Official List of the Main Board of the SGX-ST.

As at the date of this Prospectus, our Company has only one class of Shares. The rights and privileges of our Shares are stated in the Articles of Association of our Company. There are no founder, management or deferred Shares.

Upon the allotment and issue of the Invitation Shares which are the subject of the Invitation, the resultant issued and paid-up capital of our Company will be increased to $20,467,384 comprising 229,928,800 Shares.

The Companies (Amendment) Act 2005 came into effect on 30 January 2006. Among other things, the Companies Act was amended to abolish the concepts of par value, authorised capital, share premium and share discount. As a result of these amendments, as at the Latest Practicable Date, our Company has an issued and paid-up ordinary capital of S$11,111, comprising of 11,111 Shares and has no authorised share capital.

A summary of the changes in the issued and paid-up share capital of our Company since incorporation until immediately after the Invitation are as follows:-

	Number of Shares	Resultant issued and paid-up Share Capital $
Issued and fully paid-up ordinary shares of $1.00 each as at on incorporation at 30 November 2004	10,000	10,000
Issued and fully paid-up ordinary shares of $1.00 each as at 9 May 2005	11,111	11,111
	11,111	11,111
Subdivision of Shares	120,048,800	11,111
Conversion	54,942,000	7,362,754
Pre-Invitation share capital	174,990,800	7,373,865
New Shares to be issued pursuant to the Invitation	54,938,000	13,093,519
Post-Invitation share capital	229,928,800	20,467,384

The paid-up share capital of our Company as at 30 June 2005 after adjustments to reflect the Sub-division of Shares and the Conversion after the Invitation are set out below. These statements should be read in conjunction with our pro forma and group financial information as set out in Annexes E and F of this Prospectus.

	As at 30 June 2005	After the Sub-division and the Conversion	After this Invitation
Authorised Share Capital ($)	10,000,000	–	–
No. of Shares	10,000,000	–	–
Paid-up Share Capital ($)			
Issued and Paid up share capital	11,111	7,373,865	20,467,384
Total	11,111	7,373,865	20,467,384

The changes in the issued and paid-up share capital of our subsidiary, Anyang Jiutian within the three years preceding the date of lodgement of this Prospectus are set out below:-

Anyang Jiutian

Date	Event		Registered Capital	%
28 December 2001	Incorporation of Anyang Jiutian			
	(1)	Allotment of shares to Anhua	RMB 23,280,000	88.6
	(2)	Allotment of shares to Guan Jiemin	RMB 500,000	1.90
	(3)	Allotment of shares to Jia Lianggang	RMB 500,000	1.90
	(4)	Allotment of shares to Zhang Zhen	RMB 500,000	1.90
	(5)	Allotment of shares to Li Jucai	RMB 500,000	1.90
	(6)	Allotment of shares to Wei Hailin	RMB 500,000	1.90
	(7)	Allotment of shares to Zhang Aiping	RMB 500,000	1.90
14 December 2004	Anhua injected its methanol and gas branches into Anyang Jiutian for an aggregate value of RMB 20,030,000, resulting in the change in shareholding percentage of the shareholders as follows:-			
	(1)	Anhua	RMB 43,310,000	93.52
	(2)	Guan Jiemin	RMB 500,000	1.08
	(3)	Jia Liangang	RMB 500,000	1.08
	(4)	Zhang Zhen	RMB 500,000	1.08
	(5)	Li Jucai	RMB 500,000	1.08
	(6)	Wei Hailin	RMB 500,000	1.08
	(7)	Zhang Aiping	RMB 500,000	1.08

Date	Event	Registered Capital	%
24 December 2004	Transfer of the following shareholders' respective shareholding to our Company for an aggregate consideration of US$6 million (1) Anhua for a consideration of US$5,611,200 (2) Guan Jiemin for a consideration of US$64,800 (3) Jia Lianggang for a consideration of US$64,800 (4) Zhang Zhen for a consideration of US$64,800 (5) Li Jucai for a consideration of US$64,800 (6) Wei Hailin for a consideration of US$64,800 (7) Zhang Aiping for a consideration of US$64,800		
30 December 2004	Completion of acquisition by our Company when Anyang Administration of Industry and Commerce issued business licence to Anyang Jiutian	US$6,000,000	100

SHAREHOLDERS

Our Shareholders and their respective shareholdings in our Company immediately before the Invitation and after the Invitation are set out below:-

	Before the invitation				After invitation			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Directors								
Wang Xianjin[(1)]	–	–	108,045,000	61.74	–	–	108,045,000	46.99
Zhang Aiping[(1)]	–	–	108,045,000	61.74	–	–	108,045,000	46.99
Sun Zhiqiang[(1)]	–	–	108,045,000	61.74	–	–	108,045,000	46.99
Lee Chee Seng[(2)]	–	–	14,883,800	8.51	–	–	14,883,800	6.47
Foo Meng Kee	–	–	–	–	–	–	–	–
Chan Kam Loon	–	–	–	–	–	–	–	–
Wu Yu Liang	–	–	–	–	–	–	–	–
Shareholders of 5% or more (other than Directors and Pre-IPO Investors)								
Stateglory	108,045,000	61.74	–	–	108,045,000	46.99	–	–
Woolston[(4)]	14,883,800	8.51			14,883,800	6.47	–	–

	Before the invitation				After invitation			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Pre-IPO Investors (excluding Woolston)	52,062,000	29.75			12,071,000[3]	5.25	–	–
Public	–	–	–	–	94,929,000	41.29	–	–
Total	**174,990,800**	**100.00**			**229,928,800**	**100.00**		

Notes:-

(1) Our Executive Directors, Wang Xianjin, Zhang Aiping and Sun Zhiqiang hold 36%, 32% and 32% of the issued share capital of Stateglory Investments Limited respectively. Accordingly each of them is deemed to have an interest in any Shares held by Stateglory Investments Limited.

(2) Our Executive Director, Lee Chee Seng holds 100% of the issued share capital of Woolston Park Limited. Accordingly he is deemed to have an interest in any Shares held by Woolston Park Limited. Woolston Park Limited is also a Pre-IPO Investor.

(3) After the Invitation, the Pre-IPO Investors (excluding Woolston and the Vendors) would have an equity interest of approximately 5.25% of our post-Invitation share capital. Save for Woolston, none of the Pre-IPO Investors (excluding the Vendors) will each hold 5% or more of the enlarged issued and paid-up share capital of our Company after the Invitation.

(4) The number of shares held by Woolston through existing shareholding in our Company and through conversion of its portion of the Convertible Loan are 12,003,800 Shares and 2,880,000 Shares respectively.

VENDORS

The names of the Vendors and the number of shares which they will offer pursuant to the Invitation are set out below:-

	Shares held immediately before the Invitation		Vendor Shares offered pursuant to the Invitation		Shares held after the Invitation	
Name/Address/ Relationship with our Group	**Number of Shares**	**% of pre-Invitation share capital**	**Number of Vendor Shares**	**% of pre-Invitation share capital**	**Number of Shares**	**% of post-Invitation share capital**
Ang Cheng Kee 8 Jubilee Road Singapore 128534	1,219,000	0.70	1,219,000	0.70	–	–
Beh Suan Tiong 47 Jupiter Road Singapore 576537	597,000	0.34	597,000	0.34	–	–

Name/Address/ Relationship with our Group	Shares held immediately before the Invitation		Vendor Shares offered pursuant to the Invitation		Shares held after the Invitation	
	Number of Shares	% of pre-Invitation share capital	Number of Vendor Shares	% of pre-Invitation share capital	Number of Shares	% of post-Invitation share capital
Chau-Chan Sui Yung 3 Khiang Guan Avenue #09-01 Singapore 308381	5,285,000	3.02	5,285,000	3.02	–	–
Chia Wee Tiong 93 Yishun St 81 #07-09 Singapore 768451	2,898,000	1.66	2,898,000	1.66	–	–
Chiang Chai Ong 63 Jalan Bumbong Singapore 739878	2,845,000	1.63	2,845,000	1.63	–	–
Chua Eu Liam 22 Fifth Avenue Singapore 268785	3,478,000	1.99	3,478,000	1.99	–	–
Daniel Tan Poon Kuan 3 Bukit Teresa Close Singapore 099776	1,626,000	0.93	1,626,000	0.93	–	–
Ho Siew Hong Patricia 62 Ming Teck Park Singapore 277429	813,000	0.46	813,000	0.46	–	–
Kee Siang Hoe 52 Namly Place Singapore 267200	2,772,000	1.58	2,772,000	1.58	–	–
Koh Kok Leong 23 Simei St 4, #01-02 Tropical Spring Singapore 529880	813,000	0.46	813,000	0.46	–	–
Koh Wee Lih 27 Watten Heights Singapore 287459	813,000	0.46	813,000	0.46	–	–
Kwan Wai Keong Block 50, #05-102 Telok Blangah Drive Singapore 100050	813,000	0.46	813,000	0.46	–	–
Low Chui Heng 32 Ripley Crescent Singapore 556210	3,252,000	1.86	3,252,000	1.86	–	–

Name/Address/ Relationship with our Group	Shares held immediately before the Invitation		Vendor Shares offered pursuant to the Invitation		Shares held after the Invitation	
	Number of Shares	% of pre-Invitation share capital	Number of Vendor Shares	% of pre-Invitation share capital	Number of Shares	% of post-Invitation share capital
Esther Low Suet Cheng 52 Sunset Way Singapore 597077	813,000	0.46	813,000	0.46	–	–
Paun Yoon Thai c/o Car City Leasing Pte Ltd 210 Turf Club Road Lot #C1, C2, C3 Turf Club Auto Emporium Singapore 287995	813,000	0.46	813,000	0.46	–	–
Tan Geu Chuan Plaschem Specialty Products Pte Ltd 35 Gul Lane Singapore 629429	813,000	0.46	813,000	0.46	–	–
Tan Hwee Ping Ellen 989 Bukit Timah Road #04-01 Singapore 589629	813,000	0.46	813,000	0.46	–	–
Tan Sung 370H Alexandra Road #04-06 Singapore 159961	813,000	0.46	813,000	0.46	–	–
Tay Kang Meng Eugene 308 Canberra Road #12-99 Singapore 750308	3,478,000	1.99	3,478,000	1.99	–	–
Wee Ai Keng Angeline 3 Sandy Lane Singapore 437315	1,159,000	0.66	1,159,000	0.66	–	–
Wong Teck Yan Victor 76 Hougang Ave 7 #02-23 The Florida Singapore 538807	4,065,000	2.32	4,065,000	2.32	–	–

The Vendors do not have any relations with our Group.

MORATORIUM

To demonstrate their commitment to our Group:-

(a) Our Company's Substantial Shareholders, namely Stateglory and Woolston, which will in aggregate hold 108,045,000 and 14,883,800 Shares in our Company respectively, representing approximately 46.99% and 6.47% respectively of our Company's enlarged issued and paid-up capital after the Invitation, have undertaken not to sell, transfer or otherwise dispose of all or part of each of their direct interests in our Company for a period of twelve months from the date of our admission ("Listing Date") of our Company to the Official List of the Main Board of the SGX-ST. Further, Messrs Wang Xianjin, Zhang Aiping and Sun Zhiqiang, being shareholders of Stateglory, have each undertaken to maintain (i) their respective interests in the shares of Stateglory; and (ii) their aggregate interest of 100% in the issued and paid-up share capital of Stateglory for a period of twelve months from the Listing Date. Lee Chee Seng has also undertaken to maintain his 100% interest in the shares of Woolston for a period of twelve months from the Listing Date.

(b) Alan Wang Yu Huei, Goh Yeo Hwa, Jarle Aakermann, Pierre Rico and Woon Tai Keat, being the Pre-IPO Investors whose shares will not be offered in the Invitation and who in aggregate hold 12,071,000 Shares representing 5.25% of our Company's issued and paid-up share capital after the Invitation, have each given an undertaking not to sell, transfer or otherwise dispose of all or part of each of their respective interests in our Company for a period of 6 months commencing from the Listing Date.

Background

Our Company was incorporated on 30 November 2004.

Prior to the Restructuring Exercise described below, the original owners of Anyang Jiutian were Anhua and six other individuals (including Mr Zhang Aiping). Anhua was the controlling shareholder of Anyang Jiutian and it held 88.6% of the registered share capital. The six other shareholders held 1.9% of the registered share capital each.

As described in the section entitled "Our History" of this Prospectus, prior to the restructuring exercise described below, Anyang Jiutian was carrying on the business of producing DMF and methylamine. Anyang Jiutian also held 16% of the total issued shares in Linuo and 20% of the total issued shares in Wuzhou. Both Linuo and Wuzhou are also subsidiaries of Anhua. Linuo's principal business is in the production and sales of its own brand of health-care products. Wuzhou's principal business is acting as import and export agency for domestic trade of all commodities, technology and service.

As further described in the section entitled "Our History" of this Prospectus, the business divisions carrying on the methanol business and the gas business were carried on by Anhua through its methanol and gas branches.

The Restructuring Exercise

Acquisition of the methanol and gas businesses by Anyang Jiutian

Pursuant to the terms of the Transfer Agreement dated 13 December 2004 entered into between Anhua and Anyang Jiutian, Anhua agreed to transfer to Anyang Jiutian all the business undertaking, assets and liabilities of the methanol and gas businesses. Based on a valuation carried out on the methanol and gas businesses, the said businesses were valued at RMB 20.03 million as at 30 September 2004. Pursuant to the transfer of the methanol and gas businesses, Anyang Jiutian increased its share capital by an additional RMB 20.03 million, attributing the increased share capital to Anhua as purchase consideration. The acquisition was completed on 24 December 2004 when Anyang Jiutian received the new business licence issued by the Anyang Administration of Industry and Commerce.

Following the completion of the acquisition, Anhua's shareholding in Anyang Jiutian was increased to 93.52% of its registered share capital and the shareholdings of the six individual shareholders were diluted to 1.08% each.

Disposal of Linuo and Wuzhou by Anyang Jiutian

Pursuant to two share transfer agreements both dated 12 December 2004 between Anyang Jiutian and Anhua, Anyang Jiutian transferred to Anhua all shares held by it in Linuo and Wuzhou at the purchase considerations of RMB 1.6 million and RMB 3.0 million respectively. These amounts are equivalent to the amount of funds injected by Anyang Jiutian into the capital of the respective companies. The purchase consideration was satisfied by Anhua setting off certain outstanding intercompany loans owed by Anyang Jiutian to Anhua. The transfer of shares by Anyang Jiutian in Linuo was completed on 26 July 2005 with the registration of the share transfer with the Development Industrial Zone branch of Anyang Administration of Industry and Commerce (安阳市工商行政管理局开发区分局), whilst the transfer of shares by Anyang Jiutian in Wuzhou was completed on 30 August 2005 with the registration of the share transfer with Anyang Administration of Industry and Commerce (安阳市工商行政管理局).

Our Acquisition of Anyang Jiutian

Our Company entered into seven Share Transfer Agreements all dated 24 December 2004 with the original shareholders of Anyang Jiutian, being Anhua and six other individual shareholders (including Mr Zhang Aiping). Pursuant to the Share Transfer Agreement with Anhua, Anhua agreed to sell all its shares in Anyang Jiutian to our Company at a purchase consideration of US$5,611,200. Pursuant to the Share Transfer Agreement with the six individual shareholders, each of the individual shareholders agreed to sell their respective shares to our Company at a purchase consideration of US$64,800 each. The purchase considerations were based on an asset valuation carried out on Anyang Jiutian which valued Anyang

Jiutian at US$6 million as at 30 September 2004. The entire purchase consideration was satisfied fully in cash, such purchase consideration being provided by the Pre-IPO Investors pursuant to the terms of the Convertible Loan Agreement.

Henan Provincial Department of Commerce issued an approval for the acquisition by our Company of Anyang Jiutian and a certificate of approval for the establishment of enterprises with foreign investment in Anyang Jiutian on 29 December 2004. The acquisition by our Company of Anyang Jiutian was completed on 30 December 2004 when Anyang Administration of Industry and Commerce issued the business licence of foreign investment to Anyang Jiutian.

Indemnity given by the seven former shareholders of Anyang Jiutian

Further, each of the former shareholders of Anyang Jiutian, Anyang Jiutian and our Company entered into an indemnity agreement dated 24 December 2004, whereby each of the former shareholders agreed to bear any taxes or official fees unpaid relating to Anyang Jiutian prior to 24 December 2004. The former shareholders also warranted that there were no undisclosed contingent debt or potential debt and other legal proceedings or tax debts and that any responsibility relating to contingent liabilities, tax evasions or legal proceedings in process will be borne by the former shareholders.

Undertaking given by Anhua

Prior to the Restructuring Exercise, most agreements relating to our various businesses (including the businesses operated under Anyang Jiutian) were entered into by Anhua on behalf of the respective businesses. These contracts concerned agreements relating to the construction of facilities, the supply of equipment, other supply agreements and agreements relating to sales to our customers. Pursuant to the Restructuring Exercise described above and in connection with the Invitation, Anhua gave an undertaking to Anyang Jiutian dated 18 April 2005 that in respect of all agreements entered into by Anhua on behalf of Anyang Jiutian, Anhua undertakes to assume and perform rights and obligations in accordance with terms and conditions of any such agreements and will procure that Anyang Jiutian will take its place and be a contracting party upon the renewal of any such agreements. Please refer to the section entitled “Material Contacts” of this Prospectus for further details of the undertaking.

Investments into our Company

Pursuant to a Pre-Investment Loan Agreement dated 28 March 2005 entered into between our Company and the Lenders, the Lenders advanced different loan amounts to our Company, amounting in aggregate to $3,307,500. The main purpose was substantially to fund the payment of 25% of the registered capital of Anyang Jiutian amounting to US$1.5 million. The acquisition by our Company of 25% of the registered capital of Anyang Jiutian at US$1.5 million was completed on 31 March 2005 and Anyang Jiutian received the new business licence issued by Anyang Administration of Industry and Commerce on 1 April 2005.

For further details of the Pre-Investment Loan Agreement, please refer to the section entitled “Material Contracts” of this Prospectus.

On 11 May 2005, the Pre-IPO Investors, comprising 27 investors, entered into the convertible loan agreement. Pursuant to the Convertible Loan Agreement, the Pre-IPO Investors granted to our Company convertible loans amounting to $11,206,725 (the “Convertible Loan”) which are convertible into ordinary shares in the capital of our Company. It is a term of the convertible loan agreement that this amount of $11,206,725 includes the loans previously advanced pursuant to the Pre-Investment Loan Agreement dated 28 March 2005. The purpose of the Convertible Loan (excluding the amount under the Pre-Investment Loan Agreement) is to pay for the balance 75% of the issued share capital of Anyang Jiutian (such payment which was to be made on or before 31 May 2005), expenses incurred in connection with the Invitation and general working capital requirements of our Group.

It was a term of the convertible loan agreement that the Convertible Loan shall be converted into fully paid ordinary shares of the Company on the date of the eligibility-to-list letter from the SGX-ST to our Company.

It was also a term of the convertible loan agreement that unless the Convertible Loan was converted, the Convertible Loan shall be repaid together with all accrued interest on the 1st anniversary of the date of the convertible loan agreement (ie. by 11 May 2006) or such later date as may be agreed between us and the Pre-IPO Investors who in aggregate have advanced more than two-thirds of the Convertible Loan.

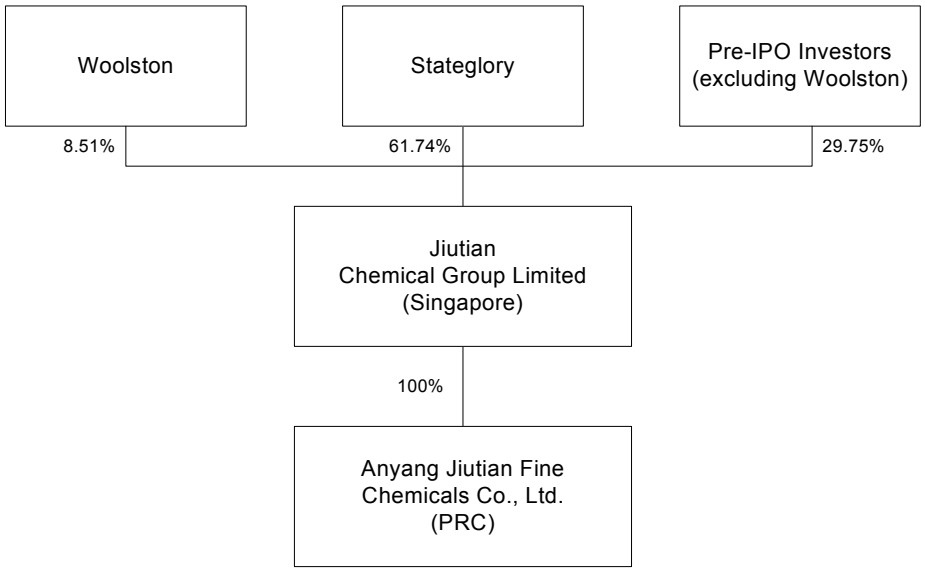
Pursuant to the terms of the convertible loan agreement, an escrow agreement was entered into between our Company, Anyang Jiutian and Yingbin sub-branch, Anyang Branch of the Industrial & Commercial Bank ("Bank") dated 20 April 2005, whereby the sum of US$6 million is to be held in an escrow account with the Bank in the name of Anyang Jiutian. It is a term of the escrow agreement that for a period of 11 months from the date the sum of US$6 million is deposited into the escrow account, the escrow account can only be operated jointly by representatives from our Company and Anyang Jiutian. After the 11-month period expires, only a representative from our Company can operate the escrow account. It is further clarified in an agreement between our Company, Anyang Jiutian and Anhua dated 21 May 2005, that in order to facilitate the Company's compliance with the terms of the Convertible Loan Agreement, Anhua had agreed to advance the US$6 million, and Anhua thereby acknowledges and confirms that the US$6 million has been paid into the escrow account held in the name of Anyang Jiutian.

On 22 November 2005, the Pre-IPO Investors entered into Addendum 1, whereby it was agreed that only 65% of the Convertible Loan be converted into fully paid ordinary shares of the Company on the date of the eligibility-to-list letter from the SGX-ST to our Company. The remaining balance of the Convertible Loan together with all accrued interest ("Repayment Portion") remains payable on or before the 1st anniversary of the date of the Convertible Loan Agreement (i.e. on or before 11 May 2006) or such other date as may be agreed between us and the Pre-IPO Investors, who, in aggregate have advanced more than two-thirds of the Convertible Loan.

On 22 February 2006, the Company repaid the Pre-IPO Investors 50% of the Repayment Portion. The remaining balance of the Repayment Portion was subsequently repaid to the Pre-IPO Investors on 19 April 2006.

On 30 March 2006 (i.e. after the Sub-division of Shares), the Pre-IPO Investors exercised their rights and converted a portion of the convertible loans into 54,942,000 Shares in the capital of our Company in accordance with the terms of the Convertible Loan Agreement.

Our Group structure after the Restructuring Exercise and before the Invitation is shown as follows:-



We do not have any associated company and the following company is a subsidiary of our Company:-

Name	Country of Incorporation	Principal Place of Business	Principal activities	Equity interest/ percentage of Shareholding held by Company/Group	Registered Capital
Anyang Jiutian[(1)]	PRC	PRC	Production, sale and service of industrial methanol, DMF, methylamine and gas	100%	US$6 million

Note:-

(1) The approved term of business of Anyang Jiutian is 20 years, commencing on 30 December 2004, and subject to renewal, ending on 30 December 2024.

Anyang Jiutian is not listed on any stock exchange.

OUR HISTORY

(A) Jiutian Chemical

Our Company was incorporated under the laws of Singapore on 30 November 2004 as a private limited company under the name "Zhongguo Jiutian Chemical Pte. Ltd.". We change our name from "Zhongguo Jiutian Chemical Pte. Ltd." to "Jiutian Chemical Group Pte. Limited" on 29 March 2006. Our Company was subsequently converted into a public limited company on 31 March 2006 and consequently our name was changed to "Jiutian Chemical Group Limited".

Our Company acquired Anyang Jiutian on 30 December 2004. Details of the acquisition can be found under the section entitled "Restructuring Exercise" of this Prospectus.

The principal business activities of our Group through Anyang Jiutian are the production and sale of methanol, DMF and methylamine and processing and the sale of carbon dioxide and oxygen. Prior to the Restructuring Exercise, the DMF and methylamine businesses were carried on by Anhua through its former subsidiary, Anyang Jiutian, whilst the methanol business and gas business were carried on by Anhua through its methanol and gas branches.

(B) Anyang Jiutian

Anyang Jiutian was first registered as a limited liability company in the PRC on 28 December 2001 with Anhua as its main shareholder, holding 88.6% of its registered capital.

Anhua was registered as a limited liability company in the PRC on 7 September 1998 and is wholly-owned by the State. It was previously a part of Henan Province Petrochemical Industry Department (河南省石油化学工业厅) and was known as Anyang Fertiliser Factory (安阳化肥厂). Its core business is in the manufacture and production of chemical fertilizers and it is now amongst the 500 largest enterprises in the chemical industry in PRC and is identified as one of the 100 key enterprises in Henan province.

Anyang Jiutian was incorporated by Anhua to carry on the business of production and sale of DMF and methylamine. Some key milestones in the development of Anyang Jiutian are described hereafter.

(a) <u>2001: Construction of Production Facilities for DMF/Methylamine</u>

In 2001, Anhua commissioned China Hualu to conduct a feasibility study for the construction of production facilities with a designed capacity to produce 10,000 tonnes per year of DMF and 10,000 tonnes per year of methylamine. China Hualu was the former 6th Design Institute of China National Chemical Engineering Group Corporation ("CNCEC"), a corporation directly administered by the State Council of China. CNCEC is a technology-intensive construction group integrating the businesses of prospecting, engineering and construction. Its business fields cover petrochemical, oil refinery, fertilizer and fine chemical. Following the feasibility study, Anhua commissioned China Hualu to design and build the facilities. China Hualu entered into a Technology Transfer Agreement with Kvaener Process Technology Limited on 22 May 2001 to purchase certain equipment for the production plant and for the licence of technology and rights to use the know-how relating to the DMF production process. Please refer to the sections entitled "Improvements in our production process" and "Material Contracts" of this Prospectus respectively for further details.

Construction of the production facilities began in 2002. As a result of improvements in technology during the course of construction which we were able to take advantage of and build into our facilities, the production facilities when completed in 2003 had the capacity to produce 20,000 tonnes of DMF and 20,000 tonnes of methylamine per annum. The facilities successfully produced DMF and methylamine in October 2003 of a quality which met the PRC national standards imposed by the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China (国家质量监督检验检疫总局).

(b) 2004: Improvements to Production Facilities for DMF/Methylamine

In November 2004, in order to meet market demand and Anyang Jiutian's expansion plan, further improvements were carried out to the DMF and methylamine production facilities, and were completed in May 2005. The production capacity was increased from 20,000 tonnes per year to 30,000 tonnes per year for both DMF and methylamine respectively. In addition, the product range produced was expanded from two products, DMA and DMF, to seven products: DMA, DMF, MMA, TMA, MMA solution, DMA solution and TMA solution.

(c) 2004: Acquisition of Methanol Business

Pursuant to the Restructuring Exercise, Anyang Jiutian acquired the methanol branch of Anhua.

Some key milestones in the development of our methanol business are described hereafter.

(i) 1994: Construction of Production Facilities for Methanol

The methanol business was started in 1994 when the former Anhua, Anyang Fertiliser Factory, decided to diversify its business of chemical fertilizer production. The business of production and sales of methanol was organized as a workshop of Anyang Fertiliser Factory.

Mr Wang Xianjin (our Executive Chairman and CEO) spear-headed the project to set up the business of production and sales of methanol. He was in charge of organizing a feasibility study, liaising with the design team of China Wuhuan Chemical Engineering Company (中国五环化学工程公司) for the design and construction of the methanol production facilities and preparatory work for the production of methanol. On 30 November 1994, Mr Wang was accorded a second class award for "Development and application of pneumatic hydraulic mass transfer mathematics models" (南京市科学技术进步二等奖/获奖项目: "气液传质数学模型的开发及应用") in Nanjing city. He was also appointed as head of this business unit.

Mr Zhang Aiping (our Executive Director and Chief Operating Officer) who was then the Head of Supply and Discharge of Water Workshop of Anhua, was tasked to oversee the design, construction, installation and implementation of the water system which is a key element in the methanol production process. Mr Zhang continued to provide support to the methanol workshop until 2001.

The construction of the facilities with a capacity to produce 30,000 tonnes per year of methanol was completed in June 1995. The first batch of methanol for sale was successfully produced in September 1995.

(ii) Awards for Scientific and Technical Advancement

Under Mr Wang's leadership, the methanol production system was constantly being reviewed to seek ways to improve its efficiency and yield. In 1996, jointly with the Nanjing Chemical Industry Research Institute (南京化工研究院), the methanol workshop successfully produced a "NC501-1" type of low temperature methanol synthesis catalyst.

On 22 March 1996, Mr Wang was accorded a first class award for scientific advancement in petroleum chemical industry (石油化学工业科学技术进步一等奖) for ''Development and application of pneumatic hydraulic mass transfer mathematic models'' (获奖项目: "气液传质数学模型的开发及应用") issued by Jiangsu Bureau of Petroleum Chemical Industry (江苏省石油化学工业厅).

In 1997, improvements were made to the carbon monoxide converter catalyst which reduced the consumption of high pressured steam resulting in significant cost savings.

In 1998, Mr Wang was accorded a second class award for scientific and technical advancement in Jiangsu Province (江苏省科学技术进步二等奖/获奖项目"NC501-1 型甲醇合成催化剂").

(iii) 2002: Conversion from a Workshop to a Branch Company

By 2002, with the growth of the methanol business, Mr Zhang who was then the Head of the Enterprise Management Office of Anhua recognized that the scale of operations had to be expanded beyond a mere workshop which had no independent business operational rights. Under Mr Zhang's direction, the methanol workshop was reorganized and restructured as a branch company of Anhua with the power to conduct sales and independent financial and business accounting.

(iv) 2001 to 2004: Continued Upgrading of Production System

Between 2001 to 2004, under the leadership and direction of Mr Wang and the technical expertise of Mr Sun Zhiqiang (our Executive Director and General Manager of Anyang Jiutian) who was then the Deputy Head of the methanol workshop, comprehensive changes were made to the entire production system with upgrading of the facilities and improvements to the production process.

Some of these improvements include:-

(1) The addition of high temperature organic sulphur shift converter which helped to stabilize the production process.

(2) The adoption of a new model valve for the compressor which helped prolonged its lifespan.

(3) A new catalyst "XNC-98" was adopted in the synthesis tower thereby improving the efficiency of the single phase conversion process.

(4) Replacing the valves in the distillation tower with improved valves and changes to the technical structure of the distillation tower which ensured consistency in quality of the product even with high load.

(v) 2004: Award for Scientific and Technical Achievement

All these improvements raised the production capacity of the facilities from the original 30,000 tonnes per year in 2002 to 56,000 tonnes per year in 2003 and to 63,000 tonnes per year in 2004. The rate of production of top grade methanol (quality of which is assessed in accordance with national standards GB338-92 set by the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China (国家质量监督检验检疫总局) also increased. As a result, the methanol branch of Anhua was accorded an award for scientific and technical achievement in Henan province (河南省科学技术成果证书).

(d) <u>2004: Acquisition of Gas Business</u>

Pursuant to the Restructuring Exercise, Anyang Jiutian also acquired the gas branch of Anhua. The business of the gas branch is the processing and sale of oxygen and carbon dioxide which are discharged as by-products during the production process of other chemical products.

The gas business commenced operations as a workshop of Anhua. This workshop was formed as a result of the merger in May 1994 of the oxygen station of one workshop of Anyang Fertiliser Factory and a carbon dioxide station of another workshop of Anyang Fertiliser Factory. The oxygen station started operations in May 1970 whilst the carbon dioxide station started operations in May 1989.

In June 1999, the gas workshop was restructured as a branch of Anhua.

(e) 2005: Construction of production facilities for Consumable Carbon Dioxide

Our current production capacity for consumable carbon dioxide is 3,000 tonnes per annum. Construction of a new production plant for consumable carbon dioxide commenced in September 2005 and is expected to be completed by the first half of 2006. Once it is completed, our production capacity for consumable carbon dioxide will be increased from 3,000 tonnes per annum to 30,000 tonnes per annum. Please refer to the section entitled "Our Business Strategies and Future Plans" of this Prospectus for further details.

(f) 2004: Disposal of Linuo and Wuzhou

Anyang Jiutian held 16% and 20% of the total issued shares in Linuo and Wuzhou respectively. Linuo and Wuzhou are both subsidiaries of Anhua. As these two companies are not intended to be part of our Group's business, we transferred the two companies back to Anhua. Please refer to the section entitled "Restructuring Exercise" of this Prospectus for further details.

INDUSTRY OVERVIEW IN THE PRC

In General

The fine and speciality chemical industry is a development priority for the PRC's chemical industry. There are many varieties of fine and speciality chemicals. Using advanced science and technology, these fine and speciality chemicals are widely used in the production and manufacture of other products in various industries such as agriculture, medicine, electronics, food and feed, plastics and rubber, paper and many other industries.

Unless otherwise stated, the figures stated in this section are based on the Executive Directors' belief derived from their experience and expertise in the fine and specialty chemical industry. This is due to the fact that there are limited statistical figures available in relation to the matters stated in this section.

Methanol

Methanol is a chemical feedstock used for the production of other chemicals. It is widely used as an organic intermediate in the production of medicine and pharmaceutical products, fertilizers, dyestuff, coatings, plastics, synthetic fibres, synthetic rubber and many other varieties of chemicals. Methanol can also be used as a solvent as well as industrial and household fuel.

In the PRC, as a result of the demand for methanol by various downstream industries, the capacity of methanol produced domestically has increased rapidly. In 2000, the actual output of methanol produced in the PRC was 1986.9kt[(1)] (1.9869 million tonnes). In 2001, the actual output reached 2988.7kt[(1)] (2.9887 million tonnes) and in 2003, the actual output reached 4406.0kt[(1)] (4.4060 million tonnes). There was a huge increase in actual output from 2003 to 2004, with the actual output of methanol reaching 4.4 million tonnes[(1)], representing a 47.2% increase. The significant increase in production level also coincided with the PRC's strong economic growth in 2004.

It is estimated that in 2005, the demand for methanol will reach around 6.2 million tonnes per annum in the PRC[(1)]. Based on current production capacity, there will be insufficient methanol to meet the demand in the PRC. As such, in order to meet the growing demand, domestic enterprises have been constantly seeking

to expand their production capacity. This has also resulted in the decrease in the amount of methanol being imported from overseas. The amount of methanol imported from overseas in 2004 was 1.359 million tonnes, 3.1% lower compared to 2003[1]. Also, the amount of imported methanol accounts for 23.7% of the domestic consumption in 2004[1], 6.7% lower compared to 2003[1]. This marks the increasing dominance of domestic producers.

DMF

DMF is a product derived from methanol. It is a solvent which can be used as an absorbing agent for many varieties of gases. It is used as an absorbing agent mainly in polyurethane, chemical fibre, medicine and pharmaceutical products, varieties of gases and electronics. In 2005, the PRC DMF domestic consumption was estimated to be 380,000[2] tonnes, out of which 320,000[2] tonnes were satisfied by domestic producers and the remaining imported from abroad. The Directors anticipate that domestic production of DMF is likely to continue to increase in the next two years, whilst the import of DMF will decrease. The reason for the decrease in DMF imports is due to the fact that DMF producers outside the PRC mainly use natural gas as their key raw material, and the progressively increasing price of natural gas renders them less competitive. DMF producers in the PRC use mainly feedstock derived from coal[2] and coal-originated by-products, of which the PRC has in abundance. Furthermore, it is difficult for the foreign producers to stay competitive in the PRC market as they face higher costs in terms of transportation costs, as well as customs duties that they have to pay to export into the PRC.

The Directors anticipated that the demand of DMF in the PRC will be steady, with the demand for DMF in the following industries increasing rapidly:- polyurethanes, medicine, pesticides and other chemical industries, especially in the Jiangsu and Shandong region, which is rapidly emerging as the PRC's regional manufacturing centre. In 2005, the PRC's polyurethane production industry was expected to account for approximately 80% of the demand for DMF[3]. Polyurethanes are types of thermoset foams that are used in a wide range of applications and markets for their cushioning and insulating properties, e.g., packaging, carpet cushion and underlay, insulation, transport, furniture, construction and appliances. It is believed that with the growing shift of global manufacturing facilities to the PRC, demand for DMF in the PRC would grow at over 20%[2] per annum over the next few years.

Currently the main producers of DMF in the PRC are in Zhejiang, Shandong, Anhui, Jiangsu and the coastal regions. There are very few DMF producers situated inland, which is the subject of a new wave of industrialisation and urbanisation, due to the availability of resources, and labour at cost lower than those of the coastal provinces. We are however the only DMF producer in Henan province and to the best of our Directors' knowledge and belief, we are the only significant DMF producer within 500km from us (based on available road and railway networks).

Methylamine

There are about twenty domestic producers of methylamine in the PRC, with a majority of such producers operating in a smaller scale, with a production output of about 50,000 tonnes in total[4]. In 2005, the national demand for methylamine exceeded supply by about 40,000 to 60,000[4] tonnes. There is a steady demand for methylamine in the PRC, which is increasing at the rate of more than 7% annually[5]. The market prospect for methylamine is very favourable.

Consumable carbon dioxide[6]

Carbon dioxide can be broadly classified as industrial carbon dioxide and consumable carbon dioxide. In recent years, the demand for consumable carbon dioxide has been rapidly increasing, for use in beverage, beer, tobacco and preservation of vegetables.

In the PRC, the food and beverage industry is the biggest market of consumable carbon dioxide. Compared to developed countries, consumption of beverages in the PRC is extremely low. With the growing development of the PRC's beverage industry, the market prospects for consumable carbon dioxide are promising.

The tobacco industry has also provided an opportunity for the application of consumable carbon dioxide. Previously, the tobacco industry produced the Freon-puffed tobacco. With the higher standard of environment protection and even stricter requirements for food preservatives, there is a trend to replace Freon with consumable carbon dioxide in the manufacture of tobacco. Tobacco produced using consumable carbon dioxide is of higher quality.

Oxygen

Oxygen is a common by-product released from the production of nitrogen. It is usually not produced on a big-scale as a product on its own. As such, an industry overview for oxygen would not be meaningful.

Notes:-

(1) Source: 2005 Publication of the PRC Annual Meeting on the Analysis and Development of Methanol and its derivatives (《2005 年全国甲醇及下游产品市场分析及发展研讨会专辑》), "Analysis on the methanol market in the PRC and overseas" (《国内外甲醇市场分析》) by Zheng Chengxian (郑承献) - China Nitrogen Fertiliser Industry Association, Methanol branch (中国氮肥工业协会甲醇委员会) (the "Association"). Please note that the author of the article as well as the Association have not consented to the inclusion of the information extracted from its publication and are thereby not liable for such information under Sections 253 and 254 of the Securities and Futures Act. The Directors are aware that the author and the Association do not guarantee or assume responsibility that the information extracted from its publication is accurate, current or reliable, or may be used for any purpose other than for general reference. We are unable to verify the accuracy of the contents of the relevant information and have included such information in its proper form and context in this Prospectus.

(2) Source: 2005 "Building a Stable and Efficient Industry Value Chain - DMF & Chemical Industry Value Chain Forum" (造稳定高效的行业价值链——"DMF 与化工行业价值链高端论坛》) published in the China Securities Journal (中国证券报) website (www.cs.com.cn/). Please note that the host of the website has not consented to the inclusion of the information extracted from the website and is thereby not liable for such information under Sections 253 and 254 of the Securities and Futures Act. We understand that the host of the website had indicated that the information posted on the website is provided only for information. The Directors are aware that the host of the website does not guarantee or assume responsibility that the information extracted from its website is accurate, current or reliable, or may be used for any purpose other than for general reference. We are unable to verify the accuracy of the contents of the relevant information and have included such information in its proper form and context in this Prospectus. The article "Building a Stable and Efficient Industry Value Chain - DMF & Chemical Industry Value Chain Forum " (《造稳定高效的行业价值链——"DMF 与化工行业价值链高端论坛》) was accessed at the following uniform resource locator: http://www.cs.com.cn/ssgs/07/t20051205_814681.htm on 17 March 2006.

(3) Source: "Hualu Hengsheng: DMF's price per ton increased by RMB 300 per ton and the gross profit increased" (《华鲁恒升：DMF 价格上调 300 元毛利率反弹》) published in the eastmoney.com (东方财富网) website (www.eastmoney.com). Please note that the host of the website has not consented to the inclusion of the information extracted from the website and is thereby not liable for such information under Sections 253 and 254 of the Securities and Futures Act. We understand that the host of the website had indicated that the information posted on the website is provided only for information. The Directors are aware that the host of the website does not guarantee or assume responsibility that the information extracted from its website is accurate, current or reliable, or may be used for any purpose other than for general reference. We are unable to verify the accuracy of the contents of the relevant information and have included such information in its proper form and context in this Prospectus. The article "Hualu Hengsheng: DMF's price per ton increased by RMB 300 per ton and the gross profit increased" (《华鲁恒升：DMF 价格上调 300 元毛利率反弹》) was accessed at the following uniform resource locator: http://www.eastmoney.com/20051118082300266828.html on 17 March 2006.

(4) Source: "10,000 tonnes per annum of Methylamine" (《1 万吨/年甲胺》) published in the (Shanxi) Xiaoyishi Zhaoshangwang (山西)孝义市招商网) website (www.xyzs.gov.cn). Please note that the host of the website has not consented to the inclusion of the information extracted from the website and is thereby not liable for such information under Sections 253 and 254 of the Securities and Futures Act. The Directors are aware that the host of the website does not guarantee or assume responsibility that the information extracted from its website is accurate, current or reliable, or may be used for any purpose other than for general reference. We are unable to verify the accuracy of the contents of the relevant information and have included such information in its proper form and context in this Prospectus. The article "10,000 tonnes per annum of Methylamine" (《1 万吨/年甲胺》) was accessed at the following uniform resource locator: http://www.xyzs.gov.cn/xyzsw-zsyz.files/jiaan.htm on 17 March 2006.

(5) Source: "Project for 30,000 tonnes of methylamine" (《3 万吨/年 1，4 甲胺项目》) published in the (Shandong) Linzi City Government Information Homepage ((山东)临淄市政务信息网) website (www.linzi.gov.cn). Please note that the host of the website has not consented to the inclusion of the information extracted from the website and is thereby not liable for such information under Sections 253 and 254 of the Securities and Futures Act. The Directors are aware that the host of the website does not guarantee or assume responsibility that the information extracted from its website is accurate, current or reliable, or may be used for any purpose other than for general reference. We are unable to verify the accuracy of the contents of the relevant information and have included such information in its proper form and context in this Prospectus. The article "Project for 30,000 tonnes of methylamine" (《3万吨/年1，4甲胺项目》) was accessed at the following uniform resource locator: : http://www.linzi.gov.cn/www/newsByIdAction.do?id=677 on 17 March 2006.

(6) Source: "Rising annual demand for consumable carbon dioxide" (《食品级二氧化碳需求量将逐年上升》)published in the Chemical Industry Information Homepage (化工资讯中国化工网) website (http://info.chemnet.com). Please note that the host of the website has not consented to the inclusion of the information extracted from the website and is thereby not liable for such information under Sections 253 and 254 of the Securities and Futures Act. We understand that the host of the website had indicated that the information posted on the website should be verified prior to use. The Directors are aware that the host of the website does not guarantee or assume responsibility that the information extracted from its website is accurate, current or reliable, or may be used for any purpose other than for general reference. We are unable to verify the accuracy of the contents of the relevant information and have included such information in its proper form and context in this Prospectus. The article "Rising annual demand for consumable carbon dioxide" (《食品级二氧化碳需求量将逐年上升》) was accessed at the following uniform resource locator: http://info.chemnet.com/news/2004/08/18/173837.html on 17 March 2006.

BUSINESS OVERVIEW

Through Anyang Jiutian, our Group is principally engaged in the manufacture and production of methanol, DMF and methylamine. Our Group is also engaged in the processing and sale of certain by-products purchased from Anhua. These products are consumable CO_2 and O_2, both of which are released as by-products in Anhua's production process.

Our Business Divisions

Our business is divided into the following business divisions:-

(1) Methanol division, producing methanol;
(2) DMF division, producing DMF as our main product and methylamine as our secondary product; and
(3) Gas division, producing consumable carbon dioxide and oxygen.

Our Products

(1) Methanol (甲醇)

Methanol, also known as methyl alcohol or wood alcohol, is a chemical compound with the chemical formula CH3OH. It is the simplest alcohol, and is a volatile, colourless, flammable, poisonous liquid.

Methanol is an important chemical feedstock for the purposes of manufacturing other chemicals. Its main uses are as follows:-

(a) About 40% of methanol is converted to formaldehyde. Formaldehyde is then used to manufacture phenolic resin, polyformaldehyde and other chemicals.

(b) The manufacture of pesticides and insecticides.

(c) The manufacture of medicine and other pharmaceutical products.

(d) The manufacture of other chemicals, for instance, methylamine, dimethyl sulfate and dimethylaniline. These other chemicals can be used to manufacture products as diverse as plastics, plywood, paints, explosives and permanent press textiles. Methanol also forms the basis of many other products including silicones, refrigerants, adhesives, speciality plastics and coatings, textiles, and water-treatment chemicals.

(e) The manufacture of fuel. Methanol can be mixed/chemically combined with petrol to produce engine fuel. Methanol is a high octane rating chemical additive in unleaded petrol.

The methanol that we produce meets the required national standards GB-338-92, imposed by the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China (国家质量监督检验检疫总局).

Our actual output for methanol for FY2002, FY2003, FY2004 and HY2005 was 33,472 tonnes, 56,140 tonnes, 63,002 tonnes and 32,386 tonnes respectively.

(2) Dimethylformamide (DMF) (二甲基甲酰胺)

DMF is an organic chemical which is a colourless liquid with only a slight, unpleasant amine odour. DMF is usually stable but, when it comes into contact with strong oxidizers, halogens, alkylaluminium, or halogenated hydrocarbons (especially in combination with metals), it may cause fires and explosions.

DMF is a universal industrial solvent in a number of specialist applications, particularly for selective extraction. This is due to its solubility in water and its organic nature. Selective extraction is a process of separating compounds in a mixture. It relies on the different solubility of compounds within the mixture. It is used widely for butadiene extraction and other selective gas absorptions. DMF is also applied in specialist applications within the pharmaceutical and electronics industries. It is also used as a laboratory solvent and, in the chemical industry, as an intermediate chemical compound and an additive.

The DMF that we produce meets the required national standards GB/AHCB004-2003, imposed by the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China (国家质量监督检验检疫总局).

Our actual output for DMF for FY2004 and HY2005 was 13,509 tonnes and 9,983 tonnes respectively.

(3) Methylamine (甲胺)

Methylamine is a simple primary amine with the chemical formula, CH_3NH_2. It is produced by the reaction of methanol with ammonia. It is a colourless gas with an odour akin to ammonia. It is a volatile gas, which when exposed to air, can become explosive. It is an important chemical feedstock in the organic chemical industry. It is used widely in various fields such as agricultural chemicals, medicine, fuel, synthetic resin, leather making, production of the solvent used for chemical fibres, activating agents and photography.

Its ratios can be adjusted to produce the different types of methylamine.

(i) Monomethylamine (MMA) (一甲胺) Chemical formula: CH_3NH_2 :

Monomethylamine is produced by the reaction of methanol (CH_3OH) with ammonia (NH_3) in the following formula:-

$CH_3OH + NH_3 \rightarrow CH_3NH_2 + H_2O$

Monomethylamine is an intermediate chemical compound used in the manufacture of certain pharmaceutical products, agricultural chemicals and explosives.

The main pharmaceutical product produced from monomethylamine is 1,3-dimethylxanthine, known in the PRC market as "茶叶碱".

The main agricultural chemical products produced from monomethylamine include the pesticide 1-naphthyl, N-methyl carbamate, commonly known in the PRC market as "西维因", the disinfectant, known in the PRC market as "威百亩". Other types of pesticides that are manufactured from monomethylamine include "乐果", "虫螨威", "久效磷", "混灭威", "叶蝉散" and "速灭威".

Monomethylamine is also used in the production of photographic developing and imaging agent, Metol●Elon, N-methyl pyrrolidone, amino nitrate salts commonly known as "Tovex" and which is ultimately used as a form of explosives.

The gaseous form of monomethylamine as well as its liquid form produced by us both comply with the required national standards, GB/AHCB001-2003 and GB9011-88 respectively, imposed by the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China (国家质量监督检验检疫总局).

(ii) Dimethylamine (DMA) (二甲胺) Chemical formula: $(CH_3)_2NH$:

Dimethylamine is produced by the reaction of methanol (CH_3OH) with ammonia (NH_3) in the following formula:-

$2CH_3OH + NH_3 \rightarrow (CH_3)_2NH + 2H_2O$

Dimethylamine is an intermediate chemical compound used in the manufacture of certain pharmaceutical products, agricultural chemicals and other organic chemicals.

In the agricultural chemistry industry, dimethylamine is used to produce the disinfectant, dimethyldthiocarbamic acid, commonly known in the PRC market as "福美锌"; as well as the disinfectant, octamethylpyrophosphoric tetra-amide, commonly known in the PRC market as "八甲磷".

The main pharmaceutical product manufactured using dimethylamine is the anaesthetic pantocaine, Benadryl.

The main industrial chemical products derived from dimethylamine include tetramethyl thiocarbamyl sulphide; rubber accelerating agents; 1,1-dimethylhydrazine, commonly known as VDMH and which is an important component of rocket fuel; Dower 2 ion exchange resin; Lauryl dimethylamine and TritonX-400 surface activating agent; DMF and dimethyl acetamide. DMF is the best solvent for polypropylene nitrile, polyurethane, polyvinylchloride and other polymers. It has important uses in the synthetic leather industry.

The gaseous form of dimethylamine as well as its liquid form produced by us both comply with the required national standards, GB/AHCB002-2003 and GB9012-88 respectively, imposed by the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China (国家质量监督检验检疫总局).

(iii) Trimethylamine (TMA) (三甲胺) Chemical formula: $(CH_3)_3N$

Trimethylamine is produced by the reaction of methanol (CH_3OH) with ammonia (NH_3) in the following formula:-

$3CH_3OH + NH_3 \rightarrow (CH_3)_3N + 3H_2O$

Trimethylamine is mainly used to produce chlorocholine chloride (otherwise known as C.C.C.). It is also used as a chemical feedstock to produce choline. Chlorocholine chloride is used as a chemical additive in poultry feed.

The gaseous form of trimethylamine as well as its liquid form produced by us both comply with the required national standards, GB/AHCB003-2003 and GB9013-88 respectively, imposed by the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China (国家质量监督检验检疫总局).

Our actual output for methylamine for FY2004 and HY2005 was 12,541 tonnes and 10,581 tonnes respectively.

(4) Consumable carbon dioxide (二氧化碳) (CO_2)

Consumable carbon dioxide is produced by processing the carbon dioxide emitted as a by-product from Anhua's production of ammonia, which we purchase from Anhua.

The product is a colourless liquid with an acidic smell. We produce consumable carbon dioxide in its liquid form which meets the required national standards GB/T6052-93, imposed by the General Administration of Quality Supervision, Inspection and Quarantine of the People's of China (国家质量监督检验检疫总局). Currently, the consumable carbon dioxide produced is supplied mainly for industrial usage, for example, the manufacture of fire extinguishers, preservation of perishable food products and in medical processes.

Our actual output for consumable carbon dioxide for FY2002, FY2003, FY2004 and HY2005 was 2,115 tonnes, 2,074 tonnes, 1,597 tonnes and 1,776 tonnes respectively.

(5) Oxygen (氧气) (O_2)

Oxygen accounts for only a small part of our production. We process this gas by purifying the oxygen gas produced by Anhua as a by-product from its air-separation plant.

Oxygen gas can be solidified, the product of which is a kind of blue crystal, which is only slightly soluble in water. Under normal temperature, it is not very active and does not react easily with many other substances. However, it becomes very active under high temperature and can be combined directly with many chemical elements. Oxygen gas has no color and no smell.

It is usually used for metal welding and cutting. In cases where its purity is 98.5~99.2%, it can be combined with combustible gas so as to obtain very high flame temperature which can be applied to melt metals. Oxygen can also be applied in the strengthening of nitric acid as well as the production of sulphuric acid. The mixture of oxygen and steam can be introduced into the gasifier substitute for air to produce gas with higher heat value. In the medical area, it can be used to treat pneumonia, gas poisoning and other anoxia through oxygen therapy. Liquid oxygen can be used to produce liquid oxygen explosives.

The oxygen that we produce meets the required national standards GB/T3863-1995, imposed by the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China (国家质量监督检验检疫总局).

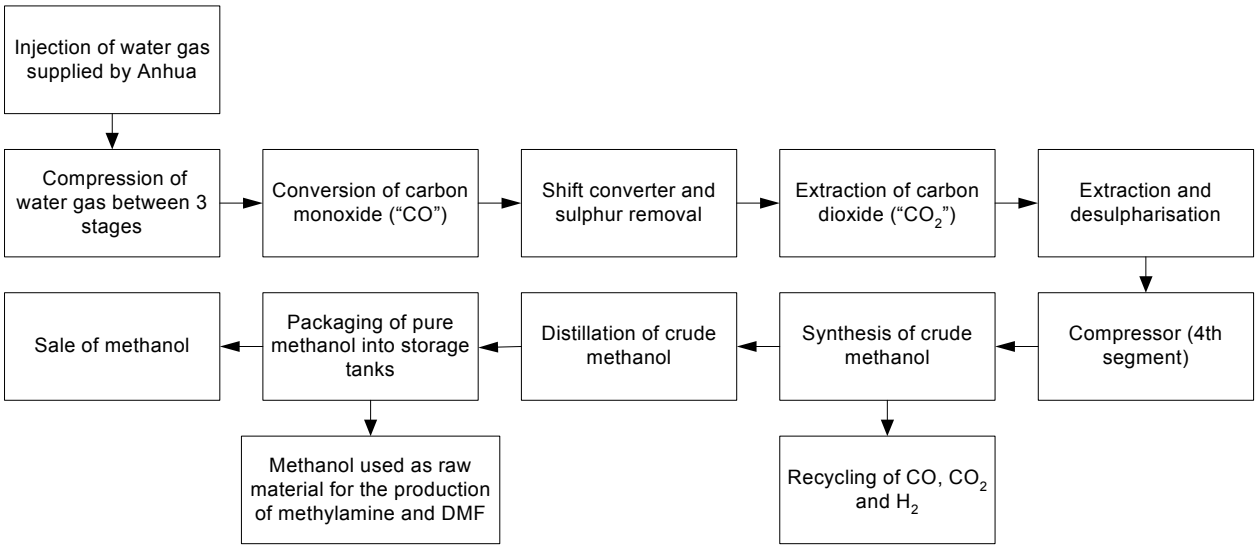
Our actual output for oxygen for FY2002, FY2003, FY2004 and HY2005 was 758 km^3, 670 km^3, 693 km^3 and 464 km^3 respectively.

OUR PRODUCTION PROCESS

We set out below respective diagrammatic representations of our production process in relation to our main products, methanol, methylamine and DMF. We also set out below our processing steps in relation to the by-products, consumable CO_2 and O_2.

Methanol (甲醇)

A diagrammatic representation of our production process of methanol is as follows:-



(a) Compression of water gas

The production of methanol starts with the compression of water gas. The water gas is injected into the compressor in 3 stages in order to attain a pressure level of 2.2Mpa.

(b) Conversion of carbon monoxide

The gas then undergoes a conversion process, whereby the concentration level of the carbon monoxide present in the gas is adjusted to a level suitable to produce methanol. Together with hydrogen gas that is released, the ratios between carbon monoxide and hydrogen gas is adjusted to obtain synthetic methanol gas. The percentage of carbon dioxide required to produce the synthetic methanol gas is approximately 24%.

(c) Sulphur removal

The gas is then passed through a process of sulphur removal, as the presence of hydrogen sulphide, H_2S, is detrimental to the methanol synthesis process with the catalyst. The process of sulphur removal uses a vegetable tannin extract alkali-based solution to extract the hydrogen sulphide in order to reduce the level of hydrogen sulphide to less than 10mg/Nm^3.

(d) Extraction of carbon dioxide

A further process to be undertaken for the methanol synthesis is to reduce the presence of the carbon dioxide to a concentration level of between 3% to 5%. Potassium carbonate and diethanolamine solutions are used to extract carbon dioxide in order to attain the required level of concentration.

(e) Extraction of desulphurisation

The next process of extraction and desulphurisation uses highly efficient active carbon as a desulfurising chemical agent to absorb and extract out any presence of hydrogen sulphide to a level of less than 0.1PPm. This is due to the fact that any presence of hydrogen sulphide is detrimental to the methanol synthesis process with the catalyst.

(f) Further compression

The gas is then passed through the fourth stage of compression in order to attain a pressure level of 5.5Mpa as part of the methanol synthesis process.

(g) Synthesis of crude methanol

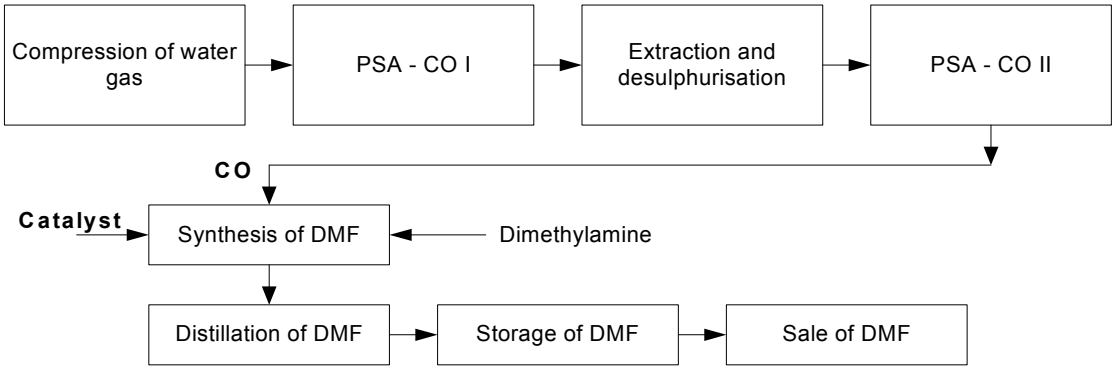
In the synthesis of crude methanol, it undergoes a process of low temperatures with the assistance of a catalyst to attain 93% methanol in purity. Any presence of carbon monoxide, carbon dioxide and hydrogen are recycled.

(h) Distillation and storage

The crude methanol is then passed through a twin distillation and purification tower to remove any impurities to purify the crude methanol to a level of 99.5% purity before the pure methanol is packed and stored into storage tanks.

DMF (二甲基甲酰胺)

A diagrammatic representation of our production process of DMF is as follows:-



Our Group uses an advanced process for the production of our DMF. The process is an improvement of the one-step technology also known as the Davy Process Technology. Please refer to the section entitled "Our Production Process" under the heading "Improvements in our production process" of this Prospectus for further details.

(a) Compression of water gas

In the one-step process, the water gas supplied is injected into a compressor in order to attain a pressure level of 0.5Mpa.

(b) Pressure swing absorption

This is then passed through the process of pressure swing absorption, "PSA", in order to extract water and carbon dioxide.

(c) Extraction and desulphurisation

The crude water gas then undergoes the process of desulphurisation to remove the presence of sulphur to a level of less than 0.1PPm, in order to ensure that the DMF to be produced has a longer life span, as well as to prevent any corrosion of the production facilities.

(d) Pressure swing absorption and extraction of carbon monoxide

The gas is then passed to the next stage of pressure swing absorption to extract carbon monoxide. The carbon monoxide is then passed through a purification plant in order to obtain 96% purity of carbon monoxide.

(e) Synthesis of DMF

The purified carbon monoxide is then sent to the synthesis reactor for the synthesis of DMF at a pressure level of 2.3Mpa. In the synthesis reactor, dimethylamine together with a catalyst is compressed to a pressure level of 2.3Mpa. This is then reacted with carbon monoxide at a temperature level of 110°C to obtain crude DMF.

(f) Distillation of DMF

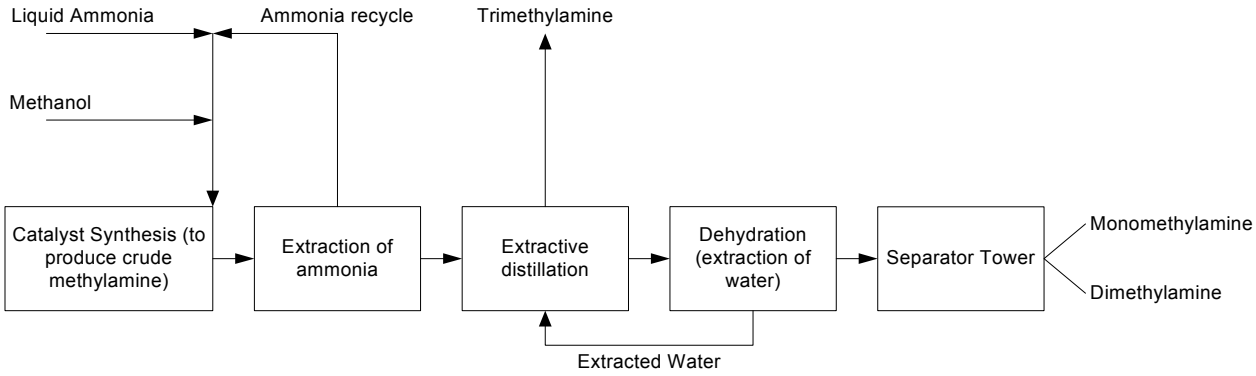
Through the process of vaporisation and filtration, the crude DMF is then passed through the distillation tower. In the distillation tower, with the assistance of components with different relative volatility, the crude DMF is then refined through purification and distillation plant to produce top-grade DMF.

(g) Storage and distribution

The DMF produced is then stored in storage tanks, ready for sale and distribution to our customers.

Methylamine (甲胺)

A diagrammatic representation of our production process of methylamine is as follows:-



(a) Reaction of liquid ammonia and methanol to produce crude methylamine

The main raw material in the production of methylamine is methanol (a product which we manufacture) together with liquid ammonia. The production of methylamine involves the reaction of liquid ammonia at a pressure level of 3.0Mpa and a temperature of about 400°C together with methanol with the assistance of a catalyst. This process results in crude methylamine being obtained.

(b) Extraction of ammonia

Ammonia is then extracted from the crude methylamine. Extractive distillation results in trimethylamine being obtained. Whatever liquid ammonia that is extracted from trimethylamine is then recycled for use in the rest of the synthesis cycle.

(c) Extractive distillation (extract Trimethylamine)

In the extraction column, water is used as the extraction agent. Based on the different solubility of methylamine, dimethylamine and trimethylamine, these 3 different forms of chemicals are separated. Trimethylamine which is separated is then stored in storage tanks ready for sale and distribution. The remaining products are then passed through a dehydrator.

(d) Dehydration

In the dehydrator, it makes use of components of different relative volatility to extract water from the chemicals. The water extracted is then recycled to be used as the extraction agent in the extraction column. The rest of the products are then injected through the separator tower.

(e) Separation of monomethylamine and dimethylamine

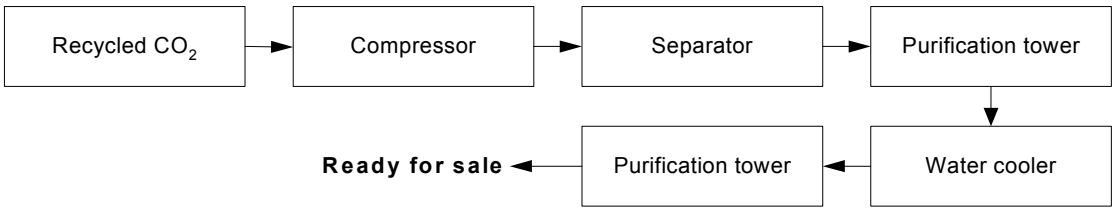
With the assistance of components with different relative volatility, monomethylamine and dimethylamine are separated, ready for sale and distribution.

(f) Storage and distribution

The three different forms of methylamine are stored separately in our storage tanks ready for sale and distribution to our customers. However, a large portion of dimethylamine produced is used in the production of our other main product, DMF.

Carbon dioxide (二氧化碳)

A diagrammatic representation of the processing of carbon dioxide as a by-product released from the production of ammonia by Anhua is as follows:-



The by-product, carbon dioxide, released from the ammonia synthesis plant is injected into the compressor at a pressure level of 9.8Mpa. Within the compressor, the carbon dioxide is cooled down in order to transform the gaseous state into a liquid form. The liquid carbon dioxide is then passed through a separator in order to remove any impurities. It then passes through a purification tower for the process of dehydration. The product is then passed through the water cooler to be chilled to the required temperature and then passed through another purification column where the liquid carbon dioxide undergoes a final refining process before being packed into steel cylinders to ready for sale and distribution to our customers.

Oxygen (氧气)

In relation to the processing of oxygen, the gas from the air separation plant, which has a purity level of between 99.2% to 99.8% is compressed at a pressure of 10.0Mpa into steel cylinders ready for sale and distribution.

Our Production Facilities

Our production facilities are located in Anyang, Henan province, occupying a land area of 29,918.38m^2. Whilst we have been issued with a certificate of land use right by the Anyang Administration of Land Bureau in respect of the land of which our facilities for the production of DMF and methylamine are located, spanning an area of 20,832.63m^2, for the period commencing 28 June 2005 and expiring on 7 August 2051, the land use right for the remaining land area of 9,085.75m^2, where our methanol and gas businesses are located, is still in the name of Anhua. As such, we have entered into a long-term land lease agreement with Anhua dated 1 January 2005, where it is provided that the term for the lease for both the land and the buildings upon the land shall be for 15 years commencing from 1 January 2005 and expiring on 31 December 2019, at an annual rental amount of RMB 90,800 for the land and an annual rental amount of RMB 134,739 for the buildings situated on that land. The rental amount shall be paid in advance before 15 January of each year.

We conduct regular checks on our production facilities to assess whether any equipment can be improved and/or whether the production volume can be increased. Please refer to the section entitled "Improvements in our production process" of this Prospectus for further details.

Apart from the machinery used in our production, we also place a great emphasis on the technology used in the production processes, to ensure that we produce our products in the most cost-effective method, whilst at the same time able to increase our production capacity.

Our production facility operates 24 hours a day, seven days a week. We are able to maintain our production round the clock throughout the year as we have reserve equipment for each portion of our production process. The reserve equipment is available for use in the event that we have to service and maintain any of our equipment or in the event that we have to repair any faulty parts of our equipment. We conduct thorough servicing and maintenance of our equipment once every two years. This takes about 10 days, 24 hours a day. However, in order to ensure that our production process can run continually and smoothly, we conduct regular checks on our equipment, especially the moving parts of our equipment.

The table below sets out a summary of the capacities and utilisation rates of our production facilities:-

	As at 31 December 2002			As at 31 December 2003			As at 31 December 2004			As at 30 June 2005		
Products	**Annual Production Capacity**[1]	**Actual Output**	**Utilisation Rates (%)**	**Annual Production Capacity**[1]	**Actual Output**	**Utilisation Rates (%)**	**Annual Production Capacity**[1]	**Actual Output**	**Utilisation Rates (%)**	**Annual Production Capacity**[1]	**Actual Output**	**Utilisation Rates (%)**[4]
Methanol	30,000 tonnes	33,472 tonnes[2]	111.57	45,000 tonnes	56,140 tonnes[2]	124.76	55,000 tonnes	63,002 tonnes[2]	114.55	55,000 tonnes	32,386 tonnes	117.77
DMF	Nil	Nil	Nil	10,000 tonnes	Nil	Nil	20,000 tonnes[3]	13,509 tonnes[3]	67.55	30,000 tonnes	9,983 tonnes	99.83[5]
Methylamine consisting of MMA, DMA and TMA	Nil	Nil	Nil	10,000 tonnes	Nil	Nil	20,000 tonnes[3]	12,541 tonnes[3]	62.71	30,000 tonnes	10,581 tonnes	105.81[5]
Carbon dioxide	3,000 tonnes	2,115 tonnes	70.50	3,000 tonnes	2,074 tonnes	69.13	3,000 tonnes	1,597 tonnes	53.23	3,000 tonnes	1,776 tonnes	118.40
Oxygen	800km^3	758km^3	94.75	800km^3	670km^3	83.75	800km^3	693km^3	86.63	800km^3	464km^3	116.00

Notes:-

(1) The production capacity is based on the available technology at the relevant time when the production facilities were designed.

(2) It is common for actual output to exceed the designed capacity as the increase in actual capacity is a result of advancement in technology and/ or production processes in any relevant financial year. Please refer to the section entitled "Improvements in our production process" of this Prospectus for further details. The Directors confirm that the production facilities have been utilised in accordance with their designs and this will not shorten the useful life of the production facilities.

(3) Actual output capacity for both DMF and methylamine were lower than the designed capacity as their respective production only commenced in November 2003 and hence took time to increase production.

(4) Actual output has been expressed as a percentage of half the annual production capacity.

(5) In May 2005, the annual production capacity for each of DMF and methylamine was upgraded to 30,000 tonnes. However, utilisation rate for HY2005 is computed based on 20,000 tonnes as this was the capacity under which the plant operated throughout most of HY2005.

Improvements in our production process

Whilst we do not conduct any research and development activities, we acquire technology from third parties for purposes of the production of our products.

Methanol

The main improvements in respect of our production of methanol are as follows:-

1. An overall upgrading of our production facilities.

2. Upgrading of compressors, gas valves within the production equipment and other ancillary equipment.

3. Utilisation of new cooling facilities and a synthesis and catalytic reactors as well as improvements in the deoxidisation process.

4. Increasing the height of the fractional and synthesis columns.

5. Extending the ability to convert organic sulphur at high temperatures.

Over the years, since 1995, we used different catalysts in our production of methanol. We select catalysts base on their ability to produce a better yield, but at the same time, which are stable in nature. In 1995, we used C302 methanol catalyst. In 1996, we started using NC501-1 methanol catalyst. In 2000, we started using C306 methanol catalyst. In October 2002, based on our knowledge and experience in the use of catalysts in the production of methanol, we used a new catalyst known as XNC – 98. Due to the active nature of this catalyst, we were able increase the yield of methanol with a smaller amount of impurities present in methanol. We further adjusted the temperature in our production process to increase the effectiveness of the catalyst, thereby increasing our production capacity. We are however not involved in any research and development activities on such catalysts.

DMF

The technology that was originally used in our facilities for the production of DMF was the Davy Process Technology. This technology was licensed through a technology transfer agreement made between the foreign licensor of the technology, Davy Process Technology Ltd., formerly known as Kvaener Process Technology Ltd and China Hualu on 22 May 2001 as amended by a subsequent agreement dated 22 May 2002 ("TTA"). The TTA had named Anhua as the only end-user of the technology. Pursuant to the Restructuring Exercise and in connection with the Invitation, we had obtained an indemnity letter ("Indemnity Letter") from China Hualu dated 30 June 2005, containing representations, warranties and undertakings from China Hualu that after having made the relevant enquiries and clarifications from the other contracting party and its successors, China Hualu clarified the terms of the TTA and confirmed that the permitted end-user would include Anyang Jiutian. China Hualu also undertakes that it would indemnify Anyang Jiutian from and against any actions, proceedings, claims, liabilities, losses, damages, cost and/or expenses in the event China Hualu breached that representations, warranties and undertakings contained in the said indemnity letter.

Our Group has received a legal opinion from Haihua Yongtai Law Firm (as to PRC law) confirming that China Hualu is a duly incorporated and existing legal entity in the PRC. Our PRC lawyers also opined that any documents issued by a PRC company affixed with its official stamp are recognized as legal and valid documents. As the Indemnity Letter has been duly signed and affixed with the official stamp of China Hualu, the PRC lawyers confirmed that the Indemnity Letter is legal, valid and enforceable in the PRC.

Our Group has since received a written confirmation from Davy Process Technology Ltd. addressed to China Hualu dated 27 March 2006, confirming that it consents to Anyang Jiutian using the technology and know-how at Anyang Jiutian's existing plant (identified as the "Contract Plant" under the TTA) pursuant to the TTA.

After acquiring the Davy Process Technology, we adjusted certain aspects of the production process in order to further raise the performance level of our equipment and increase its operating cycles. This reduces the need to treat the production plants frequently. Further, in consultation with one of our suppliers, Shanghai Research Institute of Petrochemical Technology, we have improved our fractional distillation process, and increase the product quality of our DMF.

Our Group has also received a legal opinion from Haihua Yongtai Law Firm (as to PRC law) on whether Anyang Jiutian is entitled to make improvement to the technology and own the technology improvement.

Our PRC lawyers have opined that in accordance with PRC laws, the party who imported technology from abroad is entitled to improve on the technology. Such improved technology will be owned by the party that improves the technology. Anyang Jiutian has made substantial improvement to the technology. Since Anyang Jiutian is a permitted user of the technology, as confirmed by China Hualu above and DPT, Anyang Jiutian would be entitled to own the improvement of technology made by it.

Our PRC lawyers further opined that in accordance with PRC laws, if Anyang Jiutian is permitted to use the technology, it is not bound by the restriction on the amount of production output even if the terms and conditions of the TTA provides otherwise.

We constantly upgrade our equipment and facilities so as to maintain our production efficiency. In March 2004, we did a reconstruction of the piping system and cleaned our entire production facility to prevent the pipes from clogging as a result of crystallisation in its interior. In August 2004, we purchased a new pumping system. In November 2004, we reconstructed the filter system. All these improvements have been made to increase our production efficiency.

As part of our future plans, we plan to build a new production facility for both methylamine as well as DMF. Please refer to the section entitled "Our Business Strategies and Future Plans" of this Prospectus for further details. China Hualu is involved in the project design of the new production facility. The technology to be used in the said new production facility is a technology designed by China Hualu. China Hualu has also confirmed that we are not required to pay any licence fee and/ or royalty fees to China Hualu for the technology to be used in the new production facilities.

Methylamine

In the course of constructing our production facilities for methylamine, whilst it was originally designed to produce 10,000 tonnes of methylamine per annum (based on various consultations and feasibility studies), through the improvement of the design in the columns from plate columns to packed columns, our production capacity increased to 20,000 tonnes. By the second half of 2005, due to the addition of two compressors to our production facilities in May 2005, our production capacity increased to 30,000 tonnes.

Carbon Dioxide and Oxygen

Our main improvement in the production of CO_2 and O_2 is in relation to increasing the product yield. We have also improved the storage of these gases, from storage bottles to storage tanks so that these gases may be easily transported by storage tank trucks, thereby reducing transportation costs.

QUALITY CONTROL

We believe that the quality of our products and services is crucial to our continued growth. As such, we have implemented stringent quality control procedures at every stage of our production process to ensure customer satisfaction.

Quality Management System Certifications

Our products meet international standards and our quality management system has been certified ISO 9001:2000. This was awarded in respect of our methanol and gas business in 12 December 2001, when they were both branches under Anhua. Anyang Jiutian was awarded the Certificate of Quality

Management System Certification for GB/T19001-2000 idt ISO 9001:2000 Standard for our production, sale and service of industrial methanol, DMF and methylamine by Beijing New Century Certification Co., Ltd on 23 June 2005. This certification is valid up until 22 June 2008. We have also obtained on 1 July 2005 a certification of registration issued by the National Quality Assurance Limited, a UK company, for ISO 9001:2000 certification in our quality management system in our production, sale and service of industrial methanol, DMF and methylamine. This certification is valid up until 22 June 2008.

ISO 9001:2000 is an international standard that sets certain requirements for an organization's quality management system ("QMS"). The requirements cover a wide range of topics, including our top management's commitment to quality, our customer focus, adequacy of our resources, employee competence, process management (for production, service delivery and relevant administrative and support processes), quality planning, product design, review of incoming orders, purchasing, monitoring and measurement of our processes and products, calibration of measuring equipment, processes to resolve customer complaints, corrective/preventive actions and a requirement to drive continual improvement of the QMS. There is also a requirement for us to monitor customer perceptions about the quality of the goods and services that we provide.

With the certification, our customers can be assured that the requirements as stated above have been effectively implemented, and that our products meet our customers' needs and expectations and comply with the applicable regulations. For the last 3 financial years and up to the Latest Practicable Date, our customers have not rejected any delivery orders due to defective or unsatisfactory products delivered.

Quality Control System

Our production facilities in Anyang are well-equipped to carry out quality checks on our products at every stage of the production processes. Our quality control system entails the following measures:-

Incoming quality control

The main raw materials that Anyang Jiutian requires for its chemical production is water gas and liquid ammonia. In order to ensure the consistency and quality of our raw materials for production, we only purchase raw materials from our approved suppliers lists. Our Sales and Purchasing Department conducts regular supplier qualification surveys taking into account the quality, price, delivery schedule and after sales service of the various suppliers. The department also conducts regular meetings with our existing suppliers to improve on areas like timeliness of delivery and price.

The supplier of our main raw materials is Anhua. We have entered into a 20-year supply agreement with Anhua on 1 January 2005 to ensure a stable course of supply of our main raw materials for at least 20 years, commencing on 1 January 2005. Please refer to the section entitled "Major Suppliers" of this Prospectus for further details.

As our production process is continuously running, we inspect our raw materials on a sampling basis. During our inspection process, we analyse the sample using computerized systems to ensure that the constituents of the sample as well as the proportion of the constituents within the sample meet our standards and specifications. Raw materials that do not comply with our standards and specifications are immediately rejected and the supplier will be informed accordingly. The raw materials rejected by us will be returned to the supplier without exception.

This stage of our quality control process ensures that only raw materials which meet our standards and specifications are utilised in our production process.

In-process quality control

We place great emphasis on the quality control processes during production due to the nature of our products. The quality of our products is ensured if the controls in our production processes are strictly adhered to.

Our products are of a consistent quality of our products as our entire production process is fully automated. We use a distributed control system (DCS) to monitor and control distributed equipment which requires minimal human intervention. The broad architecture of a DCS solution involves either a direct connection to physical equipment such as switches, pumps and valves or connection via a secondary system such as a Scada system.

A Scada system (i.e. Supervisory Control And Data Acquisition) is a process control application that collects data from sensors and machines on the shop floor or in remote locations and sends them to a central computer for management and control.

Through DCS, we are able to monitor the pressure, temperature, flow rate, chemical breakdown, liquid level and process such data obtained through our central computer system. Should there be any slight deviation in any of the processes, the system is able to undergo a self-correcting procedure. The data sent to our central computer system will also be analysed by our quality control personnel and further corrections will be made, if necessary.

We have highly qualified personnel operating and monitoring the data retrieved from the system 24 hours a day, 7 days a week. Our personnel work in 3 shifts, each shift lasting 8 hours.

As part of our emphasis on maintaining high standards in our quality control on the production process, we only employ staff who meet our stringent requirements. Once employed, we also conduct frequent staff training sessions to ensure that the skills of our staff are upgraded. Please refer to the section entitled "Staff Training and Development" of this Prospectus for further details.

Further, at the end of each production stage, our semi-finished products will be analysed on a sampling basis, using both our computer system, as well as through our quality checking staff. The analysis will be made on the physical properties as well as the chemical properties of the sample at the end of each production stage so as to ensure that the semi-finished products are consistent. This is to ensure that in the event of any deviation, the entire batch of semi-finished products can be rectified before the next production stage.

With such stringent quality checks during the production stages, we can ensure that our production process is stable and that the finished products meet our high standards.

Outgoing quality control

Our quality checking staff conducts the final quality check on all products before delivery to our customers. We have a three-stage inspection process for our finished products: (i) production line monitoring process, (ii) intermediate storing process and (iii) inspection before delivery process.

As our production process is continuously running, we conduct quality checks on the finished products while they are still in the production line. We then conduct checks on the products in the intermediate storage facilities. Only products that satisfy our high standards will be transferred into big storage tanks ready for sale and delivery to our customers. Before our finished products are delivered to our customers, our quality checking staff will conduct a final check on the quality of the finished products and issue a quality certification before the finished products can be delivered to our customers. The quality checks are conducted on a sampling basis, passing the sample through a laboratory test. In the event that any of the finished products do not meet with our specifications and national standards GB338-92 set by the General Administration of Quality Supervision Inspection and Quarantine of the People's Republic of China (国家质量监督检验检疫总局), the entire batch of the finished products is immediately re-introduced at the appropriate production stage of our production line for rectification.

In the light of the entire quality control process, we ensure that our products comply with our customers' requirements and technical specifications. Only those products that pass all stages of our quality control process will be delivered to our customers together with the relevant quality certification documents.

Customer feedback

As part of our service to our customers, we encourage customers to provide feedback to us to enable us to review our performance and our products as well as to assist our customers in resolving any technical issues that they may face during their own manufacturing processes. These feedback sessions allow us to under our customers' needs and enable us to improve our products and processes.

Based on the last 3 financial years and up to the Latest Practicable Date, our customers have not rejected any delivery orders due to defective or unsatisfactory products delivered.

SAFETY MEASURES

We enforce strict safety regulations and take stringent measures to ensure the safety aspects of our production facilities and processes. The emphasis of safety in the production facilities and processes are implemented rigorously both by ourselves, as well as our main supplier, Anhua.

The measures that we take include the following:-

a) Work Safety Rules and Emergency Response Measures

We implement internal rules for safety in production (安全生产管理条例) to specify the requirements of work safety and procedures that need to be followed by our employees. These rules are described in detail in our internal handbook made available to all our employees. These rules seek to implement various safety measures in the following business operations, including but not limited to:

1) Technical systems;
2) Maintenance and repair system;
3) Prevention of fire and chemical explosion;
4) Management of hazardous products;
5) Conduct of chemical testing;
6) Prevention of chemical poisoning and the first-aid measures;
7) Construction, installation, rebuilding and expansion of facilities; and
8) Monitoring of traffic within Anyang Jiutian's premises.

Furthermore, in order to ensure safety in our production processes, safety measures are implemented at different stages of production for all our products. Our production facilities are well-equipped with advanced safety features, which can automatically shut down any particular production process in the event any unusual occurrences are detected.

We provide protective gear to our employees to ensure a healthy and safe work environment for them, for example the oxygen masks and work overalls.

We have also developed emergency procedures to react to and handle any incidents that may arise in our facilities. A dedicated emergency response team has been established, consisting of well-trained staff, all of whom are under the charge of Mr Sun Zhiqiang, one of our Executive Directors and the General Manager of Anyang Jiutian. The responsibilities of our emergency team include: (1) rescue; (2) providing logistic supply in emergency situations, (3) providing medical aid and support and (4) conducting damage assessment and evaluation.

b) Work Safety, Technology and Skill Training

We carry out a three-level training programme covering work safety, technology and skill training. All our new employees will receive general training on work safety, technology and skill training. Once they have completed the general training programme, they are sent to their respective workshops to receive further training on general safety regulations relevant to their workshops. Thereafter, they

are sent to their respective work-stations, where they begin their work as an apprentice. As an apprentice, these employees receive specific production skill training to ensure that our production will not be affected due to any mishandling or inexperience.

c) We have professional work safety team and technical staff

The general coordination and supervision of work safety are carried out by a work safety commission comprising members of our senior management staff as well as representatives from various production departments. The technical support for work safety is carried out by the Production Technology Department (生产技术部). Inspections are regularly carried out by safety inspection teams under each production department. Where inspection involves processes such as electric welding or gas welding which require special technical knowledge, we deploy our technicians who hold the relevant professional certificates.

d) System of job responsibility

We assign different job responsibilities to all our employees based on their seniority and positions within our Group. We have implemented a system of reward based on work safety records set by the different production workshops. Each production workshop will be assigned a specific person who will ensure that our work safety procedures are adhered to. In the event that all work safety procedures are adhered by any production workshop in any particular year, that production workshop and such persons put in charge of that production workshop will be awarded at the end of that year.

e) Managing waste materials

In compliance with the relevant environmental protection regulations regulating companies carrying on the production of chemicals in the PRC, we have set up a complete management system and committee to monitor environment protection matters.

(1) Committee in charge of the discharge of pollutants

We have set up the Environmental Protection Administrative Committee (the "EPA Committee") to oversee the overall environmental protection matters. One of our executive directors, Mr Sun Zhiqiang, who is also the General Manager of Anyang Jiutian, is the head of this Committee.

The EPA Committee has an executive arm, the Production and Technical Department, which is in charge of daily administration and coordination of environment protection.

Environmental protection teams are formed within each production workshop, with the heads of the respective workshops being in charge of such teams. For every workshop, there is also a designated full or part time environmental officer administering the environmental matters.

We also have an environmental monitoring station within our quality control system, to monitor the environmental situation. Please refer to the section entitled "Quality Control" of this Prospectus for further details on our quality control system.

(2) Internal Rules and Regulations in relation to the Pollutant Discharge

We have implemented various internal rules and procedures on environmental protection. These rules and procedures are described in detail in our internal handbook made available to all our employees who must adhere to the rules and regulations set out in the said handbook.

(3) Daily Management of Pollutants Discharge

The main pollutants discharged by our Group are waste gases and waste water together with a small quantity of waste solid. The waste materials are usually recycled and/or reused. For instance, the waste water is recycled and reused in our production processes. The rest of the waste materials which cannot be recycled and/or reused, are properly treated before being discharged. The Production and Technical Department has designated persons in charge of testing waste materials discharged on a daily basis to ensure that the waste materials released comply with the relevant standards specified by the Anyang City Environment Protection Bureau.

(4) Measures for Dealing with Incidents of Pollutant Release

In the event it is discovered that any waste materials beyond accepted standards are discharged, the Production and Technical Department is in charge of taking appropriate action. In the event such incidents cause property damage or cause personal injury to any of our Group's employees or any third parties, the Production and Technical Department will immediately report this to the EPA Committee and Mr Sun Zhiqiang, being the General Manager, would decide on the appropriate solutions.

The following are awards granted to Anhua, at the time when Anyang Jiutian was a subsidiary of Anhua :-

1. Model Unit on Administration of Work Safety for the year 2000 (2000 年度安全生产管理先进单位) issued by Henan Oil and Chemical Industry Administration (河南省石油化学行业管理办公室)

2. Model Unit on Preventing and Curing Industrial Diseases in Henan Province (河南省职业病防治工业先进企业) in December 2002 issued by Sanitation Bureau of Henan Province-General Labor Union of Henan Province (河南省卫生厅—河南省总工会)

3. Provincial Model Unit of Work Safety (全省安全生产先进集体) issued by Human Resource Department of Henan – Henan Work Safety Administration Bureau (河南省人事厅- 河南省安全生产监督管理局)

4. Model Unit on Work Safety for the year 2003 (2003年度安全生产先进集体) issued by the Committee of Work Safety of Anyang Municipal Government (安阳市人民政府安全生产委员会)

The following are awards granted to Anyang Jiutian:-

1. Model Unit on Accomplishing the Target of Work Safety for the year 2003 (2003 年度完成安全生产目标先进单位) issued by Anyang Municipal Government (安阳市人民政府)

2. Model Unit of Fire-Fighting in 2003(2003年度消防先进单位) issued by the Committee of Fire-fighting Safety of Anyang City (安阳市防火安全委员会)

3. Model Unit on Accomplishing Target of Work Safety for the year 2004 (2004 年度完成安全生产先进集体) issued by Anyang Human Resource – Anyang Work Safety Administration Bureau (安阳市人事局 - 安阳市安全生产监督管理局)

4. National Model Unit on Environmental Protection related to Chemical Industry for the year 2005 (2005 年全国化工环境保护先进单位) issued by China Petroleum and Chemical Industry Association-China Chemical Industry Pollution Prevention Technology Association (中国石油和化学工业协会 - 中国化工防治污染技术协会)

Anyang Jiutian was recently awarded Model Unit on Work Safety for the year 2004 (2004 年度安全生产先进单位) issued by Anyang Work Safety Administration Bureau (安阳市安全生产监督管理局) in March 2005. Anyang Jiutian has also obtained a Work Safety License from Henan Work Safety Administration and Supervision Bureau in 5 April 2005. The licence is valid for three years and is subject to renewal. We have

also passed the fire control acceptance check (消防验收) carried out by Anyang Fire Control Bureau on 18 June 2005 which indicates that our main facilities have satisfied the relevant fire safety requirements as required by relevant PRC laws.

As at the Latest Practicable Date, we have not experienced any major safety-related incidents nor breached any environmental-related regulations.

RESEARCH AND DEVELOPMENT

We do not conduct any research and development activities.

INTELLECTUAL PROPERTY

We currently do not own any registered trademarks in respect of our products nor do we own any patents. We submitted the following applications to the Trademark Office under State Administration for Industry and Commerce of the PRC:-

Trade Mark	Country of Registration	Applicant	Class /Category	Application No.	Date of Application
	The PRC	Anyang Jiutian	1	4808889	1 August 2005
新资九天	The PRC	Anyang Jiutian	1	4808890	1 August 2005
	The PRC	Anyang Jiutian	1	4808891	1 August 2005

Category 1 refers to chemicals used for industry, science, photography, agriculture, horticulture and forest, unprocessed man-made synthetic resin, unprocessed plastic components, fertilizer, fire extinguishing components, materials for quenching and welding, chemicals for food preservation, tanning material, industrial binding agent.

Our application for the above three trademarks was accepted on 28 September 2005. The three trademarks are now under material examination by the State Trademark Bureau. If the State Trademark Bureau gives preliminary approval after the material examination, the preliminary approval of trademark registration will be published for public opinion. If no objection is raised within three months from the date of publication for public opinion, the Trademark Office will issue formal certificates relating to these trademarks. Prior to us registering the above-mentioned trademarks, our products were not sold under any particular trademarks. Upon the above trademarks being registered, we intend to use them as brands for the sale of our products. Whilst we believe that the demand for our products is largely independent on quality and not branding, especially in the light of the fact that our products are used as raw materials or intermediate raw materials, we believe that branding our products is part of our marketing strategy to enhance recognition of our products.

SEASONALITY

We usually do not experience any significant seasonality patterns in our business.

GOVERNMENT REGULATIONS

Generally, the chemical industry is subject to stringent environmental protection, health and safety laws and regulations. Anyang Jiutian, which conducts our main business operations, is subject to all relevant laws and regulations in PRC. We have identified the main laws and regulations that affect our operations and the relevant regulatory bodies. For details on the applicable PRC laws and regulations, please refer to Annex C of this Prospectus.

We are issued with a safety production licence by Henan Province Safety Production Supervisory Board (河南省安全生产监督管理局). The licence is valid only for 3 years and is subject to 3-yearly renewal. Without the licence, we are not able to undertake any production activities.

On 15 March 2006, we obtained the "Pollutant Discharge Permit" (排污许可证) from the Anyang City Environment Protection Bureau. The permit, which is valid for 1 year from the date of issue, specifies that our production plants in relation to our products, namely methanol, methylamine, DMF, CO_2 and O_2 is allowed to discharge waste water, waste gas and other waste materials into the Anyang river, subject to compliance with national environmental regulations. The permit also specifies the types of the waste materials that can be discharged.

Todate, our Group has not violated any laws or regulations relating to environmental protection, health and safety standards. We have obtained all the requisite licenses, permits and registrations for our business operations in the PRC.

SALES AND MARKETING

Generally, our products are sold directly to our customers by our sales and marketing teams. Our Group sells its products to customers in the PRC, which include customers in Henan Province, the surrounding provinces adjacent to Henan, namely Hebei (河北), Shaanxi (陕西), Shanxi (山西), Hubei (湖北), Shandong (山东), Jiangsu (江苏) and Anhui (安徽), and provinces in the Yangtze (Changjiang) Delta Region, namely, Jiangsu (江苏) and Zhejiang (浙江). Some of its customers are manufacturers of downstream products that use methanol, methylamine and DMF, while others, especially those located further away in the Yangtze Delta Region, are trading firms that distribute these chemicals to customers that use these chemicals in their manufacturing processes.

Whilst we are capable of marketing to customers beyond our surrounding provinces, high transportation costs deter us from doing so. Our Group fosters customer loyalty by cultivating long-term customer relationships, providing excellent customer service and producing consistently high-quality products at competitive prices. We customize the grade and quality of our products as well as the packaging of our products in accordance with each individual customer's needs and requirements.

The roles and responsibilities of our sales and marketing team are as follows:-

(a) Securing orders from our customers;

(b) Conducting market research and survey to assess industry trends and pricing to enable us to plan our marketing strategies;

(c) Collating feedback from our customers on the quality, packaging, transportation, delivery schedule of our products, and to propose and implement improved procedures in order to meet our customers' demands and requirements;

(d) Managing customer relationships through regular visits to our customers' offices; and

(e) Providing after-sales and technical support services to assist our customers in achieving their requirements or resolving any technical issues that they face during their production process through the use of our products.

As our products are used widely in the production of other kinds of chemicals, we are constantly on a lookout for any newly developed or developing industries to increase our customer base. We conduct such research through specialised trade magazines, web-based searches and maintain constant communication with local governmental authorities and specialised industrial associations.

Other than carrying on their roles and responsibilities in sales and marketing, our sales and marketing team is also responsible for the sourcing of raw materials necessary for our production. Please refer to the section entitled "Major Suppliers" of this Prospectus for further details.

As at the Latest Practicable Date, our sales and marketing team comprises 12 members. In order to ensure that our sales and marketing team discharges their duties effectively, each member undergoes regular training on our products and production process. Please refer to the section entitled "Staff Training and Development" of this Prospectus for further details.

INVENTORY MANAGEMENT

Our inventory comprises raw materials and finished products. Due to the integrated nature of our chemical production processes, the production of our products takes place continuously 24 hours a day, 7 days a week. As our finished products form essential raw materials for many other chemical products, there is a constant demand for our finished products. As such, we maintain a minimal inventory of finished products. However, we do have storage facilities to store a maximum of 1,600 tonnes of methanol, DMF and methylamine respectively. As at the Latest Practicable Date, we do not have any provision for stock obsolescence as a result of the consistent demand for our finished products.

Our average inventory turnover and allowance for stock obsolescence for FY2002, FY2003, FY2004 and HY2005 were as follows:-

	FY2002	**FY2003**	**FY2004**	**HY2005**
Inventory turnover (Days)	2.6	0.1	3.7	5.0
Allowance for Stock obsolescence (RMB'000)	Nil	Nil	Nil	Nil

The demand for our products has always been high and we have traditionally obtained orders prior to production. As a result, our inventory turnover days have been low and no allowance for stock obsolescence was needed. In recent years, we have begun to produce slightly more so as to take advantage of price fluctuations in the market. Even then, our inventory turnover days have remained low, at only 5.0 days in HY2005.

CREDIT MANAGEMENT

Our normal sales term is cash on delivery. However, as we strive to cultivate customer loyalty with our long-standing customers, we may give our long-standing customers a credit term of up to 21 days limited to RMB 60,000 for every transaction. The credit terms granted to our long-standing customers are determined on a case-by-case basis, taking into account factors such as the size and frequency of the transactions, their financial background, payment history, credit-worthiness and the duration of their relationship with us.

Our credit management policy is constantly monitored by our Financial Controller. Our Financial Controller makes recommendations to Mr Wang Xianjin (our Executive Chairman and CEO) and Mr Sun Zhiqiang (our Executive Director and general manager of Anyang Jiutian) on the terms of credit that may be granted to any of our long-standing customers. Either Mr Wang or Mr Sun will then decide which of our long-term customers will be granted favourable credit terms.

Based on the abovementioned credit management policy, we have not experienced any significant bad debts in the last three financial years.

TRADE DEBTORS

Our average trade debtor turnover and allowance for doubtful debt for FY2002, FY2003, FY2004 and HY2005 were as follows:-

	FY2002	FY2003	FY2004	HY2005
Trade debtors turnover (Days)	17.7	7.8	6.0	14.0
Allowance for doubtful debt (RMB'000)	16,440	16,440	16,440	110

Our product composition has been changing rapidly over the last few years as the Company expanded our product offer as well as production capacity. This had led to fluctuations in our trade debtors turnover days over the period under review.

Allowance for doubtful debt for FY2002, FY2003 and FY2004 comprise of:-

Debtors originating from sales of goods in the methanol division made in the following years:

	RMB'000
Before 1997	16,399
Between 1997 and 2001	41
Total	16,440

Since 2002, there have been no additional bad debts incurred. We generally accept cash sales, bankers acceptances or receive cash in advance for sale of goods. The bad debts of RMB 16.4 million were not taken over by Anyang Jiutian when Anyang Jiutian acquired the methanol business from Anhua, and are included above only for pro forma purposes.

The allowance for doubtful debt of RMB 110,000 relates to a customer with whom Anyang Jiutian has no further dealings since 2002 and accordingly a full provision has been made for the amount owed by this customer.

TRADE CREDITORS

Payment terms granted by our suppliers vary from supplier to supplier and are dependent, *inter alia*, on the size of the transaction and our relationship with the supplier. Typically, our suppliers grant us payment terms of 30-days credit. Alternatively, the instalment payment terms imposed by our suppliers can be based on an instalment payment scheme. A typical payment scheme would entail a certain percentage of the purchase price to be paid upon delivery, the next instalment to be paid upon us utilizing and/or installing the products supplied to us by our suppliers, with the remaining balance payable upon the expiry of the quality assurance period granted to us by our suppliers. Our suppliers normally grant us assurance on the quality of their products for a period of one year from the date of purchase.

As the main raw materials for our products are supplied by Anhua, we have entered into a 20-year supply agreement with Anhua dated 1 January 2005. Under the terms of the 20-year supply agreement, we have to pay for the supplies from Anhua on a monthly basis in arrears within 10 days after we confirmed the amounts stated in the invoices rendered by Anhua.

	FY2002	FY2003	FY2004	HY2005
Trade creditors turnover (Days)	4.8	4.5	21.5	41.9

Our product composition has been rapidly changing over the last few years as we expanded our product offer as well as production capacity. This had led to fluctuations in our trade creditors turnover days over the period under review. The DMF division began operating in FY2004 though it took much of the year before production went into full swing. In HY2005, credit terms for Anhua is 10 days and for other suppliers as long as 60 days, as a result of which average trade creditors turnover is 41.9 days.

MAJOR SUPPLIERS

Our principal raw materials are water gas and liquid ammonia. These are supplied by Anhua through a 20-year supply agreement entered into between Anyang Jiutian and Anhua dated 1 January 2005.

Under the 20-year supply agreement, Anhua is to supply (a) water gas, ammonia liquid, water, electricity, meter running gas, steam and nitrogen gas to our DMF and methylamine workshops, (b) water gas, water, electricity, steam, meter gas and nitrogen gas to our methanol workshop and (c) carbon dioxide, oxygen, production water, electricity and steam to our gas workshop. The supply term is for 20 years commencing on 1 January 2005 to 31 December 2024. The prices for all the materials and services supplied by Anhua for the first 3 years of supply from 2005 to 2007 are at an agreed price, with the price for the remaining supply term (in 3-year blocks) fixed in accordance with an agreed price mechanism based on market price. The term of the supply is renewable on the 18th year through negotiation between the parties for a further period of 20 years.

The 20-year supply agreement does not specify any minimum quantity that the Group must purchase from Anhua. Whilst it is a term of the supply agreement that Anyang Jiutian shall give Anhua its annual production plan and an annual forecast of the amount of materials needed from Anhua at the beginning of each year, it is expressly stated in the supply agreement that such kind of forecast shall not be regarded as the minimum amount Anyang Jiutian has to purchase from Anhua. The supply agreement also expressly states that Anyang Jiutian has the right to buy these materials directly from other third parties.

There is also a non-competition clause in the 20-year supply agreement with Anhua providing that during the continuance of the 20-year supply agreement and for a further period of five years after the termination of the 20-year supply agreement, Anhua shall not, and shall procure that its subsidiaries or related companies do not, whether directly or indirectly by themselves or through any person, company, firm, enterprise or other entity in any capacity whatsoever manufacture, market, promote, distribute, sell or deal in any products manufactured by the Group or be otherwise involved or interested in any business undertaking in respect of any of the abovementioned activities or any other activity in competition with any of the businesses of the Group.

According to the terms of the supply agreement, it is stated that none of the parties is allowed to change or terminate the contract. However, the supply agreement provides that parties can amend the contract by entering into a supplemental agreement after negotiation.

Anyang Jiutian and Anhua further entered into a supplementary agreement to the 20-year supply agreement dated 1 July 2005 varying one of the terms of the 20-year supply agreement in respect of the prices of the raw materials listed in the 20-year supply agreement. The parties agree that for the 3 years of supply, i.e. 2006, 2007 and 2008, the prices of each raw material shall be compared to market price every half yearly during these years. In the event that the market price is lower than the agreed price by more than 10%, the price of the raw materials to be purchased by Anyang Jiutian from Anhua for the half-year period following the determination shall refer to the market price.

Anhua has been our major supplier of our principal raw materials. This is mainly due to the fact that prior to the Restructuring Exercise, our businesses were conducted through Anhua. We have since entered into a

20-year supply agreement with Anhua, so that we can be assured with a stable supply of our essential raw materials in accordance with our standards and specifications. Further, under the terms of the 20-year supply agreement, we enjoy stable prices for raw materials supplied by Anhua for 3 years. This will enable us to maintain competitive prices for our finished products. An added advantage in entering into a 20-year supply agreement with Anhua is that we are not charged by Anhua for any transportation costs for the raw materials supplied, due to our close proximity with Anhua. With a price mechanism agreed for our supplies for a period of 20 years commencing from 1 January 2005, we are able to plan for our future growth.

Notwithstanding the 20-year supply agreement with Anhua, in the event that Anhua is not able to supply any of our raw materials, the impact on our business operations will depend on which raw materials Anhua is not able to supply.

As identified as one of our risk factors, if Anhua is unable to supply water gas to us, we will not be able to produce methanol. This is because, as at the Latest Practicable Date, there are no alternative suppliers of water gas available in our area. However, there are plans by Anyang Jiutian to produce water gas for our own use in future. Please refer to the section entitled "Business Strategies and Future Plans" of this Prospectus for further details.

In the event that Anhua is unable to supply liquid ammonia, we are able to look to alternative suppliers within the region. Whilst impact on our financial performance may not be significant as the price of liquid ammonia supplied by Anhua to Anyang Jiutian is based on market price, it is likely that we will incur transportation costs. We are not charged by Anhua for any transportation costs for the raw materials supplied.

In relation to electricity, our Directors believe that it is unlikely that Anhua will not be able to supply electricity. This is due to the fact that Anhua has been appointed by Anyang Administration of Power Supply (安阳市供电局), which has provided Anhua with an electricity converter, to supply electricity to the entire area within a 3 km radius from Anhua which covers the area in which Anyang Jiutian is located.

In relation to water and steam, in the event that Anhua is unable to supply these raw materials to Anyang Jiutian, we do not foresee any difficulty in obtaining these raw materials from other suppliers as these are readily available in Henan province.

In general, we believe that Anhua will be able to comply with the terms of the 20-year supply agreement, as it is a state-owned enterprise which receives incentives and support from the PRC government. Further, Anhua is carrying on the business of a state-protected industry, i.e. the manufacture and production of fertilisers for agriculture in the PRC.

Anhua would account for between 78.6% and 90.6% of our total purchases for the last three financial years ended 31 December 2004 and the six months ended 30 June 2005.

Excluding Anhua, we set out below a list of our major suppliers who accounted for 5% or more of our total purchases for the last three financial years ended 31 December 2004 and the six months ended 30 June 2005:-

Major Suppliers	Raw materials supplied	As a percentage of total raw materials purchased (excluding purchases from Anhua) (%)			
		FY2002	FY2003	FY2004	HY 2005
Sichuan Tianyi Science & Technology Co., Ltd ("Sichuan Tianyi") (四川天一科技股份有限公司)	Catalyst used in the methanol synthesis process (甲醇合成触媒)	6.1	Nil	5.2	Nil
Sinopec China Petroleum & Chemical Corporation ("Sinopec") (中国石油化工股份有限公司)	Catalyst for use in the production of methylamine (甲胺催化剂)	Nil	7.5	5.5	Nil
Henan United Development Foreign Trade Co., Ltd (河南省联发对外贸易有限公司)	Sodium methylate: catalyst for use in the production of DMF (甲醇钠)	Nil	6.1	5.2	5.7
Shandong Zibo Linzi Xin Long Chemical Co., Ltd (山东淄博市临淄化工股份有限公司)	Sodium methylate: catalyst for use in the production of DMF (甲醇钠)	Nil	6.3	4.7	6.1

Apart from the 20-year supply agreement entered with Anhua described above, we have not entered into any long-term supply agreement with any of our suppliers. This gives us the flexibility of evaluating and selecting our suppliers as and when necessary. Our evaluation of suppliers takes into consideration factors such as product quality, price, delivery time, after-sales service and the credit terms granted.

In relation to our purchases of catalyst from Sichuan Tianyi, there are no purchases in FY2003 and HY2005 as we purchase sufficient amount of catalyst to last for 24 months for use in our production of methanol. This catalyst does not deteriorate in the 24-month period. We purchase this catalyst on a 24 month cycle so that we will be able to enjoy a better price from this supplier.

In contrast, our purchase of catalyst for use in the production of methylamine from Sinopec is based on a 12-month period, as the nature of this catalyst is such that it would not last beyond this period. We have not yet made any purchases for HY2005, as we have sufficient catalyst as at HY2005. We did not purchase any catalyst for the production of DMF and methylamine in FY2002, as production of DMF and methylamine only commenced in FY2003 albeit on a test basis in that year.

There is generally a decrease in purchases from our suppliers in FY2004. This is due to an increase in the production of our products. With an increase in our production capacity, we have to maintain a bigger supplier base, thus reducing the percentage of purchasers made from suppliers as listed in the above table.

Save as disclosed above, none of our Directors, Executive Officers or Substantial Shareholders or their associates has any interest, direct or indirect, in Anhua or any of the above suppliers.

MAJOR CUSTOMERS

As at the Latest Practicable Date, our customers are all based in the PRC, ranging from large multi-national corporations and state-owned enterprises to privately-owned enterprises. The Group sells its products to customers in the PRC, which include customers in Henan province, the surrounding provinces adjacent to Henan (河南), namely Hebei (河北), Shaanxi (陕西), Shanxi (山西), Hubei (湖北), Shandong (山东), Jiangsu (江苏) and Anhui (安徽), and provinces in the Yangtze (Changjiang) Delta Region, namely, Jiangsu (江苏) and Zhejiang (浙江). Some of its customers are manufacturers of downstream products that use methanol, methylamine and DMF, while others, especially those located further away in the Yangtze Delta Region, are trading firms that distribute these chemicals to customers that use these chemicals in their manufacturing processes.

We do not have any long-term supply agreement with any of our customers as it is difficult to fix the amount and the price of our products to be sold to our customers. Furthermore, the demand for our products by our customers would also depend on the demand for our customers' finished products. As such, we do not keep an order book. However, due to our emphasis on the quality of our products and on our marketing efforts, a number of our customers are repeat customers.

We set out below a list of our major customers who accounted for 5% or more of our total revenue for the last three financial years ended 31 December 2004 and the six months ended 30 June 2005:-

Major Customers	**As a percentage of total revenue (%)**			
	FY2002	**FY2003**	**FY2004**	**HY2005**
DMF				
Taizhou Yihui Trade Co., Ltd (台州市益辉贸易有限公司)	Nil	Nil	10.4	11.1
Changzhou Xie'an Chemical Industry Co., Ltd. 常州新区协安物资有限公司	Nil	Nil	5.8	5.4
Methanol				
Shandong Hualu Hengsheng Chemical Co., Ltd ("Shandong Hualu") (山东华鲁恒升化工股份有限公司)	18.0	18.0	Nil	Nil
Jiangsu Muyang Jin Chun Chemical Industry Co., Ltd ("Jiangsu Muyang") (江苏沭阳县金春化工有限公司)	11.0	11.0	6.0	7.0
Hebei Xingtai Jingong Chemical Co., Ltd ("Hebei Xingtai") 河北邢台进功化工有限公司	7.0	7.0	4.0	6.0

In relation to Shandong Hualu, in FY2004, after we started our production of DMF in October 2003, we ceased our supply of methanol to them. Furthermore, Shandong Hualu also started producing DMF themselves, thus becoming our potential competitor in the DMF market. Our supply of methanol to Jiangsu Muyang and Hebei Xingtai also decreased from FY2003 to FY2004. This is because we started using the methanol we produced as a raw material in the production of DMF in FY2004.

There is slight increase in our supply of methanol to Jiangsu Muyang and Hebei Xingtai in HY2005. This is due to an increase in our sales allocation of methanol to them for being our long-term customers.

None of our Directors, Executive Officers or Substantial Shareholders or their associates has any interest, direct or indirect, in any of the above major customers.

Save as disclosed above, we are not materially dependent on any contracts with any customers.

COMPETITION

The fine and speciality chemical industry in the PRC is a competitive industry, as there are many producers for each of our products. However, in respect of methanol and methylamine, we only consider some of these producers as our competitors based on their geographical location in relation to our customers.

We also do not consider international chemical producers as our direct competitors as imported chemical products are generally more costly than any chemicals produced locally in the PRC.

To the best of our Directors' knowledge and belief, we consider the following producers to be our direct competitors in the production of our respective products:-

Product	Competitors	Production Capacity as at the Latest Practicable Date
Methanol	1. Henan Zhong Yuan Chemical Industry (Group) Co., Ltd. (河南中原化工(集团)有限公司)	100,000 tonnes[(1)]
	2. Qixian Hua Yuan Chemical Industry Co., Ltd. (淇县华源化工有限公司)	70,000 tonnes[(2)]

We are however the only DMF producer in Henan province and to the best of our Directors' knowledge and belief, we are the only significant DMF producer within 500km from us (based on available road and railway networks).

Whilst we consider the above-mentioned as our competitors in the production and sale of methanol, our production of methanol is largely used in the manufacture of our other products, namely methylamine and ultimately DMF, and not sold to our customers. As such, we do not believe that these competitors will have any significant impact on our business operations.

For methylamine, our Directors are of the opinion that we do not have any major competitors in our locality. This is because other than a small methylamine producer who is capable of producing a capacity of only 3,000 tonnes per annum, we are the only methylamine producer in Henan province and to the best of our Directors' knowledge and belief, we are the only significant methylamine producer within 500 km from us (based on available road and railway networks). By comparison, our production capacity is over 30,000 tonnes per annum. Furthermore, the explosive nature of methylamine makes it a difficult product to transport over long distances. As such, it would be costly for any methylamine producer beyond a 500 km radius to sell to customers within our vicinity.

Furthermore, at least 95% of methylamine produced is used for our own production of DMF.

For DMF, to the best of our Directors' knowledge and belief, we consider the following producers to be our competitors:-

Product	Competitors	Production Capacity as at the Latest Practicable Date
DMF	1. Zhejiang Jiangshan Chemical Co., Ltd (浙江江山化工股份有限公司)	120,000 tonnes[3]
	2. Shandong Hualu Hengsheng Chemical Co., Ltd (山东华鲁恒升化工股份有限公司)	80,000 tonnes[4]
	3. Anhui Huaihua Fine Chemical Co., Ltd (安徽淮化精细化工股份有限公司)	50,000 tonnes[5]

We are however the only DMF producer in Henan province and to the best of our Directors' knowledge and belief, we are the only significant DMF producer within 500km from our location (based on available road and railway networks). Our production capacity as at the Latest Practicable Date is 30,000 tonnes per annum.

For consumable CO_2 and O_2, whilst there are many producers of gas within a 500km radius from our location, Anyang Jiutian is the only gas producer in Anyang supplying to satisfy the local demand in Anyang. However, our gas business forms a very small part of our business operations.

Notes:-

(1) Source: "Corporate Profile of Henan Zhong Yuan Chemical Industry (Group) Co., Ltd" published in the Henan Zhong Yuan Chemical Industry (Group) Co., Ltd website (http://www.pyjc.com/). Please note that the host of the website has not consented to the inclusion of the information extracted from the website and is thereby not liable for such information under Sections 253 and 254 of the Securities and Futures Act. The Directors are aware that the host of the website does not guarantee or assume responsibility that the information extracted from its website is accurate, current or reliable, or may be used for any purpose other than for general reference. We are unable to verify the accuracy of the contents of the relevant information and have included such information in its proper form and context in this Prospectus. The information was accessed at the following uniform resource locator: http://www.pyjc.com/index.htm on 17 March 2006.

(2) Source: "Qixian Huayuan Chemical Industry Co. Ltd" published on Hebi City Government (河南鹤壁市人民政府网) website (www.hebi.gov.cn). Please note that the host of the website has not consented to the inclusion of the information extracted from the website and is thereby not liable for such information under Sections 253 and 254 of the Securities and Futures Act. The Directors are aware that the host of the website does not guarantee or assume responsibility that the information extracted from its website is accurate, current or reliable, or may be used for any purpose other than for general reference. We are unable to verify the accuracy of the contents of the relevant information and have included such information in its proper form and context in this Prospectus. The information was accessed at the following uniform resource locator: http://www.hebi.gov.cn/zdqy/2005-11/21/2005112151.htm on 17 March 2006.

(3) Source: "300,000t/a methanol project" 《年产 30 万吨甲醇生产项目》published in the Economic & Trade Commission of Zhejiang Province (浙江省经济贸易委员会) website (http://www.zjjmw.gov.cn). Please note that the host of the website has not consented to the inclusion of the information extracted from the website and is thereby not liable for such information under Sections 253 and 254 of the Securities and Futures Act. The Directors are aware that the host of the website does not guarantee or assume responsibility that the information extracted from its website is accurate, current or reliable, or may be used for any purpose other than for general reference. We are unable to verify the accuracy of the contents of the relevant information and have included such information in its proper form and context in this Prospectus. The information was accessed at the following uniform resource locator: http://www.zjjmw.gov.cn/zsyz/investmentdeta.jsp?id=2004051315043385718134280700000000013 on 17 March 2006.

(4) Source: "Restructuring and Merging Resources - To develop a steady and efficient industry - Forum on DMF and chemical industry) 《整合资源打造稳定高效的行业价值链—"DMF 与化工行业价值链高端论坛"精彩回放》published on China Security (online newspaper) (中国证券报网络版) website (www.cs.com.cn). Please note that the host of the website has not consented to the inclusion of the information extracted from the website and is thereby not liable for such information under Sections 253 and 254 of the Securities and Futures Act. The Directors are aware that the host of the website does not guarantee or assume responsibility that the information extracted from its website is accurate, current or reliable, or may be used for any purpose other than for general reference. We are unable to verify the accuracy of the contents of the relevant information and have included such information in its proper form and context in this Prospectus. The information was accessed at the following uniform resource locator: http://www.cs.com.cn/ssgs/07/t20051205_814681.htm on 17 March 2006.

(5) Source: "DMF's intense competition is on - Anhui Huaihua is ready)《DMF 恶战即将上演-安徽淮化蓄势待发》published on PU World.com (环球聚氨酯网) website (http://cn.puworld.com). Please note that the host of the website has not consented to the inclusion of the information extracted from the website and is thereby not liable for such information under Sections 253 and 254 of the Securities and Futures Act. The Directors are aware that the host of the website does not guarantee or assume responsibility that the information extracted from its website is accurate, current or reliable, or may be used for any purpose other than for general reference. We are unable to verify the accuracy of the contents of the relevant information and have included such information in its proper form and context in this Prospectus. The information was accessed at the following uniform resource locator: http://cn.puworld.com/News/NewsView.asp?MainID=8787600 on 17 March 2006.

COMPETITIVE STRENGTHS

Our Directors believe that our key competitive strengths are as follows:-

(a) Geographical advantage





Henan province occupies a strategically important location, as it is a central point between the northern and southern parts of the PRC as well as the eastern and the western parts of the PRC. As a result of its excellent location, the PRC government has been rigorously promoting the region as a strategic economic zone. As part of its policy to promote Henan province, the infrastructure within the region has improved rapidly. Anyang, where our operating subsidiary, Anyang Jiutian, is located, is situated at the north of Henan province. It is linked with the rest of the country by a good transportation network, with the Beijing-Guangzhou railway, Anyang-Lingzhou railway, Tangyin-Puyang railway and Beijing-Zhuhai expressway running through it. It is also close to Zhengzhou, Henan's provincial capital, which has one of Asia's largest railway station and network. Further, a dedicated railway line runs directly to our factory in Anyang. This greatly facilitates the delivery of our products and reduces our transportation costs. Also, through an advanced network of infrastructure found in this region, we are able to reach our customers located further from our region and expand our sales distribution network to regions outside Henan province. Furthermore, it was announced on 1 December 2004 that the PRC government is planning to build a separate railway line in the Henan province specifically for passengers only. This will be completed in 2010. With the completion of this new railway line for passengers, the existing railway lines will be used exclusively for the transportation of cargo. It is planned that Zhengzhou shall be developed into a logistics central station for cargo transportation. This will in turn reduce the transportation costs of our products substantially.

As we are the only DMF producer in Henan province and to the best of our Directors' knowledge and belief, we are the only significant DMF producer within 500km from our location (based on available road and railway networks), we command market leadership in our main product, DMF in Henan and adjacent provinces, which in total have a population exceeding 450 million.

(b) Reliable and stable supply of raw materials

Our main raw materials for the production of our products are water gas and liquid ammonia. This is largely supplied by Anhua, an established chemical-manufacturing group in the PRC, particularly in northern China since 1968. Being the most significant state-owned enterprise under the Anyang City Government with more than 3,000 employees and a turnover of about RMB 724 million in 2004, it is a key producer of chemicals used for the agriculture industry in the region. Anhua is expected to have long-term stability and will receive continued support from the Anyang City Government. We have entered into a 20-year supply agreement with Anhua on 1 January 2005, as supplemented by

two supplemental agreements dated 30 June 2005 and 1 July 2005 for the supply of our essential raw materials and are thus assured with a stable supply of raw materials which satisfies our standards and requirements. At the same time, with a capped price mechanism for three years from 2006 to 2008 within the 20-year supply agreement for a period of 20 years commencing from 1 January 2005, we are able to implement more confidently our capacity expansion program with investments in 2006 and 2007, more particularly described in the section entitled "Prospects, Business Strategies and Future Plans" of this Prospectus. This is significant as the successful completion of our DMF expansion plans will allow us to triple our current output, lifting our turnover and profits substantially from 2007. An added advantage in entering into the supply agreement with Anhua is that we are not charged for transportation costs for the raw materials supplied due to our close proximity with Anhua.

This 20-year supply arrangement with Anhua offers a high degree of reliability which will translate into competitive prices for our finished products.

(c) High level of quality and safety assurance

We enforce quality control checks at all stages of our production. Our rigorous in-process testing enables our Group to ensure that products which do not meet our internal quality standards are re-processed to maintain the high quality products produced by us. As at the Latest Practicable Date, none of our products have been rejected by our customers.

As a validation of our compliance with international standards for quality, our products met international standards and our quality management system has been certified ISO 9001:2000. Anyang Jiutian was recently awarded the Certificate of Quality Management System Certification for GB/T19001-2000 idt ISO 9001:2000 Standard for our production, sale and service of industrial methanol, DMF and methylamine by Beijing New Century Certification Co., Ltd on 23 June 2005. This certification is valid up until 22 June 2008. We have also obtained on 1 July 2005 a certification of registration issued by the National Quality Assurance Limited, a UK company for ISO 9001:2000 certification in our quality management system in our production, sale and service of industrial methanol, DMF and methylamine. This certification is valid up until 22 June 2008. This sets us apart from some of our competitors.

We enforce strict safety regulations and take stringent measures to ensure the safety aspects of our production facilities and processes. The emphasis of safety in the production facilities and processes are implemented rigorously both by ourselves, as well as our main supplier, Anhua. Please refer to the section entitled "Safety Measures" of this Prospectus for further details.

As at the Latest Practicable Date, we have not experienced any major safety-related incidents nor breached any environmental-related regulations.

(d) Experienced management team and quality of our labour force

Our management team is headed by Mr Wang Xianjin, our Executive Chairman and CEO, who has over 36 years of experience in the chemical industry, specifically in our business operations when they were under the umbrella of Anhua. Our two other executive directors, Mr Zhang Aiping and Mr Sun Zhiqiang, have also been involved in the chemical industry for 33 years and 12 years respectively. Together with Mr Lee Chee Seng, our local resident Executive Director, an ex-senior investment banker with an established track record of advising businesses and projects over 15 years, we believe that our management team is well-positioned to manage and grow our current business.

They are supported by a team of young and highly-qualified workforce whose average age is 32 years old. More than 60% of our work force have obtained at least a technical diploma in chemistry or achieved pre-university education.

In addition, in providing quality after-sales support to our customers, our sales staff/engineering staff work closely with our customers to resolve any technical issues that they may face. Through this, our workforce has won the trust and confidence of our customers. These have contributed significantly to the reputation of our Group and will continue to play a crucial role in building and maintaining our customer relationships.

(e) Superior technology

We keep abreast of technological advancements to improve our production capacities and efficiency. The driving force of our business development has been our policy to keep updated with any technological advancement with a view to continually enhance product quality and lower production costs. Please refer to the section entitled "Improvements in our production process" of this Prospectus for further details.

(f) Marketing superiority

We have an experienced and highly-skilled sales and marketing team which reaches out to our network of customers. Not only do they play an important role in cultivating long-term relationships with our customers through their knowledge and excellent after-sales service, they help us to keep in touch with industry trends and pricing to enable us to plan our marketing strategies.

Based on the above competitive strengths, we believe that we have a commanding position amongst main players in the PRC.

PROPERTIES AND OTHER FIXED ASSETS

We own land-use rights of the following property:-

Location	Description	Gross Built-in Area (square feet/square metres)	Tenure	Use	Net book value as at 31 December 2004
河南省安阳市龙安区彰武街 Zhang Wu Street, Long An District, Anyang, Henan Province, PRC	Industrial-used land	20,832.63m^2	50 years expiring on 7 August 2051(1)	DMF/ Methylamine production	RMB 2,517,600

Note:-

(1) Anhua group had obtained the land use right certificate on 8 August 2001. The transfer of land use right to Anyang Jiutian on 30 June 2005 does not result in the renewal of the commencement date for the period of land use right.

We have leased the building and land relating to the following property:-

Location	Use	Gross Built-in Area (square feet/square metres)	Expiry of Lease	Annual Rental	Lessor
河南省安阳市龙安区彰武街 Zhang Wu Street, Long An District, Anyang, Henan Province, PRC	Methanol and gas production	9,085.75 m^2	15 years tenure expiring on 31 December 2019	For Land use right: RMB 90,800 For Building: RMB 134,739 Total: RMB 225,539	Anhua

We have entered into a letter of tenancy offer with UCO Bank dated 2 March 2006 in respect of taking up a tenancy of an office premise at 3 Raffles Place, #05-01, Bharat Building, such tenancy which shall commence on 1 May 2006. A tenancy agreement was subsequently entered into between our Company and UCO Bank dated 30 March 2006. Particulars of the property are set out below:-

Location	Use	Gross Built-in Area (square feet/square metres)	Expiry of Lease	Annual Rental	Lessor
3 Raffles Place, #05-01, Bharat Building, Singapore 048617	Office	1,817 sq ft	2 years from 1 May 2006 with an option to renew for a further period of 2 years	S$3.40/sq ft month; S$74,133.60/year	Jiutian Chemical

INSURANCE

In respect of our existing methanol, DMF and gas divisions, we have taken up property all-risks insurance in relation to our buildings, facilities and furniture as well as against accidental damage to property and the risk of fire to our buildings, furniture, fixtures and fittings, electrical appliances, air-conditioning, office equipment, computers and typewriters in the PRC. We have also effected insurance covering losses that may suffered as a result of damages to our production machinery and equipment.

As at the Latest Practicable Date, we have started the construction of our new production facilities for our gas division which is expected to be completed before mid-2006. Please refer to the section entitled "Business Strategies and Future Plans" of this Prospectus for further details. Once we have completed the development of the new production facilities, we intend to obtain insurance coverage for the new production facilities.

Our Group maintains group health, personal accident and employees' compensation insurance for our employees in the PRC.

The total insurance premium paid by our Group for FY2002, FY2003, FY2004 and HY2005 was approximately RMB 168,842.98, RMB 168,842.98, RMB 321,905.54 and RMB 125,141.10 respectively. The above insurance premiums do not include the insurance premium paid for our gas division, as we only obtained insurance coverage for our gas division on 22 December 2005. Our Directors believe that the coverage from these insurance policies is adequate. However, significant damage to our operations or any of our properties may still have a material adverse impact on our results of operations or financial condition.

We are not insured against loss of key personnel or business interruption. Accordingly, we would be materially and adversely affected if we are required to compensate our customers for any significant loss or damage arising from any defects in our product. Please refer to the section entitled “Risk Factors” of this Prospectus for more details.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following selected financial information should be read in conjunction with the full text of this Prospectus including the Compilation Report of the Reporting Auditors on Pro Forma Financial Information and Group Financial Information and the related notes set out in Annex E of this Prospectus.

Operating Results of our Group

	← Pro Forma Group[1] →				← Group →
		Year ended 31 December		(Unaudited) Six months ended 30 June	Six months ended 30 June
	2002	2003	2004	2004	2005
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	53,195	103,076	167,644	77,841	94,455
Cost of sales	(39,984)	(64,371)	(126,839)	(56,457)	(67,068)
Gross profit	13,211	38,705	40,805	21,384	27,387
Other operating income	72	73	360	145	214
Administrative expenses	(3,276)	(5,363)	(6,499)	(4,623)	(3,650)
Selling and distribution expenses	(247)	(608)	(1,277)	(943)	(131)
Profit from operations	9,760	32,807	33,389	15,963	23,820
Finance cost	(340)	(503)	(1,518)	(726)	(1,324)
Profit before income tax	9,420	32,304	31,871	15,237	22,496
Income tax (expense) / credit	(3,271)	(12,727)	(11,305)	(5,185)	125
Profit after income tax and net profit attributable to the Group	6,149	19,577	20,566	10,052	22,621
Earnings per share (RMB fen)[2]	3.51	11.19	11.75	5.74	12.93

Notes:-

(1) The results of our Group for FY2002, FY2003 and FY2004 have been prepared on a pro forma basis assuming that the current Group structure had been in place throughout the financial years under review.

(2) For comparative purposes, EPS has been computed based on the profit after taxation for the year and the pre-Invitation share capital of 174,990,800 Shares.

Financial position of our Group

	Pro Forma Group[1] 31 December 2004	Group 30 June 2005
	RMB'000	RMB'000
ASSETS		
Current assets:		
Cash and bank balances	3,064	11,287
Trade receivables	2,752	7,271
Other receivables and prepayments	206	7,248
Inventories	1,289	1,847
Total current assets	7,311	27,653
Non-current assets:		
Long term prepayment	–	2,388
Property, plant and equipment	93,349	101,198
Deferred tax asset	454	579
Goodwill on consolidation	523	523
Total non-current assets	94,326	104,688
Total assets	101,637	132,341
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Due to related parties	90,326	37,148
Trade payables	4,778	9,792
Other payables	1,600	1,964
Convertible loans	–	55,043
Income tax payable	3,848	3,675
Total current liabilities	100,552	107,622
Non-current liability:		
Deferred income	1,035	1,003
Shareholders' equity:		
Paid up capital	50	56
General reserve	–	2,393
Currency translation reserve	–	1,039
Accumulated profit	–	20,228
Total shareholders' equity	50	23,716
Total liabilities and shareholders' equity	101,637	132,341
Net Tangible Assets	–	23,193
NTA per share (RMB fen)[2]	–	33.90

Note:-

(1) The financial position of our Group as at 31 December 2004 has been prepared on a pro forma basis that our current Group structure had been in existence as at the above date.

(2) The NTA per Share has been computed based on the net tangible assets of our Group of RMB 23,193,000 (equivalent to $4.72 million) and adjusted for the Conversion amounting to approximately RMB 36,125,000 (equivalent to $7.36 million) and our pre-Invitation issued share capital of 174,990,800 Shares.

TRANSLATED UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

The following financial information is translated solely for the convenience of the Singapore-based investors. These translations are made with reference to the RMB and $ exchange rates as described in "Exchange Rates" of this Prospectus and should not be construed as representative that the RMB amounts actually represent such Singapore dollar amounts or could be converted into Singapore dollars at the rate indicated or any other rate.

Operating Results of our Group

	← Pro Forma Group[1] →				← Group →
		Year ended 31 December		(Unaudited) Six months ended 30 June	Six months ended 30 June
	2002	2003	2004	2004	2005
	$'000	$'000	$'000	$'000	$'000
Revenue	11,482	21,691	34,171	15,974	18,827
Cost of sales	(8,630)	(13,546)	(25,854)	(11,586)	(13,368)
Gross profit	2,852	8,145	8,317	4,388	5,459
Other operating income	16	15	73	30	42
Administrative expenses	(709)	(1,128)	(1,325)	(949)	(727)
Selling and distribution expenses	(53)	(128)	(260)	(194)	(26)
Profit from operations	2,106	6,904	6,805	3,275	4,748
Finance cost	(73)	(106)	(309)	(149)	(264)
Profit before income tax	2,033	6,798	6,496	3,126	4,484
Income tax (expense) / credit	(706)	(2,678)	(2,304)	(1,064)	25
Profit after income tax and net profit attributable to the Group	1,327	4,120	4,192	2,062	4,509
Earnings per share (cents)[2]	0.76	2.35	2.40	1.18	2.58

Note:-

(1) The results of our Group for FY2002, FY2003 and FY2004 have been prepared on a pro forma basis assuming that the current Group structure had been in place throughout the financial years under review.

(2) For comparative purposes, EPS has been computed based on the profit after taxation for the year and the pre-Invitation share capital of 174,990,800 Shares.

Financial Position of our Group

	Pro Forma Group[1] 31 December 2004	Group 30 June 2005
	$'000	$'000
ASSETS		
Current assets:		
Cash and bank balances	604	2,298
Trade receivables	543	1,481
Other receivables and prepayments	41	1,476
Inventories	254	376
Total current assets	1,442	5,631
Non-current assets:		
Long term prepayment	–	486
Property, plant and equipment	18,412	20,606
Deferred tax asset	90	118
Goodwill on consolidation	103	106
Total non-current assets	18,605	21,316
Total assets	20,047	26,947
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Due to related parties	17,816	7,564
Trade payables	942	1,994
Other payables	316	400
Convertible loans	–	11,208
Income tax payable	759	748
Total current liabilities	19,833	21,914
Non-current liability:		
Deferred income	204	204
Shareholders' equity:		
Paid up capital	10	11
General reserve	–	487
Currency translation reserve	–	212
Accumulated profit	–	4,119
Total shareholders' equity	10	4,829
Total liabilities and shareholders' equity	20,047	26,947
Net Tangible Assets	–	4,723
NTA per share (cents)[2]	–	6.90

Notes:-

(1) The financial position of our Group as at 31 December 2004 has been prepared on a pro forma basis that our current Group structure had been in existence as at the above date.

(2) The NTA per Share has been computed based on the net tangible assets of our Group of RMB 23,193,000 (equivalent to $4.72 million) and adjusted for the Conversion amounting to approximately RMB 36,125,000 (equivalent to $7.36 million) and our pre-Invitation issued share capital of 174,990,800 Shares.

ANALYSIS OF REVENUE AND PROFITS

The following information should be read in conjunction with the full text of this Prospectus, including the Compilation Report of the Reporting Auditors on the Pro Forma Financial Information and Group Financial Information and the related notes thereto set out in Annex E of this Prospectus.

Overview

Our revenue is primarily derived from the manufacture and sale of chemicals such as methanol, methylamine and DMF, which are basic raw material chemicals used for the manufacture of a wide range of downstream industrial and consumer products, such as pesticides, insecticides, pharmaceutical products, plastics, explosives, leather and textile.

Our Group is also engaged in the processing and sale of consumable carbon dioxide and oxygen, which are by-products obtained from Anhua's production of processed ammonia. These gases are piped in direct from Anhua and processed and packed by the Group to be sold to customers. Consumable carbon dioxide is supplied mainly for industrial usage, for example, the manufacture of fire extinguishers, preservation of perishable food products, production of food additives and in medical processes and oxygen is used for metal welding and cutting, as well as in medical applications.

The Group sells its products to customers in the PRC, which include customers in Henan province, the surrounding provinces adjacent to Henan, namely Hebei (河北), Shaanxi (陕西), Shanxi (山西), Hubei (湖北), Shandong (山东), Jiangsu (江苏) and Anhui (安徽), and provinces in the Yangtze (Changjiang) Delta Region, namely, Jiangsu (江苏) and Zhejiang (浙江). Some of its customers are manufacturers of downstream products that use methanol, methylamine and DMF, while others, especially those located further away in the Yangtze Delta Region, are trading firms that distribute these chemicals to customers that use these chemicals in their manufacturing processes.

Revenue

Our products are chemicals which are raw materials used in the manufacture of a wide range of industrial and consumer products. Currently, domestic supply of these chemicals cannot meet domestic demand which has to be satisfied through imports, which are more costly. Therefore, any expansion in domestic production capacity is likely to replace imports and our revenue growth, to a large extent, is dependent on not just market price but also production capacity. Please refer to the section entitled "Our Production Facilities" of this Prospectus for details on our maximum production capacity and approximate utilisation rates of our production facilities.

Anyang Jiutian was formed in December 2001 to carry on the business of production and sale of methylamine and DMF. Construction of the DMF manufacturing facilities began in 2002 which was completed by end of 2003. Production of methylamine and DMF, which are closely integrated, takes place in the DMF division of the Company. Methylamine is produced through further processing of methanol (please refer to the section entitled "Our Production Process" of the Prospectus), and methylamine not sold directly to customers (which are manufacturers of downstream products which use methylamine as a raw material) are further processed to manufacture DMF, which is also a raw material for a wide range of downstream products. The DMF division contributed approximately 47.6%, 52.1% and 68.6% to our revenue for FY2004, HY2004 and HY2005 respectively.

Prior to the completion of the DMF facilities, methanol was the key contributor to our revenue, contributing approximately 96.4%, 98.0%, 51.2%, 46.7% and 30.3% of our revenue for FY2002, FY2003, FY2004, HY2004 and HY2005 respectively.

Our methanol business began in 1994 when construction began in Anyang Fertiliser Factory, the predecessor of Anhua, for the construction of methanol manufacturing facilities which began production in September 1995. In December 2004, the methanol business was acquired from Anhua by Anyang Jiutian as part of the Restructuring Exercise. (Please refer to section entitled "Restructuring Exercise" of this Prospectus for details).

Given the flow-through nature of the production process for methanol, methylamine and DMF (in which methanol is further processed to produce methylamine, which in turn is used to produce DMF), Anyang Jiutian determines the actual production level of each product based on its analysis of customer demand and relative margins of each product. For instance, if demand and margins for DMF are higher, less methylamine is sold directly to customers. Instead, methylamine manufactured at each stage would be diverted as raw materials for the production of DMF, which is required for a wide range of downstream products, instead of having been sold directly to customers. With the completion of the methylamine and DMF facilities in 2004, a significant proportion of methanol produced is channelled into the production of methylamine and DMF. This has led to the decline in revenue derived from methanol sales and its comparative importance as a component of our total revenue.

Pursuant to the Restructuring Exercise, Anyang Jiutian also acquired the gas business of Anhua, which commenced operations as a workshop of Anhua. The oxygen station started operations in May 1970 whilst the carbon dioxide station started operations in May 1989. Oxygen and carbon dioxide are piped into our plant from Anhua for processing and packing to enable sales to customers. This has traditionally remained a relatively small segment of our revenue, although there are plans to expand production capacity of carbon dioxide. Please refer to section entitled "Our Business Strategies and Future Plans" of the Prospectus for details. Revenue derived from the gas division was approximately RMB 2.0 million in 2004. The revenue contribution from the gas division was approximately 3.6%, 2.0%, 1.2%, 1.2% and 1.0%, for FY2002, FY2003, FY2004, HY2004 and HY2005 respectively.

Revenue is recognised upon the delivery and acceptance of our products. For FY2002, FY2003, FY2004, HY2004, HY2005 and going forward for the foreseeable future, all of our revenue is denominated in RMB.

The main factors that may affect our revenue are as follows:-

(i) Increased production capacity of products

Due to the strong demand for raw material chemicals in PRC, we have been able to sell all of our products. Our production capacity is therefore a major factor affecting our revenue. (Please refer to section entitled "Our Production Facilities" of this Prospectus for details of our production capacity).

(ii) Ability to maintain and improve on our competitive strengths

Currently, differentiation between our products and those of our competitors is low. Our success depends on our ability to maintain and improve our competitiveness, including the price and quality of our products, strengthening our supply chain and improving manufacturing and cost efficiency. Our proximity to the sources of our raw material supply and strategic location at the junction of national rail network allow us to effectively manage our cost of supply, sales and operations.

(iii) Ability to retain existing customers and secure new customers

Many of our customers are located in Henan province, the surrounding provinces adjacent to Henan, namely Hebei, Shaanxi, Shanxi, Hubei, Shandong, Jiangsu and Anhui and provinces in the Yangtze (Changjiang) Delta region, namely Jiangsu and Zhejiang. Our continued growth is dependent on our ability to retain existing customers and secure new customers.

(iv) Continuing demand for our key downstream products in the pesticides, insecticides, pharmaceutical products, plastics, explosives, leather and textile industries

Our products are used in the manufacture of downstream industrial and consumer products in PRC's pesticides, insecticides, pharmaceutical products, plastics, explosives, leather and textile industries, which have been undergoing rapid growth, in line with the country's current economic boom. Currently, domestic production is unable to meet demand and imports help to fulfill national demand, albeit at higher cost. Our continued growth depends, in part, on the continuing demand and economic growth of PRC in general.

Please refer to the section entitled "Risk Factors" of this Prospectus for other factors that may affect our revenue and financial performance.

Cost of sales

All our raw materials are sourced from the PRC. Cost of sales represented approximately 75.2%, 62.5%, 75.7%, 72.5% and 71.0% of our revenue for FY2002, FY2003, FY2004, HY2004 and HY2005 respectively. Our cost of sales comprises the following:

(a) Cost of materials: Water gas, recycled water, liquid ammonia, electricity, steam and direct labour;

(b) Variable overheads: Repair and maintenance, transportation, printing and meter gas; and

(c) Fixed overheads: Indirect labour, insurance, catalyst and depreciation of property, plant and equipment.

Major cost components such as water gas, steam, recycled water, liquid ammonia and electricity are supplied directly by Anhua. Of these, water gas and steam are the two largest component raw materials used in the production process for methanol. Methanol is further processed to manufacture methylamine, which in turn is also used to produce DMF. Water gas and steam are also consumed separately during the manufacturing processes for methylamine and DMF.

Water gas, steam, recycled water and liquid ammonia are directly piped in from neighbouring Anhua, with minimal transportation costs, which gives us an advantage over our competitors. Electricity is also supplied by Anhua.

As water gas, steam, recycled water and liquid ammonia and electricity are used directly and indirectly in the manufacturing of each of our products, any fluctuation in their prices will have a direct impact on our cost of sales. In January 2005, we have signed a 20-year supply agreement with Anhua, under which water gas, steam, recycled water, liquid ammonia, electricity and other categories of raw materials are supplied to us at fixed prices for the next three years. This agreement will provide a reasonable measure of supply and price stability for our key raw materials.

Further, through an indemnity agreement between each of the former shareholders of Anyang Jiutian, Anyang Jiutian and our Company dated 24 December 2004, each of the former shareholders agree to bear any taxes or official fees unpaid relating to Anyang Jiutian prior to 24 December 2004. The former shareholders also warranted that there were no undisclosed contingent debt or potential debt and other legal proceedings or tax debts and that any responsibility relating to contingent liabilities, tax evasions or legal proceeding in process will be borne by the former shareholders.

Gross profit

The most important factor affecting our gross profit is our continuing ability to react to market demand for our products. Methanol produced by us can either be sold to third parties or further processed to manufacture methylamine, which in turn can be sold directly to third parties or used in the manufacture of DMF. Our ability to maximise our gross profit margins depends on our ability to switch between the products we are capable of producing.

During the financial years under review, the Group had gone through major restructuring and acquisition of new businesses, which had led to fluctuations in our gross profit margins. DMF, which began production in FY2004, had experienced low gross profit margins in the first year of production due to the spread of high fixed overhead costs over a relatively low production level which took time to ramp up. As production efficiency improved with increased production levels, gross profit margins increased. Gross profit margins for DMF for HY2004, FY2004 and HY2005 were 3.0%, 7.0% and 27.5% respectively. Similarly, methanol achieved higher gross profit margins as production levels increased. Gross profit margins for methanol rose from 25.3% in FY2002 to 40.3% in FY2004, but had moderated to 32.7% in HY2005 when methanol was sold to the DMF division at cost whereas in FY2004, prior to acquisition of the methanol business, sales to the DMF division were at a profit. Gross profit margins for the gas division rose in FY2003 and

FY2004 due to the rise in average market prices across the financial years, although this dropped in HY2005 due to higher cost of materials. For more details on the year-by-year fluctuations in gross profit margins, please refer to the section entitled "Review of Past Performance" of this Prospectus.

Other operating income

Other operating income comprises mostly income from rental of delivery equipment, interest income from bank balances, and deferred revenue from a RMB 1.1 million government subsidy received for the development of our DMF facilities, which is considered as a technology improvement project by the Anyang City Government. In May 2004, we leased our DMF delivery equipment to third parties for a period of six years. The lessees would deliver our products to our customers and charge them for the delivery. Prior to this, we delivered the goods to our customers directly and recovered our cost by marking-up the selling price of our products. For the years ended 31 December 2002, 2003 and 2004, and the period ended 30 June 2005, other operating income constituted an insignificant portion of our revenue.

Operating expenses and financial expense

As Percentage of Revenue	FY2002	FY2003	FY2004	HY2004	HY2005
Administrative Expense	6.2%	5.2%	3.9%	5.9%	3.9%
Selling & Distribution Expense	0.5%	0.6%	0.8%	1.2%	0.1%
Operating Expense	*6.7%*	*5.8%*	*4.7%*	*7.1%*	*4.0%*
Financial Cost	0.6%	0.5%	0.9%	0.9%	1.4%

Operating expenses mainly comprise administrative expenses as well as selling and distribution expenses. Our total operating expenses accounted for 6.7%, 5.8%, 4.7%, 7.1% and 4.0% of our revenue in FY2002, FY2003, FY2004, HY2004 and HY2005 respectively.

Administrative expenses mainly comprise bad debt expenses, cleanup costs, wages and salaries of administrative personnel, staff welfare and benefits, management fees, defined contribution plans, insurance, entertainment expenses, initial public offering expenses, low cost consumables, security and fire safety fees, travelling and transportation, rental, directors remuneration, office expenses and repair and maintenance expenses.

Before Anyang Jiutian's acquisition of the methanol and gas divisions in December 2004, the administrative function for these divisions were undertaken by Anhua's central administrative division whose costs are reallocated to these two divisions either on the basis of average number of management staff to total staff strength and revenue. The DMF division has been run as a separate legal entity (as Anyang Jiutian) since its establishment, and administrative costs incurred are recorded and accounted for independently. Subsequent to the acquisition of the methanol and gas divisions in December 2004, administrative costs incurred by all three divisions are managed and accounted mainly for centrally within Anyang Jiutian.

Selling and distribution expenses mainly comprise advertising and promotion expenses, salaries and staff welfare expenses of sales personnel, transportation, business development costs and delivery charges. The selling and distribution function of the methanol division was run by Anhua's sales department whose total cost was allocated to the division based on revenue. The gas and DMF divisions managed their own sales teams and recorded their selling and distribution costs as incurred. Since the acquisition of the methanol and gas divisions in December 2004, selling and distribution costs incurred by all three divisions are managed and accounted for centrally within Anyang Jiutian.

Finance cost includes actual interest expense incurred on convertible loans and advances from Anhua made directly to Anyang Jiutian, as well as interest incurred on Anhua's external bank loans which were reallocated to the methanol and gas divisions based on total asset size.

Tax

For FY2001 to FY2004, businesses in the group were subject to the PRC applicable statutory tax rate of 33%.

In accordance with the applicable corporate income tax law of the PRC, Anyang Jiutian, our wholly-owned subsidiary which was established as a WFOE in the PRC, is exempted from the corporate income tax for its first two profitable calendar years of operations and is entitled to a 50% relief from the state corporate income tax and exempted from the local tax for the following three years. The two tax exemption years period for Anyang Jiutian commenced in the financial year ending 31 December 2005 as approved by the local tax authority. Upon expiry of the tax exemption period, Anyang Jiutian will be subject to a reduced state corporate income tax rate of 15% and exempted from the local income tax for the three financial years from 1 January 2007 to 31 December 2009.

Furthermore, since Anyang Jiutian carries on a business which falls within the encouraged category under Catalogue of Industries for Guiding Foreign Investment jointly issued by the Ministry of Commerce and National Development and Reform Commission, Anyang Jiutian will enjoy the reduced tax rate of 15% for a further period of three years, from FY2010, to FY2012 (both financial years included).

Our effective tax rates for the last three financial years from FY2002 to FY2004 and financial periods ended 30 June 2004 and 30 June 2005 were as follows:-

(%)	FY2002	FY2003	FY2004	HY2004	HY2005
As a percentage of profit before taxation	34.7	39.4	35.5	34.0	nm*

* not meaningful

Our effective tax rates for FY2002, FY2003 and FY2004 were higher than the prevailing PRC enterprise tax rate of 33% due mainly to certain expenses that were not deductible for tax assessment purposes. In FY2003, Anyang Jiutian was also taxed on additional contribution from shareholders which was not considered income in the profit and loss statement. The effective tax rate for HY2005 is not meaningful as Anyang Jiutian need not pay income tax due to the tax exemption granted by the tax authority. Deferred tax credit of RMB 0.3 million, RMB 0.2 million, RMB 0.7 million and RMB 0.1 million were provided in FY2002, FY2003, HY2004 and HY2005 respectively, as a result of temporary differences that gave rise to deferred tax assets in these financial periods. There is no deferred tax credit in FY2004.

Please refer to the Compilation Report of the Reporting Auditors on the Pro Forma Financial Information and Group Financial Information for more information on our tax expenses.

REVIEW OF PAST PERFORMANCE

Breakdown of past performance by geographical regions

All our operations are based in the PRC and we derive our revenue and profits entirely from the PRC. Therefore, a segmentation of our financial performance by geographical regions will not be meaningful.

Breakdown of our past performance by divisions

A breakdown of our revenue, gross profit and gross profit margin by division for FY2002, FY2003, FY2004, HY2004 and HY2005 are set out below. This analysis should be read in conjunction with the Pro forma Financial Statements and Group Financial Statements and the related notes included elsewhere in this Prospectus.

REVENUE

Division	FY2002		FY2003		FY2004		HY2004		HY2005	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Methanol	51,303	96.4%	101,055	98.0%	85,837	51.2%	36,366	46.7%	28,647	30.3%
Gas	1,892	3.6%	2,021	2.0%	2,037	1.2%	955	1.2%	977	1.0%
DMF	–	–	–	–	79,770	47.6%	40,520	52.1%	64,831	68.7%
Total	53,195	100.0%	103,076	100.0%	167,644	100.0%	77,841	100.0%	94,455	100.0%

GROSS PROFIT

Division	FY2002		FY2003		FY2004		HY2004		HY2005	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Methanol	12,989	98.3%	38,427	99.3%	34,632	84.9%	19,909	93.1%	9,364	34.2%
Gas	222	1.7%	278	0.7%	570	1.4%	273	1.3%	167	0.6%
DMF	–	–	–	–	5,603	13.7%	1,202	5.6%	17,856	65.2%
Total	13,211	100.0%	38,705	100.0%	40,805	100.0%	21,384	100.0%	27,387	100.0%

GROSS PROFIT MARGIN

Division	FY2002	FY2003	FY2004	HY2004	HY2005
Methanol	25.3%	38.0%	40.3%	54.7%	32.7%
Gas	11.7%	13.8%	28.0%	28.6%	17.1%
DMF	–	–	7.0%	3.0%	27.5%
Overall	24.8%	37.5%	24.3%	27.5%	29.0%

FY2002 VS FY2003

Revenue

Our revenue increased by approximately RMB 49.9 million or 93.8% from approximately RMB 53.2 million in FY2002 to approximately RMB 103.1 million in FY2003. The significant increase in revenue in FY2003 was due mainly to the increase in sale of methanol and to a lesser extent increase in sale of gas.

Revenue from the sale of methanol increased by approximately RMB 49.8 million or 97.1%, from approximately RMB 51.3 million in FY2002 to approximately RMB 101.1 million in FY2003 and contributed approximately 98.0% to our revenue in FY2003. This increase can be attributable to the rise in the market price of methanol during FY2003, and increased sales volume arising from the expansion of production capacity from 33,472 tonnes in FY2002 to 56,140 tonnes in FY2003. Annual capacity utilisation rate for the methanol division in FY2002 was 111.57%.

Please refer to section entitled "Our Production Facilities" of this Prospectus for more details on capacity utilisation rate.

Revenue from the sale of gas increased by RMB 0.1 million or 5.3%, from RMB 1.9 million in FY2002 to RMB 2.0 million in FY2003, due to rise in both average prices of oxygen and carbon dioxide.

Gross Profit

Our gross profit increased by approximately RMB 25.5 million or 193.2%, from approximately RMB 13.2 million in FY2002 to approximately RMB 38.7 million in FY2003. For FY2003, our overall gross profit margin increased from approximately 24.8% in FY2002 to 37.5% in FY2003. This is due mainly to improved gross profit margins for all of our product types as Anyang Jiutian expands production volume and reaps economies of scale.

In particular, gross profit margins for methanol in FY2003 improved from approximately 25.3% in FY2002 to approximately 38.0% in FY2003 as a result of the reduction of fixed overhead costs per unit of production arising from higher output. This increase in output was attributable to the expansion of production from the original 33,472 tonnes per year to 56,140 tonnes per year in 2003. Gross profit was further boosted by the rise in selling price of methanol.

Gross profit margins for the gas division had also increased due to rise in both prices of oxygen and carbon dioxide, while the cost of materials had remained stable.

Operating Expenses

Our operating expenses which comprise of administrative expenses and selling and distribution expenses increased by approximately 71.4% or RMB 2.5 million from approximately RMB 3.5 million in FY2002 to approximately RMB 6.0 million.

Our administrative expenses increased by approximately RMB 2.1 million or 63.6% from approximately RMB 3.3 million in FY2002 to approximately RMB 5.4 million in FY2003 due mainly to costs amounting to RMB 1.7 million incurred in our new DMF division. The new division only began production in 2004 but costs were already incurred in 2003 for wages, training and other construction planning and related expenses relating to it.

Our selling and distribution expenses increased by approximately RMB 0.4 million or 200%, from approximately RMB 0.2 million in FY2002 to approximately RMB 0.6 million in FY2003 due to increase in salaries and wages, transportation, business development, printing, installation and depreciation.

Other operating income

Other operating income in FY2002 and FY2003, which have remained largely unchanged, comprised of interest income earned from bank balances.

Profit from operations

Our profit from operations have increased by 234.7% or RMB 23.0 million from approximately RMB 9.8 million in FY2002 to approximately RMB 32.8 million in FY2003, contributed largely by the expansion in production in the methanol division and rise in prices of methanol.

Finance cost

Finance cost has increased by 66.7% or RMB 0.2 million from approximately RMB 0.3 million in FY2002 to approximately RMB 0.5 million in FY2003, due to increased advances to finance working capital and new plant facilities relating to the DMF division. Interest expense incurred prior to the completion of the DMF project at the end of 2003 were capitalised.

Taxation

Taxation has increased by 284.8% or RMB 9.4 million from approximately RMB 3.3 million in FY2002 to approximately RMB 12.7 million in FY2003. The higher tax expense was in line with the higher profit recorded and also due to the taxability of additional contribution from the shareholders.

FY2003 VS FY2004

Revenue

Our revenue increased by approximately RMB 64.5 million or 62.6%, from approximately RMB 103.1 million in FY2003 to approximately RMB 167.6 million in FY2004. The significant increase in revenue in FY2004 was due mainly to the commencement of production and sale of methylamine and DMF upon the completion of manufacturing facilities for these products, offset by the decrease in direct sale of methanol to third parties since a large portion of methanol was transferred to the DMF division for further processing.

Production in the new DMF division commenced in January 2004. During the year, sales in this division amounted to approximately RMB 79.8 million, contributing to 47.6% of our revenue in FY2004.

As a result of methanol having been transferred to manufacture methylamine and DMF, third party sales of methanol declined by approximately RMB 15.3 million or 15.1% from RMB 101.1 million to approximately RMB 85.8 million. This is despite methanol further increasing its production to 63,002 tonnes per year in FY2004. Full designed capacity utilisation was achieved in 2004 but a proportion of the methanol produced was used as raw material in the manufacturing of DMF.

Revenue derived from the gas division, which accounted for a relatively insignificant proportion of the Pro forma Group's total revenue, is relatively stable during the year.

Gross profit

Our gross profit increased by approximately RMB 2.1 million or 5.4%, from approximately RMB 38.7 million in FY2003 to approximately RMB 40.8 million in FY2004. For FY2004, our overall gross profit margin decreased from approximately 37.5% in FY2003 to 24.3% in FY 2004.

The key reason for the fall in overall profit margin was due to the commencement of manufacturing in the DMF division in FY2004. As Anyang Jiutian took several months to ramp up production levels and achieve stable chemical processing, capacity utilisation rate was only 67.55% for DMF. As a result, fixed overhead cost per unit was relatively high, and gross profit margin for the division was only 7.0%, which lowers our overall gross profit margin.

The gross profit margin for methanol increased from approximately 38.0% in FY2003 to 40.3% in FY2004, largely due to the rise in average market price of methanol across the financial year. Gross profit derived from methanol declined by approximately RMB 3.8 million or 9.9%, from approximately RMB 38.4 million to approximately RMB 34.6 million, in line with the transfer of methanol to the DMF division as raw material for the manufacture of methylamine and DMF.

Gross profit margin of the gas division further increased from 13.8% to 28.0%, which is due to rise in the average market prices of oxygen and carbon dioxide across the financial years, as well as the fall in cost of materials.

Operating expenses

Our operating expenses which comprise of administrative expenses as well as selling and distribution expenses increased by approximately 30.0% or RMB 1.8 million from approximately RMB 6.0 million in FY2003 to approximately RMB 7.8 million, in line with the increase in revenue in FY2004.

Our administrative expenses increased by approximately 20.4% or RMB 1.1 million from approximately RMB 5.4 million in FY2003 to approximately RMB 6.5 million in FY2004, while our selling and distribution expenses increased by approximately 116.7% or RMB 0.7 million from approximately RMB0.6 million in FY2003 to approximately RMB 1.3 million in FY2004.

Administrative expenses have grown in tandem with the rise in revenue. The increase in business activity had led to increase in expenditure in administrative payroll and workers' insurance, in particular, in the DMF division, though such increase was partially offset by a decrease in other expenses.

Selling and distribution expenses have increased, largely due to transportation cost incurred by the new DMF business during HY2004, in the shipment of products to customers using specially fitted delivery equipment.

Other operating income

Other operating income have increased by 300.0% or RMB 0.3 million from approximately RMB 0.1 million in FY2003 to approximately RMB 0.4 million in FY2004. This is the result of income from rental of specially fitted delivery equipment during the second half of FY2004, as well as recognition of a RMB 1.1 million government grant over 17 years (beginning 2004) for the development of DMF facilities. The latter was given by the Anyang City Government to encourage the development of technology improvement projects in the City of Anyang.

Profit from operations

Our profit from operations have increased by 1.8% or RMB 0.6 million from approximately RMB 32.8 mil2003 to approximately RMB 33.4 million in FY2004.

Finance cost

Finance cost has increased by 200.0% or RMB 1.0 million from approximately RMB 0.5 million in FY2003 to approximately RMB 1.5 million in FY2004. The increase was due to interest expense arising from advances to finance the DMF facilities as well as working capital required for the operation of this new business. In FY2002 and FY2003, the interest incurred on this loan was capitalised while construction was still ongoing. With effect from FY2004, interest expense incurred on this loan had to be expensed off.

Taxation

Taxation has decreased by 11.0% or RMB 1.4 million from approximately RMB 12.7 million in FY2003 to approximately RMB 11.3 million in FY2004. Tax expenses were higher in FY2003 mainly due to the one-off payment of taxes relating to a contribution by shareholders.

HY2004 VS HY2005

Revenue

Our revenue increased by approximately RMB 16.7 million or 21.5% from approximately RMB 77.8 million in HY2004 to approximately RMB 94.5 million in HY2005. The increase in revenue in HY2005 was due mainly to the near full capacity utilisation of the DMF facilities which only commenced proper production in the beginning of 2004. Capacity utilisation rate for DMF in FY2004 was only 67.55% where as the capacity utilisation rate for HY2005 was 99.83%. Hence, revenue derived from the DMF division increased approximately by RMB 24.3 million or 60.0%, from RMB 40.5 million in HY2004 to RMB 64.8 million in HY2005. In HY2005, revenue from the DMF division contributed to 68.7% of total Group revenue, compared to 52.1% in HY2004.

As a result of methanol having been transferred to manufacture methylamine and DMF, third party sales of methanol declined by approximately RMB 7.8 million or 21.4%, from approximately RMB 36.4 million to approximately RMB 28.6 million. Methanol production levels have remained largely stable, at 29,561 tonnes and 32,386 tonnes for HY2004 and HY2005 respectively, although a proportion of that was channelled to DMF division for manufacturing operations in the division.

Revenue derived from the gas division has remained fairly stable at approximately RMB 1 million.

Gross profit

Our gross profit increased by approximately RMB 6.0 million or 28.0%, from approximately RMB 21.4 million in HY2004 to approximately RMB 27.4 million in HY2005. Our overall gross profit margin increased from approximately 27.5% in HY2004 to 29.0% in HY2005.

In FY2004, methanol was sold to Anyang Jiutian for further processing at a mark-up as it was an independently-run member of the Anhua Group. With the incorporation of the methanol division into Anyang Jiutian and the acquisition of Anyang Jiutian by Jiutian Chemical in December 2004, methanol was transferred to the DMF division for further production at cost, which meant lower cost of production and higher gross profit for the DMF division.

Gross profit derived from the DMF division increased by approximately RMB 16.7 million or 1391.7%, from RMB 1.2 million in HY2004 to RMB 17.9 million in HY2005. This is due not only to the lower cost of methanol transferred from the methanol division (as described above), but also due to the further ramping up of production levels to utilise the near full production capacity. Gross profit margins derived from the DMF division were 3.0%, 7.0% and 27.5% for HY2004, FY2004 and HY2005 respectively. As the production process stabilised, the cost of production dropped, resulting in improving gross profit margins. Gross profit margins in HY2005 rose further due to the lower cost of methanol used in the production process.

Gross profit derived from methanol decreased by RMB 10.5 million or 52.8%, from RMB 19.9 million in HY2004 to RMB 9.4 million in HY2005. This is due to the transfer of greater proportion of methanol as raw material for the production in the DMF division, instead of being sold to external customers.

Gross profit derived from the gas division decreased by RMB 0.1 million or 33.3%, from RMB 0.3 million in HY2004 to RMB 0.2 million in HY2005. Gross profit margin derived from the gas division fell from 28.6% in HY2004 to 17.1% in HY2005 due to higher cost of materials.

Operating expenses

Our operating expenses which comprise of administrative expenses and selling and distribution expenses decreased by approximately 32.1% or RMB 1.8 million from approximately RMB 5.6 million in HY2004 to approximately RMB 3.8 million in HY2005.

Our administrative expenses decreased by approximately 19.6% or RMB 0.9 million from approximately RMB 4.6 million in HY2004 to approximately RMB 3.7 million in HY2005. Administrative expenses were higher in HY2004 due to one-off management fees of RMB 2.2 million paid that year to Anhua for its management and supervision of the DMF plant construction project. The resulting decrease in administrative expenses in HY2005 was partially offset by costs incurred by Jiutian Chemical. The bulk of Jiutian Chemical's costs relate to foreign exchange difference, and travel and transportation and out-of-pocket expenses incurred by professionals engaged for the initial public offering of the Company.

Our selling and distribution expenses decreased by approximately 88.9% or RMB 0.8 million from approximately RMB 0.9 million in HY2004 to approximately RMB 0.1 million in HY2005. Transportation costs (which form part of selling and distribution expenses) fell by RMB 0.4 million as we no longer needed to maintain vehicles used to deliver DMF products, as the delivery function is now outsourced to independent external subcontractors. In addition, the Group no longer needed to share the common selling and distribution expenses of other divisions of Anhua.

Profit from operations

Our profit from operations have increased by 48.8% or RMB 7.8 million from approximately RMB 16.0 million in HY2004 to approximately RMB 23.8 million in HY2005. The increase is the result of higher revenue from expanded capacity of the DMF facilities and lower operating expenses.

Other operating income

Other operating income increased by RMB 0.1 million in HY2005 due to higher rental income from specially fitted delivery equipment.

Finance cost

Finance cost has increased by 85.7% or RMB 0.6 million from approximately RMB 0.7 million in HY2004 to RMB 1.3 million in HY2005 due to additional interest payments for financing of the Group's DMF plant expansion, as well as interest incurred on convertible loan advanced to Jiutian Chemical by the Pre-IPO Investors.

Taxation

Current income tax expense was nil in HY2005 as the Group is now WFOE which is exempted from income tax for two years beginning 2005. Deferred tax asset of RMB 0.1 million arose from the recognition of differences in the computation of depreciation of certain fixed assets.

LIQUIDITY AND CAPITAL RESOURCES

Our sources of funds may be categorised as internal or external. Internal source of funds refers to cash generated from our operating activities. External sources of funds comprise mainly borrowings from financial institutions, credit granted by our suppliers, capital injection and shareholders' loans from Anhua (which until 30 December 2004 was a shareholder).

Such sources of funds are used to finance our operations. The principal use of these funds are for working capital purposes such as payment of inventories, financing of trade receivables balances and operating expenses and for investment in new plant facilities and other capital expenditures.

As at the Latest Practicable Date, we have cash and cash equivalents comprising cash and bank balances and fixed deposits of RMB 8,656,359. As at the Latest Practicable Date, we have no unutilised bank facilities.

Further details of our bank facilities as at 31 December 2004 and at the Latest Practicable Date can respectively be found in the Compilation Report of the Reporting Auditors on the Pro Forma Financial Information and Group Financial Information as set out in Annex E, and under the section entitled "Capitalisation and Indebtedness" of this Prospectus.

Our Directors are of the opinion that, after taking into account amounts available under our existing bank facilities and our cash and bank balances, our Group has adequate working capital to meet its present requirements.

The net cash flow summary of our Group for FY2004 and HY2005 are as follows:-

	Pro forma[1] Year ended 31 December 2004	**Actual six months ended 30 June 2005**
	RMB'000	**RMB'000**
Cash flows from operating activities		
Profit before income tax	31,871	22,496
Adjustments for working capital changes, depreciation, interest and income tax paid	(13,734)	(6,876)
Net cash generated from operating activities	18,137	15,620
Net cash flows used in investing activities	(7,919)	(62,446)
Net cash (used in) / generated from financing activities	(19,067)	55,049
Net (decrease)/increase in cash and cash equivalents	(8,849)	8,223
Cash and bank balances at the beginning of the year/period	11,913	3,064
Cash and bank balances at the end of the year/period	3,064	11,287

Net cash used in operating activities

In FY2004, operating profit before working capital changes amounted to approximately RMB 39.9 million. Working capital changes comprise:

(a) decrease in trade receivables and other receivables and prepayments largely due to a more rigorous policy in FY2004 towards granting of credit to customers;

(b) decrease in trade payables and other payables due to the settlement of payables and retention sums with contractors relating to the first phase of the DMF project;

(c) increase in inventories and net related party payables due to overall increase in revenue as a result of the full year operation of the new DMF division; and

(d) recognition of deferred income from government grant.

In FY2004, the remaining cash outflows were mainly due to income tax payments of approximately RMB 9.5 million and net interest expense of approximately RMB 1.5 million. These resulted in net cash generated from operating activities of approximately RMB 18.1 million.

In HY2005, our operating profit before working capital changes amounted to approximately RMB 27.3 million. Working capital changes comprise:

(a) increase of trade receivables, trade payables, inventories due mainly to overall increase in revenue and purchases during HY2005;

(b) increase in other receivables and prepayments due to initial public offering expenses, receipts from customers yet to be taken into account and receivables from tax authorities;

(c) increase in other payables due mainly to retention sums relating to DMF expansion project and interest payable on convertible loans; and

(d) decrease in net related party payables due to settlement of amounts due to a former related party.

In HY2005, the remaining cash outflows were mainly due to income tax payments of approximately RMB 0.2 million and net interest expense of approximately RMB 1.0 million. These resulted in net cash generated from operating activities of approximately RMB 15.6 million.

Net cash used in investing activities

Net cash used in investing activities for FY2004 was RMB 7.9 million due mainly to the purchase of property, plant and equipment relating to the new DMF division of RMB 12.5 million offset partially by proceeds from the disposal of investments in Linuo and Wuzhou (of RMB 4.6 million). Further details can be found in the section entitled "Properties and Other Fixed Assets" of this Prospectus and the Compilation Report of the Reporting Auditors on Pro Forma Financial Information and Group Financial Information in Annex E of this Prospectus.

During the HY2005, RMB 49.6 million of cash was paid for the acquisition of Anyang Jiutian pursuant to the Restructuring Exercise. In addition, RMB 11.3 million of cash was used for additional plant and equipment relating to the expanded DMF capacity that came on stream in May 2005, and to acquire the land use rights for the existing DMF facilities amounting to RMB 2.5 million.

Net cash generated from financing activities

Net cash used in financing activities for FY2004 of RMB 19.1 million was mainly due to funds transferred by the methanol and gas divisions to the former head office account (i.e., amount due to Anhua). In FY2004 methanol and gas businesses were branches of Anhua and therefore profits made prior to acquisition by Anyang Jiutian were transferred to the former head office account.

During HY2005, we received net cash from financing activities amounting to RMB 55.0 million, mainly due to proceeds received from the issue of convertible loans.

Capital Investments and Divestments

Save as disclosed below and in the section entitled "Our Production Capacity" of this Prospectus, none of our capital expenditures on and divestments of capital investments in the past three financial years from FY2002 to FY2004 and up to the Latest Practicable Date was material on an individual basis.

Our capital expenditure for the last three financial years ended 31 December 2004, and for the period from 1 January 2005 to the Latest Practicable Date was as follows:-

	← Pro Forma Group →			← Actual →	
RMB'000	**FY2002**	**FY2003**	**FY2004**	**FY2005 (unaudited)**	**1 January 2006 up to Latest Practicable Date (unaudited)**
Long term prepayment	–	–	–	2,518	–
Machinery and equipment	7	–	3,123	927	38
Motor vehicles	–	–	1,766	–	–
Construction-in-progress	13,743	57,181	7,630	14,930	4,272
Acquisition of subsidiary company	–	–	49,643	–	–
Acquisition of available for sale investments	4,600	–	–	–	–
	18,350	57,181	62,162	18,375	4,310

The above capital expenditure was financed through a combination of internally generated funds from operations, borrowings from a former related party and issue of convertible loans.

We did not undertake any material capital divestment during the period under review up to the Latest Practicable Date and we do not have any material capital divestment in progress save as disclosed above. Saved as disclosed above and in the section on capital commitments below, we have no other material plans for capital expenditure and divestments as at the Latest Practicable Date.

Capital Commitments

As at the Latest Practicable Date, the Board has approved two capital expenditure projects:

(a) The 30,000 tonne consumable carbon dioxide project, which is expected to cost RMB 10.4 million, is likely to complete by early 2006 and production to begin thereafter. Payment is to be spread over FY2006 and FY2007. It is normal for a portion of contracted sum to be retained as retention sums for up to 1 year.

(b) The 60,000 tonne methylamine/DMF project will begin at the beginning of 2006 and is expected to take 1½ years. It is expected to cost RMB 215.7 million in total out of which RMB 115 million expected to be settled in by FY2006, RMB 70 million in FY2007 and RMB 30.7 million in FY2008.

Both projects will be financed via a mixture of operating profits, bank loans and proceeds from the initial public offering. Save as disclosed above, there is no material capital investment, the making or divestment of which is in progress.

As at the Latest Practicable Date, capital commitments contracted for but not recognized in the financial statements are as follows:

	RMB'000
Plant and machinery	4,484

These capital commitments relate to the 30,000 tonnes consumable carbon dioxide project mentioned above.

Operating Lease Commitments

As at 30 June 2005, our operating lease commitments in respect to certain land and buildings were as follows:-

	RMB'000
Within one year	226
In the second to fifth year inclusive	902
After five years	2,143
Total	**3,271**

As at Latest Practicable Date, we have future minimum lease payments under operating leases for rental of land and buildings and plant and machinery of RMB 225,539. Further details are set out under the section entitled "Properties and Other Fixed Assets" of this Prospectus.

FOREIGN EXCHANGE EXPOSURE

Accounting Treatment of Transactions in Foreign Currencies

Our operations are conducted through Anyang Jiutian. As all our sale and purchase transactions are conducted in RMB, we are generally not subjected to significant foreign exchange transaction risks except for foreign exchange transaction risks on remittance of funds such as payment of dividends and repayment of foreign loans, if any.

Our reporting currency is RMB and therefore we are not subject to foreign exchange translation risk arising from our operations in the PRC. However, as our convertible loans and expenses of our Singapore office are denominated in $, any significant depreciation/appreciation of the $ against RMB will result in a significant foreign exchange translation gain/loss, which is taken directly to the profit and loss account.

SEASONALITY/TRENDS

We usually do not experience any significant seasonality patterns in our business.

DIVIDENDS

No dividends have been declared or paid by our Company for the last three financial years from FY2002 to FY2004, and the HY2005.

Any declaration or payment of dividends in the future will depend upon, *inter alia*, our Group's operating results, financial conditions, other cash requirements including capital expenditures, the terms of borrowing arrangements (if any), and other factors deemed relevant by our Directors.

Final dividend paid by us must be approved by an ordinary resolution of our Shareholders at a general meeting and must not exceed the amount recommended by our board of Directors. Our Directors may without the approval of our Shareholders, also declare an interim dividend. We must pay dividends out of profit or pursuant to Section 69 of the Companies Act which permits us to apply our accumulated profits to pay dividends in the form of Shares.

For FY2006 and FY2007, taking these factors into account and assuming that before the end of the year, there are no material adverse developments, our Directors will consider a target dividend payout ratio of approximately 20% of our net profit after tax. This statement is merely a statement of our present intention and shall not constitute a legally binding commitment in respect of our future dividends and dividend payout ratio that may be subject to modification (including reduction or non-declaration thereof) in our Directors' sole and absolute discretion.

Information relating to taxes payable on dividend is set out in Annex B of this Prospectus.

EXCHANGE CONTROLS

Singapore

There are no Singapore governmental laws, decrees, regulations or other legislation that may affect the following:-

(a) the import or export of capital, including the availability of cash and cash equivalents for use by our Group; and

(b) the remittance of dividends, interest or other payments to non-resident holders of our Company's securities.

The PRC

The following is a description of the exchange controls in the PRC:–

Prior to 31 December 1993, enterprises in the PRC requiring foreign currency were required to obtain approval from the State Planning Committee (国家计划委员会) and the Ministry of Foreign Trade and Economic Cooperation (对外贸易经济合作部) before it could convert RMB into foreign currency, and such conversion had to be effected at the official rate prescribed by SAFE. RMB reserved by foreign investment enterprises could also be converted into foreign currency at swap centres with the prior examination and verification by SAFE. The exchange rates used by swap centres were largely determined by the supply of and demand for foreign currencies and RMB.

On 28 December 1993, the People's Bank of China announced that the dual exchange rate system for RMB against currencies would be abolished with effect from 1 January 1994 and be replaced by the unified exchange rate system. Under the new system, the People's Bank of China publishes the RMB exchange rate against the United States dollar daily. The daily exchange rate is set by reference to the RMB/United States dollar trading price on the previous day on the "inter-bank foreign exchange market".

On 1 April 1996, the Foreign Exchange Control Regulations of China (as amended on 14 January 1997) came into effect. On 20 June 1996, the People's Bank of China issued the Announcement on the Implementation of Sale and Purchase of Foreign Exchange for the Foreign Investment Enterprises which allows foreign investment enterprises to settle their foreign exchange related transactions at designated banks or at swap centres from 1 July 1996. On 20 June 1996, the Regulations on Sale and Purchase of and Payment in Foreign Exchange were promulgated by the People's Bank of China and came into effect on 1 July 1996.

On 25 October 1998, the People's Bank of China and SAFE issued a Joint Announcement on Abolishment of Foreign Exchange Swap Business which stated that from 1 December 1998, foreign exchange transactions for foreign investment enterprises may only be conducted at designated foreign exchange banks. In addition, some of the swap centres would be abolished, while the others which are already linked up with the China Foreign Exchange Trading Centre (中国外汇交易中心) (the "CFETC" by the computerized network will be merged with the CFETC and its sub-centres.

On 21 January 2005, the People's Bank of China issued a public announcement on the reformation of the RMB exchange rate regime according to which the RMB will no longer be pegged to the US$, but will be determined with reference to a basket of currencies.

In summary, the present position under the PRC law relating to foreign exchange control, taking into account the promulgation of the recent new regulations and the extent the existing provisions stipulated in previous regulations do not contradict these new regulations, are as follows:–

1. The previous dual exchange rate system for RMB was abolished and a unified floating exchange rate system based largely on supply and demand was introduced. The People's Bank of China, having regard to the trading prices between RMB and major foreign currencies on the inter-bank foreign exchange market, publishes on each bank business day the exchange rates against major foreign currencies.

2. The PRC enterprises are generally required to sell their foreign exchange earnings to designated banks unless specifically approved otherwise and purchase foreign exchange at designated banks for current account transactions.

3. Foreign investment enterprises, however, may have their own foreign currency account and are permitted to retain a certain percentage of their recurrent foreign exchange earnings.

4. Foreign investment enterprises which require foreign exchange for their ordinary trading activities such as trade services and payment of interest on foreign debts may purchase foreign exchange from designated foreign exchange banks if the application is supported by proper payment notices and other supporting documents.

5. Foreign investment enterprises may require foreign exchange for the payment of dividends that are payable in foreign currencies under applicable regulations, such as distributing profits to their foreign investors. They can withdraw funds in their foreign exchange bank accounts kept with designated foreign exchange banks, subject to the due payment of tax on such dividends. Where the amount of the funds in foreign exchange is insufficient, the enterprise may, upon the presentation of the resolutions of the directors on the profit distribution plan of the particular enterprise, purchase foreign exchange from designated foreign exchange banks.

6. Foreign investment enterprises may apply to designated foreign exchange banks to remit the profits out of the PRC to the foreign parties to equity or cooperative joint ventures or the foreign investors in wholly foreign-owned enterprises if the requirements provided by the PRC laws, rules and regulations are met.

In addition, on 21 October 2005, SAFE promulgated the 国家外汇管理局关于境内居民通过境外特殊目的公司融资及返程投资外汇管理有关问题的通知 (Circular of the State Administration of Foreign Exchange Concerning Relevant Issues on Foreign Exchange Administration of Financing and Repatriation of Investments by Domestic Residents through Foreign Special Purpose Vehicles) (the "Circular"). This Circular came into effect on 1 November 2005. The Circular states that before a special purpose vehicle is set up, the domestic residents must apply for such vehicle to be registered with the local foreign exchange authority. It further requires that PRC residents shall register with the local foreign exchange authority (if they have not previously done so in accordance with previous applicable regulations), even if the special purpose vehicle is set up prior to 1 November 2005. It is further provided in the Circular that registration is required for modification or record with the local foreign exchange authority within 30 days from the date of any increase/decrease of capital, share transfer, merger/splitting, long term equity or debt finance, granting of foreign-related security or other material changes to the capital structure of the special purpose vehicle ("material issues"). The special purpose vehicle is not allowed to receive distributed dividends, profits and other payments from its PRC subsidiary unless and until the aforesaid registration is satisfied in accordance with this Circular. It also requires PRC residents to repatriate, within 180 days, distributed dividends or profits which the PRC residents receive from the special purpose vehicle and/or income deriving from changes in the shareholding of the special purpose vehicle. Whilst there is requirement of time limit for completion of the above application or registration, there is no description of the result or penalties in case of any delay of registration. If any breaches of this Circular result in foreign exchange evasion or other violations of foreign exchange administration, penalties can be imposed by the SAFE in accordance with the PRC Rules of Foreign Exchange Administration and other relevant regulations. Failure to conduct the above supplemental registration, registration for modification or record of the material issues with the local foreign exchange authority fully could adversely affect our ability to remit our profits, to effect liquidation, share transfer and reduction of registered capital, and could be punished as foreign exchange evasion.

Save as disclosed above, there are no legal, financial or economic restrictions on the ability of a subsidiary of our Company to transfer funds to our Company in the form of cash dividends, loans or advances.

CHANGES IN ACCOUNTING POLICIES

There have been no changes in our accounting policies for the last three financial years from FY2002 to FY2004. Please refer to Note 3, Summary of Significant Accounting Policies of the Compilation Report of the Reporting Auditors on the Pro Forma Financial Information and Group Financial Information as set out in Annex E of this Prospectus for details of our Group's accounting policies.

PROSPECTS

Our Directors are optimistic about our business prospects, due to the following reasons:

A. Growth of the PRC fine chemicals industry

The PRC is now one of the world's major fine chemical producing nation: it ranks first in the output of dye, second in the output of pesticides and third in the output of paints. As at 2004, the fine chemical industry contributes 40% of the output value of the entire chemical industry in the PRC[(1)].

Since 1985, the PRC government has regarded the fine chemicals industry as a key strategic development objective that is instrumental to the development of the PRC's manufacturing and technological expertise, and has encouraged development in the fine chemical industry through heavy investment in more than 100 projects, policies and other incentives. In 2004, the PRC fine chemicals industry accounted for 44.08% of the annual gross product of the country's chemical industry[(2)].

The PRC's gross domestic product has been increasing since 2001. The Directors believe that the PRC economy will continue to grow rapidly in 2005 and 2006, particularly in downstream industries such as textile, agriculture, pharmaceutical and food. As a supplier to manufacturers in these industries, the Group is well-positioned to benefit from this growth as well.

B. Rapid growth in Henan province's fine chemicals industry

As part of Henan province's 11th Five-Year Plan[(3)], the objective is to develop Henan province to become one of the PRC's major hub for coal-related chemical industries. As the Group's products and production processes are a key segment of the province's coal-related industries and its development, the Group's proposed gas, DMF and methylamine projects have been approved and welcomed by the Henan Provincial Development and Reform Commission. As a result, we expect further support and encouragement from the provincial government in our future initiatives in these areas.

C. Growth in the use of our products

Our products are used in a diverse range of industries and the growth of these industries will provide growth opportunities for us. Please see the section entitled "Products" of this Prospectus for further details on the uses of our products.

(i) Methanol

Methanol is an important organic chemical and organic solvent, and its usage is only secondary to ethane, propylene and benzene in developed economies. As the PRC economy continues to grow, demand for methanol in the diverse downstream industries is anticipated to rise.

(ii) DMF

DMF is an important chemical used in many different industries, including leather, pharmaceutical, medical, petrochemical and electronics industries. While worldwide demand for DMF is estimated to continue to grow, most of the growth in demand for DMF comes from the Asia-Pacific region, with demand for DMF in this region estimated to grow at an average rate of 10% per annum[(4)]. In 2005, the PRC's polyurethane production industry is expected to account for approximately 80% of the demand for DMF[(5)] and this industry is expected to continue to drive demand for DMF going forward.

(iii) Methylamine

Methylamine is widely used in the manufacture of agricultural chemicals, particularly in the manufacture of pesticides and animal feed additives. The agriculture industry is one of the key contributors to the gross domestic product of Henan province and the surrounding Hebei and Shandong provinces, and the Group is well-positioned to benefit from the growth of the agriculture and poultry industries of these provinces.

(iv) Consumable carbon dioxide in the PRC[6]

At present, the actual output for carbon dioxide in the PRC is less than 600,000 tonnes per annum. In relation to demand for carbon dioxide, the demand for carbon dioxide in the United States is approximately 9,000,000 tonnes per annum with demand for consumable carbon dioxide alone at 3,200,000 tonnes per annum. There is tremendous opportunity for the consumable carbon dioxide industry in the PRC to grow, with the demand for consumable carbon dioxide in the PRC reaching 10,000,000 tonnes within the next 5 years, with an average annual growth rate of approximately 30% per annum.

D. Expansion of our geographic markets

Over the last five years, the PRC government has been actively promoting economic development in the western regions of the country, which account for over 50% of the PRC's land area. The existence of an advanced cattle industry in the western regions provides opportunities for the development of leather industries here. Given Henan's geographical proximity and excellent transportation links to the western regions, as well as the Group's dedicated railway line and good connectivity, the Group is well-positioned to supply DMF to the growing leather industries in these regions.

Notes:-

(1) Source: "PRC Fine Chemical Industry Development Prospects and Investment Analysis Research Report 2005" (《2005年中国精细化工行业发展预测及投资分析研究报告》) published in the ChinaBgao.com (中国报告大厅) website (www.chinabgao.com). Please note that the host of the website has not consented to the inclusion of the information extracted from the website and is thereby not liable for such information under Sections 253 and 254 of the Securities and Futures Act. The Directors are aware that the host of the website does not guarantee or assume responsibility that the information extracted from its website is accurate, current or reliable, or may be used for any purpose other than for general reference. We are unable to verify the accuracy of the contents of the relevant information and have included such information in its proper form and context in this Prospectus. The article "PRC Fine Chemical Industry Development Prospects and Investment Analysis Research Report 2005" (《2005年中国精细化工行业发展预测及投资分析研究报告》) was accessed at the following uniform resource locator: http://www.chinabgao.com/reports/5652.html on 17 March 2006.

(2) Source: "The current position of the PRC fine chemical industry and its prospects" (《中国精细化工行业的现状及其发展前景》) published in the China Paint Coating Facilities Homepage (中国涂装设备网) website (www.51tz.cn). Please note that the host of the website has not consented to the inclusion of the information extracted from the website and is thereby not liable for such information under Sections 253 and 254 of the Securities and Futures Act. We understand that the host of the website had indicated that the information posted on the website should be verified prior to use. The Directors are aware that the host of the website does not guarantee or assume responsibility that the information extracted from its website is accurate, current or reliable, or may be used for any purpose other than for general reference. We are unable to verify the accuracy of the contents of the relevant information and have included such information in its proper form and context in this Prospectus. The article "The current position of the PRC fine chemical industry and its prospects" (《中国精细化工行业的现状及其发展前景》) was accessed at the following uniform resource locator: http://www.51tz.cn/Html/xxnews/20058/2005820100759.html on 17 March 2006.

(3) Source: "Henan province's 11th five-year plan "(《中共河南省委关于制定全省国民经济和社会发展第十一个五年规划的建议》) published in the China POPIN (中国人口信息网) website (www.cpirc.org.cn). Please note that the host of the website has not consented to the inclusion of the information extracted from the website and is thereby not liable for such information under Sections 253 and 254 of the Securities and Futures Act. We understand that the host of the website had indicated that the information posted on the website should be verified prior to use. The Directors are aware that the host of the website does not guarantee or assume responsibility that the information extracted from its website is accurate, current or reliable, or may be used for any purpose other than for general reference. We are unable to verify the accuracy of the contents of the relevant information and have included such information in its proper form and context in this Prospectus. The article "Henan province's 11th five-year plan" (《中共河南省委关于制定全省国民经济和社会发展第十一个五年规划的建议》) was accessed at the following uniform resource locator: http://www.cpirc.org.cn/yjwx/yjwx_detail.asp?id=5851 on 17 March 2006.

(4) Source: 2005 Publication of the PRC Annual Meeting on the Analysis and Development of Methanol and its derivatives (《2005 年全国甲醇及下游产品市场分析已发展研讨会专辑》), "Development status, economic analysis and technology progress of methanol and its derivatives" (《甲醇及其下游产品的开发状况、经济性分析及技术进展》) by Bai Yi (白颐) - China Nitrogen Fertiliser Industry Association, methanol branch (中国氮肥工业协会甲醇委员会) (the "Association"). Please note that the author of the article as well as the Association have not consented to the inclusion of the information extracted from its publication and are thereby not liable for such information under Sections 253 and 254 of the Securities and Futures Act. The Directors are aware that the author and the Association do not guarantee or assume responsibility that the information extracted from its publication is accurate, current or reliable, or may be used for any purpose other than for general reference. We are unable to verify the accuracy of the contents of the relevant information and have included such information in its proper form and context in this Prospectus.

(5) Source: "Hualu Hengsheng: DMF's price per ton increased by RMB 300 per ton and the gross profit increased" (《华鲁恒升：DMF 价格上调 300 元毛利率反弹》)published in the eastmoney.com(东方财富网) website (www.eastmoney.com). Please note that the host of the website has not consented to the inclusion of the information extracted from the website and is thereby not liable for such information under Sections 253 and 254 of the Securities and Futures Act. We understand that the host of the website had indicated that the information posted on the website is provided only for information. The Directors are aware that the host of the website does not guarantee or assume responsibility that the information extracted from its website is accurate, current or reliable, or may be used for any purpose other than for general reference. We are unable to verify the accuracy of the contents of the relevant information and have included such information in its proper form and context in this Prospectus. The article "Hualu Hengsheng: DMF's price per ton increased by RMB 300 per ton and the gross profit increased" (《华鲁恒升：DMF 价格上调 300 元毛利率反弹》) was accessed at the following uniform resource locator: http://www.eastmoney.com/20051118082300266828.html on 17 March 2006.

(6) Source: "Rising annual demand for consumable carbon dioxide" (《食品级二氧化碳需求量将逐年上升》) published in the Chemical Industry Information Homepage (化工资讯•中国化工网) website (http://info.chemnet.com). Please note that the host of the website has not consented to the inclusion of the information extracted from the website and is thereby not liable for such information under Sections 253 and 254 of the Securities and Futures Act. We understand that the host of the website had indicated that the information posted on the website should be verified prior to use. The Directors are aware that the host of the website does not guarantee or assume responsibility that the information extracted from its website is accurate, current or reliable, or may be used for any purpose other than for general reference. We are unable to verify the accuracy of the contents of the relevant information and have included such information in its proper form and context in this Prospectus. The article "Rising annual demand for consumable carbon dioxide" (《食品级二氧化碳需求量将逐年上升》) was accessed at the following uniform resource locator: http://info.chemnet.com/news/2004/08/18/173837.html on 17 March 2006.

TRENDS

The trends observed by our Directors for our Group in FY2005 and which are likely to continue in FY2006 are as follows:-

(a) A steady demand for DMF, methanol, methylamine and consumable carbon dioxide in the PRC, which is likely to be due to the factors described in the section entitled "Prospects" of this Prospectus;

(b) Recent trade discussions between the PRC and the European Union, and between the PRC and the United States of America, over Chinese textile exports may have a positive impact on the market price of our products, which are used in the manufacturing process of textiles; and

(c) We have been able to sell all the products we produce, thus keeping our inventory levels low. Our Directors believe that this trend will continue in the future and we will be able to expand our sales even as we expand our production capacity for consumable carbon dioxide in 2006 and for DMF in 2007.

In our business, our customers do not place long-term orders with us but typically place orders with us from time to time and on short notice depending on their requirements. Save as disclosed above and in the section entitled "Risk Factors" of this Prospectus, and barring unforeseen circumstances, our Directors are not aware of any other known recent trends in production, sales and inventory, the costs and selling prices of our products or other known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material and adverse effect on our revenue, profitability, liquidity or capital resources, or that would cause financial information disclosed in this Prospectus to be not necessarily indicative of our future operating results or financial condition.

OUR BUSINESS STRATEGIES AND FUTURE PLANS

Our corporate vision is to become a fine and speciality chemical producer known for our quality and reliability, utilising new and advanced technology for our production. Based on the competitive strengths set out above, our Directors are optimistic of the prospects of our Group. We will continue to focus on expanding our production capacity and improving our supply chain to take advantage of economies of scale and our strategic geographical location. To realise our objectives, we intend to adopt the strategies and future plans as set out below:-

1. Expansion of our production capacities for DMF and methylamine

As at Latest Practicable Date, we have the production capacity to produce 30,000 tonnes per annum of methylamine and 30,000 tonnes per annum of DMF. Given the substantial growth in demand for DMF, we plan to build a new production facility for both methylamine and DMF, which will increase our production capacities to 90,000 tonnes of methylamine and DMF per annum respectively. We intend to utilise $9.5 million from the net proceeds from the issue of the New Shares to finance the construction of this new production facility. We intend to fund this new facility by a mixture of IPO proceeds, operating profits and new bank loans. Preliminary work on this facility has commenced in early 2006 and the construction is expected to complete by the second quarter of 2007.

2. Expansion of our production capacities for consumable carbon dioxide

Our current production capacity for consumable carbon dioxide is 3,000 tonnes per annum. We intend to expand our production capacity for consumable carbon dioxide to 30,000 tonnes by building a new production plant and the consumable carbon dioxide produced will be able to satisfy the applicable international standards. Construction commenced in September 2005 and is expected to be completed by the first half of 2006. As at the Latest Practicable Date, we have expended RMB 7.3 million for the construction of the new production plant. We intend to utilise $1.0 million from the issue of the New Shares to finance the construction of this new production facility. We intend to fund this new facility by a mixture of IPO proceeds, operating profits and new bank loans.

3. Moving upstream to reduce our reliance on Anhua

As part of our plan to expand our production capacities for DMF and methylamine, we will construct a production facility to commence production of water gas for our own production requirements. This facility is part of the new production facility to be constructed for both methylamine and DMF, further details which have been described in item 1 above.

Water gas is one of our principal raw materials. Please see the section entitled "Production Process" of this Prospectus for further details on our principal raw materials. We have signed a 20-year supply agreement with Anhua on 1 January 2005 and currently obtain our entire supply of water gas from Anhua. Please see the sections entitled "Major Suppliers" and "Material Contracts" of this Prospectus respectively for further details on the 20-year supply agreement.

Although we have a 20-year supply agreement with Anhua for the supply of water gas, we intend to construct a production facility to reduce our reliance on Anhua for the supply of water gas, especially in view of our expansion plans for DMF and methylamine, which will significantly increase our requirement for water gas.

4. Extending our customer reach in the PRC

Whilst we have and will continue to maintain good relationship with our current customers, we intend to expand our customer base by exploring new modes of cooperation with external parties, including chemical-trading companies and logistic operators. This is to enable us to reach more customers in the PRC, especially beyond the regions where our current customers are based. Please refer to the section entitled "Major Customers" of this Prospectus for further details. This expansion of sales network is in line with our plan to increase production substantially by 2007.

5. Sales of our products overseas

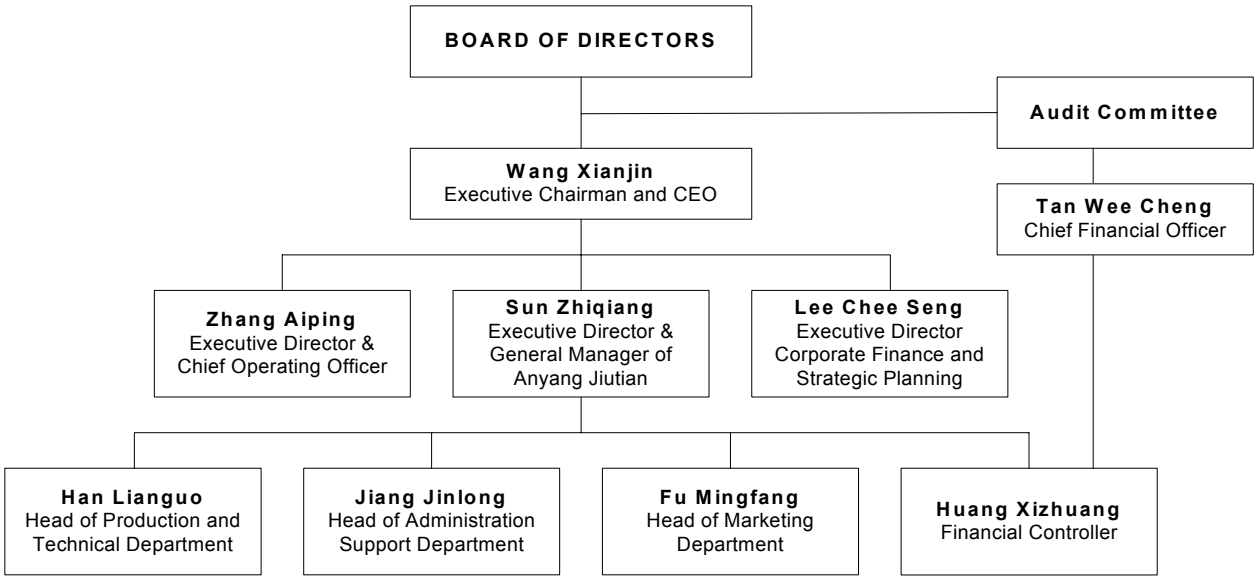
Whilst demand for our products in the PRC is growing, in line with our plan to expand our production capacity for DMF and methylamine in item 1 above, we intend to explore the possibility of exporting our products overseas to take advantage of the increasing worldwide demand for our products, in particular DMF and methylamine.

6. Potential acquisition of synergistic businesses

Whilst we focus on the expansion of our production capacity to take advantage of the strong demand for our products, we intend to continually seek opportunities for strategic acquisitions of businesses and/ or assets synergistic to our current business. This may include acquisition of production facilities for downstream products which we believe have good demand prospects and growth.

ORGANISATION STRUCTURE

Our management reporting structure is as follows:



DIRECTORS

Our Board of Directors is entrusted with the responsibility for the overall management of our Group. Our Directors' particulars are listed below:-

Name	Age	Address	Principal Occupation
Wang Xianjin (王先进)	53	Zhang Wu Street #12-502, Long An District, Anyang, PRC	Director
Zhang Aiping (张爱平)	51	Zhang Wu Street #04-401, Long An District, Anyang, PRC	Director
Sun Zhiqiang (孙志强)	35	Zhang Wu Street, #07-403, Long An District, Anyang, PRC	Director
Lee Chee Seng	42	4 Sunset Grove, Singapore 597444	Director
Foo Meng Kee	56	102, Haig Road, #17-07, Singapore 438798	Managing Director
Chan Kam Loon	45	25 Duchess Road, Singapore 268995	Business and management consultant
Wu Yu Liang	45	20A Robey Crescent, Singapore 546306	Advocate & Solicitor

Information on the business and working experience of our Directors is set out below:-

Mr Wang Xianjin was appointed as our Director upon the incorporation of our Company on 30 November 2004. He is our Executive Chairman and CEO and is responsible for the overall management and strategic planning for the development of our Group. Mr Wang started his career in Anhua in 1969. From 1983 to 1989, Mr Wang was a supervisor, a safety officer and a technician of Anhua's gas purification workshop.

He held all three posts concurrently and oversaw improvements made to the production process. He was promoted to Deputy Head of Anhua's gas purification workshop in 1989, a post he held till 1994.

In 1994, Mr Wang was appointed the Head of Anhua's methanol business and was responsible for the setting up of this business from the design of the production system to its construction and fitting-out to trial production and actual production and business operations.

When Anyang Jiutian was registered in December 2001, Mr Wang was appointed its Deputy General Manager and was in charge of the preparatory work for the production of DMF and methylamine. He was also in charge of the trial production and the business operations after the commencement of production. Mr Wang also oversaw the technical improvements to increase the production capacity of the facilities to 30,000 tonnes per year.

With more than 30 years of technical production and management experience, Mr Wang was selected by the PRC Ministry of Chemical Industry (中国化工部) and the PRC Petrochemical Bureau (石油化工局) to provide expertise to Vietnam's Beijiang Nitrogen Fertiliser Chemical Co. Ltd (北江氮肥化工公司) during its technical reformation from 1999 to 2002. For his efforts, he received special commendation by Vietnamese Prime Minister Phan Van Khai.

Mr Wang graduated from Anyang University (安阳大学) with a Diploma in Chemical Industry Technology in July 2002. He was certified as an engineer by the Anyang City Engineering Series Intermediate Level Technical Qualifications Selection Committee (安阳市工程系列中级专业技术职务任职资格评审委员会) in December 2003 and was issued with a certificate by the Anyang City People's Government on 9 March 2004. He has also successfully completed the training and passed the examination as a chief officer for hazardous chemical production unit and was issued with a certificate by Henan Province Safety Production Supervisory Management Board (河南省安全生产监督管理局) on 8 November 2004. On 30 November 1994, Mr Wang was accorded a second class award for "Development and application of pneumatic hydraulic mass transfer mathematics models" (南京市科学技术进步二等奖/获奖项目: "气液传质数学模型的开发及应用"). On 22 March 1996, Mr Wang was accorded a first class award for scientific advancement in petroleum chemical industry (为表彰促进石油化学工业科学技术进步工作中作出重要贡献者一等奖) for "Development and application of pneumatic hydraulic mass transfer mathematic models" (获奖项目是"气液传质数学模型的开发及应用") issued by Jiangsu Bureau of Petroleum Chemical Industry. In 1998, Mr Wang was accorded a second class award for scientific and technical advancement in Jiangsu Province (江苏省科学技术进步二等奖获奖项目: "NC501-1 型甲醇合成催化剂").

Mr Zhang Aiping was appointed as our Director upon the incorporation of our Company on 30 November 2004. He is our Executive Director and Chief Operating Officer.

Mr Zhang graduated from Henan Province Finance and Economics College (河南省财经学院) with a diploma in statistics. He is qualified as an economist and holds professional managerial qualification. He is also a research member of the methanol subcommittee of the PRC Large and Medium Sized Nitrogenous Fertilizer Industry Association (中国大中氮肥工业协会).

Mr Zhang started work in Anyang Steel Factory (安阳钢铁厂) in 1972 before joining Anhua in 1980. From 1982 to 1986, he held the posts of statistics officer, accounts officer and technician until he was appointed as the Deputy Head of the Production and Technical Department of Anhua in 1986. He was promoted to the position of Head of Anhua's Production and Technical Department in 1992. In 2001, he was appointed as Head of Enterprise Management Department.

With more than 18 years of experience, he was selected in 1999 as a member of the team sent by the PRC government to assist in the technical reformation of Vietnam's Beijiang Nitrogen Fertiliser Chemical Pte Ltd (北江氮肥化工公司) and received special commendation by the Vietnamese Minister of Industry, Hoang Trung Hai.

During his tenure as Head of Enterprise Management at Anhua, Mr Zhang led the reorganization and restructuring of the gas business and the methanol business of Anhua from workshops to branch companies. He was also responsible for the preparatory work in the setting up of Anyang Jiutian, its

organizational structure and management. Mr Zhang was in charge of production planning, statistics, management and assessment of the gas business, the methanol business and Anyang Jiutian.

The gas business and methanol business of Anhua were eventually acquired by Anyang Jiutian, pursuant to the Restructuring Exercise. Mr Zhang was responsible for spear-heading the re-organisation and restructuring of Anyang Jiutian, converting it from a domestic enterprise into a wholly foreign-owned enterprise.

Mr Sun Zhiqiang was appointed as our Director upon the incorporation of our Company on 30 November 2004. He is our Executive Director and General Manager of Anyang Jiutian and is responsible for implementing management decisions made by our Board and is in charge of our business operations.

Mr Sun graduated from Henan University with a degree in Chemical Engineering in 1993. Upon graduation, Mr Sun joined Anhua. On completion of his training, he was assigned to work as a technician in the methanol business. He was promoted to the position of assistant engineer in 1996, engineer in 1999 and Deputy Head of workshop in 2000.

During his tenure with the methanol business, Mr Sun was involved in the design of the methanol production system, its installation, operation and production. He was responsible for the successful completion of the upgrading of the production system resulting in an increase in production capacity from 30,000 to 60,000 tonnes per year.

When the methanol business expanded from a workshop to a branch company, Mr Sun was appointed its Deputy Manager.

In 2001, Mr Sun assisted Mr Wang in the setting up of Anyang Jiutian's DMF and methylamine production facilities by providing supervision for its design and technical directions. Once Anyang Jiutian's production plant had been successfully established, Mr Sun took charge of the operations of the production facilities and continued to seek ways to improve the system to increase its production capacity.

Mr Lee Chee Seng was appointed as our Director upon the incorporation of our Company on 30 November 2004. He is one of our Executive Directors, responsible for corporate finance and strategic planning for the Group.

Mr Lee graduated from the National University of Singapore obtaining First Class Honours in the degree of Bachelor of Engineering (Civil) in June 1987. Upon graduation, Mr Lee joined the Monetary Authority of Singapore as a central banking officer.

Mr Lee left the Monetary Authority of Singapore in November 1988, where he joined Morgan Grenfell (Asia) Limited as an executive. Through the years, he moved up the ranks from an executive to an assistant manager in 1989, manager in 1990 before being promoted as an associate director in 1991. Mr Lee qualified as a Chartered Financial Analyst (CFA) since 1990.

As an associate director, Mr Lee played a key role in expanding the project finance team and business, covering major project finance markets in Indonesia, Thailand and Malaysia. He was the project team leader for the second stage financing of the North-South expressway project in Malaysia, successfully raising a total of US$1.2 billion in loans and quasi-equity.

In 1993, Mr Lee was promoted to become the managing director of Deutsche Morgan Grenfell (Malaysia). During his stint as managing director, he won major project finance advisory mandates for Deutsche Morgan Grenfell in Malaysia.

Mr Lee returned to Singapore in April 1994 to become deputy managing director. He was also head of corporate finance for Deutsche Morgan Grenfell. He held this position up to August 1997, before he left to form his own corporate advisory company, PCG Ventures Pte Ltd, advising mainly on the corporate and business aspects of M&A and restructuring situations. He remains as director in this company.

Between April 2001 and November 2003, Mr Lee was appointed as a non-executive director of Malaysian Plantations Berhad, a Malaysian holding company for Alliance Bank Malaysia. As a board member, he assisted in managing the bank through active participation on the Executive Committee, Remuneration Committee as well as the Nomination Committee of the bank. He also sat on the board of Alliance Merchant Bank and Alliance Finance Berhad during this period

Mr Foo Meng Kee is one of our independent Directors appointed on 19 April 2006. He holds a Bachelor of Commerce (Honours) degree from the then Nanyang University of Singapore, as well as a Masters of Business Administration degree from the University of Dubuque, United States of America.

Mr Foo is currently the managing director of M K Capital Pte Ltd, a consultancy firm which renders advice on business development, marketing and management control to engineering companies. M K Capital Pte Ltd also acts as a broker for shipyards located in both Singapore as well as in the PRC for ship repair and shipbuilding.

Between 1976 and 1998, Mr Foo worked in Hitachi Zosen Singapore Limited (now known as Keppel Shipyard Limited), assuming responsibilities in various divisions of the corporation, before becoming a board member in July 1989. When the company became listed in 1992, Mr Foo was appointed as managing director in 1992 and also sat in the executive and audit committees. Mr Foo held these positions up until 1998.

Mr Foo has also served on the committee of the Association of Singapore Marine Industries and the Singapore Armed Forces Reservists' Association.

Mr Foo is currently an independent director of several companies listed on the SGX-ST, including Asia Food & Properties Limited, Lee Metal Group Limited, Technics Oil and Gas Limited (formerly known as Technics Group Holdings Limited) and See Hup Seng Limited.

Mr Chan Kam Loon is one of our independent Directors appointed on 19 April 2006. From July 2001 to July 2004, Mr Chan headed up the Listings Function of Markets Group at the Singapore Exchange Ltd. Mr Chan holds a Bachelor of Science (Economics) degree from the London School of Economics and Political Science and is a qualified Chartered Accountant with the Institute of Chartered Accountant in England and Wales (ICAEW) and is a member of the Institute of Chartered Accountants in England and Wales. He articled with KPMG in London before returning to Singapore to practice with Price Waterhouse in Singapore.

Between 1990 to 1996, Mr Chan worked at Morgan Grenfell Asia Ltd and HG Asia Securities Ltd in their corporate finance teams where he worked on various regional financial advisory and equity fund raising exercises for listed corporates and also executed a number of private equity mandates within the ASEAN region

From 1996 to 2001 Chan was a director of investments at a private equity fund, Suez Asia Holdings Pte Ltd where he was responsible for originations, structuring and executing investments within the ASEAN region and in South Asia.

Mr Chan was a former member of the Singapore's Accounting Standards Committee, Singapore Zhejiang Business Council and also Singapore Shandong Business Council.

He currently runs his own management and consulting firm, Philip Chan Consulting Pte Ltd and also serves as an Independent Director of Midas Holdings Ltd, C & O Pharmaceutical Technology (Holdings) Ltd and Sarin Technologies Ltd.

Mr Wu Yu Liang is one of our independent Directors appointed on 19 April 2006. Mr Wu graduated from the National University of Singapore with a degree of Bachelor of Laws, Second Class Honours (Upper Division) in 1985. He was admitted as an Advocate and Solicitor of the Supreme Court of Singapore in 1986 and the High Court of Malaya in 1991.

Mr Wu is currently the sole-proprietor of the law firm Messrs Y L Wu & Co. which he established in Singapore in May 2000 and the principal partner of the law firm Messrs Y L Wu & Co. in Malaysia. His main areas of practice are corporate and commercial laws as well as litigation.

Mr Wu commenced legal practice with the law firm Messrs Lee & Lee as a legal assistant in 1986. He joined Messrs Arthur Loke & Partners as a senior associate in 1989 and was made a partner in 1991. In 1993, Mr Wu set up the law firm of Messrs Yeo Wu & Thian with two other partners.

The list of present and past directorships of each of our Directors held in the five years preceding the date of this Prospectus can be found in the section entitled "General and Statutory Information" of this Prospectus.

Save as disclosed above, none of our Directors and Executive Officers are related to each other or to our Substantial Shareholders.

MANAGEMENT

The day-to-day management of our operations are entrusted to our Executive Directors who are assisted by a team of experienced and qualified Executive Officers. Information regarding our Executive Officers is set out below.

Name	Age	Address	Principal Occupation
Mr Tan Wee Cheng	36	Blk 307, Shunfu Road #11-125 Singapore 570307	Chief Financial Officer
Mr Han Lianguo (韩联国)	33	Zhang Wu Street #06-304, Long An District, Anyang, PRC	Head, Production and Technical Department
Mr Fu Mingfang (付明方)	37	Zhang Wu Street #03-610, Long An District, Anyang, PRC	Head, Marketing Department
Mr Jiang Jinlong (蒋金龙)	30	Zhang Wu Street #07-303, Long An District, Anyang, PRC	Head, Administrative Support Department
Mr Huang Xizhuang (黄西壮)	38	Zhang Wu Street #03-509, Long An District, Anyang, PRC	Financial Controller

Information on the business and working experience of our Executive Officers is set out below:-

Mr Tan Wee Cheng

Mr Tan graduated with a Bachelor of Accountancy (Honours, First Class) from the Nanyang Technological University in 1993. He began his career in Price Waterhouse, Singapore. From 1993 to 1997 when he left as Assistant Manager, he was involved in audit, corporate finance and transactional due diligence work in Singapore and PRC. During his career in Price Waterhouse, he qualified as a Certified Public Accountant and a member of the Institute of Certified Public Accountants of Singapore.

In 1997, he was awarded the Raffles-Chevening Scholarship (formerly known as "NOL-Raffles Scholarship") by the British Government to pursue a Masters in Finance from the London Business School. In 1998, he joined Dresdner Kleinwort Wasserstein, London and held the position of Vice President, Acquisition Finance Term, Strategic Debt-Financing of Pan-European Leverage Buyouts. Wee Cheng returned to Singapore in 2003, after which he joined the Prudential Policy department of Monetary Authority of Singapore where he was involved in policy formulation of matters relating to banking regulation.

Mr Tan joined our Group as the Group's Chief Financial Officer in May 2005.

Mr Han Lianguo (韩联国)

Mr Han Lianguo is our Head of Production and Technical Department. He was appointed in March 2005. He is responsible for the management and deployment of our production personnels, in charge of setting our Company's technical targets, ensuring stable production and energy conservation. He is also responsible for production safety, implementing safety training for our personnels and enhancing safety management. Further, Mr Han is responsible for our Company's environmental protection policy, which includes supervising the discharge of waste materials. He is also in charge of the implementation of our technical improvement plans, devising plans for maintenance of the facilities in our various workshops, monthly planning for our raw material and equipment requirement.

Mr Han graduated with a chemical engineering degree from Zhengzhou Industrial University Chemical Industry College (郑州工业大学化工学院) in 1996. He started work in Anhua's Technical Department upon graduation and was promoted to the position of Head of Technology Development Department in November 1999.

Upon the establishment of the management team for the DMF/methylamine project in January 2001, Mr Han was transferred to Anhua's Technical Group as part of the team that oversaw the construction of the production facilities. He was involved in the selection of technical plans, preparation of the technology and facilities tender documents and evaluation of tenders, verification of the construction plans, on-site management of the construction.

In April 2003, nearing the completion of the facilities, Mr Han was transferred to Anyang Jiutian. He was appointed its Assistant Manager (Technical). He took charge of the preparation for trial production, participated in setting the curriculum for the training of new employees and the interim production plan etc. till the successful production of the first batch of DMF/methylamine. Thereafter, he was also involved in the several improvements made to the production facilities which stabilized the facilities and significantly improved the yield and quality of products. He was in charge of technical management of the plan to increase production capacity to 30,000 tonnes per year which was implemented in November 2004 as planned.

Mr Fu Mingfang (付明方)

Mr Fu Mingfang was appointed as the Head of our Marketing Department in March 2005.

His scope of duties includes directing market research, planning, market analysis and forecast, monitoring national and international development and changes in product market, formulating marketing strategy and brand strategy.

Upon graduating with a diploma in electric automation from Anyang University in 1989, Mr Fu started work in Anhua's Electric Workshop. He was certified as an assistant engineer in December 1992. Between September 1993 and June 1996, he took a correspondence course to pursue a degree in wireless electronics technology offered by Zhengzhou University (郑州大学).

In 1998, Mr Fu was appointed as head of operations for Anhua's subsidiary sales company.

In May 2003, Mr Fu assumed the post of the Assistant Manager (Sales) for Anyang Jiutian in charge of sales. After successfully completing the requisite training, Mr Fu was certified as an operating manager (经营师) by the PRC Trade Association (中国商业联合会)in 2004.

Mr Jiang Jinlong (蒋金龙)

Mr Jiang Jinlong joined Anhua in July 2000 after graduating from Henan Finance and Economics College with a degree in Industrial Business Management. He held the post of an assistant economist and was involved in the statistics for production planning, on-site management, restructuring of state owned enterprises etc., working closely with Mr Zhang Aiping.

Mr Jiang joined Anyang Jiutian in September 2004 as part of the restructuring exercise. Between 2000 and 2004, Mr Jiang worked with many domestic and foreign intermediaries during the course.

Mr Jiang was appointed the Head of our Administrative Support Department in March 2005.

His responsibilities include formulating and implementing policies for our planning statistics, formulating and implementing our human resource policies, planning and organizing conferences, meetings and activities, liaison between the various departments in our Company, liaison with external parties, vehicle fleet management, logistics and security.

Mr Huang Xizhuang (黄西壮)

Mr Huang is our Financial Controller. He was appointed in March 2005. His responsibilities include preparing the budget, managing our finances to meet the production and operations requirement but at the same time to lower the costs of funds and maximize return on capital.

Upon Mr Huang's graduation from Henan Province Hua County Teaching College (河南省滑县师范学校) in 1987, he joined the training school of Anyang Fertiliser Factory. He was transferred to Anhua's finance department in 1991 and appointed as Deputy Head in 2000.

Mr Huang was transferred to Anyang Jiutian in early 2005 and has been its Financial Controller since.

Mr Huang was conferred a diploma in accounting by the Henan Finance and Economics College (河南财经学院) in 1995. He passed the PRC standardized national examinations and attained the professional qualifications as an assistant accountant and as an accountant in 1992 and 1996 respectively.

In 2002, he attended a degree course in business management offered by Central Broadcasting Television University (中央广播电视大学)and earned a degree in business management from North East Finance and Economics University (东北财经大学)in 2004.

The list of present and past directorships of each of our Executive Officers held in the last five years preceding the date of this Prospectus can be found in the section entitled "General and Statutory Information" of this Prospectus.

There is no arrangement or understanding with a substantial shareholder, customer or supplier of our Company or other person, pursuant to which any of our Directors or Executive Officers was selected as a director or executive officer of our Company. None of our Directors and Executive Officers is related by blood or marriage to one another nor are they so related to any substantial shareholders of our Company.

STAFF

A breakdown of our staff strength by our corporate divisions as at the end of the financial periods under review are as follows:-

Corporate Divisions	**FY2002**	**FY2003**	**FY2004**	**HY2005**
Production	249	258	249	248
Quality Control	10	10	10	10
Marketing and Sales	4	7	7	7
Management, Accounting and Administration (including directors)	7	7	11	18
Repair and maintenance	11	15	13	13
Total number of full-time employees	281	297	290	296

Divisions	**FY2002**	**FY2003**	**FY2004**	**HY2005**
Methanol	133	133	121	124
DMF	92	101	106	106
Gas	44	44	40	33

All our full-time employees and contract workers have annual employment contracts with our Group. We do not employ a significant number of temporary staff. Our Group does not experience any significant seasonal fluctuations in the number of employees. Save for our employees in the PRC, our employees are not unionised. The relationship and co-operation between our management and staff has been good and is expected to continue to be good in the future. There has not been any incidence of work stoppages or labour disputes which affected our operations.

STAFF TRAINING AND DEVELOPMENT

We place strong emphasis on training and developing both our technical and management staff. We aim to provide our employees with relevant professional skills and knowledge and conduct staff training on a regular basis as well as sponsor our staff to attend external training programmes.

Due to the technical nature of our production process, staff training is vital to ensure that they are competent and equipped to operate the production system. Whilst more than 60% of our work-force have obtained at least a technical diploma in chemistry or achieved pre-university education, they continuously improve their skills by undergoing relevant training. All our technical staff are required to undergo a one year technical training programme at their own costs to equip them with the relevant theoretical knowledge of chemistry and professional skills related to the production of the relevant chemicals and would only be employed by our Group upon successful completion of the training programme. Upon joining our Group, new staff will be trained to operate the particular part of the production facilities to which they are assigned.

We conduct on-the-job training on a regular basis for our staff that covers a wide range of topics which seek to equip our staff with all necessary knowledge for our production process and products. In addition, our staff attend training courses conducted by Henan Province Television University which conducts long distance learning courses through television programmes outside office hours. These courses range from programmes relevant to the chemical industry to marketing.

Our management staff are also encouraged to attend long distance managerial education after office hours.

Our staff also attend regular industry seminars and conferences to learn about technological trends and developments in the chemical industry that affect our business.

COMPENSATION

The compensation paid or payable to each of our Directors and top five Executive Officers (in terms of amount of compensation) for services rendered to us in all capacities for FY2004, FY2005 and FY2006 (estimated), in bands of $250,000 per annum, were or are as follows:-

	FY2004	FY2005	FY2006 (estimated)
Directors			
Wang Xianjin	Band I	Band I	Band I
Zhang Aiping	Band I	Band I	Band I
Sun Zhiqiang	Band I	Band I	Band I
Lee Chee Seng	Band I	Band I	Band I
Foo Meng Kee	–	–	Band I
Chan Kam Loon	–	–	Band I
Wu Yu Liang	–	–	Band I
Executive Officer			
Tan Wee Cheng	–	Band I	Band I
Han Lianguo	Band I	Band I	Band I
Fu Mingfang	Band I	Band I	Band I
Jiang Jinlong	Band I	Band I	Band I
Huang Xizhuang	Band I	Band I	Band I

Note:-

Band I : Compensation of between $0 to $250,000 per annum
Band II : Compensation of between $250,001 to $500,000 per annum
Band III : Compensation of between $500,001 to $750,000 per annum
Band IV : Compensation of between $750,001 to $1,000,000 per annum

Except for the contributions which are mandated by the relevant PRC laws, we have not set aside or accrued any amounts for our employees to provide for pension, retirement or similar benefits.

SERVICE AGREEMENTS

On 1 September 2005, three of our Executive Directors, Mr Wang Xianjin, Mr Zhang Aiping and Mr Sun Zhiqiang each entered into separate service agreements with Anyang Jiutian for a period of 4 years, such period to commencing on 30 December 2004 and expiring on 30 December 2008. Each of them may be re-appointed for successive terms of four years in accordance with the PRC laws upon the nomination of Anyang Jiutian's shareholder (i.e. our Company). The directors' appointment may be terminated prior to the expiry of their term at any time with notice by Anyang Jiutian's shareholder (our Company), or on the occurrence of the following events:- if the director passes away, is unable to discharge his duties as a result of poor health, commits any serious breach of any provision of the service agreement, guilty of conduct tending to bring Anyang Jiutian into disrepute or harms the business interest of Anyang Jiutian, is convicted of any criminal offence or receives a punishment of re-education through labour or other events provided by laws and regulations.

Pursuant to the terms of the service agreement signed with Anyang Jiutian, Wang Xianjin is entitled to gross remuneration of RMB 35,000 per month, upon listing of our Company. Zhang Aiping and Sun Zhiqiang are respectively entitled to gross remuneration of RMB 30,000 per month.

Each service agreement also provides for restrictive covenants restricting each of the Directors from being, *inter alia*, directly or indirectly, concerned with, engaged or interested in any business competing with or similar to the business carried on by our Group during the term of his appointment and for a period of 6 months after the termination of his appointment, he shall not (i) whether directly or indirectly engaged in any business by means which is in any respect in competition with the business of Anyang Jiutian; and (ii) shall not obtain a benefit from other entities or individuals whose business is in competition with that of Anyang Jiutian.

Further to the service agreements as described above on 30 March 2006, our Executive Directors have each entered into separate service agreement (collectively the "Service Agreements") with our Company. Each Service Agreement takes effect from 30 March 2006 and shall continue thereafter until terminated by either party giving not less than three months' notice in writing to the other. Our Company shall be entitled to terminate any of the Service Agreements by giving not less than one month's notice in writing where such Executive Director shall have been incapacitated or prevented by ill-health, injury or accident from performing his duties as a Director for a consecutive period of 3 months. Our Company may also terminate any of the Service Agreements by summary notice in writing with immediate effect if such Executive Director shall commit, *inter alia*, any serious or wilful and persistent breach of any provision of the Service Agreement, is guilty of dishonesty or any grave misconduct or wilful neglect in the discharge of his duties, becomes of unsound mind, becomes bankrupt, is guilty of conduct tending to bring himself or any Group company into disrepute, is prohibited by law from fulfilling his duties or is removed from office, is convicted of any criminal offence which in the opinion of the Board affects his position in our Company, refuses to carry out any reasonable lawful order given to him by the Board or fails to attend to his duties or commits any act of criminal breach of trust or dishonesty.

In addition to the service agreement signed with Anyang Jiutian as described above, pursuant to the terms of the Service Agreements signed with our Company, our Executive Directors are entitled to the following remuneration and benefits:-

Executive Director	**Monthly remuneration**
Wang Xianjin	$5,000
Zhang Aiping	$4,000
Sun Zhiqiang	$4,000
Lee Chee Seng	$15,000

Our Executive Directors are further entitled to a discretionary bonus annually as the Board may in its absolute discretion determine, having regard to his performance and the operating results of our Group.

All out-of-pocket expenses reasonably incurred by such Executive Director in relation to the business in the discharge of his duties shall be reimbursed by our Company subject to satisfactory documentary evidence of actual payment of such expenses.

Each Service Agreement further provides that each of the Executive Directors shall not be entitled to a director's fee in relation to his directorship in our Company or any of our Group Companies.

Each of the Executive Directors is also entitled to medical and dental benefits, travel benefits and allowances.

Each Service Agreement provides for restrictive covenants restricting such Executive Directors from being, *inter alia*, directly or indirectly, concerned with, engaged or interested in any business competing with or similar to the business carried on by our Group during the term of his appointment and for a period of six months after the termination of his appointment, he shall not (i) whether directly or indirectly carry on or be engaged in any business in competition or similar to the business of our Group in the PRC; (ii) solicit any person, firm, company or organisation which at any time during his employment has dealt with our Company or any other company in our Group; (iii) directly or indirectly employ any person who has been a director, manager, employee or servant of or consultant to any Group company who is or may be likely in possession of confidential information or trade secrets relating to our Group's business or our customers; or (iv) solicit any director, manager, employee or servant of a Group company.

The Service Agreement further provides that in the event of summary termination of employment, such Executive Director shall not be entitled to any bonus or payment in respect of current year of service or compensation or damages for such termination.

Save as disclosed above, there are no other existing or proposed service agreements entered into or to be entered into between our Company and our subsidiaries with any of our Directors or Executive Officers.

Had the Service Agreements been in effect from 1 January 2004, the estimated remuneration for our Executive Directors would have been approximately $0.57 million and profit after taxation for FY2004 would have been $3.83 million instead of $4.19 million.

CORPORATE GOVERNANCE

Whilst Mr Wang Xiangjin is both our Executive Chairman as well as CEO, he recognises that both roles should be kept separate in accordance with the Code of Corporate Governance. As Mr Wang Xianjin was the most senior member of the founding managers of Anyang Jiutian, he was unanimously chosen to act as our Executive Chairman as well as CEO. Our Directors recognise the importance of corporate governance and believe in offering high standards of accountability to our Shareholders and will follow closely the best practice outlined in the Best Practices Guide issued by SGX-ST as well as the Code of Corporate Governance. This will include reviewing Mr Wang's current dual roles and considering separating these roles in due course. Our Board has formed three committees: (i) the Audit Committee; (ii) the Remuneration Committee; and (iii) Nominating Committee.

Audit Committee

Our Audit Committee comprises Messrs Chan Kam Loon, Foo Meng Kee and Wu Yu Liang, our Independent Directors. The Chairman of the Audit Committee is Mr Chan Kam Loon.

The Audit Committee shall meet periodically to perform the following functions:-

(a) to review with the external auditors the audit plan, and the results of our external auditors' examination and evaluation of our system of internal controls;

(b) to review the consolidated financial statements and balance sheets and profit and loss accounts, and the external auditors' report on those financial statements, before submission to the Board of Directors for approval;

(c) to review the co-operation given by our management to our auditors;

(d) to consider the appointment and re-appointment of the external auditors;

(e) to review and approve interested person transactions;

(f) to review potential conflict of interests, if any;

(g) undertake such other reviews and projects as may be requested by our board, and will report to our board its findings from time to time on matters arising and requiring the attention of our Audit Committee; and

(h) to generally undertake such other functions and duties as may be required by statute or the SGX-ST Listing Manual, and by such amendments made thereto from time to time.

Apart from the duties listed above, the Audit Committee shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Company's operating results and/or financial position. Each member of our Audit Committee shall abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of our Audit Committee in respect of matters in which he is interested.

Remuneration Committee

Our Remuneration Committee comprises Messrs Chan Kam Loon, Foo Meng Kee and Wu Yu Liang. Mr Wu Yu Liang will be the Chairman of our Remuneration Committee. Our Remuneration Committee will recommend to our Board of Directors a framework of remuneration for the Directors and key executives, and determine specific remuneration packages for each Executive Director. The recommendations of our Remuneration Committee should 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 covered by our Remuneration Committee. Each member of the Remuneration Committee shall abstain from voting any resolutions in respect of his remuneration package.

Nominating Committee

Our Nominating Committee comprises Messrs Chan Kam Loon, Foo Meng Kee and Zhang Aiping. The Chairman of the Nominating Committee is Mr Foo Meng Kee. Our Nominating Committee will be responsible for (i) re-nomination of our Directors having regard to the Director's contribution and performance, (ii) determining annually whether or not a Director is independent and (iii) deciding whether or not a Director is able to and has been adequately carrying out his duties as a director. The Nominating Committee will decide how the Board's performance is to be evaluated and will propose objective performance criteria, subject to the approval of the Board, which addresses how the Board has enhanced long-term shareholder's value. The Board will also implement a process to be carried out by the Nominating Committee for assessing the effectiveness of the Board as a whole and for assessing the contribution by each individual Director to the effectiveness of the Board. Each member of the Nominating Committee shall abstain from voting on any resolutions in respect of the assessment of his performance or re-nomination as Director.

Board Practices

Under our Articles of Association, at least one third of our Company's Directors are required to retire from office at every Annual General Meeting of our Company. Each Director must retire from office at least once every three years. A retiring Director is eligible and may be nominated for re-election.

INTERESTED PERSON TRANSACTIONS

Save as disclosed below, none of our Directors or Controlling Shareholders or their Associates was or is interested in any material transactions undertaken by us within the last three financial years ended 30 June 2005 and up to the Latest Practicable Date.

PAST TRANSACTIONS

(a) Share Transfer Agreement between Mr Zhang Aiping and our Company

One of our directors, Mr Zhang Aiping entered into a Share Transfer Agreement on 24 December 2004, whereby he transferred his shareholding of 1.08% of the issued share capital in Anyang Jiutian to our Company for a total consideration of US$64,800.00, to be paid to Mr Zhang Aiping within three months after a new business licence is issued to Anyang Jiutian for its new status as a foreign investment enterprise. The consideration is based on the valuation of Anyang Jiutian at US$6 million as at 30 September 2004 as audited by Anyang Fang Zheng Accountants Co. Ltd.

The local authority, Anyang Administration of Industry and Commerce, issued the new business licence to Anyang Jiutian on 30 December 2004.

The transaction was carried out on an arm's length basis.

Mr Zhang Aiping entered into a supplementary agreement with our Company on 25 March 2005 whereby he agreed to extend the payment period of our Company to 31 May 2005. Payment has since been made.

(b) Investment by Woolston as one of the Pre-IPO Investors in our Company

Woolston, a company incorporated in the British Virgin Islands, which is 100% owned by Mr Lee Chee Seng (one of our Executive Directors), entered into a pre-investment loan agreement together with certain Pre-IPO Investors and our Company dated 28 March 2005.

Under the pre-investment loan agreement, Woolston advanced a sum of $410,000 to our Company. Pursuant to the agreement, the aggregate of this amount and an interest of 4 per cent per annum shall be converted into ordinary shares of our Company pursuant to a convertible loan agreement to be entered. It is further provided in the agreement that the majority lenders (being the lenders advancing to the Company more than 50% of the loans under the pre-investment agreement, shall have the right to request by 3-days written notice that the Company repay all the loans under the pre-investment agreement (including the loan advanced by Woolston) (the "Pre-Investment Loan") together with costs incurred by these lenders amounting to 3% of the Pre-Investment Loan on Repayment Date. Repayment Date refers to 90 days after the date in which the last amount of the Pre-Investment Loan was advanced by a lender under the agreement.

Please refer to the section entitled "Restructuring Exercise – Investments into our Company" of this Prospectus and the section entitled "Material Contracts" of this Prospectus for further details.

Woolston subsequently entered into a convertible loan agreement together with Pre-IPO Investors and our Company dated 11 May 2005. Under the Convertible Loan Agreement, Woolston's portion of the convertible loan was regarded as having been advanced through the pre-Investment loan agreement. This loan agreement was subsequently supplemented by an addendum entered into between the parties on 22 November 2005.

Please refer to the section entitled "Restructuring Exercise – Investments into our Company" of this Prospectus and the section entitled "Material Contracts" of this Prospectus for further details.

At the Latest Practicable Date, the outstanding due to Woolston was $360,233.47, after receipt of partial repayment from the Company on 22 February 2006. On 30 March 2006, the amount of $284,211 was converted into Shares pursuant to the Conversion. The remaining outstanding was repaid in full to Woolston (being one of the Pre-IPO Investors) on 19 April 2006. Please refer to the section entitled "Investments into our Company" of this Prospectus for further details.

The above-mentioned transactions were carried out on an arm's length basis.

PRESENT AND ON-GOING TRANSACTIONS

There are no present and on-going transactions.

REVIEW PROCEDURES FOR FUTURE INTERESTED PERSON TRANSACTIONS

To ensure that the transactions with interested persons are undertaken on normal commercial terms and are consistent with our Group's usual business practices and policies, which are generally no more favourable to the interested person than those extended to unrelated third parties, the following procedures will be implemented by our Group:-

(i) All Interested Person Transactions above $100,000 are to be approved by a Director who shall not be an interested person in respect of the particular transaction. Any contracts to be made with an interested person shall not be approved unless the pricing is determined in accordance with our usual business practices and policies, consistent with the usual margin given or price received by us for the same or substantially similar type of transactions between us and unrelated parties and the terms are no more favourable to the interested person than those extended to or received from unrelated parties.

For the purposes above, where applicable, contracts for the same or substantially similar type of transactions entered into between us and unrelated third parties will be used as a basis for comparison to determine whether the price and terms offered to or received from the interested person are no more favourable than those extended to unrelated parties.

(ii) In addition, we shall monitor all Interested Person Transactions entered into by us categorising the transactions as follows:-

(a) a category one Interested Person Transaction is one where the value thereof is in excess of 5% of the NTA of our Group; and

(b) a category two Interested Person Transaction is one where the value thereof is below or equal to 5% of the NTA of our Group.

Category one Interested Person Transaction must be approved by our Audit Committee prior to entry. Category two Interested Person Transaction need not be approved by our Audit Committee prior to entry but shall be reviewed on a half-yearly basis by the Audit Committee.

We will prepare relevant information to assist our Audit Committee in its review.

Before any agreement or arrangement that is not in the ordinary course of business of our Group is transacted, prior approval must be obtained from our Audit Committee. In the event that a member of our Audit Committee is interested in any of the Interested Person Transactions, he will abstain from reviewing that particular transaction. Any decision to proceed with such an agreement or arrangement would be recorded for review by our Audit Committee.

We will also comply with the provisions in Chapter 9 of the Listing Manual in respect of all future Interested Person Transactions, and if required under the Listing Manual, the Companies Act or the Securities and Futures Act, we will seek our Shareholders' approval for such transactions.

INTEREST OF MANAGEMENT AND OTHERS IN CERTAIN TRANSACTIONS

CONFLICTS OF INTERESTS

Save as disclosed in the section entitled “Interested Person Transactions” of this Prospectus:-

(a) none of our Directors, Executive Officers or Substantial Shareholders has had any interest, direct or indirect, in any material transactions to which we were or are to be a party;

(b) none of our Directors, Executive Officers or Substantial Shareholders has any interest, direct or indirect, in any company carrying on the same business or carrying on a similar trade as us; and

(c) none of our Directors, Executive Officers or Substantial Shareholders has any interest, direct or indirect, in any enterprise or company that is our customer or supplier of goods or services.

INTERESTS OF EXPERTS

None of the experts named in the Prospectus:-

(a) is employed on a contingent basis by our Company or any of our subsidiaries;

(b) has a material interest, whether direct or indirect, in our Shares or in the shares of our subsidiaries; or

(c) has a material economic interest, whether direct or indirect, in our Company, including an interest in the success of the Invitation.

INFORMATION ON DIRECTORS AND EXECUTIVE OFFICERS

1. The name, address, age and principal occupation of each of our Directors and Executive Officers are set out on pages 124 and 128 of this Prospectus.

2. Information on the business and working experience of each of our Directors and Executive Officers are set out on pages 124 to 130 of this Prospectus.

3. The present and past directorships of each of our Directors held in the five years preceding the date of this Prospectus, excluding that held in our Company, are set out below:-

Name	Present Directorships	Past Directorships
Wang Xianjin	*Group companies* Anyang Jiutian *Other companies* Stateglory	*Group companies* Nil *Other companies* Nil
Zhang Aiping	*Group companies* Anyang Jiutian *Other companies* Stateglory	*Group companies* Nil *Other companies* Nil
Sun Zhiqiang	*Group companies* Anyang Jiutian *Other companies* Stateglory	*Group companies* Nil *Other companies* Nil
Lee Chee Seng	*Group companies* Anyang Jiutian *Other companies* PCG Ventures Pte Ltd Woolston Park Limited PCG Ventures Sdn Bhd Multiflex Investments Ltd World Cup Coffeeshop Pte Ltd	*Group companies* Nil *Other companies* Paradigm Capital Sdn Bhd Malaysian Plantations Bhd Alliance Bank Malaysia Bhd Alliance Merchant Bank Bhd Alliance Finance Bhd Syabas Sutra Sdn Bhd ABG Capital Management Sdn Bhd Deans Ventures Pte Ltd
Foo Meng Kee	*Group companies* Nil *Other companies* MK Marine Pte Ltd MK Capital Pte Ltd MK Realty Private Limited Oceanyield Investments Ltd Asia Food & Properties Limited Technics Oil & Gas Limited (formerly known as Technics Group Holdings Limited)	*Group companies* Nil *Other companies* Hitachi Zosen Singapore Ltd (now known as Keppel Shipyard Limited) Cosmos Marine & Engineering Pte Ltd (now known as KM Factors Pte Ltd) Nichizo Technical Services Singapore Pte Ltd (now known as Hitachi Zosen Marine Services Singapore Pte Ltd) Taywood-HZSL Pte Ltd (now known as Nusa Maritime Pte Ltd) Atlantis Shipyard Pte Ltd (now known as Jurong SML Pte Ltd) Time Equipment & Trading (S) Pte Ltd (now known as Fischer Engineerng Pte Ltd)

Name	Present Directorships	Past Directorships
	Lee Metal Group Ltd See Hup Seng Limited	Maju Maritime Pte Ltd Trillion Resources Pte Ltd Blastech International Pte Ltd Joint Shipyard Investment Pte Ltd Singaport Cleanseas Pte Ltd S&W Engineering Pte Ltd S&W Heat Exchangers (S) Pte Ltd Congruence International Systems Pte Ltd M K Technology Pte Ltd Liang Huat Aluminium Limited Golden Agri-Resources Ltd
Chan Kam Loon	*Group companies* Nil *Other companies* Philip Chan Consulting Pte Ltd Sarin Technologies Ltd C & O Pharmaceutical Technology (Holdings) Ltd Midas Holdings Ltd	*Group companies* Nil *Other companies* KarenSoft Technology Bhd Salcon Engineering Sdn Bhd WRP Sinetimed Sdn Bhd Yongsheng International Holdings Ltd
Wu Yu Liang	*Group companies* Nil *Other companies* Offshore Nexus Management & Secretarial Services Pte Ltd Offshore Nexus Management Consultants Sdn Bhd AIM Management & Services Sdn Bhd Pidland (Malaysia) Sdn Bhd Plushland Sdn Bhd OBS Restaurants Malaysia Sdn Bhd Crestec (Malaysia) Sdn Bhd Asiaxis. Com (Malaysia) Sdn Bhd Sunrise Attribution Sdn Bhd Lingkaran Ruas Sdn Bhd Midas Dove Sdn Bhd Aurafresh Sdn Bhd Cengkaman Impian Sdn Bhd Nakhoda Ambang Sdn Bhd ERA Film Production (Singapore) Pte Ltd.	*Group companies* Nil *Other companies* Nil

4. Save as disclosed below, none of our Executive Officers has any present or past directorships over the five years preceding the date of this Prospectus:-

Name	Present Directorships	Past Directorships
Tan Wee Cheng	*Group companies* Nil *Other companies* Nil *Other companies* Nil	*Group companies* Nil *Other companies* Nil *Other companies* Nil
Fu Mingfang	*Group companies* Nil *Other companies* Nil	*Group companies* Nil *Other companies* Nil
Jiang Jinlong	*Group companies* Nil *Other companies* Nil	*Group companies* Nil *Other companies* Nil
Huang Xizhuang	*Group companies* Nil *Other companies* Nil	*Group companies* Nil *Other companies* Nil
Han Lianguo	*Group companies* Nil *Other companies* Nil	*Group companies* Anyang Jiutian *Other Companies* Nil

5. Save as disclosed in the sections entitled “Shareholders” of this Prospectus, none of our Directors or Executive Officers has any shareholding interests in our Company or any of our subsidiaries as at the date of this Prospectus.

6. Save as disclosed below, none of our Directors and Executive Officers:-

   (a) has at any time during the last 10 years, had an application or a petition under any bankruptcy laws of any jurisdiction 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 two years from the date he ceased to be a partner;

   (b) has 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 two 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;

   (c) has any unsatisfied judgement against him;

(d) 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 which he is aware of) for such purpose;

(e) 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 which he is aware of) for such breach;

(f) has at any time during the last 10 years, had judgement 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 has been the subject of any civil proceedings (including any pending civil proceedings which he is aware of) involving an allegation of fraud, misrepresentation or dishonesty on his part;

(g) has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust;

(h) 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;

(i) has ever been the subject of any order, judgement or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity;

(j) 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 business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or

(iii) 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

(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 the period when he was so concerned with the entity or business trust; or

(k) whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warnings, by the Authority or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere.

In or around 2001, a complaint was lodged with the Law Society of Singapore by a party to two law suits against the law firm which acted for the other party in the suits. Mr Wu Yu Liang was one of the partners of the said law firm at the material time. The recommendation and finding of the Inquiry Committee of the Law Society of Singapore was that Mr Wu Yu Liang was not involved in the two law suits and the complaint against him was dismissed.

7. The compensation paid to our Directors and Executive Officers in FY2005 was approximately RMB 848,000.

8. Save as disclosed in the section entitled "Directors, Management and Staff" of this Prospectus and the section entitled "Share Capital" of this Prospectus, none of our Directors and Executive Officers has any family relationship with one another nor do they have any family relationship with any of our Substantial Shareholders.

9. None of our Directors and Executive Officers was appointed pursuant to an arrangement or understanding with a Substantial Shareholder, customer or supplier of our Company or other person.

10. No arrangement has been entered into with any Director or Executive Officer that involves the issue of Shares or any other securities of our Company.

11. No option to subscribe for Shares in, or debentures of, our Company or our subsidiaries has been granted to, or was exercised by, any Director or Executive Officer within the three financial years preceding the date of this Prospectus.

12. Save as disclosed under the section entitled "Service Agreement" of this Prospectus, there are no existing or proposed service contracts between our Directors and our Company or any of our subsidiaries.

13. Save as disclosed in the section entitled "Interested Person Transactions and Conflicts of Interests" of this Prospectus, none of our Directors is interested, directly or indirectly, in the promotion of, or in any property or assets which have, within the two years preceding the date of this Prospectus, been acquired or disposed of by or leased to, our Company or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of our subsidiaries.

14. Save as disclosed in the section entitled "Interested Person Transactions and Conflicts of Interests" of this Prospectus, none of our Directors or Executive Officers or substantial shareholders of our Company has any substantial interest, direct or indirect, in any company carrying on a similar trade as our Company or our subsidiaries.

15. Save as disclosed in this Prospectus, none of our Directors has any interest in any existing contract or arrangement which is significant in relation to the business of our Company and our subsidiaries, taken as a whole.

SHARE CAPITAL

16. As at the date of this Prospectus, there is only one class of shares in the capital of our Company. The rights and privileges attached to our Shares are stated in our Articles of Association. There are no founder, management or deferred shares. The Shares owned by our Directors and Substantial Shareholders are not entitled to any different voting rights from the other Shares.

17. Save as disclosed in the section entitled "Shareholders" of this Prospectus, our Company is not directly or indirectly owned or controlled by another corporation, any government or other natural or legal person whether severally or jointly.

18. There is no known arrangement the operation of which may, at a subsequent date, result in a change in control of our Company.

19. There has not been any public take-over offer, by a third party in respect of our Shares or by our Company in respect of the shares of another corporation, which has occurred during the most recent completed financial year and the Latest Practicable Date.

20. Save as disclosed under the section entitled "Share Capital" of this Prospectus, there were no changes in the issued and paid-up share capital of our Company or our subsidiaries, within the three years prior to the date of lodgement of this Prospectus.

21. Save as disclosed under the section entitled "Share Capital" of this Prospectus, no shares or debentures were issued or agreed to be issued by our Company or our subsidiaries for cash or for a consideration other than cash during the last three years preceding the date of lodgement of this Prospectus.

22. There are no Shares in our Company that are held by or on behalf of our Company or by our subsidiaries.

MEMORANDUM AND ARTICLES OF ASSOCIATION

23. (a) The nature of our Company's business has been stated earlier in this Prospectus. Our objects can be found in Clause 3 of our Memorandum of Association which is available for inspection at our registered office in accordance with the paragraph under the heading "Documents Available for Inspection" on page 155 of this Prospectus.

(b) An extract of our Articles of Association providing for, *inter alia*, transferability of shares, Directors' voting rights, borrowing powers of Directors and dividend rights are set out in Annex A of this Prospectus. The Articles of Association of our Company is available for inspection at our registered office in accordance with the paragraph under the heading "Documents Available for Inspection" on page 155 of this Prospectus.

MATERIAL CONTRACTS

24. Our Company and our subsidiaries (as the case may be), are parties to the following contracts, not being contracts entered into in the ordinary course of business, within the two years preceding the date of lodgement of this Prospectus and are or may be material:-

Jiutian Chemical as party

(1) Share Transfer Agreement dated 24 December 2004 between our Company and Anhua, whereby Anhua transferred its shareholding of 93.52% of the issued share capital in Anyang Jiutian to our Company for a total consideration of US$5,611,200, further details of which are set out in the section entitled "Restructuring Exercise" of this Prospectus.

(2) Share Transfer Agreement dated 24 December 2004 between our Company and Guan Jiemin, whereby Guan Jiemin transferred his shareholding of 1.08% of the issued share capital in Anyang Jiutian to our Company for a total consideration of US$64,800, further details of which are set out in the section entitled "Restructuring Exercise" of this Prospectus.

(3) Share Transfer Agreement dated 24 December 2004 between our Company and Jia Lianggang, whereby Jia Lianggang transferred his shareholding of 1.08% of the issued share capital in Anyang Jiutian to our Company for a total consideration of US$64,800, further details of which are set out in the section entitled "Restructuring Exercise" of this Prospectus.

(4) Share Transfer Agreement dated 24 December 2004 between our Company and Zhang Zhen, whereby Zhang Zhen transferred his shareholding of 1.08% of the issued share capital in Anyang Jiutian to our Company for a total consideration of US$64,800, further details of which are set out in the section entitled "Restructuring Exercise" of this Prospectus.

(5) Share Transfer Agreement dated 24 December 2004 between our Company and Wei Hailin, whereby Wei Hailin transferred his shareholding of 1.08% of the issued share capital in Anyang Jiutian to our Company for a total consideration of US$64,800, further details of which are set out in the section entitled "Restructuring Exercise" of this Prospectus.

(6) Share Transfer Agreement dated 24 December 2004 between our Company and Zhang Aiping, whereby Zhang Aiping transferred his shareholding of 1.08% of the issued share capital in Anyang Jiutian to our Company for a total consideration of US$64,800, further details of which are set out in the section entitled "Restructuring Exercise" of this Prospectus.

(7) Share Transfer Agreement dated 24 December 2004 between our Company and Li Jucai, whereby Li Jucai transferred his shareholding of 1.08% of the issued share capital in Anyang Jiutian to our Company for a total consideration of US$64,800, further details of which are set out in the section entitled "Restructuring Exercise" of this Prospectus.

(8) Pre-Investment Loan Agreement dated 28 March 2005 between Chia Wee Tiong, Wee Ai Keng Angeline, Tay Kong Meng Eugene, Goh Yeo Hwa, Beh Suan Tiong, Chua Eu Liam, Kee Siang Hoe, Woon Tai Keat, Woolston Park Limited, Jarle Aakermann and Pierre Rico as lenders and our Company as borrower, whereby the above lenders loaned an aggregate amount of $3,307,500 to be made available to our Company on or before 31 March 2005 for the purpose of paying for 25% of the issued share capital of Anyang Jiutian, further details of which are set out in the section entitled "Restructuring Exercise" of this Prospectus.

(9) Supplementary Agreement to the Share Transfer Agreement dated 25 March 2005 between our Company and Anhua, whereby Anhua agreed to extend the time of payment for the consideration of the shares to 30 May 2005.

(10) Supplementary Agreement to the Share Transfer Agreement dated 25 March 2005 between our Company and Guan Jiemin, whereby Guan Jiemin agreed to extend the time of payment for the consideration of the shares to 30 May 2005.

(11) Supplementary Agreement to the Share Transfer Agreement dated 25 March 2005 between our Company and Jia Lianggang, whereby Jia Lianggang agreed to extend the time of payment for the consideration of the shares to 30 May 2005.

(12) Supplementary Agreement to the Share Transfer Agreement dated 25 March 2005 between our Company and Zhang Zhen, whereby Zhang Zhen agreed to extend the time of payment for the consideration of the shares to 30 May 2005.

(13) Supplementary Agreement to the Share Transfer Agreement dated 25 March 2005 between our Company and Wei Hailin, whereby Wei Hailin agreed to extend the time of payment for the consideration of the shares to 30 May 2005

(14) Supplementary Agreement to the Share Transfer Agreement dated 25 March 2005 between our Company and Zhang Aiping, whereby Zhang Aiping agreed to extend the time of payment for the consideration of the shares to 30 May 2005.

(15) Supplementary Agreement to the Share Transfer Agreement dated 25 March 2005 between our Company and Li Jucai, whereby Li Jucai agreed to extend the time of payment for the consideration of the shares to 30 May 2005.

(16) Escrow Agreement dated 25 March 2005 between our Company, Anyang Jiutian and China Industrial and Commercial Bank, Yinbing sub-branch, Anyang branch, whereby it was agreed that the amount of US$1.5 million to be paid by our Company as part of the consideration for the acquisition of the shares in Anyang Jiutian be held in escrow with the bank

(17) Termination Letter dated 20 April 2005 from our Company together with Anyang Jiutian addressed to China Industrial and Commercial Bank, Yinbing sub-branch, Anyang branch, termination the escrow agreement dated 25 March 2005.

(18) Acknowledgement of receipt of termination letter dated 20 April 2005 from China Industrial and Commercial Bank, Yinbing sub-branch, to our Company and Anyang Jiutian

(19) Escrow Agreement dated 20 April 2005 between our Company, Anyang Jiutian and China Industrial and Commercial Bank, Yinbing sub-branch, Anyang branch, whereby it was agreed that the amount US$6 million to be paid by our Company as consideration for the acquisition of the shares in Anyang Jiutian be held in escrow with the bank.

(20) Convertible Loan Agreement dated 11 May 2005 between the Pre-IPO Investors and our Company as borrower, whereby the Pre-IPO Investors loaned an aggregate amount of $11,206,725 to our Company (amount to include the amount loaned under the Pre-Investment Loan Agreement) for the purpose of paying for the balance of the 75% of the issued share capital of Anyang Jiutian, such payment to be made on or before 31 May 2005, expenses incurred in connection with the Listing and the general working capital requirements of our Company and its subsidiaries, further details Of which are set out in the section entitled "Restructuring Exercise" of this Prospectus.

(21) Agreement in relation to funds in Escrow Account dated 21 May 2005 between Jiutian Chemical, Anyang Jiutian and Anhua, whereby it was clarified that in order to facilitate the Company's compliance of terms of the Convertible Loan Agreement, Anhua had agreed to advance the sum of US$6 million. Anhua further acknowledges and confirms that the US$6 million has been paid into the escrow account held in the name of Anyang Jiutian.

(22) Addendum 1 to the Convertible Loan Agreement dated 22 November 2005 between Convertible Loan Agreement dated 11 May 2005 between the Pre-IPO Investors and our Company as borrower, whereby it was agreed that only 65% of the Convertible Loan Agreement be converted into fully paid ordinary shares of the Company on the date of the eligibility to list letter from the SGX-ST to our Company. The remaining balance of the Convertible Loan together with all accrued interest remains payable on or before the 1st anniversary of the date of the Convertible Loan Agreement (i.e. on or before 11 May 2006) or such other date as may be agreed between us and the Pre-IPO Investors who, in aggregate have advanced more than two-thirds of the Convertible Loan.

Anyang Jiutian as party

(23) Agreement of Reward for the DMF project dated 20 October 2004 between Anyang Jiutian and Anhua, whereby Anyang Jiutian agreed to pay RMB 1,500,000 to Anhua as a reward to the DMF project management team which was organised by Anhua, consisting of employees who were involved in the construction of the production facilities for DMF during the period between 2002 and 2003 to produce 20,000 tonnes of DMF, for their efforts in the success of the construction of DMF production facilities.

(24) Asset Injection Agreement dated 13 December 2004 between Anyang Jiutian and Anhua in relation to the injection of methanol and gas businesses into Anyang Jiutian, with the net assets value of RMB 20,031,832.97 as at 30 September 2004. Parties agreed that Anhua shall inject the methanol and gas businesses into Anyang Jiutain at the value of RMB 20,030,000 resulting in the shareholding percentage of Anhua held in Anyang Jiutian increasing from 88.6% to 93.52%.

(25) Share Transfer Agreement dated 12 December 2004 between Anyang Jiutian and Anhua, whereby Anyang Jiutian transferred all its shares in Linuo (constituting 16% of the issued and paid-up share capital of Linuo) to Anhua for a consideration amount of RMB 1,600,000. The consideration was to be paid by Anhua by deducting the amount equivalent to the amount of debt owing by Anyang Jiutian to Anhua.

(26) Share Transfer Agreement dated 12 December 2004 between Anyang Jiutian and Anhua, whereby Anyang Jiutian transferred all its shares in Wuzhou (constituting 20% of the issued and paid-up capital of Wuzhou) to Anhua for a consideration amount of RMB 3,000,000. The consideration was to be paid by Anhua by deducting the amount equivalent to the amount of debt owing by Anyang Jiutian to Anhua Group at that time.

(27) Supplementary Agreement to the Assets Injection Agreement dated 24 December 2004 between Anyang Jiutian and Anhua, whereby both parties agreed that the effective date in relation to Anyang Jiutian's enjoyment of profits from the methanol and gas businesses shall commence on 1 January 2005.

(28) Indemnity Letter dated 24 December 2004 by the former shareholders of Anyang Jiutian, namely, Zhang Zhen, Wei Hailin, Zhang Aiping and Li Jucai, and Jiutian Chemical, in favour of Anyang Jiutian and Jiutian Chemical, whereby the former shareholders undertake as follows:

a. The disclosure of information for the acquisition is full and complete. The Company only had to pay USD 6,000,000 for acquiring 100% shares of Anyang Jiutian.

b. The repayment of the employee funds of RMB 4,960,000 would be borne by the former seven shareholders.

c. Any taxes or government fee unpaid before the date thereof should be borne by the former seven shareholders.

d. Any responsibility related to contingent liabilities, tax evasion or legal proceeding in process shall be borne by the former seven shareholders.

(29) Agreement for free use of resources dated 31 December 2004 between Anyang Jiutian and Anhua, whereby it evidenced Anhua's intention to allow Anyang Jiutian a free use of resources of Anhua for the period between 1 January 2002 and 31 December 2004. The free use of resources relates to the methanol and gas businesses and include land use right fee, building use fee, management fee, sales fee, facilities use fee for recycling water and environment protection expense.

(30) Land use right lease agreement dated 31 December 2004 between Anyang Jiutian and Anhua, whereby Anhua agrees to lease the land use right to Anyang Jiutian for its production of methylamine and DMF. The total area of land leased is 20,832.63m^2. The term of lease is 6 months, commencing on 1 January 2005 up to 30 June 2005. The total rent is RMB 104,000 and shall be paid before 31 December 2005. The Company is liable to pay 3% of the outstanding rent in the event of failure to pay rent.

(31) Agreement for prepayment of engineering expenses dated 1 January 2005 between Anyang Jiutian and Anhua, whereby Anhua agrees to continue paying any outstanding costs incurred for the construction of DMF production facilities in which Anhua was the original contracting party for the period between 1 January 2005 and 31 December 2005, provided the amount of payment to be made by Anhua shall not exceed in aggregate RMB 3,000,000. It is further agreed that Anyang Jiutian shall reimburse to Anhua all payments made by Anhua in relation to the said construction projects. For payments made by Anhua prior to 1 January 2005, Anyang Jiutian shall reimburse Anhua for such payments before 31 December 2006. In relation to payments made by Anhua during the period between 1 January 2005 and 31 December 2005, Anyang Jiutian shall reimburse Anhua for such payments within one year from the date of each payment by Anhua.

(32) Supply Service Contract dated 1 January 2005 between Anyang Jiutian and Anhua, whereby Anhua agrees to supply water gas, ammonia liquid, electricity, steam, meter running gas, nitrogen, carbon dioxide, and oxygen to Anyang Jiutian for a term of twenty years, such term

which is renewable at the end of each 20-year period. It is a term of the contract that the supply contract is exclusive. Anhua further agrees not to take part in any business that is competitive with Anyang Jiutian directly or indirectly.

(33) Real Estate Lease Agreement dated 1 January 2005 between Anyang Jiutian and Anhua, whereby Anhua agrees to lease buildings for the production of methanol and gas and the land related to these buildings to Anyang Jiutian for a period of fifteen years commencing on 1 January 2005. The contract can be renewed upon expiration of the fifteen-year period. The annual rent is RMB 134,739 for buildings leased and RMB 90,800 for land leased. The total annual rent is RMB 225,539 and shall be paid in advance before January 15th of each year. This real estate lease agreement shall supersede any previous agreements entered into between Anyang Jiutian and Anhua relating to the land and building lease for the production of methanol and gas.

(34) Letter of Undertaking by Anhua dated 18 April 2005 in favour of Anyang Jiutian whereby Anhua undertakes to perform rights and obligations in accordance with terms and conditions of any agreement entered into by Anhua on behalf of Anyang Jiutian and arrange for the change of the signing Party upon any renewal of relevant contracts and agreements.

(35) Letter of financial support by Anhua dated 29 April 2005 to the board of directors of Anyang Jiutian, whereby Anhua undertakes not to seek the repayment of any liabilities of Anyang Jiutian for a period of one year commencing on 31 December 2004.

(36) Letter of undertaking by Anhua dated 31 May 2005 in favour of Anyang Jiutian, whereby Anhua undertakes that any loss arising from foreign exchange in relation to the funds in the escrow account shall be borne by Anhua.

(37) Indemnity Letter by Anhua on the Certificate of Building Ownership dated 13 June 2005 in favour of Anyang Jiutian, whereby Anhua agrees to compensate Anyang Jiutian for damages suffered in the event Anhua is unable to obtain the certificate of building ownership for buildings leased to Anyang Jiutian.

(38) Land Use Right Transfer Agreement dated 22 June 2005 between Anyang Jiutian and Anhua, whereby Anhua agreed to transfer the land use right numbered 1-1-81 at Zhang Jia Village, Long An District, Anyang, to Anyang Jiutian. The land use right certificate number is 安国用[51]第 181 号. The area of the land transferred is 20,832.63m^2. The consideration for the land use right transferred is RMB 2,517,600.

(39) Land Use Right Transfer Agreement dated 27 June 2005 between Anyang Jiutian and Anhua upon request of Anyang Administration of Land Bureau to use its standard land use right transfer agreement. There is no difference in content between this agreement and the land use right transfer agreement described in item 38 above abovementioned.

(40) Loan Agreement dated 27 June 2005 between Anyang Jiutian and Shui Ye Sub-branch under Anyang Branch of Bank of Industry and Commerce (中国工商银行安阳分行水冶支行). The amount of loan is RMB 37,000,000 for the purpose of purchase of raw materials. The term of loan is for twelve months, commencing on 27 June 2005 until 26 June 2006. The security for the loan is mortgage of assets of Anyang Jiutian's assets, consisting of the production equipment for methanol, methylamine and DMF. This agreement was subsequently terminated and replaced by 3 loan agreements described in items 46, 47 and 48, when the bank informed Anyang Jiutian that the amount intended to be disbursed under this loan agreement exceeded their internal credit limit of RMB 20 million under a single loan facility.

(41) Supplementary Agreement to the Supply Service Contract dated 30 June 2005 between Anyang Jiutian and Anhua whereby prices of certain materials were clarified in respect of value added tax rate.

(42) Indemnity Letter from China Hualu dated 30 June 2005 in favour of Anyang Jiutian, whereby China Hualu represents, warrants and undertakes to Anyang Jiutian, *inter alia*, that after relevant enquiries and clarifications from Davy Process Technology Ltd. and/or Kvaener Process Technology Ltd (the substituted party), the abovementioned parties have no objection to Anyang Jiutian or our Company being the end user of the technology. China Hualu further agrees to indemnify Anyang Jiutian, its successors in title and assigns from and against all and any actions, proceedings, claims, liabilities, losses, damages, costs and/or expenses (including, without limitation, all legal costs and expenses incurred on a full indemnity bases) which may be made or brought against Anyang Jiutian or which Anyang Jiutian may suffer or incur as a result of or in relation to breach of any of the representations, warranties and/or undertakings as stated by China Hualu in the indemnity letter.

(43) Second Supplementary Agreement to the Supply Service Contract dated 1 July 2005 between Anyang Jiutian and Anhua varying the term of the Supply Service Contract dated 1 January 2005 ("Supply Service Contract") in respect of the prices of the raw materials listed in the Supply Service Contract, where the prices of raw materials for the first 3 years of supply, i.e. 2006, 2007 and 2008, have been previously agreed through the Supply Service Contract. Parties agree that the prices of each raw material shall be compared to market price every half yearly during these years. In the event that the market price is lower than the agreed price by more than 10%, the price of the raw materials to be purchased by Anyang Jiutian from Anhua for the half-year period following the determination shall refer to the market price.

(44) Agreement between Anyang Jiutian, the former shareholders of Anyang Jiutian, Zhang Zhen, Wei Hailin, Zhang Aiping and Li Jucai, and Jiutian Chemical dated 20 July 2005 whereby the former shareholders of Anyang Jiutian undertake to repay all the employees of their loans amounting to RMB 4,960,000. These loans have since been repaid on 18 November 2005.

(45) Letter of Confirmation dated 29 July 2005 between Anyang Jiutian and Anhua confirming that the difference in the net assets value of methanol and gas businesses on 30 September 2004 and 14 December 2004 shall be attributed for and to the benefit to Anhua.

(46) Loan Agreement (numbered 0009) dated 1 September 2005 between Anyang Jiutian and the Industry and Commerce Bank of China for a 8-month term loan in the amount of RMB 17,000,000 for the period between 1 September 2005 to 17 April, 2006.

(47) Loan Agreement (numbered 0010) dated 1 September 2005 between Anyang Jiutian and the Industry and Commerce Bank of China for a 10-month term loan in the amount of RMB 10,000,000 for the period between 1 September 2005 to 21 June 2006.

(48) Loan Agreement (numbered 0011) dated 1 September 2005 between Anyang Jiutian and the Industry and Commerce Bank of China for a 10-month term loan in the amount of RMB 10,000,000 for the period between 1 September 2005 to 28 June 2006.

(49) Termination Agreement dated 21 September 2005 between Anyang Jiutian and the Industry and Commerce Bank of China cancelling the loan agreements referred to in items 46,47 and 48 above.

(50) Loan Agreement by mandate dated 26 September 2005 between Anyang Jiutian and Agricultural Bank of China ("ABC") for a 36-month term loan in the amount of RMB 37,000,000 for the period between 26 September 2005 to 28 September 2008. In the event of a breach of the loan agreement for or where repayment of the loan is delayed, Anyang Jiutian is liable to pay punitive interest rate.

Contracts entered in 2006

(51) Confirmation Letter dated 10 February 2006 between Anhua and Anyang Jiutian to confirm the ownership of profits in relation to the methanol and gas businesses. It was confirmed that profits derived from the said businesses before 15 December 2004 are owned by Anhua and from 15 December 2004 onwards, owned by Anyang Jiutian. The Confirmation Letter supercedes all previous confirmation, agreement or document including that described in contract 27 and contract 45 above.

(52) Letter of undertaking dated 24 February 2006 by China Hualu to Anyang Jiutian undertaking that it will not charge any relevant licence fee or royalty fee when Anyang Jiutian appoint it to assume the task of project design and adopts its technology for the new construction, reconstruction or expansion of Anyang Jiutian's methylamine/ DMF production facilities..

(53) Letter of tenancy offer dated 2 March 2006 between our Company and UCO Bank for the lease of office premises at 3 Raffles Place, #05-01 Bharat Building Singapore 048617, for a term of 2 years, with an option to renew for a further period of 2 years at the then prevailing market rate. The amount of rental payable is S$3.40 per square foot per month with GST payable. The floor area of the premises is 1,817 square feet. A booking fee of S$6,177.80 (equivalent to 1 month's rent) was paid upon acceptance of the offer by our Company on 8 March 2006 and it is stated that a tenancy agreement be executed by 31 March 2006.

(54) Tenancy Agreement dated 30 March 2006 between our Company and UCO Bank for the lease of office premises at 3 Raffles Place, #05-01 Bharat Building Singapore 048617, confirming the terms contained the letter of tenancy offer dated 2 March 2006 described in item 53 above.

(55) Addendum 2 to the Convertible Loan Agreement dated 11 May 2005 and Addendum dated 22 November 2005, dated 29 March 2006 between the Pre-IPO Investors and our Company, whereby it was agreed the conversion of the Convertible Loan will be in multiples of one thousand shares with the odd number of shares arising from such conversion to be ignored for the purpose of the issuance of shares on Conversion. It is also agreed that any resulting shortage in the number of shares to be issued due to rounding down into multiples of one thousand shares shall be compensated by way of payment of cash, calculated at the Invitation Price. It is further agreed that such payment shall be settled not later than seven business days after listing on the SGX-ST.

(56) The Management and Underwriting Agreement dated 24 April 2006 made between our Company and OCBC Bank referred to in paragraph 26 below.

(57) The Placement Agreement dated 24 April 2006 made between our Company and OCBC Bank referred to in paragraph 26 below.

(58) The Depository Agreement dated 24 April 2006 made between our Company and CDP pursuant to which CDP agreed to act as central depository for the Company's securities for trades in the securities of the Company through the SGX-ST.

LITIGATION

25. To the best of our knowledge and belief, having made all reasonable enquiries, neither our Company nor any of our subsidiaries is engaged in any litigation or arbitration proceedings either as plaintiff or defendant, including those which are pending or known to be contemplated, which may have or have had in the last 12 months prior to the lodgement of this Prospectus, a material effect on the financial position or profitability of our Company or any of our subsidiaries.

MANAGEMENT, UNDERWRITING AND PLACEMENT ARRANGEMENTS

26. (a) Pursuant to the management and underwriting agreement dated 24 April 2006 (the "Management and Underwriting Agreement"), our Company and the Vendors appointed OCBC Bank to manage the Invitation and underwrite the Offer Shares. The Manager will receive a management fee from our Company for its services rendered in connection with the Invitation.

(b) Pursuant to the Management and Underwriting Agreement, OCBC Bank has agreed to underwrite the Offer Shares for a commission of 2.75% of the Invitation Price for each Offer Share, payable by our Company and the Vendors in the proportion in which the number of Invitation Shares offered by each of them pursuant to the Invitation bears to the total number of Invitation Shares (the "Agreed Proportion").

(c) Pursuant to the placement agreement dated 24 April 2006 (the "Placement Agreement"), OCBC Bank agreed to subscribe for and/or purchase or procure subscriptions for and/or purchasers for the Placement Shares for a placement commission of 2.0% of the Invitation Price for each Placement Share, payable by our Company and the Vendors in the Agreed Proportion.

(d) Brokerage will be paid by our Company and the Vendors in the Agreed Proportion to members of the SGX-ST, merchant banks and members of the Association of Banks in Singapore in respect of accepted applications made on Application Forms bearing their respective stamps, or to Participating Banks in respect of successful applications made through Electronic Applications at the ATMs of the relevant Participating Banks, at the rate of 0.25% of the Invitation Price for each Offer Share. In addition, DBS levies a minimum brokerage fee of $5,000 that will be paid by the Company and the Vendors in the agreed proportions. For Placement Shares, brokerage will be paid to the Placement Agent at the rate of 1.0% of the Invitation Price for each Placement Share in accordance with the Placement Agreement. Subscribers and/or purchasers of Placement Shares may be required to pay a brokerage of up to 1.0% of the Invitation Price to the Placement Agent (or any sub-placement agent(s) which may be appointed by the Placement Agent).

(e) Save as aforesaid and under the section entitled "Plan of Distribution" of this Prospectus, no commission, discount or brokerage, has been paid or other special terms granted within the two years preceding the date of this Prospectus or is payable to any Director, promoter, expert, proposed Director or any other person for subscribing and/or purchasing or agreeing to subscribe and/or purchase or procuring or agreeing to procure subscriptions and/or purchases for any shares in or debentures of our Company.

(f) The Management and Underwriting Agreement may be terminated or rescinded by OCBC Bank at any time on or before the close of the Application List on the occurrence of certain events including:-

(i) any breach of the warranties or undertakings contained in Clause 6 of the Management and Underwriting Agreement;

(ii) any event which would render any of the warranties contained in Clause 6 of the Management and Underwriting Agreement untrue or incorrect;

(iii) any adverse change, or any development involving a prospective adverse change, in the conditions (financial or otherwise) of our Company or Group;

(iv) any change or introduction, or any prospective change or introduction of any legislation, regulation, policy, directive, order, guideline, request or interpretation or application thereof, by any court, regulatory or government body in Singapore or elsewhere, the Securities Industry Council of Singapore, the SGX-ST or the Authority, whether or not having the force of law;

(v) any change or crisis or any development likely to lead to an adverse change or crisis in local, national, regional or international, political, industrial, legal, financial, monetary or economic conditions, taxation or exchange controls (including but without limitation to conditions in the stock market, foreign exchange market, conditions with respect to interest rates and money markets, in Singapore or any other jurisdiction) or a combination of any such changes or development or crisis, or deterioration thereof;

(vi) any occurrence of any local, national or international outbreak or escalation of hostilities, insurrection, terrorists attacks or armed conflicts (whether or not involving financial markets); or

(vii) any such conditions which in the opinion of OCBC Bank (exercised in good faith) would:-

(aa) result or be likely to result in a material adverse fluctuation or adverse conditions in the stock market in Singapore or elsewhere; or

(bb) be likely to prejudice the success or the subscription, sale or offer of the Invitation Shares (whether in the primary market or in respect of dealings in the secondary market); or

(cc) make it impracticable, inadvisable, inexpedient or uncommercial to proceed with any of the transactions contemplated in the Management and Underwriting Agreement; or

(dd) be likely to have an adverse effect on the business, trading position, operations or prospects of our Company or of our Group as a whole; or

(ee) be such that no reasonable underwriter would have entered into the Management and Underwriting Agreement; or

(ff) make it uncommercial or otherwise contrary to or outside the usual commercial practices of managers and underwriters in Singapore for OCBC Bank to observe or perform or be obliged to observe or perform the terms of the Management and Underwriting Agreement.

The Management and Underwriting Agreement may also, subject to the terms therein, be terminated by OCBC Bank if a stop order is issued by the Authority in accordance with Section 242 of the Securites and Futures Act.

(g) In the event that the Management and Underwriting Agreement is terminated, our Company reserves the right, at our absolute discretion, to cancel the Invitation.

(h) The Placement Agreement is conditional upon amongst others, the Management and Underwriting Agreement not having been terminated or rescinded pursuant to the provisions of the Management and Underwriting Agreement.

MINIMUM AMOUNTS TO BE RAISED

27. In the reasonable opinion of our Directors, no minimum amount must be raised by the issue of the Invitation Shares.

MISCELLANEOUS

28. The nature of the business of our Group is stated in the section entitled “Business Overview” of this Prospectus. As at the date of this Prospectus, all the corporations which are, by virtue of Section 6 of the Companies Act, deemed to be related to our Company, are our subsidiaries as set out in section entitled “Group Structure” of this Prospectus.

29. The time of opening of the Application List is set out on page 13 of this Prospectus.

30. The amount payable on application is $0.29 for each Invitation Share. There has been no previous issue of Shares by our Company or offer for sale of our Shares to the public within the two years proceeding the date of this Prospectus.

31. Application monies received by our Company in respect of all successful applications (including successfully balloted applications which are subsequently rejected) will be placed in a separate non-interest bearing account with OCBC Bank (the "Receiving Bank"). There is no sharing arrangement between the Receiving Bank and our Company in respect of interest or revenue or any other benefit in respect of the deployment of application monies in the inter-bank monies market, if any. Any refund of the application monies to unsuccessful or partially successful applicants will be made without any interest or share of such revenue or other benefit arising therefrom.

32. The estimated amount of the expenses in connection with the Invitation is approximately $3.20 million, such expenses include the underwriting commission, placement commission, brokerage, management, audit and legal fees, advertising and printing expenses, as well as fees payable to the SGX-ST and the Authority. Save for the underwriting commission, placement commission and brokerage, the rest of the expenses will be borne by our Company. For the underwriting commission, placement commission and brokerage, these expenses will be borne by the Company and the Vendors in the proportion in which the number of Invitation Shares offered by each of them pursuant to the Invitation bears to the total number of Invitation Shares. A breakdown of these estimated expenses is as follows:-

	$'000
Listing fees	26
Professional fees	1,766
Underwriting commission, placement commission and brokerage	867
Miscellaneous expenses	545
Total estimated expenses	3,204

The total amount of the expenses to be borne by our Company is approximately $2.84 million.

33. Save as disclosed under the section entitled "Interested Person Transactions" of this Prospectus, no amount of cash or securities or benefit has been paid or given to any promoter within the two years preceding the date of this Prospectus or is proposed or intended to be paid or given to any promoter at any time.

34. Our Directors are not aware of any event which has occurred since the end of the period covered by the Compilation Report of the Reporting Auditors on the Pro Forma Financial Information and Group Financial Information, that is, 30 June 2005, which may have a material effect on the financial information provided in Annex E of this Prospectus.

35. Save as disclosed in this Prospectus, the financial condition and operations of our Group are not likely to be affected by any of the following:-

    (a) known trends or known demands, commitments, events or uncertainties that will result in or are reasonably likely to result in our Group's liquidity increasing or decreasing in any material way;

    (b) material commitments for capital expenditures;

    (c) unusual or infrequent events or transactions or any significant economic changes that will materially affect the amount of reported income from operations; and

(d) known trends or uncertainties that have had or that our Group reasonably expects to have a material favourable or unfavourable impact on revenues or operating income.

36. We currently have no intention of changing our auditors after the listing of our Company on the Main Board of the SGX-ST.

CONSENTS

37. The Auditors and Reporting Accountants have given and have not withdrawn their written consent to the issue of this Prospectus with the inclusion of the Compilation Report of the Reporting Auditors on the Pro Forma Financial Information and Group Financial Information of Jiutian Chemical and the Audited Financial Statements for Jiutian Chemical for the period from 30 November 2004 (date of incorporation) to 30 June 2005, their name, address and professional qualification in the form and context in which they are included in this Prospectus and references thereto in the form and context in which they appear in this Prospectus and to act in such capacities in relation to this Prospectus.

The details of the Auditors and Reporting Accountants are as follows:-

Name and Address	**Partner-in-charge and Qualifications**
Deloitte & Touche 6 Shenton Way #32-00 DBS Building Tower Two Singapore 068809	Mr Aric Loh Siang Khee Certified Public Accountant

38. Deloitte Touche Tohmatsu Certified Public Accountants Ltd - Beijing branch has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion of the Audited Financial Statements for Anyang Jiutian for FY2002, FY2003, FY2004 and HY2005 and the Audited Financial Statements for our methanol division and gas division for FY2002, FY2003 and for the periods between 1 January 2004 to 14 December 2004 (both dates included), their name, address and professional qualification in the form and context in which they are included in this Prospectus and references thereto in the form and context in which they appear in this Prospectus and to act in such capacities in relation to this Prospectus.

Their details are as follows:-

Name and Address	**Partner-in-charge and Qualifications**
Deloitte Touche Tohmatsu Certified Public Accountants Ltd - Beijing Branch 8/F Office Tower W2 The Towers, Oriental Plaza 1 East Chang An Avenue Beijing 100738, PRC	Mr Tung Wai Lung Ricky Certified Public Accountant

39. OCBC Bank has given, and has not withdrawn its written consent to being named in the prospectus as the Manager and Underwriter.

40. Each of the Manager, Underwriter, Placement Agent and Receiving Bank, the Solicitors to the Invitation, the Solicitors to the Manager, Underwriter and Placement Agent, the Legal Advisers to the Company on PRC Law, the Legal Advisers to the Manager, Underwriter and Placement Agent on PRC Law, the Principal Bankers and the Share Registrar do not make, or purport to make, any statement in this Prospectus or any statement upon which a statement in this Prospectus is based and, to the maximum extent permitted by law, expressly disclaim and take no responsibility for any liability to any person which is based on, or arises out of, the statements, information or opinions in this Prospectus.

RESPONSIBILITY STATEMENT BY OUR DIRECTORS AND THE VENDORS

41. This Prospectus has been seen and approved by our Directors and the Vendors and they collectively and individually accept full responsibility for the accuracy of the information given in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and the opinions expressed in this Prospectus are fair and accurate in all material respects as at the date of this Prospectus and that there are no other material facts the omission of which would make any statements herein misleading, and that this Prospectus constitutes full and true disclosure of all material facts about the Invitation, our Company and our subsidiaries.

DOCUMENTS AVAILABLE FOR INSPECTION

42. Copies of the following documents may be inspected at the registered office of our Company at 8 Cross Street, #11-00 PWC Building, Singapore 048424, during normal business hours for a period of six months from the date of registration of this Prospectus:-

(a) the Memorandum of Association and Articles of Association of our Company;

(b) the material contracts referred to in paragraph 24 in the section entitled "Material Contracts" of this Prospectus;

(c) the letter of consent referred to in paragraphs 37 to 39 in the section entitled of this Prospectus;

(d) the Service Agreements referred to in section entitled "Service Agreement" of this Prospectus;

(d) the Compilation Report of the Reporting Auditors on the Pro Forma Financial Information and Group Financial Information of Jiutian Chemical as set out in Annex E of this Prospectus; and

(e) the Audited Financial Statements for Anyang Jiutian for FY2002, FY2003, FY2004 and HY2005 and the Audited Financial Statements for our methanol division and gas division for FY2002, FY2003 and for the periods between 1 January 2004 to 14 December 2004 (both dates included), as set out in Annexes G, H, I and J of this Prospectus.

(f) The Audited Financial Statements of Zhongguo Jiutian Chemical Pte Ltd for 30 November 2004 (date of incorporation) to 30 June 2005, as set out in Annex F of this Prospectus.

ANNEX A: EXTRACTS OF THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY

EXTRACTS OF MEMORANDUM AND ARTICLES OF ASSOCIATION OF OUR COMPANY

This description below provides, among other things, information on the principal objects of our Company as set out in our Memorandum and Articles of Association and a summarised version of the main provisions in our Articles of Association which relate to the Directors' borrowing powers and remuneration, Directors' retirement and restrictions on voting powers of Directors in interested transactions. It also describes shareholders' voting rights, restrictions on the transferability of shareholdings and shareholders' rights to share in any surplus in the event of liquidation. Also included is a description of how we conduct our general meetings and the provisions relating to changes in the capital of our Company. This description is only a summary and is qualified by reference to Singapore law and our Memorandum and Articles of Association.

Place of incorporation

We are registered in Singapore with the Registrar of Companies and Businesses. Our Company registration number is 200415416H.

Our objects as contained in our Memorandum of Association

One of our principal objects as set out in our Memorandum of Association is to carry on the business of an investment holding company, and in particular to invest the moneys of the Company in or otherwise to acquire and hold shares, stocks, debentures, debenture stock, scrip loans, bonds obligations, notes, securities and investments issued or guaranteed by any company, corporation, association, body or trust constituted or carrying on business in any part of the world, and in the funds or loans or other securities and investments issued or guaranteed by any government, state or dominion, public body or authority, supreme, municipal, local or otherwise.

The objects of our Company are set out in full in Clause 3 of the Memorandum of Association which is available for inspection at our registered office.

Extract of our Articles of Association

Provisions relating to Directors

(a) *Power to vote on proposal, arrangement or contract in which he is interested*

Article 102

A Director shall not vote in respect of any transaction (including any) contract or arrangement) or any other proposal whatsoever in which he has any personal material interest, directly or indirectly. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

(b) Director's power to vote on remuneration (including pension or other benefits) for himself or for any other director, and whether the quorum at a meeting of the board of directors to vote on directors' remuneration may include the director whose remuneration is the subject of the vote

Article 79

The ordinary remuneration of the Directors shall from time to time be determined by an Ordinary Resolution of the Company, shall not be increased except pursuant to an Ordinary Resolution passed at a General Meeting where notice of the proposed increase shall have been given in the notice convening the General Meeting and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree, or failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for a proportion of remuneration related to the period during which he has held office.

Article 80(A)

Any Director who holds any executive office, or who serves on any committee of the Directors, or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, commission or otherwise as the Directors may determine.

Article 80(B)

The remuneration (including any remuneration under Article 80(A) above) in the case of a Director other than an Executive Director shall be payable by a fixed sum and shall not at any time be by commission on or percentage of the profits or turnover, and no Director whether an Executive Director or otherwise shall be remunerated by a commission on or percentage of turnover.

Article 81

The Directors may repay to any Director all such reasonable expenses as he may incur in attending and returning from meetings of the Directors or of any committee of the Directors or General Meetings or otherwise in or about the business of the Company.

Article 82

The Directors shall have power to pay and agree to pay pensions or other retirement, superannuation, death or disability benefits to (or to any person in respect of) any Director for the time being holding any executive office and for the purpose of providing any such pensions or other benefits to contribute to any scheme or fund or to pay premiums.

Article 83

A Director may be party to or in any way interested in any contract or arrangement or transaction to which the Company is a party or in which the Company is in any way interested and he may hold and be remunerated in respect of any office or place of profit (other than the office of Auditor of the Company or any subsidiary thereof) under the Company or any other company in which the Company is in any way interested and he (or any firm of which he is a member) may act in a professional capacity for the Company or any such other company and be remunerated therefor and in any such case as aforesaid (save as otherwise agreed) he may retain for his own absolute use and benefit all profits and advantages accruing to him thereunder or in consequence thereof.

Article 84(A)

The Directors may from time to time appoint one or more of their body to be the holder of any executive office (including, where considered appropriate, the office of Chairman or Deputy Chairman) on such terms and for such period as they may (subject to the provisions of the Statutes) determine and, without prejudice to the terms of any contract entered into in any particular case, may at any time revoke any such appointment.

Article 88

The remuneration of a Chief Executive Officer (or person holding an equivalent position) shall from time to time be fixed by the Directors and may subject to these presents be by way of salary or commission or participation in profits or by any or all these modes but he shall not under any circumstances be remunerated by a commission on or a percentage of turnover.

Article 102

A Director shall not vote in respect of any transaction (including any) contract or arrangement) or any other proposal whatsoever in which he has any personal material interest, directly or indirectly. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

(c) *Borrowing powers exercisable by the directors and how such borrowing powers may be varied*

Article 109

Subject as hereinafter provided and to the provisions of the Statutes, the Directors may exercise all the powers of the Company to borrow money, to mortgage or charge its undertaking, property and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(d) *Retirement or non-retirement of a director under an age limit requirement*

Article 90

The office of a Director shall be vacated in any of the following events, namely:

(a) if he shall become prohibited by law from acting as a Director; or

(b) if (not being a Director holding any executive office for a fixed term) he shall resign by writing under his hand left at the Office or if he shall in writing offer to resign and the Directors shall resolve to accept such offer; or

(c) if he shall have a bankruptcy order made against him or shall compound with his creditors generally; or

(d) if he becomes of unsound mind or if in Singapore or elsewhere an order shall be made by any court claiming jurisdiction in that behalf on the ground (however formulated) of mental disorder for his detention or for the appointment of a guardian or for the appointment of a receiver or other person (by whatever name called) to exercise powers with respect to his property or affairs; or

(e) if he is removed by the Company in General Meeting pursuant to these presents.

Article 91

At each Annual General Meeting the following Directors for the time being shall retire from office by rotation (in addition to any Director retiring pursuant to Article 97):

(a) any Director who, if that Director did not retire at the Annual General Meeting, would at the next Annual General Meeting have held office for more than three years; and

(b) one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) who are not to retire under paragraph (a) or Article 97, selected in accordance with Article 92.

Article 92

The Directors to retire in every year shall be those subject to retirement by rotation who have been longest in office since their last re election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. A retiring Director shall be eligible for re-election.

Article 93

The Company at the meeting at which a Director retires under any provision of these presents may by Ordinary Resolution fill the office being vacated by electing thereto the retiring Director or some other person eligible for appointment. In default the retiring Director shall be deemed to have been re-elected except in any of the following cases:

(a) where at such meeting it is expressly resolved not to fill such office or a resolution for the re-election of such Director is put to the meeting and lost; or

(b) where such Director has given notice in writing to the Company that he is unwilling to be re-elected; or

(c) where the default is due to the moving of a resolution in contravention of the next following Article; or

(d) where such Director has attained any retiring age applicable to him as Director.

The retirement shall not have effect until the conclusion of the meeting except where a resolution is passed to elect some other person in the place of the retiring Director or a resolution for his re-election is put to the meeting and lost and accordingly a retiring Director who is re-elected or deemed to have been re-elected will continue in office without a break.

Article 98(B)

The appointment of an Alternate Director shall determine on the happening of any event which if he were a Director would cause him to vacate such office or if the Director concerned (below called "his principal") ceases to be a Director.

(e) *Number of shares required for the qualification of a director*

Article 78

A Director shall not be required to hold any shares of the Company by way of qualification. A Director who is not a member of the Company shall nevertheless be entitled to attend and speak at General Meetings.

(f) *Rights, preferences and restrictions attaching to each class of shares*

Article 4

Subject to the Statutes and these presents, no shares may be issued by the Directors without the prior approval of the Company in General Meeting but subject thereto and to Article 8, and to any special rights attached to any shares for the time being issued, the Directors may allot and issue shares or grant options over or otherwise dispose of the same to such persons on such terms and conditions and for such consideration and at such time and subject or not to the payment of any part of the amount thereof in cash as the Directors may think fit, and any shares may be issued with such preferential, deferred, qualified or special rights, privileges or conditions as the Directors may think

fit, and preference shares may be issued which are or at the option of the Company are liable to be redeemed, the terms and manner of redemption being determined by the Directors, Provided always that:

(a) (subject to any direction to the contrary that may be given by the Company in General Meeting) any issue of shares for cash to members holding shares of any class shall be offered to such members in proportion as nearly as may be to the number of shares of such class then held by them and the provisions of the second sentence of Article 8(A) with such adaptations as are necessary shall apply;

(b) any other issue of shares, the aggregate of which would exceed the limits referred to in Article 8(B), shall be subject to the approval of the Company in General Meeting; and

(c) the rights attaching to shares of a class other than ordinary shares shall be expressed in the resolution creating the same.

Article 5(A)

Preference shares may be issued subject to such limitation thereof as may be prescribed by any stock exchange upon which the shares in the Company may be listed. . Preference shareholders shall have the same rights as ordinary shareholders as regards receiving of notices, reports and balance sheets and attending General Meetings of the Company, and preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital or winding-up or sanctioning a sale of the undertaking of the Company or where the proposal to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is more than six months in arrear.

Article 5(B)

The Company has power to issue further preference capital ranking equally with, or in priority to, preference shares already issued.

Article 5(C)

The Company shall not exercise any right in respect of treasury shares other than as provided by the Act. Subject thereto, the Company may hold or deal with its treasury shares in the manner authorised by, or prescribed pursuant to, the Act.

Article 6(A)

Whenever the share capital of the Company is divided into different classes of shares, subject to the provisions of the Statutes, preference capital, other than redeemable preference capital, may be repaid and the special rights attached to any class may be varied or abrogated only pursuant to a special resolution passed at a separate meeting of the holders of the preference shares of the class (but not otherwise) concerned provided always that where the necessary majority for such a special resolution is not obtained at the meeting, consent in writing if obtained from the holders of three fourths of the preference shares concerned within two months of the meeting, shall be as valid and effectual as a special resolution carried at the meeting and may be so repaid, varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding up. To every such separate General Meeting all the provisions of these presents relating to General Meetings of the Company and to the proceedings thereat shall *mutatis mutandis* apply, except that the necessary quorum shall be two persons at least holding or representing by proxy at least one third in number of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him, Provided always that where the necessary majority for such a Special Resolution is not obtained at such General Meeting, consent in writing if obtained from the

holders of three-quarters in number of the issued shares of the class concerned within two months of such General Meeting shall be as valid and effectual as a Special Resolution carried at such General Meeting. The foregoing provisions of this Article shall apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the special rights whereof are to be varied.

Article 6(B)

The special rights attached to any class of shares having preferential rights shall not unless otherwise expressly provided by the terms of issue thereof be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or all respects *pari passu* therewith but in no respect in priority thereto.

Article 8(A)

Subject to any direction to the contrary that may be given by the Company in General Meeting or except as permitted under the listing rules of the Singapore Exchange Securities Trading Limited, all new shares shall, before issue, be offered to such persons who as at the date of the offer are entitled to receive notices from the Company of General Meetings in proportion, as far as the circumstances admit, to the number of existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered under this Article 8(A).

Article 11

Except as required by law, no person shall be recognised by the Company as holding any share upon any trust, and the Company shall not be bound by or compelled in any way to recognise any equitable, contingent, future or partial interest in any share, or any interest in any fractional part of a share, or (except only as by these presents or by law otherwise provided) any other right in respect of any share, except an absolute right to the entirety thereof in the person (other than the Depository) entered in the Register of Members as the registered holder thereof or (as the case may be) the person whose name is entered in the Depository Register in respect of that share.

Article 12

Without prejudice to any special rights previously conferred on the holders of any shares or class of shares for the time being issued, any share in the Company may be issued with such preferred, deferred or other special rights, or subject to such restrictions, whether as regards dividend, return of capital, voting or otherwise, as the Company may from time to time by Ordinary Resolution determine (or, in the absence of any such determination, as the Directors may determine) and subject to the provisions of the Statutes, the Company may issue preference shares which are, or at the option of the Company are liable, to be redeemed.

Article 38(A)

There shall be no restriction on the transfer of fully paid-up shares (except where required by law, the listing rules of any Stock Exchange upon which shares in the Company may be listed or the rules and/or bye-laws governing any Stock Exchange upon which shares in the Company may be listed) but the Directors may, in their sole discretion, decline to register any transfer of shares upon which the Company has a lien and in the case of shares not fully paid-up may refuse to register a transfer to a transferee of whom they do not approve, Provided always that in the event of the

Directors refusing to register a transfer of shares, they shall within ten Market Days beginning with the date on which the application for a transfer of shares was made, serve a notice in writing to the applicant stating the facts which are considered to justify the refusal as required by the Statutes.

Article 42

The Company shall be entitled to destroy all instruments of transfer which have been registered at any time after the expiration of six years from the date of registration thereof and all dividend mandates and notifications of change of address at any time after the expiration of six years from the date of recording thereof and all share certificates which have been cancelled at any time after the expiration of six years from the date of the cancellation thereof and it shall conclusively be presumed in favour of the Company that every entry in the Register of Members purporting to have been made on the basis of an instrument of transfer or other document so destroyed was duly and properly made and every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered and every share certificate so destroyed was a valid and effective certificate duly and properly cancelled and every other document hereinbefore mentioned so destroyed was a valid and effective document in accordance with the recorded particulars thereof in the books or records of the Company; Provided always that:

(a) the provisions aforesaid shall apply only to the destruction of a document in good faith and without notice of any claim (regardless of the parties thereto) to which the document might be relevant;

(b) nothing herein contained shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any other circumstances which would not attach to the Company in the absence of this Article; and

(c) references herein to the destruction of any document include references to the disposal thereof in any manner.

Article 43

(A) In the case of the death of a member whose name is entered in the Register of Members, the survivors or survivor where the deceased was a joint holder, and the executors or administrators of the deceased where he was a sole or only surviving holder, shall be the only person(s) recognised by the Company as having any title to his interest in the shares.

(B) In the case of the death of a member who is a Depositor, the survivors or survivor where the deceased is a joint holder, and the executors or administrators of the deceased where he was a sole or only surviving holder and where such executors or administrators are entered in the Depository Register in respect of any shares of the deceased member, shall be the only person(s) recognised by the Company as having any title to his interest in the shares.

(C) Nothing in this Article shall release the estate of a deceased holder (whether sole or joint) from any liability in respect of any share held by him.

Article 44

Any person becoming entitled to the legal title in a share in consequence of the death or bankruptcy of a person whose name is entered in the Register of Members may (subject as hereinafter provided) upon supplying to the Company such evidence as the Directors may reasonably require to show his legal title to the share either be registered himself as holder of the share upon giving to the Company notice in writing of such desire or transfer such share to some other person. All the limitations, restrictions and provisions of these presents relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the death or bankruptcy of the person whose name is entered in the Register of Members had not occurred and the notice or transfer were a transfer executed by such person.

Article 45

Save as otherwise provided by or in accordance with these presents, a person becoming entitled to a share pursuant to Article 43(A) or (B) or Article 44 (upon supplying to the Company such evidence as the Directors may reasonably require to show his title to the share) shall be entitled to the same dividends and other advantages as those to which he would be entitled if he were the member in respect of the share except that he shall not be entitled in respect thereof (except with the authority of the Directors) to exercise any right conferred by membership in relation to meetings of the Company until he shall have been registered as a member in the Register of Members or his name shall have been entered in the Depository Register in respect of the share.

Article 65

Each member who is a holder of ordinary shares in the capital of the Company shall be entitled to be present at any General Meeting. Subject and without prejudice to any special privileges or restrictions as to voting for the time being attached to any special class of shares for the time being forming part of the capital of the Company, each member entitled to vote may vote in person or by proxy. On a show of hands, every member who is present in person or by proxy shall have one vote (provided that in the case of a member who is represented by two proxies, only one of the two proxies as determined by that member or, failing such determination, by the Chairman of the meeting (or by a person authorised by him) in his sole discretion shall be entitled to vote on a show of hands) and on a poll, every member who is present in person or by proxy shall have one vote for every share which he holds or represents. For the purpose of determining the number of votes which a member, being a Depositor, or his proxy may cast at any General Meeting on a poll, the reference to shares held or represented shall, in relation to shares of that Depositor, be the number of shares entered against his name in the Depository Register as at 48 hours before the time of the relevant General Meeting as certified by the Depository to the Company.

Article 66

In the case of joint holders of a share, any one of such persons may vote, but if more than one of such persons is present at a General Meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members or (as the case may be) the Depository Register in respect of the share.

Article 68

No member shall, unless the Directors otherwise determine, be entitled in respect of shares held by him to vote at a General Meeting either personally or by proxy or to exercise any other right conferred by membership in relation to meetings of the Company if any call or other sum presently payable by him to the Company in respect of such shares remains unpaid.

Article 70

On a poll, votes may be given either personally or by proxy and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

Article 71

(A) A member may appoint not more than two proxies to attend and vote at the same General Meeting, Provided that if the member is a Depositor, the Company shall be entitled and bound:

(a) to reject any instrument of proxy lodged if the Depositor is not shown to have any shares entered against his name in the Depository Register as at 48 hours before the time of the relevant General Meeting as certified by the Depository to the Company; and

(b) to accept as the maximum number of votes which in aggregate the proxy or proxies appointed by the Depositor is or are able to cast on a poll a number which is the number of shares entered against the name of that Depositor in the Depository Register as at 48 hours before the time of the relevant General Meeting as certified by the Depository to the Company, whether that number is greater or smaller than the number specified in any instrument of proxy executed by or on behalf of that Depositor.

(B) The Company shall be entitled and bound, in determining rights to vote and other matters in respect of a completed instrument of proxy submitted to it, to have regard to the instructions (if any) given by and the notes (if any) set out in the instrument of proxy.

(C) In any case where a form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

(D) A proxy need not be a member of the Company.

Article 73

An instrument appointing a proxy must be left at such place or one of such places (if any) as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the meeting (or, if no place is so specified, at the Office) not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used, and in default shall not be treated as valid. The instrument shall, unless the contrary is stated thereon, be valid as well for any adjournment of the meeting as for the meeting to which it relates; Provided that an instrument of proxy relating to more than one meeting (including any adjournment thereof) having once been so delivered for the purposes of any meeting shall not be required again to be delivered for the purposes of any subsequent meeting to which it relates.

Article 75

A vote cast by proxy shall not be invalidated by the previous death or insanity of the principal or by the revocation of the appointment of the proxy or of the authority under which the appointment was made, Provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company at the Office at least one hour before the commencement of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) the time appointed for the taking of the poll at which the vote is cast.

Article 123

Subject to any rights or restrictions attached to any shares or class of shares and except as otherwise permitted under the Act:-

(a) all dividends in respect of shares must be paid in proportion to the number of shares held by a member but where shares are partly paid all dividends must be apportioned and paid proportionately to the amounts paid or credited as paid on the partly paid shares; and

(b) all dividends must be apportioned and paid proportionately to the amounts so paid or credited as paid during any portion or portions of the period in respect of which the dividend is paid.

For the purpose of this Article, an amount paid or credited as paid on a share in advance of a call is to be ignored.

Article 125

No dividend or other moneys payable on or in respect of a share shall bear interest as against the Company.

Article 126

(A) The Directors may retain any dividend or other moneys payable on or in respect of a share on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

(B) The Directors may retain the dividends payable upon shares in respect of which any person is under the provisions as to the transmission of shares hereinbefore contained entitled to become a member, or which any person is under those provisions entitled to transfer, until such person shall become a member in respect of such shares or shall transfer the same.

Article 128

The Company may upon the recommendation of the Directors by Ordinary Resolution direct payment of a dividend in whole or in part by the distribution of specific assets (and in particular of paid up shares or debentures of any other company) and the Directors shall give effect to such resolution. Where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient and in particular may issue fractional certificates, may fix the value for distribution of such specific assets or any part thereof, may determine that cash payments shall be made to any members upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees as may seem expedient to the Directors.

Article 129

Any dividend or other moneys payable in cash on or in respect of a share may be paid by cheque or warrant sent through the post to the registered address appearing in the Register of Members or (as the case may be) the Depository Register of a member or person entitled thereto (or, if two or more persons are registered in the Register of Members or (as the case may be) entered in the Depository Register as joint holders of the share or are entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons) or to such person at such address as such member or person or persons may by writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder or joint holders or person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and payment of the cheque or warrant by the banker upon whom it is drawn shall be a good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby. Notwithstanding the foregoing provisions of this Article and the provisions of Article 131, the payment by the Company to the Depository of any dividend payable to a Depositor shall, to the extent of the payment made to the Depository, discharge the Company from any liability to the Depositor in respect of that payment.

Article 130

If two or more persons are registered in the Register of Members or (as the case may be) the Depository Register as joint holders of any share, or are entitled jointly to a share in consequence of the death or bankruptcy of the holder, any one of them may give effectual receipts for any dividend or other moneys payable or property distributable on or in respect of the share.

Article 144

If the Company shall be wound up (whether the liquidation is voluntary, under supervision, or by the court) the Liquidator may, with the authority of a Special Resolution, divide among the members in specie or kind the whole or any part of the assets of the Company and whether or not the assets shall consist of property of one kind or shall consist of properties of different kinds, and may for such purpose set such value as he deems fair upon any one or more class or classes of property and may determine how such division shall be carried out as between the members of different classes of members. The Liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the Liquidator with the like authority shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

Article 145

In the event of a winding up of the Company every member of the Company who is not for the time being in the Republic of Singapore shall be bound, within 14 days after the passing of an effective resolution to wind up the Company voluntarily, or within the like period after the making of an order for the winding up of the Company, to serve notice in writing on the Company appointing some householder in the Republic of Singapore upon whom all summonses, notices, processes, orders and judgments in relation to or under the winding up of the Company may be served, and in default of such nomination the liquidator of the Company shall be at liberty on behalf of such member to appoint some such person, and service upon any such appointee shall be deemed to be a good personal service on such member for all purposes, and where the liquidator makes any such appointment he shall, with all convenient speed, give notice thereof to such member by advertisement in any leading daily newspaper in the English language in circulation in Singapore or by a registered letter sent through the post and addressed to such member at his address as appearing in the Register of Members or (as the case may be) the Depository Register, and such notice shall be deemed to be served on the day following that on which the advertisement appears or the letter is posted.

Article 147

No member shall be entitled to require discovery of or any information respecting any detail of the Company's trade or any matter which may be in the nature of a trade secret, mystery of trade or secret process which may relate to the conduct of the business of the Company and which in the opinion of the Directors it will be inexpedient in the interest of the members of the Company to communicate to the public save as may be authorised by law or required by the listing rules of the Singapore Exchange Securities Trading Limited.

(g) *Change in capital*

Article 4

Subject to the Statutes and these presents, no shares may be issued by the Directors without the prior approval of the Company in General Meeting but subject thereto and to Article 8, and to any special rights attached to any shares for the time being issued, the Directors may allot and issue shares or grant options over or otherwise dispose of the same to such persons on such terms and conditions and for such consideration and at such time and subject or not to the payment of any part of the amount thereof in cash as the Directors may think fit, and any shares may be issued with such preferential, deferred, qualified or special rights, privileges or conditions as the Directors may think fit, and preference shares may be issued which are or at the option of the Company are liable to be redeemed, the terms and manner of redemption being determined by the Directors, Provided always that:

(a) no shares shall be issued at a discount except in accordance with the Statutes;

(b) (subject to any direction to the contrary that may be given by the Company in General Meeting) any issue of shares for cash to members holding shares of any class shall be offered to such members in proportion as nearly as may be to the number of shares of such class then held by them and the provisions of the second sentence of Article 8(A) with such adaptations as are necessary shall apply; and

any other issue of shares, the aggregate of which would exceed the limits referred to in Article 8(B), shall be subject to the approval of the Company in General Meeting.

Article 5(A)

Preference shares may be issued subject to such limitation thereof as may be prescribed by any stock exchange upon which the shares in the Company may be listed. . Preference shareholders shall have the same rights as ordinary shareholders as regards receiving of notices, reports and balance sheets and attending General Meetings of the Company, and preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital or winding up or sanctioning a sale of the undertaking of the Company or where the proposal to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is more than six months in arrear.

Article 5(B)

The Company has power to issue further preference capital ranking equally with, or in priority to, preference shares already issued.

Article 7

The Company may from time to time by Ordinary Resolution increase its capital by such sum to be divided into shares of such amounts as the resolution shall prescribe.

Article 8(A)

Subject to any direction to the contrary that may be given by the Company in General Meeting or except as permitted under the listing rules of the Singapore Exchange Securities Trading Limited, all new shares shall, before issue, be offered to such persons who as at the date of the offer are entitled to receive notices from the Company of General Meetings in proportion, as far as the circumstances admit, to the number of existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered under this Article 8(A).

Article 8(B)

Notwithstanding Article 8(A), the Company may by Ordinary Resolution in General Meeting give to the Directors a general authority, either unconditionally or subject to such conditions as may be specified in the Ordinary Resolution, to:

(a) (i) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares; and

(b) (notwithstanding the authority conferred by the Ordinary Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the Ordinary Resolution was in force,

provided that:-

(1) the aggregate number of shares to be issued pursuant to the Ordinary Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to the Ordinary Resolution) shall be subject to such limits and manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited;

(2) in exercising the authority conferred by the Ordinary Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance is waived by the Singapore Exchange Securities Trading Limited) and these presents; and

(3) (unless revoked or varied by the Company in General Meeting) the authority conferred by the Ordinary Resolution shall not continue in force beyond the conclusion of the Annual General Meeting of the Company next following the passing of the Ordinary Resolution, or the date by which such Annual General Meeting of the Company is required by law to be held, or the expiration of such other period as may be prescribed by the Statutes (whichever is the earliest).

Article 8(C)

Except so far as otherwise provided by the conditions of issue or by these presents, all Invitation Shares shall be subject to the provisions of the Statutes and of these presents with reference to allotment, payment of calls, lien, transfer, transmission, forfeiture and otherwise.

Article 9

The Company may by Ordinary Resolution:

(a) consolidate and divide all or any of its share capital;

(b) cancel the number of shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person and diminish the amount of its share capital by the number of the shares so cancelled;

(c) sub-divide its shares, or any of them, so however that in the subdivision the proportion between the amount paid and the amount, if any unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived; and

(d) subject to the provisions of the Statutes, convert any class of shares into any other class of shares.

Article 10

(A) The Company may reduce its share capital or any other undistributable reserve in any manner and with and subject to any incident authorised and consent required by law. Without prejudice to the generality of the foregoing, upon cancellation of any share purchased or

otherwise acquired by the Company pursuant to these presents and the Act, the number of issued shares of the Company shall be diminished by the number of the shares so cancelled, and, where any such cancelled shares was purchased or acquired out of the capital of the Company, the amount of share capital of the Company shall be reduced accordingly.

(B) The Company may, subject to and in accordance with the provisions of the Act, purchase or otherwise acquire shares issued by the Company on such terms and in such manner as the Company may deem fit. The Company may designate and hold as treasury shares, any share which is so purchased or acquired by it and deal with any of them, in accordance with the provisions of the Act. The shares so purchased or acquired by the Company and not held as treasury shares shall be deemed to be cancelled immediately on purchase or acquisition by the Company. On the cancellation of any share as aforesaid, the rights and privileges attached to that share shall expire.

(h) *Change in the respective rights of the various classes of shares including the action necessary to change the rights*

Article 6(A)

Whenever the share capital of the Company is divided into different classes of shares, subject to the provisions of the Statutes, preference capital, other than redeemable preference capital, may be repaid and the special rights attached to any class may be varied or abrogated only pursuant to a special resolution passed at a separate meeting of the holders of the preference shares of the class (but not otherwise) concerned provided always that where the necessary majority for such a special resolution is not obtained at the meeting, consent in writing if obtained from the holders of three fourths of the preference shares concerned within two months of the meeting, shall be as valid and effectual as a special resolution carried at the meeting and may be so repaid, varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding up. To every such separate General Meeting all the provisions of these presents relating to General Meetings of the Company and to the proceedings thereat shall mutatis mutandis apply, except that the necessary quorum shall be two persons at least holding or representing by proxy at least one third in number of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him, Provided always that where the necessary majority for such a Special Resolution is not obtained at such General Meeting, consent in writing if obtained from the holders of three-quarters in number of the issued shares of the class concerned within two months of such General Meeting shall be as valid and effectual as a Special Resolution carried at such General Meeting. The foregoing provisions of this Article shall apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the special rights whereof are to be varied.

Article 6(B)

The special rights attached to any class of shares having preferential rights shall not unless otherwise expressly provided by the terms of issue thereof be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or all respects *pari passu* therewith but in no respect in priority thereto.

(i) *Time limit after which a dividend entitlement will lapse and an indication of the party in whose favour this entitlement then operates*

Article 131A

The payment by the Directors of any unclaimed dividends or other moneys payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof. All dividends unclaimed after being declared may be invested or otherwise made use of by the

Directors for the benefit of the Company and any dividend unclaimed after a period of six years from the date of declaration of such dividend may be forfeited and if so shall revert to the Company but the Directors may at any time thereafter at their absolute discretion annul any such forfeiture and pay the dividend so forfeited to the person entitled thereto prior to the forfeiture. For the avoidance of doubt no Member shall be entitled to any interest, share of revenue or other benefit arising from any unclaimed dividends, howsoever and whatsoever. If CDP returns any such dividend or moneys to the Company, the relevant Depositor shall not have any right or claim in respect of such dividend or moneys against the Company if a period of six years has elapsed from the date of the declaration of such dividend or the date on which such other moneys are first payable.

(j) *Limitations on rights to hold or vote*

There are no limitations imposed by Singapore law or by the Articles of Association on the rights of non-residents to hold or vote on the ordinary shares.

ANNEX B: DESCRIPTION OF SINGAPORE LAW AND REGULATIONS RELATING TO TAXATION

TAXATION

Singapore

The following is a discussion of certain tax matters arising under the current tax laws in Singapore and is not intended to be and does not constitute legal or tax advice. The discussion is based on laws, regulations and interpretations now in effect and available as of the date of this Prospectus. These laws and regulations are subject to changes, which may be retrospective to the date of issuance of our Shares. These laws and regulations are also subject to various interpretations and the relevant tax authorities or the courts of Singapore could later disagree with the explanations or conclusions set out below.

The discussion is limited to a general description of certain tax consequences in Singapore with respect to purchase, ownership and disposal of our Shares, and does not purport to be a comprehensive nor exhaustive description of all tax considerations that may be relevant to a decision to purchase, hold or dispose of our Shares. Prospective investors should consult their own tax advisors concerning the tax consequences of owning and disposing our Shares. Neither the Company, the Directors, the Vendors nor any other persons involved in the Invitation accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of our Shares.

INCOME TAX

General

Singapore resident and non-resident corporate taxpayers are subject to Singapore income tax on:-

(i) income accruing in or derived from Singapore; and

(ii) foreign income received or deemed received in Singapore.

However, foreign income in the form of branch profits, dividends and service income received or deemed received in Singapore by a resident corporate taxpayer shall be tax exempt provided the following conditions are met:

(i) such income is subject to tax of a similar character to income tax under the law of the jurisdiction from which such income is received;

(ii) at the time the income is received in Singapore, the highest rate of tax of a similar character to income tax in the jurisdiction from which the income is received is at least 15%; and

(iii) the Comptroller of Income Tax is satisfied that the tax exemption would be beneficial to the recipient of the foreign income.

Foreign-sourced personal income received or deemed received in Singapore by a Singapore tax resident individual (except where such income is received through a partnership) will be exempt from tax in Singapore. Certain investment income derived from Singapore sources by individuals will also be exempt from tax.

Non-Singapore resident individuals, subject to certain exceptions, are subject to Singapore income tax only on income accruing in or derived from Singapore.

A company is regarded as a tax resident in Singapore if the control and management of its business is exercised in Singapore. An individual is a tax resident in Singapore if, in the calendar year preceding the year of assessment, he was physically present in Singapore or exercised employment in Singapore (other than as a director of a company) for 183 days or more, or if he ordinarily resides in Singapore.

The corporate tax rate in Singapore is 20% from the Year of Assessment 2005 (i.e. financial year ended 2004). In addition, three-quarters of up to the first $10,000 of a company's normal chargeable income, and one-half of up to the next $90,000 of the company's normal chargeable income are exempt from tax. The remaining chargeable income (after the partial tax exemption) will be taxed at the applicable corporate tax rate. The partial tax exemption does not apply to Singapore dividends received by companies.

A tax exemption scheme for qualifying newly incorporated Singapore companies is applicable for Years of Assessment 2005 - 2009. Under this exemption scheme, the first $100,000 of their normal chargeable income (excluding Singapore dividends) for each of their first three consecutive years of assessment that falls within Years of Assessment 2005 to 2009 would be exempt from tax.

Singapore tax resident individuals are subject to tax based on a progressive scale. The top marginal rate is 21% for the Year of Assessment 2006 (i.e. calendar year 2005). The top individual marginal tax rate will be reduced to 20% with effect from Year of Assessment 2007.

Non-Singapore resident individuals deriving Singapore sourced income are generally subject to tax at a rate equivalent to the prevailing corporate tax rate.

Dividend Distributions

Dividend Distributions – One Tier Corporate Taxation System ("One-Tier System")

The previous Imputation System was replaced by a One-Tier Corporate Taxation System ("One-Tier System") on 1 January 2003. Under the One-Tier System, the tax paid by a company is a final tax and the after-tax profits of the company can be distributed to shareholders as Tax Exempt (One-Tier) dividends.

As our Company was incorporated after 1 January 2003, dividends paid by our Company would be tax exempt (one-tier) dividends and exempt from tax in the hands of both corporate and individual Shareholders.

Gains on disposal of the Shares

Singapore does not impose tax on capital gains. However, gains arising from the disposal of our Shares may be construed to be of an income nature and subject to tax if they arise from activities which the IRAS regards as the carrying on of a trade or business in Singapore.

Any profits from the disposal of our Shares are not taxable in Singapore unless the seller is regarded as carrying on a trade or business of dealing in shares in Singapore. In which case, such gains would be taxable as trading profits.

STAMP DUTY

No stamp duty is payable on the allotment or holding of our Shares.

Stamp duty is payable on an instrument of transfer of our Shares at the rate of $0.20 for every $100 or any part thereof of the consideration for our Shares. The purchaser is liable for stamp duty, unless otherwise agreed. However, no stamp duty is payable if no instrument of transfer is executed (such as in the case of scripless shares, the transfer of which does not require instruments of transfer to be executed) or if the instrument of transfer is executed outside Singapore. However, stamp duty may be payable if the instrument of transfer which is executed outside Singapore is subsequently received in Singapore.

ANNEX B: DESCRIPTION OF SINGAPORE LAW AND REGULATIONS RELATING TO TAXATION

ESTATE DUTY

Singapore estate duty is imposed on the value of immovable property situated in Singapore and on movable property, wherever it may be, owned by individuals who are domiciled in Singapore, subject to specific exemption limits. Individuals not domiciled in Singapore are only subject to Singapore estate duty on immovable property situated in Singapore, subject to specific exemption limits.

Singapore estate duty is imposed on the value of immovable property situated in Singapore and owned by individuals who are not domiciled in Singapore, subject to specific exemption limits.

Our Shares are considered movable property situated in Singapore as our Company is incorporated in Singapore and the register of the shares is kept in Singapore. Accordingly, our Shares held by an individual are subject to Singapore estate duty upon the individual's death, if the individual is domiciled in Singapore. Singapore estate duty is payable to the extent that the value of the shares aggregated with any other assets subject to Singapore estate duty exceeds $600,000. Any excess beyond $600,000 will be taxed at 5% on the first $12,000,000 of the individual's Singapore dutiable assets and any excess over $12,000,000 will be taxed at 10%. It should be noted that certain assets, for example, residential properties are eligible to a different exemption limit.

Individuals, whether or not domicile in Singapore, should consult their own tax advisors regarding the Singapore estate duty consequences of their ownership of our Shares.

GOODS AND SERVICES TAX ("GST")

The sale of the Shares by an investor belonging in Singapore through a SGX-ST member or to another person belonging in Singapore is an exempt supply not subject to GST. Where the Shares are sold by the investor to a person belonging outside Singapore, the sale is generally a taxable supply subject to GST at zero-rate. Any GST incurred by a GST-registered investor in the making of this supply in the course of furtherance of a business may be recovered from the Comptroller of GST. Services such as brokerage, handling and clearing services rendered by a GST-registered person to an investor belonging in Singapore in connection with the investor's purchase, sale or holding of the Shares will be subject to GST at the current rate of five percent. Similar services rendered to an investor belonging outside Singapore would generally be zero-rated i.e. subject to GST at zero percent.

ANNEX C: SUMMARY OF RELEVANT PRC LAWS AND REGULATIONS

PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution and is made up of written laws, regulations and directives. Decided court cases do not constitute binding precedents. The National People's Congress of the PRC ("NPC") and the Standing Committee of the NPC are empowered by the PRC Constitution to exercise the legislative power of the state. The NPC has the power to amend the PRC Constitution and to enact and amend primary laws governing the state organs, civil and criminal matters. The Standing Committee of the NPC is empowered to interpret, enact and amend laws other than those required to be enacted by the NPC. The State Council of the PRC is the highest organ of state administration and has the power to enact administrative rules and regulations. Ministries and commissions under the State Council of the PRC are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments. Administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must not be in conflict with the PRC Constitution or the national laws and, in the event that any conflict arises, the Standing Committee of the NPC has the power to annul such administrative rules, regulations, directives and orders.

At the regional level, the people's congresses of provinces and municipalities and their standing committees may enact local rules and regulations and the people's government may promulgate administrative rules and directives applicable to their own administrative area. These local laws and regulations may not be in conflict with the PRC Constitution, any national laws or any administrative rules and regulations promulgated by the State Council. Rules, regulations or directives may be enacted or issued at the provincial or municipal level or by the State Council of the PRC or its ministries and commissions in the first instance for experimental purposes. After sufficient experience has been gained, the State Council may submit legislative proposals to be considered by the NPC or the Standing Committee of the NPC for enactment at the national level.

The power to interpret laws is vested by the PRC Constitution in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws passed on 10 June 1981, the Supreme People's Court has the power to give general interpretation on application of laws in judicial proceedings apart from its power to issue specific interpretation in specific cases. The State Council and its ministries and commissions are also vested with the power to give interpretation of the rules and regulations which they promulgated. At the regional level, the power to give interpretation of regional laws is vested in the regional legislative and administration organs which promulgate such laws. All such interpretations carry legal effect.

JUDICIAL SYSTEM

The People's Courts are the judicial organs of the PRC. Under the PRC Constitution and the Law of Organisation of the People's Courts of the People's Republic of China, the People's Courts comprise the Supreme People's Court, the local people's courts, military courts and other special people's courts. The local people's courts are divided into three levels, namely, the basic people's courts, intermediate people's courts and higher people's courts. The basic people's courts are divided into civil, criminal, administrative and economic divisions. The intermediate people's courts have divisions similar to those of the basic people's courts and, where the circumstances so warrant, may have other special divisions (such as intellectual property divisions). The judicial functions of people's courts at lower levels are subject to supervision of people's courts at higher levels. The people's procuratorates also have the right to exercise legal supervision over the proceedings of people's courts of the same and lower levels. The Supreme People's Court is the highest judicial organ of the PRC. It supervises the administration of justice by the people's courts of all levels.

The people's courts adopt a two-tier final appeal system. A party may before the taking effect of a judgment or order appeal against the judgment or order of the first instance of a local people's court to the people's court at the next higher level. Judgments or orders of the second instance of the same level and at the next higher level are final and binding. Judgments or orders of the first instance of the Supreme People's Court are also final and binding. If, however, the Supreme People's Court or a people's court at a higher level finds an error in a final and binding judgment which has taken effect in any people's court at a lower level, or the presiding judge of a people's court finds an error in a final and binding judgment which has taken effect in the court over which he presides, a retrial of the case may be conducted according to the judicial supervision procedures.

The PRC civil procedures are governed by the Civil Procedure Law of the People's Republic of China (the "Civil Procedure Law") adopted on 9 April 1991. The Civil Procedure Law contains regulations on the institution of a civil action, the jurisdiction of the people's courts, the procedures in conducting a civil action, trial procedures and procedures for the enforcement of a civil judgment or order. All parties to a civil action conducted within the territory of the PRC must comply with the Civil Procedure Law. A civil case is generally heard by a court located in the defendant's place of domicile. The jurisdiction may also be selected by express agreement by the parties to a contract provided that the jurisdiction of the people's court selected has some actual connection with the dispute, that is to say, the plaintiff or the defendant is located or domiciled, or the contract was executed or implemented in the jurisdiction selected, or the subject-matter of the proceedings is located in the jurisdiction selected. A foreign national or foreign enterprise is accorded the same litigation rights and obligations as a citizen or legal person of the PRC. If any party to a civil action refuses to comply with a judgment or order made by a people's court or an award made by an arbitration body in the PRC, the aggrieved party may apply to the people's court to enforce the judgment, order or award. There are time limits on the right to apply for such enforcement. Where at least one of the parties to the dispute is an individual, the time limit is one year. If both parties to the dispute are legal persons or other entities, the time limit is six months.

A party seeking to enforce a judgment or order of a people's court against a party who or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of such judgment or order. A foreign judgment or ruling may also be recognised and enforced according to PRC enforcement procedures by the people's courts in accordance with the principle of reciprocity or if there exists an international or bilateral treaty with or acceded to by the foreign country that provides for such recognition and enforcement, unless the people's court considers that the recognition or enforcement of the judgment or ruling will violate fundamental legal principles of the PRC or its sovereignty, security or social or public interest.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the PRC (the "Arbitration Law") was promulgated by the Standing Committee of the NPC on 31 August 1994 and came into effect on 1 September 1995. It is applicable to, among other matters, trade disputes involving foreign parties where the parties have entered into a written agreement to refer the matter to arbitration before an arbitration committee constituted in accordance with the Arbitration Law. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the PRC Civil Procedure Law. Where the parties have by an agreement provided arbitration as a method for dispute resolution, the parties are not permitted to institute legal proceedings in a people's court.

Under the Arbitration Law, an arbitral award is final and binding on the parties and if a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration committee if there were mistakes, an absence of material evidence or irregularities over the arbitration proceedings, or the jurisdiction or constitution of the arbitration committee. A party seeking to enforce an arbitral award of a foreign affairs arbitration body of the PRC against a party who or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognised and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC.

In respect of contractual and non-contractual commercial-law-related disputes which are recognised as such for the purposes of PRC law, the PRC has acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Award ("New York Convention") adopted on 10 June 1958 pursuant to a resolution of the Standing Committee of the NPC passed on 2 December 1986. The New York Convention provides that all arbitral awards made by a state which is a party to the New York Convention shall be recognised and enforced by other parties to the New York Convention subject to their right to refuse enforcement under certain circumstances including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC at the time of the accession of the PRC that (1) the PRC would only

recognise and enforce foreign arbitral awards on the principle of reciprocity and (2) the PRC would only apply the New York Convention in disputes considered under PRC laws to be arising from contractual and non-contractual mercantile legal relations.

TAXATION

ENTERPRISE INCOME TAX

Under the Income Tax Law of the PRC on Foreign Investment Enterprises and Foreign Enterprises adopted by the National People's Congress on April 9, 1991, foreign investment enterprises is required to pay a national income tax of their taxable income.

(a) Taxpayer

The taxpayer of the income tax of the Foreign Investment Enterprise and Foreign Enterprise refers to Chinese-foreign equity joint ventures; Chinese-foreign contractual joint ventures and foreign-capital enterprises that are established in the PRC.

(b) Rate of Tax

The income tax on enterprises with foreign investment and the income tax which shall be paid by foreign enterprises on the income of their establishments or places set up in the PRC to engage in production or business operations shall be computed on the taxable income at the rate of 30%, and local income tax shall be computed on the taxable income at the rate of 3%.

(c) Preferential Treatment

The income tax on enterprises with foreign investment established in Special Economic Zones, foreign enterprises which have establishments or places in Special Economic Zones engaged in production or business operations, and on enterprises with foreign investment of a production nature in Economic and Technological Development Zones, shall be levied at the reduced rate of 15%.

The income tax on enterprises with foreign investment of a production nature established in coastal economic open zones or in the old urban districts of cities where the Special Economic Zones or the Economic and Technological Development Zones are located, shall be levied at the reduced rate of 24%.

The income tax on enterprises with foreign investment in coastal economic open zones, in the old urban districts of cities where the Special Economic Zones or the Economic and Technological Development Zones are located or in other regions defined by the State Council, within the scope of energy, communications, harbour, wharf or other projects encouraged by the State, may be levied at the reduced rate of 15%.

Any enterprise with foreign investment of a production nature scheduled to operate for a period of not less than 10 years shall, from the year beginning to make profit, be exempted from income tax in the first and second years and allowed a 50% reduction in the third to fifth years. However, the exemption from or reduction of income tax on enterprises with foreign investment engaged in the exploitation of resources such as petroleum, nature gas, rate metals, and precious metals shall be regulated separately by the State Council. Enterprises with foreign investment which have actually operated for a period of less than 10 years shall repay the amount of income tax exempted or reduced already. Any enterprise with foreign investment which is engaged in agriculture, forestry or animal husbandry and any other enterprise with foreign investment which is established in remote underdeveloped areas may, upon approval by the competent department for tax affairs under the State Council of an application filed by the enterprise, be allowed a 15% to 30% reduction of the amount of income tax payable for a period of another 10 years following the expiration of the period for tax exemption or reduction as provided for in the preceding two paragraphs.

Losses incurred in a tax year by any enterprise with foreign investment and by an establishment or a place set up in the PRC by a foreign enterprise to engage in production or business operations may be made up by the income of the following tax years. Should the income of the following tax year be insufficient to make up for the said losses, the balance may be made up by its income of the further subsequent year, and so on, over a period not exceeding five years.

Any enterprise with foreign investment shall be allowed, when filing a consolidated income tax return, to deduct from the amount of tax payable the foreign income tax already paid abroad in respect of the income derived from sources outside the PRC. The deductible amount shall, however, not exceed the amount of income tax otherwise payable under this Law in respect of the income derived from sources outside the PRC.

VALUE ADDED TAX

The Provisional Regulations of the People's Republic of China Concerning Value Added Tax promulgated by the State Council came into effect on 1st January, 1994. Under these regulations and the Implementing Rules of the Provisional Regulations of the People's Republic of China Concerning Value Added Tax, value added tax is imposed on goods sold in or imported into the PRC and on processing, repair and replacement services provided within the PRC.

The value-added tax rates shall be as follows:

1. The tax rate for goods sold or imported by taxpayers other than the goods set forth in Items 2 and 3 below shall be 17%.

2. The tax rate for sale or import of the following goods by taxpayers shall be 13%:

   (a) grain, edible vegetable oil;

   (b) tap water, central heating, air-conditioning, hot water, coal gas, liquid petroleum gas, natural gas, methane, and coal products for use by residents;

   (c) books, newspapers, magazines;

   (d) feed, chemical fertilizer, agrochemicals, agricultural machinery, agricultural film; and

   (e) other goods specified by the State Council.

3. The tax rate for goods exported by taxpayers shall be zero, except where otherwise determined by the State Council.

4. The tax rate for processing and repair and replacement services provided by taxpayers shall be 17%.

BUSINESS TAX

With effect from 1st January, 1994, businesses that provide services (including entertainment business), assign intangible assets or sell immovable property are liable to business tax at a rate ranging from 3%-20% (three to twenty per cent), of the charges of the services provided, intangible assets assigned or immovable property sold, as the case may be. The formula for calculation of the amount of tax payable is set forth below:

Amount of tax payable = amount of business × tax rate

The amount of tax payable shall be calculated in RMB. Taxpayers that settle their amounts of business income in foreign exchange shall convert the amounts into RMB at the foreign exchange market rate.

PRC CUSTOMS DUTIES

According to the Customs Law of the PRC, the consignee of the imports, the consignor of exports and the owner of the imports and the exports are the persons obligated to pay customs duties (generally speaking, exports are not subject to customs duties). The Customs is the authorities in charge of the collection of customs duties.

The customs duties in the PRC mainly fall under ad valorem duties, i.e. the price of import/export commodities is the basis for the calculation of the duties. When calculating the customs duties, import/export commodities shall be classified under appropriate tax items in accordance with the category provisions of the Customs Import and Export Tariff and shall be subject to tax levies pursuant to relevant tax rates.

Under the laws of the PRC, raw materials, supplementary materials, parts, components, accessories and packing materials imported for processing and assembling finished products for foreign parties or for manufacturing products for export shall be exempt from import duties pursuant to the actual amount of goods processed for export; or import duties may be levied upfront on import materials and parts and subsequently refunded pursuant to the actual amount of goods processed for export.

To encourage the introduction of foreign investment, as of 1992, the PRC exercised exemption and reduction of customs duties on the import of machinery, equipment, parts and other materials within the total investment of foreign investment companies. But after the adjustment of policies as of 1 April 1996, such exemption and reduction has been terminated, while the foreign investment companies incorporated before then can still continue to enjoy such preferential treatment within the grace period.

As from 1 January 1998, according to the Notice of the State Council regarding the Adjustment of Taxation Policy of Import Equipment, in respect of the foreign investment projects that fall under Encouraging Category and Restricted B Category of the Industrial Guidance Catalogue of Foreign Investment and also involve the transfer of technology, the equipment imported for its own use within the total investment can be exempt from the customs duties, except for the commodities listed in the Catalogue of the Non-tax-exemption Import Commodity of Foreign Investment Projects.

WHOLLY FOREIGN-OWNED ENTERPRISE

Wholly foreign-owned enterprises are governed by the Law of the People's Republic of China Concerning Enterprises with Sole Foreign Investments , which was promulgated on 12 April 1986 and amended on 31 October 2000, and its Implementation Regulations promulgated on 12 December 1990 which was amended on 12 April 2001 (together the "Foreign Enterprises Law"). Anyang Jiutian Fine Chemicals Co. Ltd. is a wholly foreign-owned enterprise and is therefore governed by the Foreign Enterprise Law.

(a) Procedures for establishment of a wholly foreign-owned enterprise

The establishment of a wholly foreign-owned enterprise will have to be approved by the Ministry of Commerce ("MOFCOM") (or its delegated authorities). If two or more foreign investors jointly apply for the establishment of a wholly foreign-owned enterprise, a copy of the contract between the parties must also be submitted to MOFCOM (or its delegated authorities) for its record. A wholly foreign-owned enterprise must also obtain a business licence from SAIC (or its delegated authorities) before it can commence business.

(b) Nature

A wholly foreign-owned enterprise is a limited liability company under the Foreign Enterprise Law. It is a legal person which may independently assume civil obligations, enjoy civil rights and has the right to own, use and dispose of property. It is required to have a registered capital contributed by the foreign investor(s). The liability of the foreign investor(s) is limited to the amount of registered capital contributed. A foreign investor may make its contributions by instalments and the registered capital must be contributed within the period as approved by MOFCOM (or its delegated authorities) in accordance with relevant regulations.

(c) Profit distribution

The Foreign Enterprise Law provides that after payment of taxes, a wholly foreign-owned enterprise must make contributions to a reserve fund and an employee bonus and welfare fund. The allocation ratio for the employee bonus and welfare fund may be determined by the enterprise. However, at least 10 per cent. of the after tax profits must be allocated to the reserve fund. If the cumulative total of allocated reserve funds reaches 50% of an enterprise's registered capital, the enterprise will not be required to make any additional contribution. The enterprise is prohibited from distributing dividends unless the losses (if any) of previous years have been made up.

Subject to compliance with relevant exchange rules and regulations, we may remit out of PRC, profits that are lawfully earned in PRC by Anyang Jiutian Fine Chemicals Co. Ltd., our subsidiary in PRC, which is a wholly foreign-owned enterprise.

LABOUR LAW

We are subject to the Labour Law of the PRC, pursuant to which companies must enter into employment contracts with their employees, based on the principles of equality, consent and agreement through consultation. Companies must establish and effectively implement a system of ensuring occupational safety and health, educate employees on occupational safety and health, preventing work-related accidents and reducing occupational hazards. Companies must also pay for their employees' social insurance premium.

ENVIRONMENTAL PROTECTION REGULATIONS

The Administration Supervisory Department of Environmental Protection of the State Council sets the national guidelines for the discharge of pollutants. The provincial and municipal governments of provinces, autonomous regions and municipalities may also set their own guidelines for the discharge of pollutants within their own provinces or districts in the event that the national guidelines are inadequate.

Any company or enterprise which causes environmental pollution and discharges polluting materials that endanger the public should implement environmental protection methods and procedures into their business operations. This may be achieved by setting up a system of accountability within the company's business structure for environmental protection; adopting effective procedures to prevent environmental hazards such as waste gases, water and residues, dust powder, radioactive materials and noise arising from production, construction and other activities from polluting and endangering the environment. The environmental protection system and procedures should be implemented simultaneously with the commencement of and during the operation of construction, production and other activities undertaken by the company. Any company or enterprise which discharges environmental pollutants should report and register such discharge with the Administration Supervisory Department of Environmental Protection and pay any fines imposed for the discharge. A fee may also be imposed on the company for the cost of any work required to restore the environment to its original state. Companies which cause severe pollution to the environment are required to restore the environment or remedy the effects of the pollution within a prescribed time limit.

If a company fails to report and/or register the environmental pollution caused by it, it will receive a warning or be penalised. Companies which fail to restore the environment or remedy the effects of the pollution within the prescribed time will either be penalised or have their business licences terminated. Companies or enterprises which have polluted and endangered the environment must bear the responsibility for remedying the danger and effects of the pollution, as well as to compensate for any losses or damages suffered as a result of such environmental pollution.

Under the Prevention of Water Pollution Law, companies which discharge pollutants directly or indirectly into bodies of water must register with the environmental protection department of the local government at county level or above in the area where they are situated. Such companies must provide information on their facilities which discharge such pollutants, their treatment plants, the type, amount and concentration of the pollutants discharged under normal business operations, in accordance with regulations set by the Administration Supervisory Department of Environmental Protection of the State Council. If there are significant changes to the type, amount or concentration of pollutants being discharged, such changes must be reported immediately. The dismantling or non-usage of pollution treatment plants also require the approval of the environmental protection department of the local government at county level or above.

ADMINISTRATION REGULATION ON HAZARDOUS CHEMICAL MATERIALS

The Administration Regulations on the safety of Hazardous Chemical (危险化学品安全管理条例) promulgated by State Council on 26 January 2002 governs the manufacture, management, storage, transportation, utilizing hazardous chemical materials. The scope of the hazardous chemical materials is subject to the definition in the State Standard No. GB12268. The economic and trade authority of central government and local government, public security department, quality inspection department, environmental protection department, public health authority and administration for industry and commerce is responsible for supervising the manufacture, management, storage, transportation, utilizing hazardous chemical materials with their respective responsibilities.

ANNEX D: TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

Applications are invited for the subscription and/or purchase of the Invitation Shares at the Invitation Price subject to the following terms and conditions:

1. **YOUR APPLICATION MUST BE MADE IN LOTS OF 1,000 INVITATION SHARES OR HIGHER INTEGRAL MULTIPLES THEREOF. APPLICATIONS FOR ANY OTHER NUMBER OF INVITATION SHARES WILL BE REJECTED.**

2. Your application for the Offer Shares may be made by way of Offer Shares Application Forms or by way of Electronic Applications through the ATMs of the Participating Banks. Applications for the Placement Shares may only be made by way of Placement Shares Application Forms. **YOU MAY NOT USE YOUR CPF FUNDS TO APPLY FOR THE INVITATION SHARES.**

3. **You are allowed to submit only one application in your own name for either the Offer Shares or the Placement Shares. If you are submitting an application for the Offer Shares by way of an Application Form, you MAY NOT submit another application for the Offer Shares by way of an Electronic Application and *vice versa*. Such separate applications shall be deemed to be multiple applications and shall be rejected.**

   If you (not being an approved nominee company) have submitted an application in your own name, you should not submit any other application whether by way of an Application Form or by way of an Electronic Application, for any other person. Such separate applications shall be deemed to be multiple applications and will be liable to be rejected at the discretion of our Company.

   If you have made an application for Placement Shares, you should not make any application for Offer Shares by way of an Application Form or by way of an Electronic Application and *vice versa*. Such separate applications shall be deemed to be multiple applications and will be liable to be rejected at the discretion of our Company.

   Joint or multiple applications shall be rejected. If you submit or procure submissions of multiple share applications (whether for Offer Shares, Placement Shares or both Offer Shares and Placement Shares), you may be deemed to have committed an offence under the Penal Code, Chapter 224 of Singapore and the Securities and Futures Act, Chapter 289 of Singapore, and your applications may be referred to the relevant authorities for investigation. Multiple applications or those appearing to be or suspected of being multiple applications will be liable to be rejected at our discretion.

4. We will not accept applications from any person under the age of 21 years, undischarged bankrupts, sole-proprietorships, partnerships, non-corporate bodies, joint Securities Account holders of CDP and applicants whose addresses (furnished in their Application Forms or, in the case of Electronic Applications, contained in the records of the relevant Participating Banks, as the case may be) bear post office box numbers. No person acting or purporting to act on behalf of a deceased person is allowed to apply under the Securities Account with CDP in the deceased's name at the time of application.

5. We will not recognise the existence of a trust. Any application by a trustee or trustees must be made in his/their own name(s) and without qualification. Applications made by way of an Application Form in the name(s) of an approved nominee company or approved nominee companies must comply with paragraph 6 below.

6. **WE WILL ONLY ACCEPT NOMINEE APPLICATIONS FROM APPROVED NOMINEE COMPANIES.** Approved nominee companies are defined as banks, merchant banks, finance companies, insurance companies, licensed securities dealers in Singapore and nominee companies controlled by them. Applications made by persons acting as nominees other than approved nominee companies shall be rejected.

7. **IF YOU ARE NOT AN APPROVED NOMINEE COMPANY, YOU MUST MAINTAIN A SECURITIES ACCOUNT WITH CDP IN YOUR OWN NAME AT THE TIME OF YOUR APPLICATION.** If you do not have an existing Securities Account with CDP in your own name at the time of your application, your application will be rejected (if your application is by way of an Application Form), or you will not be able to complete your Electronic Application (if your application is by way of an Electronic Application). If you have an existing Securities Account with CDP but fail to provide your Securities Account number or provide an incorrect Securities Account number in section B of the Application Form or in your Electronic Application, as the case may be, your application is liable to be rejected. Subject to paragraph 8 below, your application shall be rejected if your particulars such as name, NRIC/passport number, nationality and permanent residence status provided in your Application Form or in the records of the relevant Participating Bank at the time of your Electronic Application, as the case may be, differ from those particulars in your Securities Account as maintained with CDP. If you possess more than one individual direct Securities Account with CDP, your application shall be rejected.

8. **If your address stated in the Application Form or, in the case of an Electronic Application, in the records of the relevant Participating Bank, as the case may be, is different from the address registered with CDP, you must inform CDP of your updated address promptly, failing which the notification letter on successful allotment and other correspondence from the CDP will be sent to your address last registered with CDP.**

9. **Our Company and the Vendors reserve the right to reject any application which does not conform strictly to the instructions set out in the Application Forms and this Prospectus or which does not comply with the instructions for Electronic Applications or with the terms and conditions of this Prospectus or, in the case of an application by way of an Application Form, which is illegible, incomplete, incorrectly completed or which is accompanied by an improperly drawn or improper form of remittance. Our Company and the Vendors further reserve the right to treat as valid any applications not completed or submitted or effected in all respects in accordance with the terms and conditions of this Prospectus, the instructions set out in the Application Forms or the instructions for the Electronic Applications and also to present for payment or other processes all remittances at any time after receipt and to have full access to all information relating to, or deriving from, such remittances or the processing thereof.**

10. Our Company and the Vendors reserve the right to reject or accept any application or to accept any application in whole or in part, or to scale down or ballot any application, without assigning any reason therefor, and no enquiry and/or correspondence on the decision of our Company and the Vendors will be entertained. This right applies to applications made by way of Application Forms and by way of Electronic Applications. In deciding the basis of acceptance, due consideration will be given to the desirability of allotting and/or allocating the Invitation Shares to a reasonable number of applicants with a view to establishing an adequate market for the Shares.

11. Share certificates will be registered in the name of CDP and will be forwarded only to CDP. It is expected that CDP will send to you, at your own risk, within 15 Market Days after the close of the Application List, a statement of account stating that your Securities Account has been credited with the number of Invitation Shares allotted and/or allocated to you. This will be the only acknowledgement of application monies received and is not an acknowledgement by our Company and the Vendors. You irrevocably authorise CDP to complete and sign on your behalf as transferee or renouncee any instrument of transfer and/or other documents required for the issue or transfer of the Invitation Shares allotted and/or allocated to you. This authorisation applies to applications made by way of Application Forms and by way of Electronic Applications.

12. In the event that our Company lodges a supplementary or replacement prospectus pursuant to the Securities and Futures Act or any applicable legislation in force from time to time prior to the close of the Invitation, and the Invitation Shares have not been issued and/or sold, we will (as required by law) at our Company's sole and absolute discretion either:-

(a) within 7 days of the lodgement of the supplementary or replacement prospectus, give you a copy of the supplementary or replacement prospectus, as the case may be, and provide you with an option to withdraw your application; or

(b) deem your application as withdrawn and cancelled and refund your application monies (without interest or any share of revenue or other benefit arising therefrom) to you within 7 days from the lodgement of the supplementary or replacement prospectus.

In the event that at any time of the lodgement, the Invitation Shares have already been issued and/or sold but trading has not commenced, we will (as required by law) at our Company's sole and absolute discretion either:-

(a) within 7 days of the lodgement of the supplementary or replacement prospectus, give you a copy of the supplementary or replacement prospectus, as the case may be, and provide you with an option to return the Invitation Shares; or

(b) deem the issue and/or sale of the Invitation Shares as void and refund your payment for the Invitation Shares (without interest or any share of revenue or other benefit arising therefrom) to you within 7 days from the lodgement of the supplementary or replacement prospectus.

Additional terms and instructions applicable upon the lodgement of the supplementary or replacement prospectus, including instructions on how you can exercise the option to withdraw your application or return the Invitation Shares allotted and/or allocated to you, may be found in such supplementary or replacement prospectus.

Where an applicant has notified us within 14 days from the date of lodgement of the supplementary or replacement prospectus of his wish to exercise his option under the Securities and Futures Act to withdraw his application or return the Invitation Shares allotted and/or allocated to him, we shall (as well as on behalf of the Vendors) pay to him all monies paid by him on account of his application for the Invitation Shares without interest or any share of revenue or other benefit arising therefrom and at his own risk, within 7 days from the receipt of such notification.

13. By completing and delivering an Application Form and, in the case of an Electronic Application, by pressing the "Enter" or "OK" or "Confirm" or "Yes" or any other relevant key on the ATM in accordance with the provisions herein, you:-

(a) irrevocably offer to subscribe for and/or purchase the number of Invitation Shares specified in your application (or such smaller number for which the application is accepted) at the Invitation Price and agree that you will accept such Invitation Shares as may be allotted and/or allocated to you, in each case on the terms of, and subject to the conditions set out in, this Prospectus and our Memorandum and Articles of Association;

(b) agree that in the event of any inconsistency between the terms and conditions for application set out in this Prospectus and those set out in the ATMs of the Participating Banks, the terms and conditions set out in this Prospectus shall prevail;

(c) agree that the aggregate Invitation Price for the Invitation Shares applied for is due and payable to our Company and/or the Vendors; and

(d) warrant the truth and accuracy of the information provided in your application.

14. In the event of an under-subscription for Offer Shares as at the close of the Application List, the number of Offer Shares not subscribed for and/or purchased shall be made available to satisfy applications for Placement Shares to the extent that there is an over-subscription for Placement Shares as at the close of the Application List.

In the event of an under-subscription for Placement Shares as at the close of the Application List, that number of Placement Shares not subscribed for and/or purchased shall be made available to satisfy applications for Offer Shares to the extent that there is an over-subscription for Offer Shares as at the close of the Application List.

In the event of an over-subscription for the Offer Shares and the number of Placement Shares are fully subscribed for or over-subscribed as at the close of the Application List, the successful applications for the Offer Shares will be determined by ballot or otherwise as determined by our Directors and the Vendors, after consultation with OCBC Bank, and approved by the SGX-ST.

In the event of an under-subscription for the Offer Shares and/or Placement Shares as at the close of the Application List, the number of Offer Shares and/or Placement Shares under-subscribed shall be subscribed for by the Underwriter and/or the Placement Agent respectively.

In all the above instances, the basis of allotment and/or allocation of the Invitation Shares as may be decided by our Company and the Vendors, after consultation with OCBC Bank, and approved by the SGX-ST, in ensuring a reasonable spread of the shareholders of our Company, shall be made public, as soon as practicable, via an announcement through the SGX-ST and by advertisement in a generally circulating daily press.

15. You irrevocably authorise CDP to disclose the outcome of your application, including the number of Invitation Shares allotted and/or allocated to you pursuant to your application, to the Company, the Manager, the Underwriter, the Placement Agent and/or any other parties so authorised by CDP, the Company, the Manager, the Underwriter and/or the Placement Agent.

16. Acceptance of applications will be conditional upon, *inter alia*, our Company and the Vendors being satisfied that:-

    (a) permission has been granted by the Main Board of the SGX-ST to deal in and for quotation of all our existing Shares, the Invitation Shares and the Option Shares on the Official List of the Main Board of the SGX-ST;

    (b) no stop order has been issued by the Authority under the Securities and Futures Act; and

    (c) the Management and Underwriting Agreement and the Placement Agreement referred to in the section entitled "General and Statutory Information - Miscellaneous" of this Prospectus have become unconditional and have not been terminated.

17. In the event that a stop order in respect of the Invitation Shares is served by the Authority or other competent authority, and

    (a) the Invitation Shares have not been issued and/or sold, we will (as required by law) deem all applications as withdrawn and cancelled and we shall (as well as on behalf of the Vendors) refund the application monies (without interest or any share of revenue or other benefit arising therefrom) to you within 14 days of the date of the stop order; or

    (b) the Invitation Shares have been issued and/or sold but trading has not commenced, the issue and/or sale of the Invitation Shares will (as required by law) be deemed to be void; and:

        (i) in the case where the Invitation Shares have been issued, we shall refund the application monies (without interest or any share of revenue or other benefit arising therefrom) to you within 14 days of the date of the stop order; or

(ii) in the case where the Invitation Shares have been sold, (a) we will, on behalf of the Vendors, inform you to return such documents to our Company within 14 days from the date of the stop order; and (b) we will refund the application monies (without interest or share of revenue or other benefit arising therefrom) to you within seven days from the receipt of those documents (if applicable) or the date of the stop order, whichever is later.

This shall not apply where only an interim stop order has been served.

In the event that an interim stop order in respect of the Invitation Shares is served by the Authority or other competent authority, no Invitation Shares shall be issued and/or sold to you until the Authority revokes the interim stop order.

18. The Authority is not able to serve a stop order in respect of the Invitation Shares if the Invitation Shares have been issued and/or sold, listed on a securities exchange and trading in them has commenced.

19. No application will be held in reserve.

20. This Prospectus is dated 24 April 2006. No Shares shall be allotted and/or allocated on the basis of this Prospectus later than six months after the date of registration of this Prospectus.

21. Additional terms and conditions for applications by way of Application Forms are set out on pages D-5 to D-8 of this Prospectus.

22. Additional terms and conditions for applications by way of Electronic Applications are set out on pages D-8 to D-14 of this Prospectus.

23. Any reference to "you" or the "applicant" in this section shall include an individual, a corporation, an approved nominee company and trustee applying for the Offer Shares by way of an Offer Shares Application Form or by way of an Electronic Application or applying for the Placement Shares by way of a Placement Shares Application Form.

ADDITIONAL TERMS AND CONDITIONS FOR APPLICATIONS USING APPLICATION FORMS

You shall make an application by way of an Application Form on and subject to the terms and conditions of this Prospectus including but not limited to the terms and conditions appearing below as well as those set out under this section entitled "TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE" under Annex D of this Prospectus, as well as our Memorandum and Articles of Association.

1. Your application for Offer Shares must be made using the **WHITE** Application Form and **WHITE** official envelopes "A" and "B" for Offer Shares accompanying and forming part of this Prospectus.

   Application for Placement Shares must be made using the **BLUE** Application Form for Placement Shares accompanying and forming part of this Prospectus.

   Attention is drawn to the detailed instructions contained in the respective Application Forms and this Prospectus for the completion of the Application Forms which must be carefully followed. **We reserve the right to reject applications which do not conform strictly to the instructions set out in the Application Forms and this Prospectus or to the terms and conditions of this Prospectus or which are illegible, incomplete, incorrectly completed or which are accompanied by improperly drawn or improper forms of remittances.**

2. Your Application Forms must be completed in English. Please type or write clearly in ink using **BLOCK LETTERS**.

3. All spaces in the Application Forms except those under the heading "**FOR OFFICIAL USE ONLY**" must be completed and the words "**NOT APPLICABLE**" or "**N.A.**" should be written in any space that is not applicable.

4. Individuals, corporations, approved nominee companies and trustees must give their names in full. If you are an individual, you must make your application using your full name as it appears in your identity card (if you have such an identification document) or in your passport and, in the case of a corporation, in your full name as registered with a competent authority. If you are not an individual and you are completing the Application Form under the hand of an official, you must state the name and capacity in which that official signs. If you are a corporation completing the Application Form, you are required to affix your Common Seal (if any) in accordance with your Memorandum and Articles of Association or equivalent constitutive documents. If you are a corporate applicant and your application is successful, a copy of your Memorandum and Articles of Association or equivalent constitutional documents must be lodged with our Share Registrar and Share Transfer Office. We reserve the right to require you to produce documentary proof of identification for verification purposes.

5. (a) You must complete page 1 and Sections A and B of the Application Forms.

   (b) You are required to delete either paragraph 7(a) or 7(b) on page 1 of the Application Forms. Where paragraph 7(a) is deleted, you must also complete Section C of the Application Forms with particulars of the beneficial owner(s).

   (c) If you fail to make the required declaration in paragraph 7(a) or 7(b), as the case may be, on page 1 of the Application Forms, your application is liable to be rejected.

6. You (whether an individual or corporate applicant, whether incorporated or unincorporated and wherever incorporated or constituted) will be required to declare whether you are a citizen or a permanent resident of Singapore or corporation in which citizens or permanent residents of Singapore or any body corporate constituted under any statute of Singapore have an interest in the aggregate of more than 50% of the issued share capital of or interests in such corporation. If you are an approved nominee company, you are required to declare whether the beneficial owner of the Invitation Shares is a citizen or permanent resident of Singapore or a corporation (whether incorporated or unincorporated and wherever incorporated or constituted) in which citizens or permanent residents of Singapore or any body corporate (whether incorporated or unincorporated and wherever incorporated or constituted under any statute of Singapore) have an interest in the aggregate of more than 50% of the issued share capital of or interests in such corporation.

7. Your application must be accompanied by a remittance in Singapore currency for the full amount payable, in respect of the number of Invitation Shares applied for, in the form of a BANKER'S DRAFT or CASHIER'S ORDER drawn on a bank in Singapore, made out in favour of "**JIUTIAN CHEMICAL SHARE ISSUE ACCOUNT**" crossed "A/C PAYEE ONLY", with your name and address written clearly on the reverse side. WE WILL NOT ACCEPT APPLICATIONS NOT ACCOMPANIED BY ANY PAYMENT OR ACCOMPANIED BY ANY OTHER FORM OF PAYMENT. We will REJECT REMITTANCES BEARING "NOT TRANSFERABLE" or "NON TRANSFERABLE" crossings. No acknowledgement of receipt will be issued by our Company, the Vendors or the Manager for applications and application monies received.

8. Monies in respect of unsuccessful applications are expected to be returned to you by ordinary post (without interest or any share of revenue or other benefit arising therefrom) within 24 hours of balloting at your own risk. Where your application is rejected or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within 14 days after the close of the Application List. If the completion of the Invitation does not occur because permission from the SGX-ST is not granted or for any other reason, monies paid in respect of any application accepted will be returned to you at your own risk (without interest or any share of revenue or other benefit arising therefrom). In the event that the Invitation is cancelled

by us following the termination of the Management and Underwriting Agreement and/or the Placement Agreement, the application monies received will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within 5 Market Days of the termination of the Invitation. In the event that the Invitation is cancelled by us following the issuance of a stop order by the Authority or any competent authority, the application monies received will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within 14 days from the date of the stop order.

9. Capitalised terms used in the Application Forms and defined in this Prospectus shall bear the meanings assigned to them in this Prospectus.

10. In consideration of us having distributed the Application Form to you and agreeing to close the Application List at 12.00 noon on 2 May 2006 or such other time or date as we and the Vendors may, in consultation with the Manager, decide and by completing and delivering the Application Form, you agree that:-

    (a) your application is irrevocable;

    (b) your remittance will be honoured on first presentation and that any application monies returnable may be held pending clearance of your payment without interest or any share of revenue or other benefit arising therefrom;

    (c) all applications, acceptances and contracts resulting therefrom under the Invitation shall be governed by and construed in accordance with the laws of Singapore and that you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;

    (d) in respect of the Invitation Shares for which your application has been received and not rejected, acceptance of your application shall be constituted by written notification by or on behalf of us and the Vendors and not otherwise, notwithstanding any remittance being presented for payment by or on behalf of us and the Vendors;

    (e) you will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your application; and

    (f) in making your application, reliance is placed solely on the information contained in this Prospectus and neither we, the Vendors, the Manager, the Underwriter, the Placement Agent nor any other person involved in the Invitation shall have any liability for any information not so contained.

Applications for Offer Shares

1. Your application for Offer Shares **MUST** be made using the **WHITE** Offer Shares Application Form and **WHITE** official envelopes "A" and "B". **ONLY ONE APPLICATION** should be enclosed in each envelope.

2. You must:

    (a) enclose the **WHITE** Offer Shares Application Form, duly completed and signed, together with the correct remittance in accordance with the terms and conditions of this Prospectus in the **WHITE** envelope "A" provided;

    (b) in the appropriate spaces on **WHITE** envelope "A":-

        (i) write your name and address;

        (ii) state the number of Offer Shares applied for; and

        (iii) affix adequate Singapore postage;

(c) SEAL **WHITE** envelope "A";

(d) write, in the special box provided on the larger **WHITE** envelope "B" addressed to **OCBC BANK, 63 CHULIA STREET, OCBC CENTRE EAST #03-03, SINGAPORE 049514**, the number of Offer Shares for which the application is made; and

(e) insert **WHITE** envelope "A" into **WHITE** envelope "B", seal **WHITE** envelope "B", affix adequate Singapore postage on **WHITE** envelope "B" (if despatching by ordinary post) and thereafter **DESPATCH BY ORDINARY POST OR DELIVER BY HAND at your own risk to OCBC BANK AT OCBC BANK, 63, CHULIA STREET, OCBC CENTRE EAST #03-03, SINGAPORE 049514 so as to arrive by 12.00 noon on 2 May 2006 or such other time and date as we and the Vendors may, in consultation with the Manager, decide. Local Urgent Mail or Registered Post must NOT be used.**

3. No acknowledgement of receipt will be issued for any application or remittance received.

4. Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances are liable to be rejected.

Applications for Placement Shares

1. Your application for Placement Shares **MUST** be made using the **BLUE** Placement Shares Application Form. **ONLY ONE APPLICATION** should be enclosed in each envelope.

2. The completed **BLUE** Placement Shares Application Form and your remittance in accordance with the terms and conditions of this Prospectus for the full amount payable in respect of the number of Placement Shares applied for, with your name and address written clearly on the reverse side, must be enclosed and sealed in an envelope to be provided by you. You must affix adequate Singapore postage (if despatching by ordinary post) and thereafter, the sealed envelope must be **DESPATCHED BY ORDINARY POST OR DELIVERED BY HAND at your own risk to OCBC BANK, 63 CHULIA STREET, OCBC CENTRE EAST #03-03, SINGAPORE 049514, so as to arrive by 12.00 noon on 2 May 2006 or such other time and date as we and the Vendors may, in consultation with the Manager, decide. Local Urgent Mail or Registered Post must NOT be used.**

3. No acknowledgement of receipt will be issued for any application or remittance received.

4. Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances or improper form of remittance are liable to be rejected.

ADDITIONAL TERMS AND CONDITIONS FOR ELECTRONIC APPLICATIONS

The procedures for Electronic Applications at ATMs of the Participating Banks are set out on the ATM screens of the relevant Participating Banks (the "Steps"). For illustration purposes, the procedures for Electronic Applications at ATMs of OCBC Bank are set out in the "Steps for Electronic Applications" appearing on pages D-13 and D-14 of this Prospectus. Please read carefully the terms of this Prospectus, the Steps and the terms and conditions for Electronic Applications set out below before making an Electronic Application. Any reference to "you" or the "applicant" in the Additional Terms and Conditions for Electronic Applications and the Steps shall refer to you making an application for Offer Shares through an ATM of a Participating Bank.

You must have an existing bank account with and be an ATM cardholder of one of the Participating Banks before you can make an Electronic Application at the ATMs of that Participating Bank. An ATM card issued by one Participating Bank cannot be used to apply for Offer Shares at an ATM belonging to another Participating Bank. The Steps set out the actions that you must take at ATMs of OCBC Bank to complete an Electronic Application. The actions that you must take at ATMs of other Participating Banks are set out on the ATM screens of the relevant Participating Banks. Upon the completion of your Electronic

Application transaction, you will receive an ATM transaction slip ("Transaction Record"), confirming the details of your Electronic Application. The Transaction Record is for retention by you and should not be submitted with any printed Application Form.

You must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. If you fail to use an ATM card issued in your own name or do not key in your own Securities Account number, your application will be rejected. If you operate a joint bank account with any of the Participating Banks, you must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. Using your own Securities Account number with an ATM card which is not issued to you in your own name will render your Electronic Application liable to be rejected.

Your Electronic Application shall be made on the terms and subject to the conditions of this Prospectus including but not limited to the terms and conditions appearing below and those set out under this section entitled "TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE" under Annex E of this Prospectus as well as our Memorandum and Articles of Association.

1. In connection with your Electronic Application for Offer Shares, you are required to confirm statements to the following effect in the course of activating your Electronic Application:-

   (a) **that you have received a copy of this Prospectus and have read, understood and agreed to all the terms and conditions of application for Offer Shares in this Prospectus prior to effecting the Electronic Application and agree to be bound by the same;**

   (b) **that you consent to the disclosure of your name, NRIC/passport number, address, nationality, permanent resident status, CDP Securities Account number, CPF Investment Account number (if applicable) and share application amount (the "Relevant Particulars") from your account with that Participating Bank to the Share Registrar, CDP, CPF, SCCS, SGX-ST, our Company, the Vendors and the Manager (the "Relevant Parties"); and**

   (c) **that the Electronic Application made is your only application for Offer Shares and it is made in your own name and at your own risk.**

   Your application will not be successfully completed and cannot be recorded as a completed transaction unless you press the "Enter" or "OK" or "Confirm" or "Yes" key or any other relevant key in the ATM. By doing so, you shall be treated as signifying your confirmation of each of the 3 statements. In respect of statement 1(b) above, your confirmation, by pressing the "Enter" or "OK" or "Confirm" or "Yes" or any other relevant key, shall signify and shall be treated as your written permission, given in accordance with the relevant laws of Singapore including Section 47(2) of the Banking Act, Chapter 19 of Singapore to the disclosure by that Participating Bank of the Relevant Particulars to the Relevant Parties.

2. **By making an Electronic Application, you confirm that you are not applying for Offer Shares as nominee of any other person and that any Electronic Application that you make is the only application made by you as beneficial owner. You shall make only one Electronic Application for the Offer Shares and shall not make any other application for the Offer Shares, whether at the ATMs of any Participating Bank or on the Application Forms. Where you have made an application for Offer Shares or Placement Shares on an Application Form, you shall not make an Electronic Application for Offer Shares and *vice versa*.**

3. You must have sufficient funds in your bank account with your Participating Bank at the time you make your Electronic Application, failing which your Electronic Application will not be completed. **Any Electronic Application made at the ATMs of the relevant Participating Banks which does not conform strictly to the instructions set out in this Prospectus or on the screens of the ATMs of the relevant Participating Banks through which the Electronic Application is being made shall be rejected.**

4. You irrevocably agree and undertake to subscribe for and/or purchase and to accept the number of Offer Shares applied for as stated on the Transaction Record or any lesser number of Offer Shares that may be allotted and/or allocated to you in respect of your Electronic Application. In the event that we decide to allot and/or allocate any lesser number of such Offer Shares or not to allot and/or allocate any Offer Shares to you, you agree to accept such decision as final. If your Electronic Application is successful, your confirmation (by your action of pressing the "Enter" or "OK" or "Confirm" or "Yes" key or any other relevant key on the ATM) of the number of Offer Shares applied for shall signify and shall be treated as your acceptance of the number of Offer Shares that may be allotted and/or allocated to you and your agreement to be bound by our Memorandum and Articles of Association.

5. **We will not keep any applications in reserve.** Where your Electronic Application is unsuccessful, the full amount of the application monies will be refunded in Singapore dollars (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your account with your Participating Bank within 24 hours of balloting. **Trading on a "WHEN ISSUED" basis, if applicable, is expected to commence after such refund has been made.**

   Where your Electronic Application is rejected or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded in Singapore dollars (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your account with your Participating Bank within 14 days after the close of the Application List.

   Responsibility for timely refund of application monies from unsuccessful or partially unsuccessful Electronic Applications lies solely with the respective Participating Banks. Therefore, you are strongly advised to consult your Participating Bank as to the status of your Electronic Application and/or the refund of any monies to you from an unsuccessful or partially successful Electronic Application, to determine the exact number of Offer Shares allotted and/or allocated to you, if any, before trading the Offer Shares on the SGX-ST. Neither the SGX-ST, the CDP, the SCCS, the Participating Banks, we, the Vendors nor the Manager assume any responsibility for any loss that may be incurred as a result of your having to cover any net sell positions or from buy-in procedures activated by the SGX-ST.

6. If your Electronic Application is made through an ATM of one of the Participating Banks and is unsuccessful, no notification will be sent by the Participating Banks.

   If your Electronic Application is made through an ATM of one of the following Participating Banks, you may check the provisional results of your Electronic Application as follows:-

Bank	Telephone	Available at	Operating hours	Service expected from
OCBC Bank	1800 363 3333	ATM / Internet Banking / Phone banking(1)	24 hours	Evening of the balloting day
DBS	1800 339 6666 (POSB account holders) 1800 111 1111 (DBS account holders)	Internet Banking www.dbs.com	ATM / Phone Banking - 24 hours a day	Evening of the balloting day
UOB Group	1800 222 2121	ATM (Other Transactions – "IPO Enquiry")(2) www.uobgroup.com(2)	ATM / Phone Banking - 24 hours a day Internet Banking - 24 hours a day	Evening of the balloting day

Notes:-

(1) If you have made your Electronic Application through the ATMs of OCBC Bank, you may check the result of your application through OCBC Personal Internet Banking, OCBC ATMs and OCBC Phone Banking services.

(2) If you have made your Electronic Application through the ATMs of the UOB Group, you may check the result of your application through UOB Personal Internet Banking, UOB Group's ATMs or UOB Phone Banking services.

7. Electronic Applications shall close at 12.00 noon on 2 May 2006 or such other time and date as we and the Vendors may, in consultation with the Manager, decide.

8. You are deemed to have requested and authorised us to:-

   (a) register the Offer Shares allotted and/or allocated to you in the name of CDP for deposit into your Securities Account;

   (b) send the relevant Share certificate(s) to CDP;

   (c) return or refund (without interest or any share of revenue or other benefit arising therefrom) the application monies in Singapore currency, should your Electronic Application be rejected, by automatically crediting your bank account with your Participating Bank with the relevant amount within 24 hours of balloting; and

   (d) return or refund (without interest or any share of revenue or other benefit arising therefrom) the balance of the application monies in Singapore dollar, should your Electronic Application be accepted in part only, by automatically crediting your bank account with your Participating Bank with the relevant amount within 14 days after the close of the Application List.

9. You irrevocably agree and acknowledge that your Electronic Application is subject to risks of electrical, electronic, technical and computer-related faults and breakdowns, fires, acts of God and

other events beyond the control of the Participating Banks, our Company, the Vendors and the Manager and if, in any such event, we, the Vendors, the Manager and/or the relevant Participating Bank do not record or receive your Electronic Application, or data relating to your Electronic Application or the tape containing such data is lost, corrupted, destroyed or not otherwise accessible, whether wholly or partially for whatever reason, you shall be deemed not to have made an Electronic Application and you shall have no claim whatsoever against us, the Vendors, the Manager and/or the relevant Participating Bank for the Offer Shares applied for or for any compensation, loss or damage.

10. We do not recognise the existence of a trust. Any Electronic Application by a trustee must be made in his own name(s) and without qualification. Our Company and the Vendors will reject any Electronic Application by any person acting as nominee except those made by approved nominee companies only.

11. All particulars in the records of your Participating Bank at the time you make your Electronic Application shall be deemed to be true and correct and your Participating Bank and the Relevant Parties shall be entitled to rely on the accuracy thereof. If there has been any change in your particulars after making your Electronic Application, you shall promptly notify your Participating Bank.

12. **You should ensure that your personal particulars as recorded by both CDP and the relevant Participating Bank are correct and identical, otherwise, your Electronic Application is liable to be rejected.** You should promptly inform CDP of any change in address, failing which the notification letter on successful allotment and/or allocation and other correspondence from the CDP will be sent to your address last registered with CDP.

13. In consideration of our Company and the Vendors making available the Electronic Application facility through the ATMs of the Participating Banks and agreeing to close the Application List at 12.00 noon on 2 May 2006 or such other time or date as we and the Vendors may, in consultation with the Manager, decide, and by making and completing an Electronic Application, you agree that:-

    (a) your Electronic Application is irrevocable;

    (b) your Electronic Application, the acceptance by our Company and the Vendors, and the contract resulting therefrom under the Invitation shall be governed by and construed in accordance with the laws of Singapore and you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;

    (c) neither we, the Vendors, the Manager, the Participating Banks nor CDP shall be liable for any delays, failures or inaccuracies in the recording, storage or in the transmission or delivery of data relating to your Electronic Application to us or CDP due to a breakdown or failure of transmission, delivery or communication facilities or any risks referred to in paragraph 9 above or to any cause beyond their respective controls;

    (d) in respect of Offer Shares for which your Electronic Application has been successfully completed and not rejected, acceptance of your Electronic Application shall be constituted by written notification by or on behalf of our Company and the Vendors and not otherwise, notwithstanding any payment received by or on behalf of our Company and the Vendors;

    (e) you will not be entitled to exercise any remedy of rescission or misrepresentation at any time after acceptance of your application; and

    (f) in making your application, reliance is placed solely on the information contained in this Prospectus and that neither our Company, the Vendors, the Manager, the Underwriter, the Placement Agents nor any other person involved in the Invitation shall have any liability for any information not so contained.

ANNEX D: TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

Steps for Electronic Applications

Instructions for Electronic Applications will appear on the ATM screens of the Participating Banks. For illustration purposes, the steps for making an Electronic Application through an OCBC Bank ATM are shown below. Certain words appearing on the screen are in abbreviated form ("a/c", "appln", "ESA", "no." and "&" refer to "account", "application", "electronic share application", "number" and "and" respectively). Instructions for Electronic Applications appearing on the ATM screens of the other Participating Banks may differ from those represented below.

Step 1 : Insert your personal OCBC ATM card

2 : Enter your Personal Identification Number

3 : Select "Other Services"

4 : Select "Electronic Share Appln"

5 : Select "JIUTIAN"

6 : For an applicant making an Electronic Application at the ATM for the first time

(a) For non-Singaporean

Press the "Yes" key if you are a permanent resident of Singapore, otherwise, press the "No" key.

(b) Enter your own Securities Account number (12 digits) eg. 168101234567 and press "Yes" key to confirm that the Securities Account number you have entered is correct.

7 : Check your particulars appearing on the screen and press the "Correct" key to confirm that your particulars are correct.

8 : Press the "Confirm" key to confirm that you have read the following messages:-

– **A copy of this Prospectus has been lodged with and registered by the Monetary Authority of Singapore, which assumes no responsibility for its contents**

– **The Prospectus is available at various Participating Banks**

9 : Press the "Confirm" key again to confirm that you have read the following messages:-

– **Anyone who intends to submit an application for these securities should read the Prospectus before submitting his/her application in the manner set out in the Prospectus**

10 : Press the "Confirm" key again to confirm that you have read the following messages:-

– **You have read, understood and agreed to all terms of application set out in the Prospectus**

– **You consent to the disclosure of your NRIC/Passport No., address, nationality, securities a/c no., qty of securities applied for and CPF investment a/c no. to share registrar, CDP, CPF, SCCS, Issuer & Vendors**

– **This application is made in your own name & at your own risk**

11 : Select the number of Shares you wish to apply for

- **For fixed price ESA, this is the only application submitted**
- **Fixed Price: $0.29**

12 : Select the type of bank account to debit your application monies

13 : Check the details of your application appearing on the screen and press the “Confirm” key to confirm your application

14 : For customers with multiple bank accounts, select the bank account from which to debit your application monies.

JIUTIAN CHEMICAL GROUP LIMITED
(Registration No. 200415416H)

COMPILATION REPORT OF THE REPORTING AUDITORS ON THE PRO FORMA FINANCIAL INFORMATION AND GROUP FINANCIAL INFORMATION

Deloitte.

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24 April 2006

The Board of Directors
Jiutian Chemical Group Limited
50 Raffles Place,
#17-01 Singapore Land Tower,
Singapore 048623

Dear Sirs

COMPILATION REPORT OF THE REPORTING AUDITORS ON THE PRO FORMA FINANCIAL INFORMATION AND GROUP FINANCIAL INFORMATION

This Report has been prepared for inclusion in the Prospectus dated 24 April 2006 (the "Prospectus") in connection with the Invitation in respect of 94,929,000 ordinary shares comprising 54,938,000 New Shares and 39,991,000 Vendor Shares payable in full on application as follows:

(a) 3,000,000 Offer Shares at S$0.29 for each offer share by way of public offer; and

(b) 91,929,000 Placement Shares by way of placement at S$0.29 for each Placement Share.

We report on the pro forma financial information for the financial years ended 31 December 2002, 2003 and 2004 ("FY2002 to FY2004") set out in pages E-4 to E-53 which has been prepared, for illustrative purposes only and based on certain assumptions and after making certain adjustments to show what:

(a) the financial results of the Company and its subsidiary (collectively the "pro forma Group") for FY2002 to FY2004 would have been if the Group structure as of the date of lodgement of the Prospectus had been in place since the beginning of the periods being reported on; and

(b) the financial position of the pro forma Group as of the date of the balance sheet as at 31 December 2004, and equity changes and cash flows for the financial year/period then ended, would have been if the Group structure as of the date of lodgement of the Prospectus had been in place on that date.

Deloitte.

The pro forma financial information for FY2002 to FY2004, because of their nature, may not give a true picture of the Group's actual financial position or results.

The pro forma financial information for FY2002 to FY2004 are the responsibility of the directors of the Company. Our responsibility is to express an opinion on the pro forma financial information based on our work.

We carried out procedures in accordance with Singapore Statement of Auditing Practice - SAP 24:"Auditors and Public Offering Documents". Our work, which involved no independent examination of the underlying financial statements, consisted primarily of comparing pro forma financial information to the financial statements (or where information is not available, to accounting records) of the Company and the companies in the Group where applicable, considering the evidence supporting the adjustments and discussing the pro forma financial information with the directors of the Company.

The actual consolidated financial information for the six months financial period ended 30 June 2005 ("HY2005") are based on the audited consolidated financial statements of the Group as set out in Annex F of the Prospectus.

In our opinion,

(a) the pro forma financial information for FY2002 to FY2004 and the Group financial information for HY2005 have been properly prepared:

    (i) in a manner consistent with both the format of the financial statements and the accounting policies of the Company which are prepared in accordance with Singapore Statements of Accounting Standards for FY2002 and with Singapore Financial Reporting Standards for FY2003, FY2004 and HY2005; and;

    (ii) on the basis stated in Note 2 of Section E below; and;

(b) each material adjustment made to the information used in the preparation of the pro forma financial information for FY2002 to FY2004 is appropriate for the purpose of preparing such financial information.

Yours faithfully

DELOITTE & TOUCHE
Certified Public Accountants

Aric Loh Siang Khee
Partner

Singapore

A. PRO FORMA GROUP AND GROUP BALANCE SHEETS AS AT 31 DECEMBER 2004, 30 JUNE 2005 AND 30 JUNE 2004

	Notes	Pro forma Group 31 December 2004 RMB'000	Group 30 June 2005 RMB'000	Pro forma Group (Unaudited) 30 June 2004 RMB'000
ASSETS				
Current assets:				
Cash and bank balances		3,064	11,287	4,550
Trade receivables	7	2,752	7,271	5,179
Other receivables and prepayments	8	206	7,248	873
Inventories	9	1,289	1,847	801
Total current assets		7,311	27,653	11,403
Non-current assets:				
Long term prepayment	10	-	2,388	-
Property, plant and equipment	11	93,349	101,198	85,891
Investment in subsidiary	12	-	-	-
Available-for-sale investment	13	-	-	4,600
Deferred tax asset	14	454	579	1,203
Goodwill on consolidation	15	523	523	-
Total non-current assets		94,326	104,688	91,694
Total assets		101,637	132,341	103,097
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Due to related parties	6	90,326	37,148	85,870
Trade payables	16	4,778	9,792	5,407
Other payables	17	1,600	1,964	9,262
Convertible loans	18	-	55,043	-
Income tax payable		3,848	3,675	2,048
Total current liabilities		100,552	107,622	102,587
Non-current liability:				
Deferred income	19	1,035	1,003	1,067
Shareholders' equity:				
Paid up capital	20	50	56	-
Capital reserve	21	-	-	4,960
General reserve	22	-	2,393	-
Currency translation reserve		-	1,039	-
Accumulated profit (losses)		-	20,228	(5,517)
Total shareholders' equity		50	23,716	(557)
Total liabilities and shareholders' equity		101,637	132,341	103,097

B. PRO FORMA GROUP AND GROUP PROFIT AND LOSS STATEMENTS FOR THE FINANCIAL YEARS/PERIODS ENDED 31 DECEMBER 2002, 2003 AND 2004, 30 JUNE 2005 AND 2004

		Pro forma Group			Group	Pro forma Group
		Year ended 31 December			Six months ended 30 June	(Unaudited) Six months ended 30 June
	Notes	2002	2003	2004	2005	2004
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	23	53,195	103,076	167,644	94,455	77,841
Cost of sales		(39,984)	(64,371)	(126,839)	(67,068)	(56,457)
Gross profit		13,211	38,705	40,805	27,387	21,384
Other operating income	24	72	73	360	214	145
Administrative expenses	25	(3,276)	(5,363)	(6,499)	(3,650)	(4,623)
Selling and distribution expenses		(247)	(608)	(1,277)	(131)	(943)
Profit from operations	26	9,760	32,807	33,389	23,820	15,963
Finance cost	27	(340)	(503)	(1,518)	(1,324)	(726)
Profit before income tax		9,420	32,304	31,871	22,496	15,237
Income tax (expense) credit	28	(3,271)	(12,727)	(11,305)	125	(5,185)
Net profit attributable to the Group		6,149	19,577	20,566	22,621	10,052
Earnings per share (RMB cents)*		3.51	11.19	11.75	12.93	5.74

* Earnings per share for the periods under review has been computed based on Pre-Invitation share capital of 174,990,800 ordinary shares.

C. PRO FORMA GROUP AND GROUP MOVEMENTS IN SHAREHOLDERS' EQUITY FOR THE FINANCIAL YEAR/PERIODS ENDED 31 DECEMBER 2004 AND 30 JUNE 2004 and 2005

	Paid-up capital RMB'000	Capital reserve RMB'000	General reserve RMB'000	Currency translation reserve RMB'000	Accumulated profits (losses) RMB'000	Total RMB'000
Balance as at 1 January 2004	-	4,960	-	-	(3,599)	1,361
Paid up capital	50	-	-	-	-	50
Profit for the year	-	-	-	-	20,566	20,566
Funds transferred to head office [Note 32(b)]	-	-	-	-	(32,416)	(32,416)
	50	4,960	-	-	(15,449)	(10,439)
Pro forma adjustments:						
- Restructuring exercise	-	(4,960)	-	-	2,150	(2,810)
- On income statement	-	-	-	-	13,299	13,299
Balance as at 31 December 2004	50	-	-	-	-	50
Paid up capital	6	-	-	-	-	6
Profit for the period	-	-	-	-	22,621	22,621
Currency translation reserve	-	-	-	1,039	-	1,039
Transfer	-	-	2,393	-	(2,393)	-
Balance as at 30 June 2005	56	-	2,393	1,039	20,228	23,716
HY2004 (unaudited)						
Balance as at 1 January 2004	-	4,960	-	-	(3,599)	1,361
Profit for the period	-	-	-	-	10,052	10,052
Funds transferred to head office [Note 32(b)]	-	-	-	-	(20,247)	(20,247)
	-	4,960	-	-	(13,794)	(8,834)
Pro forma adjustment:						
- On income statement	-	-	-	-	8,277	8,277
Balance as at 30 June 2004	-	4,960	-	-	(5,517)	(557)

D. PRO FORMA GROUP STATEMENTS OF CASH FLOW FOR THE FINANCIAL YEAR/PERIOD ENDED 31 DECEMBER 2004, 30 JUNE 2005 AND 30 JUNE 2004

	Pro forma Group	Group	Pro forma Group (Unaudited)
	Year ended 31 December 2004	Six months ended 30 June 2005	Six months ended 30 June 2004
	RMB'000	RMB'000	RMB'000
Cash flows from operating activities:			
Profit before income tax	31,871	22,496	15,237
Adjustments for:			
Depreciation expense	6,503	3,475	3,255
Interest income	(28)	(17)	(20)
Interest expense	1,518	1,324	726
Operating profit before working capital changes	39,864	27,278	19,198
Trade receivables	2,429	(4,519)	2
Other receivables and prepayments	7	(6,912)	(661)
Inventories	(1,278)	(558)	(790)
Trade payables	(10,169)	5,014	(10,123)
Other payables	(4,179)	56	764
Due to related parties	2,484	(3,535)	4,665
Deferred income	(65)	(32)	(33)
Cash from operations	29,093	16,792	13,022
Interest paid	(1,518)	(1,016)	(726)
Interest received	28	17	20
Income tax paid	(9,466)	(173)	(5,896)
Net cash generated from operating activities	18,137	15,620	6,420
Cash flows from investing activities:			
Purchase of property, plant and equipment	(12,519)	(11,324)	(1,813)
Acquisition of long term prepayment	-	(2,518)	-
Proceeds on disposal of investment	4,600	-	-
Acquisition of subsidiary pursuant to Restructuring Exercise (Note A)	-	(49,643)	-
Net currency translation effect from consolidation	-	1,039	-
Net cash used in investing activities	(7,919)	(62,446)	(1,813)
Cash flows from financing activities:			
Fund transferred to former head office account	(32,416)	-	(20,247)
Convertible loans	-	55,043	-
Issue of shares	50	6	-
Pro forma adjustments (Note B)	13,299	-	8,277
Net cash (used in) from financing activities	(19,067)	55,049	(11,970)
Net increase (decrease) in cash	(8,849)	8,223	(7,363)
Cash and bank balances at beginning of year/period	11,913	3,064	11,913
Cash and bank balances at end of year/period	3,064	11,287	4,550

Notes to the pro forma Group statement of cash flow:

Note A

The pro forma Group acquired the following assets and undertakings pursuant to Restructuring Exercise as described in Note 2 to the financial statements:

	Net assets as at 14 December 2004			Add	Net assets as at 31 December
	Methanol Business	Gas Business	Total transferred to Anyang Jiutian	movements and balance of Anyang Jiutian	2004 of Anyang Jiutian acquired
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current assets:					
Cash and bank balances	-	-	-	3,064	3,064
Trade receivables	1,893	-	1,893	859	2,752
Other receivables and prepayments	115	-	115	41	156
Inventories	613	-	613	676	1,289
Due from related party	4,841	-	4,841	(4,841)	-
Total current assets	7,462	-	7,462	(201)	7,261
Non-current assets:					
Property, plant and equipment	14,893	433	15,326	78,023	93,349
Deferred tax asset	-	-	-	454	454
Total non-current assets	14,893	433	15,326	78,477	93,803
Total assets	22,355	433	22,788	78,276	101,064
Current liabilities:					
Due to related party	-	-	-	40,683	40,683
Trade payables	1,612	70	1,682	3,096	4,778
Other payables	-	-	-	1,600	1,600
Income tax payable	-	-	-	3,848	3,848
Balance with head office	20,743	363	21,106	(21,106)	-
Total current liabilities	22,355	433	22,788	28,121	50,909
Non-current liability:					
Deferred income	-	-	-	1,035	1,035
Total liabilities	22,355	433	22,788	29,156	51,944
Net assets acquired / transferred					49,120
Goodwill on consolidation					523
Amount paid to Anhua					49,643

Note B

This comprises pro forma adjustments on the following:

	Pro forma Group	Group	Pro forma Group (Unaudited)
	Year ended 31 December 2004	Six months ended 30 June 2005	Six months ended 30 June 2004
	RMB'000	RMB'000	RMB'000
Income statement items	3,883	-	2,381
Income tax expense	9,416	-	5,896
Total	13,299	-	8,277

E. NOTES TO PRO FORMA GROUP AND GROUP FINANCIAL INFORMATION

1. General

The Company (Registration No 200415416H) is incorporated in Singapore with its registered office and its principal place of business at 50 Raffles Place, #17-01 Singapore Land Tower, Singapore 048623.

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiary are described in Note 2 III below.

2. Basis of Preparation of Pro Forma Financial Information

The pro forma Group financial information for the financial years ended 31 December 2002, 2003 and 2004 ("FY2002 to FY2004") and the Group financial information for the six months financial period ended 30 June 2005 ("HY2005") have been prepared for inclusion in the Prospectus in connection with the Invitation as described in the Report.

The financial information in this report is expressed in Renminbi which is the measurement currency of the Company.

I. Restructuring Exercise

On 30 November 2004, the Company was incorporated under the Singapore Companies Act as a private company with limited liability with an authorised capital of S$10,000,000 and initial issued capital of 10,000 ordinary shares of S$1.00 each issued at par. On 24 November 2005, the Company increased its authorised capital to S$45,000,000 comprising of 45,000,000 ordinary shares of S$1.00 each.

Prior to the Restructuring Exercise, the original owners of Anyang Jiutian were Anyang Chemical Industry Group Co., Limited ("Anhua") and six other individuals (including Mr Zhang Aiping). Anhua was the controlling shareholder of Anyang Jiutian and it held 88.6% (or RMB23,280,000) of the paid up capital of Anyang Jiutian. The six other individuals each held 1.9% (or RMB500,000) of the paid up capital of Anyang Jiutian.

Anyang Jiutian carries on the business of producing dimethylformanide ("DMF") and methylamine. In addition, Anyang Jiutian held 16% (or RMB1,600,000) of the paid up capital in Henan Linuo Biochemistry Co., Ltd ("Linuo") and 20% (or RMB3,000,000) of the paid up capital in Anyang Wuzhou International Trade Co., Ltd ("Wuzhou"). Both Linuo and Wuzhou are subsidiaries of Anhua.

The Company implemented a restructuring exercise (the "Restructuring Exercise") in preparation of its listing on the SGX-ST as follows:

a) Acquisition of the Methanol and Gas Businesses by Anyang Jiutian

Pursuant to the terms of the Transfer Agreement dated 13 December 2004 entered into between Anhua and Anyang Jiutian, Anhua agreed to transfer to Anyang Jiutian all the business undertaking, assets and liabilities relating to the methanol and gas businesses which were located in Anyang ("Methanol Business and Gas Business"). Based on a PRC valuation carried out on the Methanol Business and Gas Business, the said businesses were valued at RMB20,030,000 as at 30 September 2004. Pursuant to the transfer of the Methanol Business and Gas Business, Anyang Jiutian increased its share capital by an additional RMB20,030,000, from RMB26,280,000 to RMB46,310,000, attributing the increased share capital to Anhua as purchase consideration. The acquisition was completed on 24 December 2004 when Anyang Jiutian received the new business license issued by the Anyang Administration of Industry and Commerce.

Following the completion of the acquisition, Anhua's shareholding in Anyang Jiutian was increased from 88.6% (or RMB23,280,000) to 93.52% (or RMB43,310,000) and the shareholdings of the six shareholders were diluted to 1.08% each.

Under the terms of the Transfer Agreement, Anhua will be responsible for the profit or loss of the operations of the Methanol Business and Gas Business from 1 October 2004 to 14 December 2004, which was the date of receipt of the new business license by Anyang Jiutian. Accordingly, the profit or loss of the operations of the Methanol Business and Gas Business will be attributable to Anyang Jiutian with effect from 15 December 2004.

b) Disposal of Linuo and Wuzhou

Pursuant to two share transfer agreements both dated 12 December 2004 between Anyang Jiutian and Anhua, Anyang Jiutian transferred to Anhua all shares held by it in its 16% (or RMB1,600,000) equity interest in the paid up capital Linuo and 20% (or RMB3,000,000) equity interest in the paid up capital in Wuzhou at the purchase considerations of RMB1,600,000 and RMB3,000,000 respectively. These amounts are equivalent to the amount of funds injected by Anyang Jiutian into the capital of the respective companies. The purchase considerations were satisfied by Anhua setting off certain outstanding intercompany loans owed by Anyang Jiutian to Anhua. The transfer of shares by Anyang Jiutian in Linuo was completed on 26 July 2005 with the registration of the share transfer with the Development Industrial Zone branch of Anyang Administration of Industry and Commerce, whilst the transfer of shares by Anyang Jiutian in Wuzhou was completed on 30 August 2005, with the registration of the share transfer with Anyang Administration of Industry and Commerce.

c) Acquisition of Anyang Jiutian

The Company entered into seven Share Transfer Agreements all dated 24 December 2004 and seven related supplemental agreements dated 25 March 2005 with the original shareholders of Anyang Jiutian, being Anhua and with the six individual shareholders (including Mr Zhang Aiping) respectively.

Pursuant to the Share Transfer Agreements with Anhua, Anhua agreed to sell all its shares in Anyang Jiutian to the Company at a purchase consideration of US$5,611,200 (equivalent to RMB46,426,081).

Pursuant to the Share Transfer Agreements with the six individual shareholders, each of the individual shareholders agreed to sell their respective shares to the Company at a purchase consideration of US$64,800 (or RMB536,144) each or a total of US$388,800.

The purchase consideration payable for the acquisition of Anyang Jiutian (inclusive of the Methanol Business and Gas Business of Anhua) was based on an asset valuation report carried out on Anyang Jiutian which valued Anyang Jiutian at US$6,000,000 (or RMB49,642,945) as at 30 September 2004 which is also equivalent to the registered capital of Anyang Jiutian of US$6,000,000. The entire purchase consideration was satisfied fully in cash, such purchase consideration being provided by the Pre-IPO Investors pursuant to the terms of the Convertible Loan Agreement.

The Henan Provincial Department of Commerce issued an approval for the acquisition of Anyang Jiutian by the Company and a certificate of approval for the establishment of enterprises with foreign investment in Anyang Jiutian on 29 December 2004. The acquisition of Anyang Jiutian by the Company was completed on 30 December 2004 when Anyang Administration of Industry and Commerce issued the business license of foreign investment to Anyang Jiutian.

For accounting purposes, the Company has adopted 31 December 2004 as the effective date of acquisition. The Group has recorded a goodwill on consolidation amounting to approximately RMB523,000 (equivalent to S$106,000) based on the audited net tangible assets of Anyang Jiutian acquired of RMB49,120,059 as at 31 December 2004 and cost of investment of US$6,000,000 (RMB49,642,945).

d) Investments into the Company

Pursuant to a Pre-Investment Loan Agreement dated 28 March 2005 entered into between the Company and the Lenders, (comprising 10 individuals and Woolston Park Limited), the Lenders advanced different loan amounts to the Company, amounting in aggregate to S$3,307,500. The main purpose was substantially to fund the payment of 25% of the registered capital of Anyang Jiutian amounting to US$1,500,000. The acquisition by the Company of 25% of the registered capital of Anyang Jiutian at US$1,500,000 was completed on 31 March 2005 and Anyang Jiutian received the new business licence issued by Anyang Industrial and Commercial Administration on 1 April 2005.

On 11 May 2005, the Pre-IPO Investors, comprising 27 investors, entered into a convertible loan agreement, amended by Addendum 1 dated 22 November 2005 and Addendum 2 dated 29 March 2006, with the Company ("Convertible Loan Agreement"). Pursuant to the Convertible Loan Agreement, the Pre-IPO Investors granted to the Company convertible loans amounting to S$11,206,725 (the "Convertible Loan") which are convertible into ordinary shares in the capital of the Company. It is a term of the Convertible Loan Agreement that this amount of S$11,206,725 includes the loans previously advanced pursuant to the Pre-Investment Loan Agreement dated 28 March 2005. The purpose of the Convertible Loan (excluding the amount under the Pre-Investment Loan Agreement) is to pay for the balance 75% of the issued share capital of Anyang Jiutian (such payment which was to be made on or before 31 May 2005), expenses incurred in connection with the Invitation and general working capital requirements of the pro forma Group.

It was a term of the Convertible Loan Agreement that the Convertible Loan shall be converted into fully paid ordinary shares of the Company on the date of the eligibility-to-list letter from the SGX-ST to the Company.

It was also a term of the Convertible Loan Agreement that unless the Convertible Loan was converted, the Convertible Loan shall be repaid together with all accrued interest on the 1st anniversary of the date of the Convertible Loan Agreement (ie. by 11 May 2006) or such later date as may be agreed between the Company and the Pre-IPO Investors who, in aggregate have advanced more than two-thirds of the Convertible Loan.

Pursuant to the terms of the Convertible Loan Agreement, an escrow agreement was entered into between the Company, Anyang Jiutian and Yingbin sub-branch, Anyang Branch of the Industrial & Commercial Bank ("Bank") dated 20 April 2005, whereby the sum of US$6,000,000 is to be held in an escrow account with the Bank in the name of Anyang Jiutian. It is a term of the escrow agreement that for a period of 11 months from the date the sum of US$6,000,000 is deposited into the escrow account, the escrow account can only be operated jointly by representatives from the Company and Anyang Jiutian. After 11 months from the date the sum of US$6,000,000 is deposited into the escrow account, only a representative from the Company can operate the escrow account. It was further clarified in an agreement between the Company, Anyang Jiutian and Anhua dated 21 May 2005, that in order to facilitate the Company's compliance with the terms of the Convertible Loan Agreement, Anhua had agreed to advance the US$6,000,000, and Anhua hereby acknowledges and confirms that the US$6,000,000 has been paid into the escrow account held in the name of Anyang Jiutian.

On 22 November 2005, the Pre-IPO Investors entered into Addendum 1 to the Convertible Loan Agreement, whereby it was agreed that only 65% of the Convertible Loan be converted into fully paid ordinary shares of the Company on the date of the eligibility-to-list letter from the SGX-ST to the Company. The remaining balance of the Convertible Loan together with all accrued interest ("Repayment Portion") remains payable on or before the 1st anniversary of the date of the Convertible Loan Agreement (i.e. on or before 11 May 2006) or such other date as may be agreed between the Company and the Pre-IPO Investors who, in aggregate have advanced more than two-thirds of the Convertible Loan.

On 22 February 2006, the Company repaid the Pre-IPO Investors 50% of the Repayment Portion. The remaining balance of the Repayment Portion was subsequently repaid to the Pre-IPO Investors on 19 April 2006.

On 30 March 2006, after the sub-division of every two ordinary shares in the existing issued and paid-up share capital of the Company into 21,609 ordinary shares, the Pre-IPO Investors exercised their rights and converted a portion of the convertible loans into 54,942,000 shares in the capital of the Company in accordance with the terms of the Convertible Loan Agreement.

II. Basis of Preparation

(a) The pro forma consolidated financial information for FY2002 to FY2004 and the Group consolidated financial information HY2005 are prepared for illustrative purposes only. These are prepared in accordance with the accounting policies of the pro forma Group as set out in Note 3 to the pro forma Group financial information. These are prepared based on assumptions that the pro forma Group structure was in place as at 1 January 2002 and the pro forma Group structure has been in existence throughout the period or since the respective dates of incorporation of the companies in the pro forma Group.

The objective of the pro forma financial information of the Group is to show what the historical information might have been had the Group existed at an earlier date and had the above pro forma Group structure has been in existence throughout the period or since the respective dates of incorporation of the companies in the pro forma Group. However, the pro forma financial information of the Group is not necessarily indicative of the results of the operations or the related effects on the financial position that would have been attained had the abovementioned Group actually existed earlier.

The pro forma Group is set out in Note 2 III of this report.

(b) The pro forma consolidated financial information for FY2002 to FY2004 is based on:

i) The audited branch financial statements of the Methanol Business and Gas Business of Anhua for the financial years/period ended 31 December 2002, 31 December 2003 and 14 December 2004 prepared in accordance with International Financial Reporting Standards; and

ii) The audited financial statements of Anyang Jiutian for the financial years ended 31 December 2002, 2003 and 2004 prepared in accordance with International Financial Reporting Standards; and

iii) The unaudited management accounts of the Company for the financial period from 30 November 2004 (date of incorporation) to 31 December 2004.

After the acquisition as described in Note 2(I)(a) above, the business undertakings, assets and liabilities of Methanol Business and Gas Business were transferred to Anyang Jiutian with effect from 15 December 2004.

(c) The Group consolidated financial information for HY2005 is based on:

i) The audited financial statements of Anyang Jiutian for the financial period from 1 January 2005 to 30 June 2005 prepared in accordance with International Financial Reporting Standards;

ii) The audited financial statements of the Company for the financial period from 30 November 2004 (date of incorporation) to 30 June 2005; and

iii) The unaudited management accounts of the Company for the financial period from 30 November 2004 (date of incorporation) to 31 December 2004.

(d) The auditors of the pro forma Group and the Group are described below:

i) The financial statements of Anhua (which included the Methanol Business and Gas Business) for the financial years ended 31 December 2002 and 2003 were audited by Anyang Fangzhen Certified Public Accountants Ltd and the financial statements of Anhua for 2004 were audited by Anyang Tongxin Lianhe Certified Public Accountants Ltd. Both firms were registered Certified Public Accountants in the People's Republic of China. The audited financial statements were prepared under applicable accounting regulations in the PRC for tax reporting purposes.

ii) For the purpose of this report, Deloitte Touche Tohmatsu Certified Public Accountants Ltd - Beijing Branch has performed an independent audit on the financial statements of:

(a) The Methanol Business and Gas Business of Anhua for the financial years ended 31 December 2002, 31 December 2003 and 14 December 2004;

(b) Anyang Jiutian for the financial years ended 31 December 2002, 2003 and 2004 and for the six month financial period ended 30 June 2005.

Deloitte Touche Tohmatsu Certified Public Accountants Ltd - Beijing Branch is located at 8/F Office Tower W2, The Towers, Oriental Plaza, 1 East Chang An Avenue, Beijing 100738, PRC.

iii) For the purpose of this report, Deloitte & Touche, Singapore has performed an audit on the financial statements of the Company for the financial period from 30 November 2004 (date of incorporation) to 30 June 2005.

(e) The auditors' reports on the financial statements of the businesses or companies within the pro forma Group and the Group for the financial years/period covered in the pro forma financial information were not subject to any qualification.

III. Details of pro forma Group

Upon completion of the Restructuring Exercise referred to the above, the Company has the following subsidiary:

Subsidiary	Effective equity interest and voting power held %	Place of incorporation/ operation	Principal activities
Anyang Jiutian Fine Chemical Co., Ltd	100	Anyang, People's Republic of China	Production, sale and service of industrial methanol, dimethylformamide, methylamine and gas.

3. Summary of Significant Accounting Policies

The accounting policies which have been consistently adopted in preparing the pro forma financial information set out above are as follows:

a) **BASIS OF ACCOUNTING** – The financial statements for the financial years/period ended 31 December 2002, 2003 and 2004 ("FY2002 to FY2004") and 30 June 2005 ("HY2005") are prepared in accordance with the historical cost convention, and have been drawn up in accordance with the Singapore Statements of Accounting Standards for FY2002 and the Singapore Financial Reporting Standards for FY2003, FY2004 and HY2005.

The pro forma Group and the Company have adopted all the applicable new/revised FRS and Interpretations of Financial Reporting Standards ("INT FRS") issued by the Council on Corporate Disclosure and Governance that are relevant to its operations and effective for annual periods beginning on 1 January 2005. The adoption of the new/revised FRS and INT FRS has no material effect on the financial statements for the current or prior periods.

At the date of this report, the directors have considered and anticipated that the adoption of FRSs and INT FRSs that were in issue but not effective will not have any material impact on the pro forma Group financial statements.

b) **BASIS OF CONSOLIDATION** - The unaudited pro forma financial information are prepared for illustrative purposes only. These are prepared on the basis detailed in Note 2 above.

The consolidated financial statements incorporate the financial statements of the pro forma Group for FY2002 to FY2004 and of the Group for HY2005. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the pro forma Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

c) **BUSINESS COMBINATIONS** - The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the pro forma Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the pro forma Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the pro forma Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the consolidated profit and loss statement.

d) **FINANCIAL INSTRUMENTS** - Financial assets and financial liabilities are recognised on the pro forma Group's balance sheet when the pro forma Group becomes a party to the contractual provisions of the instrument.

Trade receivables and other receivables

Trade receivables and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit and loss statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents

Cash and bank balances comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the pro forma Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the pro forma Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Bank borrowings

Interest-bearing bank loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the pro forma Group's accounting policy for borrowing costs (see below).

Convertible loans

Convertible loans are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible loan and the fair value assigned to the liability component, representing the embedded option for the holder to convert the loan into equity of the pro forma Group, is included in equity (capital reserves).

Issue costs are apportioned between the liability and equity components of the convertible loan based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

The interest expense on the liability component is calculated by applying the prevailing market interest rate for similar non-convertible debt to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible loan.

Trade payables and other payables

Trade payables and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the pro forma Group are recorded at the proceeds received, net of direct issue costs.

e) **LEASES** - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The pro forma Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The pro forma Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

f) **INVENTORIES** - Inventories are measured at the lower of cost (weighted average method) and net realisable value. Costs comprise direct material costs and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

g) **PROPERTY, PLANT AND EQUIPMENT** - Property, plant and equipment are carried at cost, less accumulated depreciation and any impairment loss where the recoverable amount of the asset is estimated to be lower than its carrying amount.

Depreciation is charged so as to write off the cost of the assets over their estimated useful lives, using the straight-line method, as follows:

Buildings	-	15 to 40 years
Machinery and equipment	-	5 to 28 years
Motor vehicles	-	8 years

No depreciation is provided on construction-in-progress.

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

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in the profit and loss statement.

h) **GOODWILL** - Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the pro forma Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the pro forma 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 a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

i) **RESEARCH AND DEVELOPMENT EXPENDITURE** - Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development expenditure is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Where no internally-generated intangible asset can be recognised, all development expenditures are recognised as expenses in the period in which they are incurred.

j) **LAND USE RIGHTS** – The prepayment made on acquiring a land use right in the PRC represents prepaid lease payments and it is accounted for as an operating lease. The industrial prepaid lease payment is released in the profit and loss statement.

k) **IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL** - At each balance sheet date, the pro forma Group reviews the carrying amounts of its tangible and intangible 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 pro forma 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 the profit and loss statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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 reversal of an impairment loss is recognised immediately in the profit and loss statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

l) **PROVISIONS** - Provisions are recognised when the pro forma Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

m) **GOVERNMENT GRANTS** - Government grants relating to the purchase of property, plant and equipment are included in the balance sheet as deferred income and are credited to the profit and loss statement on a straight-line basis over the expected lives of the related assets. Government grants relating to expenditures which are not capitalised are credited to the profit and loss statement as and when the underlying expenses are included and taken to the profit and loss statement to match such related expenditure.

n) **REVENUE RECOGNITION** - Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Revenue from the rendering of services is recognised when the services are rendered.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

o) **BORROWING COSTS** - Borrowing costs directly attributable to the acquisitions, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the profit and loss statement in the period in which they are incurred.

p) **RETIREMENT BENEFIT COSTS** - Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the pro forma Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

q) **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 balance sheet date.

r) **INCOME TAX** - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit and loss statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The pro forma Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted in countries where the subsidiaries operate by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the pro forma Group intends to settle its current tax assets and liabilities on a net basis credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the pro forma Group intends to settle its current tax assets and liabilities on a net basis.

s) **FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION** - The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The functional currency of the Company is Singapore Dollars. The consolidated financial statements of the pro forma Group presented in Renminbi, which is the functional currency of the principal entity in the People's Republic of China, and the presentation currency for the Company level financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements of the pro forma Group and the assets and liabilities of the pro forma Group's foreign operations (including comparatives) are expressed in Renminbi using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the pro forma Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

t) **RESERVES** - Pursuant to relevant laws and regulations in the PRC applicable to foreign investment enterprises and the Articles of Association of the PRC subsidiaries, the subsidiaries are required to maintain three statutory reserves, being a statutory surplus reserve fund, an enterprise fund and a staff welfare and bonus fund which are non-distributable. Appropriations to such reserves are made out of profit after taxation of the statutory financial statements of the subsidiaries. The subsidiaries are required to transfer 10% of its profit after taxation as reported in its PRC statutory financial statements to the statutory surplus reserve fund until the balance reached 50% of its registered capital. The statutory surplus reserve fund can be used to make up prior year losses incurred and, with approval from relevant government authority, to increase capital.

The subsidiaries are also required to make appropriation from profit after taxation as reported in the PRC statutory financial statements to the enterprise expansion fund at rates determined by the Board of Directors. The enterprise expansion fund, subject to approval by relevant government authority, may also be used to increase capital.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainity

i) Critical judgements in applying the pro forma Group's accounting policies

In the process of applying the pro forma Group's accounting policies which are described in Note 3 above, the management is of the opinion that there are no instances of application of judgements which are expected to have a significant effect on the amounts recognised in the accounts (apart from those involving estimations described below).

ii) Key sources of estimation uncertainty

The pro forma Group makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets are discussed below.

Depreciation 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 value. The pro forma Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimate, such difference will impact the depreciation in the year/period in which such estimate has been changed.

Impairment of property, plant and equipment

The pro forma Group assesses annually whether property, plant and equipment have any indication of impairment in accordance with the accounting policy. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations. These calculations require the use of judgement and estimates.

Impairment in investment in subsidiary

Determining whether investment in subsidiary is impaired requires an estimation of the value in use of those investments. The value in use calculation requires the pro forma Group to estimate the future cash-flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash-flows. Management has evaluated the recoverability of the investment based on such estimates and is confident that the allowance for impairment, where necessary, is adequate.

Allowances for bad and doubtful debts

The pro forma Group makes allowances for bad and doubtful debts based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade and other receivables and doubtful debts expenses in the period in which such estimate has been changed.

Recoverability of goodwill on consolidation

Determining whether goodwill on consolidation is impaired requires an estimation of the value in use of the cash-generating units to which such goodwill has been allocated. The value in use calculation requires the pro forma Group to estimate the future cash-flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash-flows. Management has evaluated the recoverability of the goodwill on consolidation based on such estimates and is confident that the carrying amount of such goodwill will be recovered in full. The carrying amount of goodwill on consolidation at 30 June 2005 was RMB523,000.

5. Financial Risks and Management

a) Interest Rate Risk

The pro forma Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed partly by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities.

b) Credit Risk

The pro forma Group's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, if any, as estimated by the pro forma Group's management based on prior experience and the current economic environment.

The credit risk on liquid funds is limited because the counterparties are banks with good credit ratings.

c) Significant Concentration of Credit Risk

Concentration of credit risk exist when changes in economic, industry or geographic factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the pro forma Group's total credit exposure.

The pro forma Group's credit exposure is concentrated mainly in the People's Republic of China. There is no significant concentration of credit risk with any customer or group of customers, except that the top 5 balances accounted for RMB5,190,000 or 70.3% of the total gross trade receivables at 30 June 2005.

d) Foreign Currency Risk

The pro forma Group's exposure to foreign currency risk is minimal as substantially mainly all its transactions are in Renminbi.

e) Liquidity Risk

The pro forma Group is exposed to minimal liquidity risk as financial support from its shareholders will be available as and when required.

f) Fair Value of Financial Assets and Financial Liabilities

The management is of the view that the fair value of the financial assets and financial liabilities approximates their carrying values.

6. Related Party Transactions

a) Related parties are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decision.

Some of the transactions and arrangements are with related parties and the effect of these on the basis determined between the parties are reflected in these financial statements. The balance are unsecured, interest-free and without fixed repayment terms unless stated otherwise.

b) Significant transactions with related party / former related party:

	Pro forma Group			Group	Pro forma Group
	Year ended 31 December			Six months ended 30 June	(Unaudited) Six months ended 30 June
	2002	2003	2004	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
With Anyang Chemical Industry Group Co., Ltd					
Sales of goods	-	-	-	(15)	-
Disposal of other investments	-	-	(4,600)	-	-
Interest expense	108	1,019	1,120	1,009	605
Management fee expense	-	-	2,271	-	2,201
Purchase of goods, consumables and other supplies	32,814	59,868	99,701	60,785	54,485
Purchase of land use rights	-	-	-	2,518	-
Purchase of property, plant and equipment	3,635	6,328	5,727	1,990	642
Repair and maintenance expense	687	2,410	2,647	-	908
Rental expense	-	-	-	217	-
Acquisition of subsidiary	-	-	-	49,643	-

c) Balances with related party / former related parties:

	Pro forma Group 31 December 2004 RMB'000	Group 30 June 2005 RMB'000	Pro forma Group (Unaudited) 30 June 2004 RMB'000
Due to:			
Anyang Chemical Industry Group Co., Ltd			
- trade payables	2,116	5,617	15,440
- advances	38,560	28,560	24,120
- acquisition of subsidiary	49,643	-	26,280
- other payables	-	2,964	-
- return of fund	-	-	20,030
Anyang Chemical Industry Group Services Company Co., Ltd			
- trade payables	7	7	-
	90,326	37,148	85,870

d) The balances are unsecured, without fixed repayment terms and interest free except for the advances which bear interest at 4.2%, 5.58% and 4.2% per annum respectively for FY2004, HY2005 and HY2004. Pursuant to the Restructuring Exercise as detailed in Note 2, the management is of the view that Anyang Chemical Industry Group Co., Ltd ceased to be a related party with effect from 24 December 2004.

e) As at 30 June 2005, pursuant to the Agreement in Relationship to Funds in Escrow Account, the subsidiary holds US$6,000,000 on behalf of Anyang Chemical Industry Group Co., Ltd. According to the arrangement, Anyang Chemical Industry Group Co., Ltd retains the ultimate right and title over the amount held by the subsidiary on its behalf. Accordingly, the amount have been excluded from the bank balances of the Group.

7. Trade Receivables

	Pro forma Group 31 December 2004 RMB'000	Group 30 June 2005 RMB'000	Pro forma Group (Unaudited) 30 June 2004 RMB'000
Outside parties	2,752	7,381	21,619
Less: Allowance for doubtful debts	-	(110)	(16,440)
Net	2,752	7,271	5,179
Movement in the above allowance:			
Balance at beginning of year/period	16,440	-	16,440
Charge to profit and loss	-	110	-
Utilised	(16,440)	-	-
Balance at end of year/period	-	110	16,440

According to management, the allowance made for estimated irrecoverable amounts arose from the sale of goods before year 2001.

8. Other Receivables and Prepayments

	Pro forma Group 31 December 2004 RMB'000	Group 30 June 2005 RMB'000	Pro forma Group (Unaudited) 30 June 2004 RMB'000
Advance payments to suppliers	156	4,971	-
Initial public offering expenses	-	1,968	-
Deposits and prepayments	-	179	149
Due from a director	-	-	255
Current portion of long term prepayments (Note 10)	-	130	-
Other receivables	50	-	469
Total	206	7,248	873

The amount due from a director is non-trade in nature, unsecured, interest free and receivable on demand.

9. Inventories

	Pro forma Group 31 December 2004 RMB'000	Group 30 June 2005 RMB'000	Pro forma Group (Unaudited) 30 June 2004 RMB'000
Finished goods, at cost	1,289	1,847	801

10. Long term prepayment

	Pro forma Group 31 December 2004 RMB'000	Group 30 June 2005 RMB'000	Pro forma Group (Unaudited) 30 June 2004 RMB'000
Land use rights	-	2,518	-
Amount due within one year and classified in prepayment (Note 8)	-	(130)	-
Amount due after one year	-	2,388	-

This relates to the purchase of land use rights from Anhua. The land-use rights acquired was priced on the revaluation report from Anyang Jintu Land Valuation Company, and the price complied with the related regulations of the government. The amount represents the prepayment of leases for land use rights for a period of 19.5 years. The amount is amortised over the land use period, the shorter between the remaining operation period and leasing period.

The terms of the transaction were mutually agreed by the relevant parties and approved by Anyang State Land Resource Bureau.

11. Property, Plant and Equipment

	Buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Construction-in-progress RMB'000	Total RMB'000
Cost:					
At 1 January 2004	18,347	83,802	379	851	103,379
Additions	-	3,123	1,766	7,630	12,519
Reclassification	-	184	-	(184)	-
At 31 December 2004	18,347	87,109	2,145	8,297	115,898
Additions	-	203	-	11,121	11,324
Reclassification	27	19,391	-	(19,418)	-
At 30 June 2005	18,374	106,703	2,145	-	127,222
Accumulated depreciation:					
At 1 January 2004	-	15,794	252	-	16,046
Depreciation	733	5,558	212	-	6,503
At 31 December 2004	733	21,352	464	-	22,549
Depreciation	367	2,994	114	-	3,475
At 30 June 2005	1,100	24,346	578	-	26,024
Net carrying value:					
At 1 January 2004	18,347	68,008	127	851	87,333
At 31 December 2004	17,614	65,757	1,681	8,297	93,349
At 30 June 2005	17,274	82,357	1,567	-	101,198

As at 31 December 2004, the pro forma Group has pledged machineries, having a carrying value of RMB27,863,000, to secure banking facilities granted to Anyang Chemical Industry Group Co., Ltd. The pledge was released by the banks in April 2005.

	Buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Construction-in-progress RMB'000	Total RMB'000
HY2004 (unaudited)					
Cost:					
At 1 January 2004	18,347	83,802	379	851	103,379
Additions	-	47	667	1,099	1,813
Transfer	-	-	184	(184)	-
At 30 June 2004	18,347	83,849	1,230	1,766	105,192
Accumulated depreciation:					
At 1 January 2004	-	15,794	252	-	16,046
Depreciation	367	2,782	106	-	3,255
At 30 June 2004	367	18,576	358	-	19,301
Net carrying value:					
At 30 June 2004	17,980	65,273	872	1,766	85,891

12. Investment In Subsidiary

	Company 30 June 2005 RMB'000
Unquoted share capital, at cost	49,643

Details of the subsidiary are as follows:

Name of subsidiary	Effective equity interest and voting power held %	Place of incorporation/ operation	Principal activities
Anyang Jiutian Fine Chemical Co., Ltd	100	Anyang, People's Republic of China	Production, sale and service of industrial methanol, dimethylformamide, methylamine and gas

13. Available-For-Sale Investment

	Pro forma Group 31 December 2004 RMB'000	Group 30 June 2005 RMB'000	Pro forma Group (Unaudited) 30 June 2004 RMB'000
Unlisted investment, at cost	-	-	4,600

Details of the investments as at 30 June 2004 were as follows:

Investee	Proportion of paid up capital held by the pro forma Group %	Place of establishment	Principal activity
Henan Linuo Biochemistry Co., Ltd	16	PRC	Production and sale of linolenic acid
Anyang Wuzhou International Trade Co., Ltd	20	PRC	Trading of biochem products

The available-for-sale investments comprised unlisted investments over which the pro forma Group could not exercise significant influence or control.

The fair value of these available-for-sale investments cannot be reliably determined. They are stated at cost less impairment loss.

The directors of the pro forma Group are of the opinion that the carrying value of the available-for-sale investments approximates the recoverable amount of the investments as of the balance sheet dates.

The available-for-sale investments were disposed at cost to Anhua Chemical Industry Group Co., Ltd during the year 2004.

14. Deferred Tax Asset

	Pro forma Group 31 December 2004 RMB'000	Actual Group 30 June 2005 RMB'000	Pro forma Group (Unaudited) 30 June 2004 RMB'000
Deferred tax asset	454	579	1,148

The following are the major deferred assets recognised by the pro forma Group and movements thereon during the year:

	Book over tax depreciation RMB'000	Pre-operating expenses RMB'000	Deferred income RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2004	-	208	285	-	493
Credit (Charge) to profit and loss statement	91	(109)	(21)	-	(39)
At 31 December 2004	91	99	264	-	454
Credit to profit and loss statement	125	-	-	-	125
At 30 June 2005	216	99	264	-	579
HY2004 (unaudited)					
At 1 January 2004	-	208	285	-	493
Credit (Charge) to profit and loss statement	46	(55)	(11)	730	710
At 30 June 2004	46	153	274	730	1,203

15. Goodwill on Consolidation

The pro forma Group has recorded a goodwill on consolidation amounting to approximately RMB523,000 based on the audited net tangible assets of Anyang Jiutian acquired of RMB49,120,059 as at 31 December 2004 and cost of investment of US$6,000,000 (RMB49,642,945).

16. Trade Payables

	Pro forma Group 31 December 2004 RMB'000	Group 30 June 2005 RMB'000	Pro forma Group (Unaudited) 30 June 2004 RMB'000
Outside parties	4,211	9,207	1,616
Customer advances	567	585	3,791
Total	4,778	9,792	5,407

17. Other Payables

	Pro forma Group 31 December 2004 RMB'000	Group 30 June 2005 RMB'000	Pro forma Group (Unaudited) 30 June 2004 RMB'000
Retention sum payables	-	788	8,044
Accruals	1,399	573	1,104
Interest payable on convertible loans (Note 18)	-	308	-
Value added taxes	201	290	114
Due to a director	-	5	-
Total	1,600	1,964	9,262

The amount due to a director is unsecured, interest free and repayable on demand.

18. Convertible Loans

	Pro forma Group 31 December 2004 RMB'000	Group 30 June 2005 RMB'000	Pro forma Group (Unaudited) 30 June 2004 RMB'000
Series A Loans	-	16,733	-
Series B Loans	-	38,310	-
Total	-	55,043	-

Pursuant to the Pre-Investment Loan Agreement dated 28 March 2005 entered into between the Company and eleven Lenders, (collectively the "Lenders"), the Lenders agreed to advance an aggregate amount of S$3,307,500 (equivalent to US$2,004,545) to the Company. The loan of US$2,004,545 was fully advanced by 31 March 2005. On 31 March 2005, the Company utilized part of the proceeds to pay up 25% (or US$1,500,000) of the registered capital of Anyang Jiutian and Anyang Jiutian received the new business licence issued by Anyang Administration of Industry and Commerce on 1 April 2005.

As the Lenders have incurred costs in making available to the Company the Pre-Investment Loan, the Company has agreed that it will reimburse the Lenders for such costs by paying a fee equivalent to 3 percent of the Pre-Investment Loan ("the Fee").

On 11 May 2005, pursuant to the terms of the Pre-Investment Loan Agreement and the Convertible Loan Agreement, as discussed below, the Lenders converted their respective loans into convertible loans termed "Series A Loans" with an aggregate principal amount of S$3,406,725, making up of S$3,307,500 (equivalent to US$2,004,545) loan amount and the Fee payable of S$99,225 (equivalent to US$58,866).

Pursuant to a Convertible Loan Agreement dated 11 May 2005, amended by Addendum 1 dated 22 November 2005 and Addendum 2 dated 29 March 2006, entered into between the Company and the 27 investors, (collectively the "Pre-IPO Investors"), the Pre-IPO Investors advanced an aggregate amount of S$11,206,725 to the Company. This amount of S$11,206,725 includes the loans previously advanced pursuant to the Pre-Investment Loan Agreement dated 28 March 2005. The remaining of the proceeds amounting to S$7,800,000 termed "Series B Loans" was received by 12 May 2005. The loan proceeds shall be used to pay for (a) the balance of the 75 percent of the issued capital of Anyang Jiutian; (b) expenses incurred in connection with the IPO; and (c) general working capital requirements of the Company and the pro forma Group.

The Company shall pay interest on any outstanding portion of the Convertible Loan at the rate of 4 percent per annum commencing on the day the Convertible Loan was advanced up to and inclusive of the day the Convertible Loan is converted into ordinary shares of the Company, or the date on which the Convertible Loan is fully repaid. Any interest chargeable under the Convertible Loan Agreement shall be calculated on a daily basis based on the amount outstanding for that day.

The Lenders of Series A Loans have agreed to convert their respective convertible loans and the accrued interest by subscribing for new shares in the Company at a price equivalent to 60% of the IPO issue price or at a price equivalent to 4.0 times price earnings ratio for FY2004, whichever is lower ("Conversion Price A").

The Pre-IPO Investors of Series B Loans agreed to convert their respective convertible loans by subscribing for new shares in the Company at a price equivalent to 60% of the IPO issue price or at a price equivalent to 6.5 times price earnings ratio for FY2004, whichever is lower ("Conversion Price B"). The Pre-IPO Investors of Series B Loans, according to the terms of the Convertible Loan Agreement, shall waive all accrued interest on the loans in the event that the Convertible Loan is converted into ordinary shares in the Company before the repayment date on 11 May 2006.

On 22 November 2005, the Lenders and the Pre-IPO Investors entered into an addendum to the Convertible Loan Agreement, whereby it was agreed that:

a) 65% of the amounts under Series A Loans, equivalent to the principal amount of S$2,214,371.25 and the interest accrued (excluding any interest-on-interest) on the said amount, as at the date of the eligibility-to-list letter from the SGX-ST to the Company relating to the proposed Listing, shall be converted into fully paid ordinary shares in the Company at the Conversion Price A;

b) only 65% of the principal of the Series B Loans, equivalent to the aggregate principal amount of S$5,070,000, shall be converted into fully paid ordinary shares in the Company at the Conversion Price B; and

c) any residue amounts which cannot be converted fully into shares shall be treated as such portion of Convertible Loan required to be repaid on or before 11 May 2006.

On 22 February 2006, the Company repaid the Pre-IPO Investors 50% of the Repayment Portion. The remaining balance of the Repayment Portion was subsequently repaid to the Pre-IPO Investors on 19 April, 2006.

On 30 March 2006, after the sub-division of every two ordinary shares in the existing issued and paid-up share capital of the Company into 21,609 ordinary shares, the Pre-IPO Investors exercised their rights and converted a portion of the convertible loans into 54,942,000 shares in the capital of the Company in accordance with the terms of the Convertible Loan Agreement.

19. Deferred Income

	Pro forma Group	Group	Pro forma Group (Unaudited)
	31 December 2004	30 June 2005	30 June 2004
	RMB'000	RMB'000	RMB'000
At beginning of year/period	1,100	1,035	1,100
Amount utilised	(65)	(32)	(33)
At end of year/period	1,035	1,003	1,067

The amount represents a government subsidy received for financing a technology improvement project. The subsidy will be credited to the profit and loss statement on a straight line basis over the expected useful lives of the related assets.

20. Paid up Capital

	Pro forma Group	Group	Pro forma Group (Unaudited)
	31 December 2004	30 June 2005	30 June 2004
	RMB'000	RMB'000	RMB'000
Authorised:			
10,000,000 ordinary shares of S$1.00 each (RMB 5.05)	50,500	50,500	-
Issued and fully paid up:			
11,111 (31 December 2004: 10,000) ordinary shares of S$1.00 each	50	56	-

During the financial year ended 31 December 2004, the Company issued 10,000 ordinary shares of S$1.00 each at par for cash to the subscribers to the Memorandum of Association.

During the financial period ended 30 June 2005, the Company issued a further 1,111 ordinary shares of S$1.00 each at par for cash for working capital purposes.

Subsequent to 30 June 2005, the Company increased its paid up and issued capital as follows:

i) the sub-division of every two ordinary shares in the existing issued and paid-up share capital of the Company into 21,609 ordinary shares; and

ii) the issue of 54,942,000 ordinary shares to the Pre-IPO Investors pursuant to the Conversion.

21. Capital Reserve

This relates to an additional contribution made by Anhua in December 2003. According to the Company Law of the PRC, in normal circumstances, this reserve shall only be used for making up losses or capitalisation into share capital of the subsidiary.

22. General Reserve

In accordance with the regulations applicable to foreign investment enterprise in PRC, the PRC subsidiary is required to appropriate 10% of its profit after taxation to a reserve fund before any dividend declaration.

Reserve fund can be used to offset accumulated losses and to increase capital upon approval.

23. Revenue

This represents revenue from the sales of methanol, dimethylformamide and gas, and net of sales tax.

24. Other Operating Income

	Pro forma Group			Group	Pro forma Group
	Year ended 31 December			Six months ended 30 June	(Unaudited) Six months ended 30 June
	2002	2003	2004	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Rental income	-	-	193	165	28
Government grant (Note 19)	-	-	65	32	33
Interest income	72	73	28	17	20
Others	-	-	74	-	64
Total	72	73	360	214	145

25. Administrative Expenses

	Pro forma Group			Group	Pro forma Group (Unaudited)
	Year ended 31 December			Six months ended 30 June	Six months ended 30 June
	2002	2003	2004	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bad debt expenses	-	-	-	110	-
Cleanup costs	220	410	280	-	129
Defined contribution plans	6	5	13	21	5
Depreciation	10	10	78	-	10
Directors' remuneration	47	48	48	307	24
Entertainment	172	402	200	-	152
Initial public offering expenses	-	-	-	262	-
Insurance	42	37	54	151	24
Low cost consumables	65	1,050	260	61	64
Management fee	-	-	2,271	-	2,201
Office expenses	144	120	83	600	38
Rental	226	226	226	217	113
Repair and maintenance	451	838	187	12	68
Salaries and wages	312	216	904	1,003	659
Security and fire safety fees	18	6	36	-	19
Staff welfare and benefits	523	1,145	922	378	488
Travelling and transportation	182	435	118	224	45
Others	858	415	819	304	584
Total	3,276	5,363	6,499	3,650	4,623

26. Profit From Operations

This item includes the following charges:

	Pro forma Group			Group	Pro forma Group (Unaudited)
	Year ended 31 December			Six months ended 30 June	Six months ended 30 June
	2002	2003	2004	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost of inventories sold	24,270	43,586	92,892	58,495	46,568
Contribution to retirement benefit plan	113	111	380	275	134
Depreciation	2,443	2,430	6,503	3,475	3,255
Directors' remuneration	47	48	48	307	24
Staff costs	2,125	2,244	4,868	2,539	1,351

The number of employees, including directors, at the end of FY2002, FY2003, FY2004, HY2005 and HY2004 are 271, 278, 290, 296 and 294 respectively.

27. Finance Cost

	Pro forma Group			Group	Pro forma Group (Unaudited)
	Year ended 31 December			Six months ended 30 June	Six months ended 30 June
	2002	2003	2004	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest expense to Anhua:					
- Actual expense	108	1,019	1,120	1,009	605
- Pro forma expense	340	320	398	-	121
- Amount included in the cost of qualifying assets	(108)	(836)	-	-	-
	340	503	1,518	1,009	726
Interest expense on convertible loans	-	-	-	315	-
Total	340	503	1,518	1,324	726

The actual interest expense represents the borrowing costs included in the cost of qualifying assets during the financial year arose on the actual borrowing costs incurred on such assets.

28. Income Tax Expense (Credit)

	Pro forma Group			Group	Pro forma Group (Unaudited)
	Year ended 31 December			Six months ended 30 June	Six months ended 30 June
	2002	2003	2004	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current tax	3,587	12,904	11,266	-	5,895
Deferred tax	(316)	(177)	39	(125)	(710)
Income tax expense (credit)	3,271	12,727	11,305	(125)	5,185

The charge for the year can be reconciled to the profit per pro forma Group results as follows:

Income tax expense at applicable rate @ 20%	1,884	6,461	6,374	4,499	3,047
Effect of different tax rate of subsidiary	1,225	4,199	4,143	3,111	1,981
Effect of tax concession	-	-	-	(7,896)	-
Tax on capital reserve contribution	-	1,637	-	-	-
Non-allowable items	162	430	788	161	157
	3,271	12,727	11,305	(125)	5,185
Effective tax rate	34.7%	39.4%	35.5%	nm*	34.0%

**nm – not meaningful*

a) On the pro forma group basis, income tax at 33% have been provided on the pre-tax profits of the Methanol Business and the Gas Business for FY2002, FY2003, FY2004 and HY2004.

b) The subsidiary, Anyang Jiutian, was a PRC domestic company before 30 December 2004 and was governed by the Income Tax Law of PRC concerning PRC enterprises and various local income tax laws ("PRC Income Tax Laws"). Pursuant to the PRC Income Tax Law, the subsidiary is subjected to income tax at a statutory rate of 33% on the PRC taxable income prior to 30 December 2004.

c) Subsequent to the interest transfer between Anhua, the six individual shareholders and the Company on 30 December 2004 , the subsidiary has changed to a wholly foreign-owned enterprise ("WFOE") and is governed by the Income Tax Law of the PRC Enterprises with Foreign Investment and Foreign Enterprises and various local income tax laws (the "FIE Income Tax Laws"). Under the FIE Income Tax Laws, foreign investment enterprises ("FIE") are generally subjected to income tax at a combined rate of 33% (30% state income taxes plus 3% local income taxes) on income as reported in their statutory financial statements after appropriate tax adjustments unless the enterprise is located in specially designated regions or cities for which more favorable effective rates apply. In addition, as a manufacturing-oriented FIE, the subsidiary is also eligible to be exempted from PRC income tax for two years commencing from its first profit-making year of operations, after offsetting all unexpired tax losses brought forward from the previous years, and thereafter, entitled to a 50% relief from PRC income tax for the next three years. Pursuant to the approval issued by Anyang, Long An State Tax Bureau, the subsidiary as a FIE is approved to be exempted from income tax from 2005 to 2006 and entitled to a 50% relief from income tax from 2007 to 2009.

29. Operating Lease Commitments

	Pro forma Group	Group	Pro forma Group (Unaudited)
	Year ended 31 December 2004	Six months ended 30 June 2005	Six months ended 30 June 2004
	RMB'000	RMB'000	RMB'000
Pro forma Group as Lessee			
Minimum lease payments under operating leases for rental of land and buildings and plant and machinery	226	217	113

At the balance sheet date, the commitments in respect of non-cancellable operating leases for rental of certain land, plant and machinery were as follows:

	Pro forma Group	Group	Pro forma Group (Unaudited)
	31 December 2004	30 June 2005	30 June 2004
	RMB'000	RMB'000	RMB'000
Within one year	104	226	-
In the second to fifth year inclusive	-	902	-
After five years	-	2,143	-
Total	104	3,271	-

Operating lease payments represent rental payable by the pro forma Group for certain land and buildings rented from Anhua.

Pro forma Group as Lessor

For the financial year ended 31 December 2004, the pro forma Group rented out some of its machinery under operating leases to a non-related individual. Rental income earned for the year was RMB192,500. All of the machinery held has a committed tenant for the next six years.

For the financial period ended 30 June 2005, the pro forma Group rented out some of its machinery under operating leases to a non-related individual. Rental income earned for the period was RMB165,000 [30 June 2004: RMB27,500 (unaudited)]. All of the machinery held has a committed tenant for the next five years.

At the balance sheet date, the pro forma Group has contracted with the tenant for the following future minimum lease payments as follows:

	Pro forma Group 31 December 2004 RMB'000	Group 30 June 2005 RMB'000	Pro forma Group (Unaudited) 30 June 2004 RMB'000
Within one year	330	330	330
In the second to fifth year inclusive	1,320	1,293	1,320
After five years	138	-	331
Total	1,788	1,623	1,981

30. Capital Expenditure Commitments

	Pro forma Group 31 December 2004 RMB'000	Group 30 June 2005 RMB'000	Pro forma Group (Unaudited) 30 June 2004 RMB'000
Capital injection into subsidiary	49,643	-	-
Contracted but not provided for:			
Property, plant and equipment	1,708	2,443	880
Authorised but not contracted for:			
Property, plant and equipment	-	-	8,768

31. Segment Information

a) Primary reporting format – Business segments

The pro forma Group's operations are organised into the following operating divisions namely:

(1) Methanol;

(2) Gas; and

(3) Dimethylformamide ("DMF").

Segment revenue and expense: Segment revenue and expense are the operating revenue and expense reported in the pro forma Group's profit and loss statement that are directly attributable to a segment and the relevant portion of such revenue and expense that can be allocated on a reasonable basis to a segment.

Segment assets and liabilities: Segment assets include all operating assets used by a segment and consist principally of operating receivables, inventories and property, plant and equipment, net of allowances and provisions. Capital additions include the total cost incurred to acquire property, plant and equipment, and intangible assets directly attributable to the segment. Segment liabilities include all operating liabilities and consist principally of accounts payable and accruals.

These divisions are the basis on which the pro forma Group reports its primary business segment information.

Pro forma Statement of Group Results

	Methanol RMB'000	Gas RMB'000	DMF RMB'000	Corporate RMB'000	Total RMB'000
31 December 2002					
REVENUE	51,303	1,892	-	-	53,195
RESULT					
Segment result	9,816	222	(350)	-	9,688
Interest income					72
Profit from operations					9,760
Finance cost					(340)
Profit before income tax					9,420
Income tax expense					(3,271)
Profit after income tax					6,149
OTHER INFORMATION					
Capital expenditure	7	-	13,736	-	13,743
Depreciation expense	2,297	146	-	-	2,443
31 December 2003					
REVENUE	101,055	2,021	-	-	103,076
RESULT					
Segment result	34,112	278	(1,656)	-	32,734
Interest income					73
Profit from operations					32,807
Finance cost					(503)
Profit before income tax					32,304
Income tax expense					(12,727)
Profit after income tax					19,577
OTHER INFORMATION					
Capital expenditure	-	-	56,337	-	56,337
Depreciation expense	2,297	133	-	-	2,430

	Methanol RMB'000	Gas RMB'000	DMF RMB'000	Corporate RMB'000	Total RMB'000
31 December 2004					
REVENUE	85,837	2,037	79,770	-	167,644
RESULT					
Segment result	31,479	570	1,312	-	33,361
Interest income					28
Profit from operations					33,389
Finance cost					(1,518)
Profit before income tax					31,871
Income tax expense					(11,305)
Profit after income tax					20,566
OTHER INFORMATION					
Capital expenditure	1,180	3	11,336	-	12,519
Depreciation expense	2,181	85	4,237	-	6,503
30 June 2005					
REVENUE	28,647	977	64,831	-	94,455
RESULT					
Segment result	8,444	(37)	16,391	(995)	23,803
Interest income					17
Profit from operations					23,820
Finance cost					(1,324)
Profit before income tax					22,496
Income tax credit					125
Profit after income tax					22,621
OTHER INFORMATION					
Capital expenditure	-	-	11,305	19	11,324
Depreciation expense	1,284	85	2,106	-	3,475

	Methanol RMB'000	Gas RMB'000	DMF RMB'000	Corporate RMB'000	Total RMB'000
30 June 2004 (unaudited)					
REVENUE	36,366	955	40,520	-	77,841
RESULT					
Segment result	12,267	(4)	3,680	-	15,943
Interest income					20
Profit from operations					15,963
Finance cost					(726)
Profit before income tax					15,237
Income tax expense					(5,185)
Profit after income tax					10,052
OTHER INFORMATION					
Capital expenditure	-	-	2,871	-	2,871
Depreciation expense	1,090	42	2,123	-	3,255
31 December 2004					
Assets:					
Segment assets	22,355	432	78,277	573	101,637
Liabilities:					
Segment liabilities	1,612	69	99,383	523	101,587
30 June 2005					
Assets:					
Segment assets	16,660	469	109,536	5,676	132,341
Liabilities:					
Segment liabilities	2,938	86	50,072	55,529	108,625
30 June 2004 (unaudited)					
Assets:					
Segment assets	16,146	383	86,568	-	103,097
Liabilities:					
Segment liabilities	16,146	383	87,125	-	103,654

b) Secondary reporting format – Geographical segment

Analysis of the pro forma Group's revenue and results and the pro forma Group's carrying amount of segment assets and additions to property, plant and equipment by geographical area in which the assets are located has not been presented as the pro forma Group's operations are situated in the PRC in which its assets and customers are located and revenue was derived principally therefrom. Accordingly, no geographical segments were presented.

32. Dividends / Funds Transferred To Head Office

a) No dividends have been paid, declared or recommended by any company in the pro forma Group for the financial years ended 31 December 2002, 2003 and 2004 and the six months period ended 30 June 2005.

b) The following shows the funds transferred from the Methanol Business and Gas Business to the Head Office account of Anyang Chemical Industry Group Co., Limited:

Financial Year / Period	Methanol Business RMB'000	Gas Business RMB'000	Total RMB'000
31 December 2002 (pro forma)	12,990	222	13,212
31 December 2003 (pro forma)	38,427	278	38,705
31 December 2004 (pro forma)	31,891	525	32,416
30 June 2004 (unaudited)	19,975	272	20,247
30 June 2005	-	-	-

33. Audited Financial Statements

No audited financial statements of the Company and its subsidiary have been prepared for any period subsequent to 30 June 2005.

The pro forma financial information of the Group for the financial period ended 30 June 2004 was prepared based on the unaudited management accounts and was presented for the purpose of comparison only.

34. Subsequent Events

(i) Subsequent to 30 June 2005, Anyang Jiutian signed an entrusted loan agreement with The Agricultural Bank of China to obtain an entrusted loan from Anyang Construction Investment Co., Ltd., and pursuant to such agreement, The Agricultural Bank of China has advanced to the subsidiary a term loan of RMB37,000,000 repayable three years from the date of the initial draw down of the loan. The borrowing carries interest at a rate of 5.76% per annum. The proceeds of this loan are used to repay the short term advances from Anhua and for the working capital of the subsidiary.

(ii) Pursuant to written resolution dated 24 November 2005, the shareholders of the Company approved an increase in the authorised share capital of the Company from S$10,000,000 divided into 10,000,000 ordinary shares of S$1.00 each to S$45,000,000 divided into 45,000,000 ordinary shares of S$1.00 each.

(iii) Pursuant to written resolution in lieu of a Extraordinary General Meeting dated 30 March 2006, the shareholders of the Company approved, inter alia, the following:-

a) the sub-division of every two ordinary shares in the existing issued and paid-up share capital of the Company into 21,609 ordinary shares;

b) the conversion of the Company into a public limited company and the change of name to "Jiutian Chemical Group Limited";

c) the adoption of a new Articles of Association for the Company;

d) the issue of 54,942,000 ordinary shares to the Pre-IPO Investors pursuant to the Conversion;

e) the issue of the New Shares pursuant to the Invitation, such New Shares, when fully paid, allotted and issued, will rank *pari passu* in all respects with the existing issued and fully paid up Shares;

f) that authority be given pursuant to Section 161 of the Companies Act to the Directors to (i) allot and issue shares in the Company; and (ii) issue convertible securities and any shares in the Company pursuant to the convertible securities, (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions whether for cash or otherwise and for such purposes and to such persons as the Directors shall in their absolute discretion deem fit, provided that the aggregate number of shares to be issued pursuant to such authority shall not exceed 50 percent of the post-Invitation issued share capital of the Company and that the aggregate number of shares to be issued other than on a pro-rata basis to the then existing shareholders of the Company shall not exceed 20 percent of the post-Invitation issued share capital of the Company. Unless revoked or varied by the Company in general meeting, such authority shall continue in full force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting is required by Law to be held, whichever is earlier, except that the Directors shall be authorised to allot and issue new shares pursuant to the convertible securities notwithstanding that such authority has ceased.

For the purposes of this resolution and pursuant to Rules 806(3) and 806(4) of the Listing Manual of the SGX-ST, "post-Invitation issued share capital" shall mean the enlarged issued and paid-up share capital of the Company after the Invitation, and where applicable, after adjusting for (i) the new shares arising from the conversion or exercise of convertible securities, (ii) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this resolution, provided the options or awards were granted in compliance with the Listing manual and (iii) any subsequent consolidation or sub-division of shares; and

g) the listing and quotation of all the issued shares (including the New Shares to be allotted and issued and the Vendor Shares) on the Official List of the Main Board of the SGX-ST.

F. STATEMENT OF ADJUSTMENTS

Profit and Loss Statement

The following adjustments have been made in arriving at the pro forma Group's Profit and Loss Statement for the financial years ended 31 December 2002, 2003 and 2004.

		Pro-forma adjustments							
FY2002	Per audited accounts RMB'000 (Note 1)	Administrative expenses RMB'000 (Note 2a)	Selling and distribution expenses RMB'000 (Note 2b)	Finance costs RMB'000 (Note 2c)	Rental expenses RMB'000 (Note 3)	Other consolidation adjustments RMB'000 (Note 4)	Income tax expense RMB'000 (Note 5)	Total adjustments RMB'000	Pro forma Group RMB'000
Revenue	53,195	-	-	-	-	-	-	-	53,195
Cost of sales	(39,984)	-	-	-	-	-	-	-	(39,984)
Gross profit	13,211	-	-	-	-	-	-	-	13,211
Other operating income	72	-	-	-	-	-	-	-	72
Administrative expenses	(349)	(2,701)	-	-	(226)	-	-	(2,927)	(3,276)
Selling and distribution expenses	-	-	(247)	-	-	-	-	(247)	(247)
Profit from operations	12,934	(2,701)	(247)	-	(226)	-	-	(3,174)	9,760
Finance costs	-	-	-	(340)	-	-	-	(340)	(340)
Profit before income tax	12,934	(2,701)	(247)	(340)	(226)	-	-	(3,514)	9,420
Income tax expense	(71)	-	-	-	-	-	(3,200)	(3,200)	(3,271)
Profit after income tax	12,863	(2,701)	(247)	(340)	(226)	-	(3,200)	(6,714)	6,149

FY2003	Per Audited accounts RMB'000 (Note 1)	Pro-forma adjustments: Administrative expenses RMB'000 (Note 2a)	Selling and distribution expenses RMB'000 (Note 2b)	Finance costs RMB'000 (Note 2c)	Rental expenses RMB'000 (Note 3)	Other consolidation adjustments RMB'000 (Note 4)	Income tax expense RMB'000 (Note 5)	Total adjustments RMB'000	Pro forma Group RMB'000
Revenue	105,282	-	-	-	-	(2,206)	-	(2,206)	103,076
Cost of sales	(66,577)	-	-	-	-	2,206	-	2,206	(64,371)
Gross profit	38,705	-	-	-	-	-	-	-	38,705
Other operating income	73	-	-	-	-	-	-	-	73
Administrative expenses	(1,656)	(3,481)	-	-	(226)	-	-	(3,707)	(5,363)
Selling and distribution expenses	-	-	(608)	-	-	-	-	(608)	(608)
Profit from operations	37,122	(3,481)	(608)	-	(226)	-	-	(4,315)	32,807
Finance costs	(183)	-	-	(320)	-	-	-	(320)	(503)
Profit before income tax	36,939	(3,481)	(608)	(320)	(226)	-	-	(4,635)	32,304
Income tax expense	(1,484)	-	-	-	-	-	(11,243)	(11,243)	(12,727)
Profit after income tax	35,455	(3,481)	(608)	(320)	(226)	-	(11,243)	(15,878)	19,577

FY2004	Per audited accounts RMB'000 (Note 1)	Pro-forma adjustments: Administrative expenses RMB'000 (Note 2a)	Selling and distribution expenses RMB'000 (Note 2b)	Finance costs RMB'000 (Note 2c)	Rental expenses RMB'000 (Note 3)	Other consolidation adjustments RMB'000 (Note 4)	Income tax expense RMB'000 (Note 5)	Total adjustments RMB'000	Pro forma Group RMB'000
Revenue	200,349	-	-	-	-	(32,705)	-	(32,705)	167,644
Cost of sales	(159,544)	-	-	-	-	32,705	-	32,705	(126,839)
Gross profit	40,805	-	-	-	-	-	-	-	40,805
Other operating income	360	-	-	-	-	-	-	-	360
Administrative expenses	(3,652)	(2,621)	-	-	(226)	-	-	(2,847)	(6,499)
Selling and distribution expenses	(639)	-	(638)	-	-	-	-	(638)	(1,277)
Profit from operations	36,874	(2,621)	(638)	-	(226)	-	-	(3,485)	33,389
Finance costs	(1,120)	-	-	(398)	-	-	-	(398)	(1,518)
Profit before income tax	35,754	(2,621)	(638)	(398)	(226)	-	-	(3,883)	31,871
Income tax expense	(1,889)	-	-	-	-	-	(9,416)	(9,416)	(11,305)
Profit after income tax	33,865	(2,621)	(638)	(398)	(226)	-	(9,416)	(13,299)	20,566

NOTES TO STATEMENT OF ADJUSTMENTS

1. Methanol Business, Gas Business and Anyang Jiutian

This represents the audited profit and loss statements of :

(i) the Methanol Business of Anhua for the financial years ended 31 December 2002, 31 December 2003 and 14 December 2004 ("FY2002, FY2003 and FY2004");

(ii) the Gas Business of Anhua for the financial years ended 31 December 2002, 31 December 2003 and 14 December 2004 ("FY2002, FY2003 and FY2004"); and

(iii) Anyang Jiutian for the financial years ended 31 December 2002, 2003 and 2004.

2. Pro forma adjustments to the Methanol Business and Gas Business

The following pro forma adjustments are made to the branch profit and loss statements of the Methanol Business and Gas Business to reflect certain costs of Anhua which were not allocated to the audited branch profit and loss statements of the Methanol Business and Gas Business.

	Anhua			Methanol Business and Gas Business		
	2002	2003	2004	2002	2003	2004
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Basis of allocation by:						
Revenue (per audited accounts)	488,873	565,204	724,372	53,195	105,282[*1]	112,801[*1]
Average number of management staff	785	871	890	20	20	20
Average number of total staff	3,452	3,478	3,294	196	186	187

a) Administrative expenses

	Anhua			Allocated to Methanol Business and Gas Business		
	2002	2003	2004	2002	2003	2004
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Allocated based on revenue						
Cost overruns	139	852	1,220	15	159	190
Entertainment	621	790	770	68	147	120
Low cost consumables	599	4,167	1,113	65	776	173
Office expenses	276	180	297	30	34	46
Pollution costs	2,025	2,200	1,800	220	410	280
Repair and Maintenance	4,141	4,500	1,201	451	838	187
Security fees	166	34	234	18	6	36
Travelling and transportation	480	274	317	52	51	49
Others	7,820	1,380	4,136	850	257	644
	16,267	14,377	11,088	1,769	2,678	1,725

	Anhua			Allocated to Methanol Business and Gas Business		
	2002	2003	2004	2002	2003	2004
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Allocated based on number of management staff						
Defined Contribution Plan	227	197	193	6	5	4
Insurance	221	98	177	6	2	4
Office expenses	230	359	209	6	8	5
Salaries	12,255	9,419	8,228	312	216	185
Travelling and transportation	594	847	1,142	15	19	26
Welfare	1,004	1,270	2,347	44[*2]	30[*2]	26[*2]
Others	180	33	118	5	1	2
	14,711	12,223	12,414	394	281	252
Allocated based on average number of total staff						
Insurance	8,277	8,612	10,117	470	461	574
Staff welfare and benefits	716	781	937	41	42	53
	8,993	9,393	11,054	511	503	627
Allocated based on others						
Depreciation	2,096	2,773	3,502	10[*3]	10[*3]	10[*3]
Landscaping expenses	348	396	607	- [*4]	- [*4]	- [*4]
Other taxes	769	792	1,048	12[*5]	4[*5]	2[*5]
Utilities	2,492	2,178	4,012	5[*3]	5[*3]	5[*3]
	5,705	6,139	9,169	27	19	17
Total expenses allocated				2,701	3,481	2,621

[*1] Not adjusted for inter-division sales.

[*2] Welfare expenses are calculated based on 14% of salaries expenses allocated for the respective years.

[*3] Management has assumed a fixed charge for FY2002, FY2003 and FY2004.

[*4] Management has represented that these expenses were not related to both Methanol Business and Gas Business

[*5] The allocated amount reflects only the expenses pertaining only to both the Methanol Business and the Gas Business.

b) Selling and distribution expense

	Anhua			Allocated to Methanol Business and Gas Business		
	2002	2003	2004	2002	2003	2004
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Allocated based on revenue						
Depreciation	35	59	50	4	11	8
Entertainment	225	292	267	24	54	42
Low cost consumables	72	54	26	8	10	4
Office expenses	20	94	19	2	18	3
Repair and maintenance	2	8	-	-	1	-
Salaries	587	770	1,107	64	143	172
Travelling and transportation	631	1,163	1,348	69	217	210
Welfare	55	57	53	6	11	8
Others	642	767	1,225	70	143	191
	2,269	3,264	4,095	247	608	638

c) Finance costs

	Anhua			Allocated to Methanol Business and Gas Business		
	2002 RMB'000	2003 RMB'000	2004 RMB'000	2002 RMB'000	2003 RMB'000	2004 RMB'000
Total assets	1,452,767	1,429,054	1,509,278	21,760	20,725	22,787
Allocated based on total assets						
Finance costs	22,699	22,063	26,370	340	320	398

3. Rental

The pro forma adjustments take into account the rental of the land and building used by Methanol Business and Gas Business charged by Anhua on the assumption that the rental agreement dated 1 January 2005, signed between Anhua and Anyang Jiutian, is in force since FY2002.

	2002 RMB'000	2003 RMB'000	2004 RMB'000
Land rental	91	91	91
Rental of building	135	135	135
	226	226	226

4. Other consolidation adjustments

This comprises the following:

		2002 RMB'000	2003 RMB'000	2004 RMB'000
a)	Elimination of inter-business revenue	-	(2,206)	(32,705)
b)	Elimination of inter-business cost of sales	-	2,206	32,705
	Effect on profit and loss statement	-	-	-

5. Income tax expense

	2002 RMB'000	2003 RMB'000	2004 RMB'000
Profit before income tax			
- methanol business	12,989	38,427	31,891
- gas business	222	278	525
	13,211	38,705	32,416
Less: pro forma adjustment on expenses	(3,514)	(4,635)	(3,883)
Taxable profit	9,697	34,070	28,533
Income tax expense at 33%	3,200	11,243	9,416

No tax was computed for the above two businesses in the individual financial statements. On the pro forma Group basis, the income tax expenses calculated at 33% have been passed as an adjustment to the respective financial years.

Deloitte.

ZHONGGUO JIUTIAN CHEMICAL PTE LTD
(Registration No. 200415416H)

FINANCIAL STATEMENTS

PERIOD FROM NOVEMBER 30, 2004 (DATE OF INCORPORATION) TO JUNE 30, 2005

(EXPRESSED IN RENMINBI)

ZHONGGUO JIUTIAN CHEMICAL PTE LTD

FINANCIAL STATEMENTS

(EXPRESSED IN RENMINBI)

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ZHONGGUO JIUTIAN CHEMICAL PTE LTD

STATEMENT OF DIRECTORS

In the opinion of the directors, the consolidated financial statements of the Group and the financial statements of the Company set out on pages 3 to 31 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at June 30, 2005 and of the results and changes in equity of the Group and of the Company and cash flows of the Group for the financial period from November 30, 2004 (date of incorporation) to June 30, 2005 and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

ON BEHALF OF THE DIRECTORS

.....
Wang Xianjin

.....
Zhang Aiping

Singapore
November 24, 2005

Deloitte

Deloitte & Touche
Certified Public Accountants
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Singapore 068809

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AUDITORS' REPORT TO THE MEMBER OF

ZHONGGUO JIUTIAN CHEMICAL PTE LTD

We have audited the consolidated financial statements of the Group and the financial statements of the Company set out on pages 3 to 31 for the financial period from date of incorporation on November 30, 2004 to June 30, 2005. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying consolidated financial statements of the Group and the financial statements of the Company are properly drawn up in accordance with the provisions of the Singapore Financial Reporting Standards, to give a true and fair view of the state of affairs of the Group and the Company as at June 30, 2005 and of the results and changes in equity of the Group and the Company and the cash flows of the Group for the financial period ended on that date.

The accompanying consolidated financial statements of the Group and the financial statements of the Company were prepared for the purpose of enabling the Company to prepare for an initial public offering in Singapore and should not be used for any other purposes.

Deloitte & Touche

Certified Public Accountants

Singapore
November 24, 2005

Member of
Deloitte Touche Tohmatsu

ZHONGGUO JIUTIAN CHEMICAL PTE LTD

BALANCE SHEETS
June 30, 2005

(Expressed in Renminbi)

	Note	Group June 30, 2005 RMB'000	Company June 30, 2005 RMB'000
ASSETS			
Current assets:			
Cash and bank balances		11,287	3,510
Trade receivables	6	7,271	-
Other receivables and prepayments	7	7,248	2,147
Inventories	8	1,847	-
Total current assets		27,653	5,657
Non-current assets:			
Long term prepayment	9	2,388	-
Property, plant and equipment	10	101,198	19
Investment in subsidiary	11	-	49,643
Deferred tax asset	12	579	-
Goodwill on consolidation	13	523	-
Total non-current assets		104,688	49,662
Total assets		132,341	55,319
LIABILITIES AND EQUITY			
Current liabilities:			
Due to former related parties	14	37,148	-
Trade payables	15	9,792	-
Other payables	16	1,964	486
Convertible loans	17	55,043	55,043
Income tax payable		3,675	-
Total current liabilities		107,622	55,529
Non-current liability:			
Deferred income	18	1,003	-
Capital and reserves:			
Paid-up capital	19	56	56
General reserve	20	2,393	-
Currency translation reserve		1,039	1,625
Accumulated profits (losses)		20,228	(1,891)
Total equity (Net capital deficiency)		23,716	(210)
Total liabilities and equity		132,341	55,319

See accompanying notes to financial statements.

ZHONGGUO JIUTIAN CHEMICAL PTE LTD

CONSOLIDATED PROFIT AND LOSS STATEMENT
Period from November 30, 2004 (date of incorporation) to June 30, 2005

(Expressed in Renminbi)

	Note	Group November 30, 2004 to June 30, 2005 RMB'000
Revenue	21	94,455
Cost of sales		(67,068)
Gross profit		27,387
Other operating income	22	214
Administrative expenses	23	(3,650)
Selling and distribution expenses		(131)
Profit from operations	24	23,820
Finance costs	25	(1,324)
Profit before income tax		22,496
Income tax credit	26	125
Profit after income tax		22,621

See accompanying notes to financial statements.

ZHONGGUO JIUTIAN CHEMICAL PTE LTD

STATEMENTS OF CHANGES IN EQUITY
Period ended June 30, 2005

	Paid-up capital RMB'000	General reserve RMB'000	Currency translation reserve RMB'000	Accumulated profits (losses) RMB'000	Total RMB'000
Group					
Balance at November 30, 2004 (date of incorporation)	-	-	-	-	-
Issue of shares	56	-	-	-	56
Currency translation reserve	-	-	1,039	-	1,039
Profit for the period	-	-	-	22,621	22,621
Transfer	-	2,393	-	(2,393)	-
Balance at June 30, 2005	56	2,393	1,039	20,228	23,716
Company					
Balance at November 30, 2004 (date of incorporation)	-	-	-	-	-
Issue of shares	56	-	-	-	56
Currency translation reserve	-	-	1,625	-	1,625
Loss for the period	-	-	-	(1,891)	(1,891)
Balance at June 30, 2005	56	-	1,625	(1,891)	(210)

See accompanying notes to financial statements.

ZHONGGUO JIUTIAN CHEMICAL PTE LTD

CONSOLIDATED CASH FLOW STATEMENT
Period from November 30, 2004 (date of incorporation) to June 30, 2005

(Expressed in Renminbi)

	Group November 30, 2004 to June 30, 2005 RMB'000
Cash flows from operating activities:	
Profit before income tax	22,496
Adjustments for:	
Depreciation expense	3,475
Interest income	(17)
Interest expense	1,324
Operating profit before working capital changes	27,278
Trade receivables	(4,519)
Other receivables and prepayments	(6,962)
Inventories	(558)
Trade payables	5,014
Other payables	56
Due to a former related party	(3,535)
Deferred income	(32)
Cash generated from operations	16,742
Interest paid	(1,016)
Interest received	17
Income tax paid	(173)
Net cash from operating activities	15,570
Cash flows used in investing activity:	
Purchase of property, plant and equipment	(11,324)
Acquisition of long term prepayment – land use rights	(2,518)
Acquisition of subsidiary (Note A)	(49,643)
Net currency translation effect from consolidation	1,039
Net cash used in investing activities	(62,446)
Cash flows from financing activities:	
Convertible loans	55,043
Issue of shares	56
Net cash from financing activities	55,099
Net increase in cash	8,223
Cash on acquisition of subsidiary (Note A)	3,064
Cash and bank balances at beginning of period	-
Cash and bank balances at end of period	11,287

See accompanying notes to financial statements.

ZHONGGUO JIUTIAN CHEMICAL PTE LTD

NOTE TO CASH FLOW STATEMENT

A. Acquisition of a subsidiary:

	Group November 30, 2004 to June 30, 2005 RMB'000
Current assets:	
Cash and bank balances	3,064
Trade receivables	2,752
Other receivables and prepayments	156
Inventories	1,289
Total current assets	7,261
Non-current assets:	
Property, plant and equipment	93,349
Deferred tax assets	454
Total non-current assets	93,803
Total assets	101,064
Current liabilities:	
Due to related parties	40,683
Trade payables	4,778
Other payables	1,600
Income tax payable	3,848
Total current liabilities	50,909
Non-current liability:	
Deferred income	1,035
Total liabilities	51,944
Net assets acquired	49,120
Goodwill on acquisition	523
Purchase consideration paid to a former related party (US$6,000,000)	49,643

ZHONGGUO JIUTIAN CHEMICAL PTE LTD

NOTES TO FINANCIAL STATEMENTS
June 30, 2005

1 GENERAL

The Company (Registration No. 200415416H) is incorporated in Singapore with its registered office and its principal place of business at 50 Raffles Place, #17-01 Singapore Land Tower, Singapore 048623. The financial statements are expressed in Renminbi ("RMB").

The principal activity of the Company is that of investment holdings. The principal activities of the subsidiary are detailed in Note 11 to the financial statements.

The accompanying financial statements were prepared for the purpose of enabling the company to prepare for an initial public offering in Singapore and should not be used for any other purposes.

The financial statements of the Group and of the Company for financial period ended June 30, 2005 were authorised for issue by the Board of Directors on November 24, 2005.

2 RESTRUCTURING EXERCISE

On November 30, 2004, the Company, Zhongguo Jiutian Chemical Pte Ltd, was incorporated under the Singapore Companies Act as a private company with limited liability with an authorised capital of S$10,000,000 and initial issued capital of 10,000 ordinary shares of S$1.00 each issued at par. On November 24, 2005, the Company increased its authorised capital to S$45,000,000 comprising of 45,000,000 ordinary shares of S$1.00 each.

Prior to the Restructuring Exercise, the original owners of Anyang Jiutian Fine Chemicals Co., Ltd ("Anyang Jiutian") were Anyang Chemical Industry Group Co., Limited ("Anhua") and six other individuals (including Zhang Aiping). Anhua was the controlling shareholder of Anyang Jiutian and it held 88.6% (or RMB23,280,000) of the paid up capital of Anyang Jiutian. The six other individuals each held 1.9% (or RMB500,000) of the paid up capital of Anyang Jiutian.

Anyang Jiutian carries on the business of the methylamine and dimethylformanide ("DMF") businesses. In addition, Anyang Jiutian held 16% (or RMB1,600,000) of the paid up capital in Henan Linuo Biochemistry Co., Ltd ("Linuo") and 20% (or RMB3,000,000) of the paid up capital in Anyang Wuzhou International Trade Co., Ltd ("Wuzhou"). Both Linuo and Wuzhou are subsidiaries of Anhua.

The Company implemented a restructuring exercise (the "Restructuring Exercise") in preparation of its listing on the SGX-ST as follows:

a) Acquisition of the Methanol Business and Gas Business by Anyang Jiutian

Pursuant to the terms of the Transfer Agreement dated December 13, 2004 entered into between Anhua and Anyang Jiutian, Anhua agreed to transfer to Anyang Jiutian all the business undertaking, assets and liabilities relating to the methanol and gas businesses which were located in Anyang ("Methanol Business and Gas Business"). Based on a PRC valuation carried out on the Methanol Business and Gas Business, the said businesses were valued at RMB20,030,000 as at September 30, 2004. Pursuant to the transfer of the Methanol Business and Gas Business, Anyang Jiutian increased its share capital by an additional RMB20,030,000, from RMB26,280,000 to RMB46,310,000, attributing the increased share capital to Anhua as purchase consideration. The acquisition was completed on December 24, 2004 when Anyang Jiutian received the new business license issued by the Anyang Industrial and Commercial Administration.

Following the completion of the acquisition, Anhua's shareholding in Anyang Jiutian was increased from 88.6% (or RMB23,280,000) to 93.52% (or RMB43,310,000) and the shareholdings of the six shareholders were diluted to 1.08% each.

Under the terms of the Transfer Agreement, Anhua will be responsible for the profit or loss of the operations of the Methanol Business and Gas Business from October 1, 2004 to December 14, 2004, which was the date of receipt of the new business license by Anyang Jiutian. Accordingly, the profit or loss of the operations of the Methanol Business and Gas Business will be attributable to Anyang Jiutian with effect from December 15, 2004.

b) Disposal of Linuo and Wuzhou

Pursuant to two share transfer agreements both dated December 12, 2004 between Anyang Jiutian and Anhua, Anyang Jiutian transferred to Anhua all shares held by it in its 16% (or RMB1,600,000) equity interest in the paid up capital Linuo and 20% (or RMB3,000,000) equity interest in the paid up capital in Wuzhou at the purchase considerations of RMB1,600,000 and RMB3,000,000 respectively. These amounts are equivalent to the amount of funds injected by Anyang Jiutian into the capital of the respective companies. The purchase considerations were satisfied by Anhua setting off certain outstanding intercompany loans owed by Anyang Jiutian to Anhua. The transfer of shares by Anyang Jiutian in Linuo was completed on July 26, 2005, with the registration of the share transfer with the Development Industrial Zone branch of Anyang Administration of Industry and Commerce, whilst the transfer of shares by Anyang Jiutian in Wuzhou was completed on August 30, 2005, with the registration of the share transfer with Anyang Administration of Industry and Commerce.

c) Acquisition of Anyang Jiutian

The Company entered into seven Share Transfer Agreements all dated December 24, 2004 and seven related supplemental agreements dated March 25, 2005 with the original shareholders of Anyang Jiutian, being Anhua and with the six individual shareholders (including Mr. Zhang Aiping) respectively.

Pursuant to the Share Transfer Agreements with Anhua, Anhua agreed to sell all its shares in Anyang Jiutian to the Company at a purchase consideration of US$5,611,200 (equivalent to RMB46,426,081).

Pursuant to the Share Transfer Agreements with the six individual shareholders, each of the individual shareholders agreed to sell their respective shares to the Company at a purchase consideration of US$64,800 (or RMB536,144) each or a total of US$388,800.

The purchase consideration payable for the acquisition of Anyang Jiutian (inclusive of the Methanol Business and Gas Business of Anhua) was based on an asset valuation report carried out on Anyang Jiutian at US$6,000,000 (or RMB49,642,945) as at September 30, 2004 which is also equivalent to the registered capital of Anyang Jiutian of US$6,000,000. The entire purchase consideration will be satisfied fully in cash, such purchase consideration being provided by the Pre-IPO Investors pursuant to the terms of the Convertible Loan Agreement.

The Commerce Administration of Henan Province issued an approval for the acquisition of Anyang Jiutian by the Company and a certificate of approval for the establishment of enterprises with foreign investment in Anyang Jiutian on December 29, 2004. The acquisition of Anyang Jiutian by the Company was completed on December 30, 2004 when Anyang Administration of Industry and Commerce issued the business license of foreign investment to Anyang Jiutian.

For accounting purposes, the Company has adopted December 31, 2004 as the effective date of acquisition. The Group has recorded a goodwill on consolidation amounting to approximately RMB523,000 based on the audited net tangible assets of Anyang Jiutian acquired of RMB49,120,059 as at December 31, 2004 and cost of investment of US$6,000,000 (RMB49,642,945).

d) Investments into the Company

Pursuant to a Pre-Investment Loan Agreement dated March 28, 2005 entered into between the Company and the Lenders, (comprising 10 individuals and Woolston Park Limited), the Lenders advanced different loan amounts to the Company, amounting in aggregate to S$3,307,500. The main purpose was substantially to fund the payment of 25% of the registered capital of Anyang Jiutian amounting to US$1.5 million. The acquisition by the Company of 25% of the registered capital of Anyang Jiutian at US$1.5 million was completed on March 31, 2005 and Anyang Jiutian received the new business licence issued by Anyang Industrial and Commercial Administration on April 1, 2005.

For further details of the Pre-Investment Loan Agreement, please refer to the sub-section "Material Contracts" of the Prospectus.

On May 11, 2005, the Pre-IPO Investors, comprising 27 investors, entered into a convertible loan agreement with the Company ("Convertible Loan Agreement"). Pursuant to the Convertible Loan Agreement, the Pre-IPO Investors granted to the Company convertible loans amounting to S$11,206,725 (the "Convertible Loan") which are convertible into ordinary shares in the capital of the Company. It is a term of the Convertible Loan Agreement that this amount of S$11,206,725 includes the loans previously advanced pursuant to the Pre-Investment Loan Agreement dated March 28, 2005. The purpose of the Convertible Loan (excluding the amount under the Pre-Investment Loan Agreement) is to pay for the balance 75% of the issued share capital of Anyang Jiutian (such payment which was to be made on or before May 31, 2005), expenses incurred in connection with the Invitation and general working capital requirements of the Group.

It was a term of the Convertible Loan Agreement that the Convertible Loan shall be converted into fully paid ordinary shares of the Company on the date of the eligibility to list letter from the SGX-ST to the Company.

It was also a term of the Convertible Loan Agreement that unless the Convertible Loan was converted, the Convertible Loan shall be repaid together with all accrued interest on the 1st anniversary of the date of the Convertible Loan Agreement (i.e. by May 11, 2006) or such later date as may be agreed between the Company and the Pre-IPO Investors who, in aggregate have advanced more than two-thirds of the Convertible Loan.

Pursuant to the terms of the Convertible Loan Agreement, an escrow agreement was entered into between the Company, Anyang Jiutian and Yingbin sub-branch, Anyang Branch of the Industrial & Commercial Bank ("Bank") dated April 20, 2005, whereby the sum of US$6 million is to be held in an escrow account with the Bank in the name of Anyang Jiutian. It is a term of the escrow agreement that for a period of 11 months from the date of the escrow agreement, the escrow account can only be operated jointly by representatives from the Company and Anyang Jiutian. After 11 months from the date of the escrow agreement, only a representative from the Company can operate the escrow account. It was further clarified in an agreement between the Company, Anyang Jiutian and Anhua dated May 21, 2005, that in order to facilitate the Company's compliance of the terms of the Convertible Loan Agreement, Anhua had agreed to advance the US$6 million, and Anhua hereby acknowledges and confirms that the US$6 million has been paid into the escrow account held in the name of Anyang Jiutian.

On November 22, 2005, the Pre-IPO Investors entered into an addendum to the Convertible Loan Agreement, whereby it was agreed that only 65% of the Convertible Loan Agreement be converted into fully paid ordinary shares of the Company on the date of the eligibility to list letter from the SGX-ST to the Company. The remaining balance of the Convertible Loan together with all accrued interest remains payable on or before the 1st anniversary of the date of the Convertible Loan Agreement (i.e. on or before May 11, 2006) or such other date as may be agreed between the Company and the Pre-IPO Investors who, in aggregate have advanced more than two-thirds of the Convertible Loan.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) **BASIS OF ACCOUNTING** - The financial statements for the financial period ended June 30, 2005 are prepared in accordance with the historical cost convention. The financial statements are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

The financial statements set out in this report have been prepared in Renminbi ("RMB"), since this is the measurement currency in which the majority of the Group's transactions are denominated.

During the financial period, the Group and the Company adopted all the applicable new and revised FRSs issued by the Council on Corporate Disclosure and Governance which became effective during the current financial period.

The adoption of the new and revised FRSs does not have any significant impact on the Group and the Company.

At the date of authorisation of these financial statements, the directors have considered and anticipated that the adoption of FRS and Interpretations that were in issue but not yet effective, will not have any material impact on the financial statements of the Group and the Company.

b) **BASIS OF CONSOLIDATION** – The consolidated financial information includes the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) made up to the end of the financial year. Control is achieved when the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of the subsidiaries to bring the accounting policies used in line with those used by other members of the group.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

In the Company's financial statements, investment in subsidiaries is carried at cost less any impairment in net recoverable value that has been recognised in the profit and loss statement.

c) **GOODWILL** – Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

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 a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

d) **FOREIGN CURRENCY TRANSACTIONS** – The books of the Group and the Company are maintained in its measurement currency, namely Renminbi. Transactions in foreign currencies are recorded in Renminbi at the rates ruling at the date of the transactions. At each balance sheet date, recorded monetary balances are denominated in foreign currencies are recorded at the rates ruling at the balance sheet date. All realised and unrealised exchange adjustment gains and losses are dealt with in the profit and loss statement.

e) **PROPERTY, PLANT AND EQUIPMENT** – Properties in the course of construction for production, rental or administrative purposes or for purposes not yet determined, are carried at cost, less any impairment loss. Cost included professional fees and, for qualifying assets, borrowing costs dealt with in accordance with the group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Other items of property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of the assets over their estimated useful lives, using the straight-line method, as follows:

Buildings	-	15 to 40 years
Machinery and equipment	-	5 to 28 years
Motor vehicles	-	8 years

No depreciation is provided on construction-in-progress.

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

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit and loss statement.

f) **INVENTORIES** - Inventories are stated at the lower cost (weighted average method) and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

g) **FINANCIAL ASSETS** - The principal financial assets are cash, trade receivables and other receivables. Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Trade receivables and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised costs using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in profit and loss when there is objective evidence that the asset is impaired. The allowance recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computer at initial recognition.

h) **FINANCIAL LIABILITIES AND EQUITY** - Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Significant financial liabilities include convertible loans, amount due to related parties, trade payables and other payables.

Interest-bearing bank loans and overdrafts are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings.

Trade payables and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

i) **LEASES** - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

j) **IMPAIRMENT OF ASSETS EXCLUDING GOODWILL** - At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. When 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 greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using 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/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. Impairment losses are recognised as an expense immediately, unless the relevant asset is land or buildings at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When 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 only to the extent 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 reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

k) **REVENUE RECOGNITION** - Revenue from sale of goods is recognised when significant risks and rewards of ownership are transferred to the buyer. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods delivered in the normal course of business, net of discounts and sales related taxes.

Interest income is accrued on a timely basis, by reference to the principal outstanding and at the interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

l) **INCOME TAX** - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

m) **RETIREMENT BENEFIT COSTS** - Payments to defined contribution retirement benefit plans (including state-managed retirement benefit schemes) are charged as an expense when incurred.

n) **EMPLOYEE LEAVE ENTITLEMENT** – Employee leave 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 balance sheet.

o) **BORROWING COSTS** – Borrowing costs directly attributable to the acquisitions, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

p) **RESERVES** – Pursuant to relevant laws and regulations in the PRC and the Articles of Association, as wholly owned foreign entity, Anyang Jiutian is required to transfer 10% of their profit after taxation as reported in the PRC statutory financial statements to the reserve fund until the balance reached 50% of their registered capital. The reserve fund can be used to make up losses incurred or to increase capital.

q) **PROVISIONS** - Provisions are recognised when the Group and the Company have a present obligation as a result of a past event where it is probable that it will result in an outflow of economic benefits that can be reasonably estimated.

r) **GOVERNMENT GRANTS** - Government grants are recognised as income over the periods necessary to match them with the related costs and are deducted in reporting the related expenses. Grants related to depreciable assets are presented as deferred income and are released to income over the useful lives of the assets.

s) **LAND USE RIGHTS** – The prepayment made on acquiring a land use right in the PRC represents prepaid lease payments and it is accounted for as an operating lease. The industrial prepaid lease payment is amortised over the land use period.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

i) Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies which are described in Note 3 above, the management is of the opinion that any instances of application of judgements are not expected to have a significant effect on the amounts recognised in the accounts (apart from those involving estimations).

ii) Key sources of estimation uncertainty

The Group makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets are discussed below.

Depreciation 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 value. The Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimate, such difference will impact the depreciation in the year/period in which such estimate has been changed.

Impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have any indication of impairment in accordance with the accounting policy. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations. These calculations require the use of judgement and estimates.

Impairment in investment in subsidiary

Determining whether investment in subsidiary is impaired requires an estimation of the value in use of those investments. The value in use calculation requires the Group to estimate the future cash-flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash-flows. Management has evaluated the recoverability of the investment based on such estimates and is confident that the allowance for impairment, where necessary, is adequate.

Allowances for bad and doubtful debts

The Group makes allowances for bad and doubtful debts based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade and other receivables and doubtful debts expenses in the period in which such estimate has been changed.

Recoverability of goodwill on consolidation

Determining whether goodwill on consolidation is impaired requires an estimation of the value in use of the cash-generating units to which such goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash-flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash-flows. Management has evaluated the recoverability of the goodwill on consolidation based on such estimates and is confident that the carrying amount of such goodwill will be recovered in full. The carrying amount of goodwill on consolidation at June 30, 2005 was RMB523,000.

5 FINANCIAL RISKS AND MANAGEMENT

a) Interest Rate Risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed partly by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities.

b) Credit Risk

The Group's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, if any, as estimated by the Group's management based on prior experience and the current economic environment.

The credit risk on liquid funds is limited because the counterparties are banks with good credit ratings.

c) Significant Concentration of Credit Risk

Concentration of credit risk exist when changes in economic, industry or geographic factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure.

The Group's credit exposure is concentrated mainly in the People's Republic of China. There is no significant concentration of credit risk with any customer or group of customers, except that the top 5 balances accounted for RMB5,190,000 or 70.3% of the total gross trade receivables at June 30, 2005.

d) Foreign Currency Risk

The Group's exposure to foreign currency risk is minimal as substantially mainly all its transactions are in Renminbi.

e) Liquidity Risk

The Group is exposed to minimal liquidity risk as financial support from its shareholders will be available as and when required.

f) Fair Value of Financial Assets and Financial Liabilities

The management is of the view that the fair value of the financial assets and financial liabilities approximates their carrying values.

6 TRADE RECEIVABLES

	Group June 30, 2005 RMB'000	Company June 30, 2005 RMB'000
Outside parties	7,381	-
Less: Allowance for doubtful debts	(110)	-
Net	7,271	-
Movement in the above allowance:		
Charge to profit and loss and balance at end of period	110	-

7 OTHER RECEIVABLES AND PREPAYMENTS

	Group June 30, 2005 RMB'000	Company June 30, 2005 RMB'000
Advance payments to suppliers	4,971	-
Initial public offering expenses	1,968	1,968
Deposits and prepayments	179	179
Current portion of long-term prepayment (Note 9)	130	-
Total	7,248	2,147

8 INVENTORIES

	Group June 30, 2005 RMB'000	Company June 30, 2005 RMB'000
Finished goods, at cost	1,847	-

9 LONG TERM PREPAYMENT

	Group June 30, 2005 RMB'000	Company June 30, 2005 RMB'000
Land use rights	2,518	-
Amount due within one year and classified in prepayment (Note 7)	(130)	-
Amount due after one year	2,388	-

This relates to the purchase of land use rights from Anyang Chemical Industry Group Co., Ltd. The land-use rights acquired was priced on the revaluation report from Anyang Jintu Land Valuation Company, and the price complied with the related regulations of the government. The amount represents the payment of leases for land use rights for 19.5 years. The amount is amortised over the land use period.

The terms of the transaction were mutually agreed by the relevant parties and approved by Anyang State Land Resource Bureau.

10 PROPERTY, PLANT AND EQUIPMENT

Group	Buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Construction-in-progress RMB'000	Total RMB'000
Cost:					
Subsidiary acquired	18,347	69,059	1,883	8,297	97,586
Additions	-	203	-	11,121	11,324
Reclassification	27	19,391	-	(19,418)	-
At June 30, 2005	18,374	88,653	1,883	-	108,910
Accumulated depreciation:					
Subsidiary acquired	733	3,302	202	-	4,237
Depreciation	367	2,994	114	-	3,475
At June 30, 2005	1,100	6,296	316	-	7,712
Net carrying value:					
At June 30, 2005	17,274	82,357	1,567	-	101,198
Company					
Cost:					
Additions during the period and balance at June 30, 2005	-	19	-	-	19
Accumulated depreciation:					
Depreciation for the period and balance at June 30, 2005	-	-	-	-	-
Net carrying value:					
At June 30, 2005	-	19	-	-	19

11 INVESTMENT IN SUBSIDIARY

	Company June 30, 2005 RMB'000
Unquoted share capital, at cost	49,643

Details of the subsidiary are as follows:

Subsidiary	Effective equity interest held %	Place of incorporation/ operation	Principal activities
Anyang Jiutian Fine Chemical Co., Ltd	100	Anyang, People's Republic of China	Production, sale and service of industrial methanol, dimethylformamide (DMF), methylamine, and gas.

The subsidiary is audited by Deloitte Touche Tohmatsu Certified Public Accountants Ltd - Beijing Branch, which is located at 8/F Office Tower W2, The Towers, Oriental Plaza, 1 East Chang An Avenue, Beijing 100738, PRC.

12 DEFERRED TAX ASSET

	Group June 30, 2005 RMB'000	Company June 30, 2005 RMB'000
Deferred tax asset	579	-

The following are the major deferred assets recognised by the Group and movements thereon during the period:

Group	Book over tax depreciation RMB'000	Pre-operating expenses RMB'000	Deferred income RMB'000	Total RMB'000
Subsidiary acquired	91	99	264	454
Credit to profit and loss statement (Note 26)	125	-	-	125
At June 30, 2005	216	99	264	579

13 GOODWILL ON CONSOLIDATION

The Group has recorded a goodwill on consolidation amounting to approximately RMB523,000 based on the audited net tangible assets of the subsidiary acquired of RMB 49,120,159 as at December 31, 2004 and cost of investment of US$6,000,000 (RMB49,642,945).

14 DUE TO FORMER RELATED PARTIES

a) Pursuant to the Restructuring Exercise as detailed in Note 2, the management is of the view that Anyang Chemical Industry Group Co., Ltd ceased to be a related party with effect from 24 December 2004.

b) Significant transactions with Anyang Chemical Industry Group Co., Ltd:

	Group November 30, 2004 to June 30, 2005 RMB'000
Sales of goods	(15)
Interest expense	1,009
Purchases of goods and power supplies	60,785
Purchase of land use rights	2,518
Purchase of property, plant and equipment	1,990
Rental expense	217
Acquisition of a subsidiary	49,643

c) Balance with former related parties:

	Group June 30, 2005 RMB'000
Due to:	
Anyang Chemical Industry Group Co., Ltd	
- advances	28,560
- trade payables	5,617
- other payables	2,964
Anyang Chemical Industry Group Services Company Co., Ltd	
- trade payable	7
	37,148

The balances above are unsecured, without fixed repayment terms and interest free except for the advances which bear interest at 5.58% per annum.

d) As at June 30, 2005, pursuant to the Convertible Loan Agreement in relationship to funds in escrow account, the subsidiary holds US$6,000,000 on behalf of Anyang Chemical Industry Group Co., Ltd. According to the arrangement, Anyang Chemical Industry Group Co., Ltd. retains the ultimate right and title over the amount held by the subsidiary on its behalf. Accordingly, the amount have been excluded from the bank balances of the Group.

15 TRADE PAYABLES

	Group June 30, 2005 RMB'000	Company June 30, 2005 RMB'000
Outside parties	9,207	-
Customer advances	585	-
Total	9,792	-

16 OTHER PAYABLES

	Group June 30, 2005 RMB'000	Company June 30, 2005 RMB'000
Retention sum payable	788	-
Accruals	573	173
Interest payable on convertible loans (Note 17)	308	308
Value added taxes	290	-
Due to a director	5	5
Total	1,964	486

The amount due to a director is unsecured, interest free and have no fixed repayment terms.

17 CONVERTIBLE LOANS

	Group and Company June 30, 2005 RMB'000
Series A Loans	16,733
Series B Loans	38,310
Total	55,043

Pursuant to the Pre-Investment Loan Agreement dated March 28, 2005 entered into between the Company and eleven Lenders, (collectively the "Lenders"), the Lenders agreed to advance an aggregate amount of S$3,307,500 (equivalent to US$2,004,545) to the Company. The loan of US$2,004,545 was fully advanced by March 31, 2005. On March 31, 2005, the Company utilized part of the proceeds to pay up 25% (or US$1,500,000) of the registered capital of Anyang Jiutian and Anyang Jiutian received the new business licence issued by Anyang Industrial and Commercial Administration on April 1, 2005.

As the Lenders have incurred costs in making available to the Company the Pre-Investment Loan, the Company has agreed that it will reimburse the Lenders for such costs by paying a fee equivalent to 3 percent of the Pre-Investment Loan ("the Fee").

On May 11, 2005, pursuant to the terms of the Pre-Investment Loan Agreement and the Convertible Loan Agreement, as discussed below, the Lenders converted their respective loans into convertible loans termed "Series A Loans" with an aggregate principal amount of S$3,406,725, making up of S$3,307,500 (equivalent to US$2,004,545) loan amount and the Fee payable of S$99,225 (equivalent to US$58,866).

Pursuant to a Convertible Loan Agreement dated May 11, 2005 entered into between the Company and the 27 investors, (collectively the "Pre-IPO Investors"), the Pre-IPO Investors advanced an aggregate amount of S$11,206,725 to the Company. This amount of S$11,206,725 includes the loans previously advanced pursuant to the Pre-Investment Loan Agreement dated March 28, 2005. The remaining of the proceeds amounting to S$7,800,000 termed "Series B Loans" was received by May 12, 2005. The loan proceeds shall be used to pay for (a) the balance of the 75 percent of the issued capital of Anyang Jiutian; (b) expenses incurred in connection with the IPO; and (c) general working capital requirements of the Company and the Group.

The Company shall pay interest on any outstanding portion of the Convertible Loan at the rate of 4 percent per annum commencing on the day the Convertible Loan was advanced up to and inclusive of the day the Convertible Loan is converted into ordinary shares of the Company, or the date on which the Convertible Loan is fully repaid. Any interest chargeable under the Convertible Loan Agreement shall be calculated on a daily basis based on the amount outstanding for that day.

The Lenders of Series A Loans have agreed to convert their respective convertible loans and the accrued interest by subscribing for new shares in the Company at a price equivalent to 60% of the IPO issue price or at a price equivalent to 4.0 times price earnings ratio for FY2004, whichever is lower ("Conversion Price A").

The Pre-IPO Investors of Series B Loans agreed to convert their respective convertible loans by subscribing for new shares in the Company at a price equivalent to 60% of the IPO issue price or at a price equivalent to 6.5 times price earnings ratio for FY2004, whichever is lower ("Conversion Price B"). The Pre-IPO Investors of Series B Loans, according to the terms of the Convertible Loan Agreement, shall waive all accrued interest on the loans in the event that the Convertible Loan is converted into ordinary shares in the Company before the repayment date on May 11, 2006.

On November 22, 2005, the Lenders and the Pre-IPO Investors entered into an addendum to the Convertible Loan Agreement, whereby it was agreed that:

a) 65% of the amounts under Series A Loans, equivalent to the aggregate principal amount of S$2,214,371.25 and the interest accrued (excluding any interest-on-interest) on the said amount, as at the date of the eligibility to list letter from the SGX-ST to the Company relating to the proposed Listing, shall be converted into fully paid ordinary shares in the Company at the Conversion Price A;

b) only 65% of the principal of the Series B Loans, equivalent to the aggregate principal amount of S$5,070,000, shall be converted into fully paid ordinary shares in the Company at the Conversion Price B; and

c) any residue amounts which cannot be converted fully into shares shall be treated as such portion of Convertible Loan required to be repaid on or before May 11, 2006.

18 DEFERRED INCOME

	Group June 30, 2005 RMB'000	Company June 30, 2005 RMB'000
Subsidiary acquired	1,035	-
Amount utilised	(32)	-
At end of period	1,003	-

The amount represents a government subsidy received for financing a technology improvement project. The subsidy will be credited to the profit and loss statement on a straight line basis over the expected useful lives of the related assets.

19 PAID UP CAPITAL

	Group and Company	
	June 30, 2005 Number of ordinary shares of S$1.00 each (RMB 5.05)	June 30, 2005 RMB'000
Authorised capital	10,000,000	50,500
Issued and paid up capital	11,111	56

During the financial period ended June 30, 2005, the company issued 10,000 ordinary shares of S$1.00 each at par for cash to the subscribers to the Memorandum of Association and a further 1,111 ordinary shares of S$1.00 each at par for cash for working capital purposes.

20 GENERAL RESERVE

In accordance with the regulations applicable to foreign investment enterprise in PRC, the PRC subsidiary is required to appropriate 10% of its profit after taxation to a reserve fund before any dividend declaration.

Reserve fund can be used to offset accumulated losses and to increase capital upon approval.

21 REVENUE

This represents sales of methanol, dimethylformamide and gas, net of sales tax.

22 OTHER OPERATING INCOME

	Group November 30, 2004 to June 30, 2005 RMB'000
Rental income	165
Government grant	32
Interest income	17
Total	214

23 ADMINISTRATIVE EXPENSES

	Group November 30, 2004 to June 30, 2005 RMB'000
Bad debt expenses	110
Defined contribution plans	21
Directors' remuneration	307
Initial public offering expenses	262
Insurance	151
Low cost consumables	61
Office expenses	600
Rental	217
Repair and maintenance	12
Salaries and wages	1,003
Staff welfare and benefits	378
Travelling and transportation	224
Others	304
Total	3,650

24 PROFIT FROM OPERATIONS

This item includes the following charges:

	Group November 30, 2004 to June 30, 2005 RMB'000
Cost of inventories sold	58,495
Depreciation	3,475
Staff costs	2,539
Directors' remuneration	307
Cost of defined contribution plans	275

The number of employees, including directors, at the end of the financial period is 296.

The remuneration paid to key management personnel (excluding directors) during the period amounted to RMB94,000.

25 FINANCE COSTS

	Group November 30, 2004 to June 30, 2005 RMB'000
Interest expense on advances from a former related party	1,009
Interest expense on convertible loans	315
Total	1,324

26 INCOME TAX CREDIT

	Group November 30, 2004 to June 30, 2005 RMB'000
Deferred tax (Note 12)	(125)

The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 20% to profit before income tax as a result of the following differences:

	Group November 30, 2004 to June 30, 2005 RMB'000
Income tax expense at statutory rate	4,499
Effect of different tax rate of subsidiary	3,111
Effect of tax concession of subsidiary	(7,896)
Non- allowable items	161
	(125)
Effective tax rate	nm*

* *nm – not meaningful*

The subsidiary, Anyang Jiutian, was a PRC domestic company before December 30, 2004 and was governed by the Income Tax Law of PRC concerning PRC enterprises and various local income tax laws ("PRC Income Tax Laws"). Pursuant to the PRC Income Tax Law, the subsidiary is subjected to income tax at a statutory rate of 33% on the PRC taxable income prior to December 30, 2004.

Subsequent to the interest transfer between Anhua, the six individual shareholders and the Company on December 30, 2004, the subsidiary has changed to a wholly foreign-owned enterprise ("WFOE") and is governed by the Income Tax Law of the PRC Enterprises with Foreign Investment and Foreign Enterprises and various local income tax laws (the "FIE Income Tax Laws"). Under the FIE Income Tax Laws, foreign investment enterprises ("FIE") are generally subjected to income tax at a combined rate of 33% (30% state income taxes plus 3% local income taxes) on income as reported in their statutory financial statements after appropriate tax adjustments unless the enterprise is located in specially designated regions or cities for which more favorable effective rates apply. In addition, as a manufacturing-oriented FIE, the subsidiary is also eligible to be exempted from PRC income tax for two years commencing from its first profit-making year of operations, after offsetting all unexpired tax losses brought forward from the previous years, and thereafter, entitled to a 50% relief from PRC income tax for the next three years. Pursuant to the approval issued by Anyang, Long An State Tax Bureau, the subsidiary as a FIE is approved to be exempted from income tax from 2005 to 2006 and entitled to a 50% relief from income tax from 2007 to 2009.

27 OPERATING LEASE COMMITMENTS

	Group November 30, 2004 to June 30, 2005 RMB'000
As Lessee	
Minimum lease payments under operating leases for rental of land and buildings and plant and machinery	217

At the balance sheet date, commitments in respect of non-cancellable operating leases were as follows:

	Group June 30, 2005 RMB'000
Within one year	226
In the second to fifth year inclusive	902
After five years	2,143
Total	3,271

Operating lease payments represent rental payable by the Group for certain land and buildings rented from Anhua.

As Lessor

For the financial period ended June 30, 2005, the Group rented out some of its machinery under operating leases to a non-related individual. Rental income earned for the period was RMB165,000. All of the machinery held has a committed tenant for the next five years.

At the balance sheet date, the Group has contracted with the tenant for the following future minimum lease payments as follows:

	Group June 30, 2005 RMB'0000
Within one year	330
In the second to fifth year inclusive	1,293
Total	1,623

28 CAPITAL EXPENDITURE COMMITMENTS

	Group June 30, 2005 RMB'0000
Contracted but not provided for:	
Property, plant and equipment	2,443

29 SEGMENT INFORMATION

a) Primary reporting format – Business segments

The Group's operations are organised into the following operating divisions namely:

(1) Methanol;
(2) Gas; and
(3) Dimethylformamide ("DMF").

These divisions are the basis on which the Group reports its primary business segments information.

	Methanol RMB'000	Gas RMB'000	DMF RMB'000	Corporate RMB'000	Total RMB'000
June 30, 2005					
REVENUE	28,647	977	64,831	-	94,455
RESULT					
Segment result	8,444	(37)	16,391	(995)	23,803
Interest income					17
Profit from operations					23,820
Finance cost					(1,324)
Profit before income tax					22,496
Income tax credit					125
Profit after income tax					22,621
OTHER INFORMATION					
Capital expenditure	-	-	11,305	19	11,324
Depreciation expense	1,284	85	2,106	-	3,475
Statement of Net Assets					
June 30, 2005					
Assets:					
Segment assets	16,660	469	109,536	5,676	132,341
Liabilities:					
Segment liabilities	2,938	86	50,072	55,529	108,625

b) Secondary reporting format – Geographical segment

Analysis of the Group's revenue and results and the Group's carrying amount of segment assets and additions to property, plant and equipment by geographical area in which the assets are located has not been presented as the Group's operations are situated in the PRC in which its assets and customers are located and revenue was derived principally therefrom. Accordingly, no geographical segments were presented.

30 SUBSEQUENT EVENTS

Subsequent to year end,

(a) the subsidiary signed an entrusted loan agreement with The Agricultural Bank of China to obtain an entrusted loan from Anyang Construction Investment Co., Ltd., and pursuant to such agreement, The Agricultural Bank of China has advanced to the subsidiary a term loan of RMB37,000,000 repayable three years from the date of the initial draw down of the loan. The borrowing carries interest at a rate of 5.76% per annum. The proceeds of this loan are used to repay the short term advances from Anyang Chemical Industry Group Co., Ltd and for the working capital of the subsidiary; and

(b) the Company increased its authorised share capital from S$10,000,000 divided into 10,000,000 ordinary shares of S$1.00 each to S$45,000,000 divided into 45,000,000 ordinary shares of S$1.00 each.

31 COMPARATIVE FIGURES

The financial statements cover the financial year since incorporation on November 30, 2004 to June 30, 2005. This being the first set of financial statements, there are no comparative figures.

ANYANG JIUTIAN FINE CHEMICAL CO., LIMITED

Auditors' Report and Financial Statements
For the six months ended 30 June 2005
(Prepared under International Financial Reporting Standards)

ANYANG JIUTIAN FINE CHEMICAL CO., LIMITED

AUDITORS' REPORT AND FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2005
(Prepared under International Financial Reporting Standards)

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AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF
ANYANG JIUTIAN FINE CHEMICAL CO., LIMITED

We have audited the accompanying balance sheet of Anyang Jiutian Fine Chemical Co., Limited (the "Company") as of 30 June 2005, and the related statement of income, changes in equity and cash flow for the six months ended 30 June 2005. These financial statements are the responsibility of the Company's management and have been prepared solely for the purpose for inclusion in the prospectus in connection with the initial public offering of Zhongguo Jiutian Chemical Pte. Ltd. in Singapore. Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 30 June 2005, and the results of its operations and its cash flows for the six months ended 30 June 2005, in accordance with International Financial Reporting Standards.

Deloitte Touche Tohmatsu CPA Ltd.

Deloitte Touche Tohmatsu Certified Public Accountants Ltd.
Beijing, 24 November 2005

ANYANG JIUTIAN FINE CHEMICAL CO., LIMITED

INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2005
(Prepared under International Financial Reporting Standards)

	NOTES	Six months ended 30 June 2005 RMB	2004 RMB (unaudited)
Revenue	7	94,455,478	40,520,443
Cost of sales		(67,067,959)	(39,317,795)
Gross profit		27,387,519	1,202,648
Other operating income		147,990	79,394
Selling and distribution expenses		(130,885)	(507,896)
Administrative expenses		(2,594,221)	(2,798,349)
Profit (loss) from operations	8	24,810,403	(2,024,203)
Finance costs	9	(1,008,888)	(604,520)
Profit (loss) before tax		23,801,515	(2,628,723)
Income tax credit	10	125,102	710,378
Profit (loss) for the period		23,926,617	(1,918,345)

See accompanying notes to financial statements.

ANYANG JIUTIAN FINE CHEMICAL CO., LIMITED

BALANCE SHEET
AS AT 30 JUNE 2005
(Prepared under International Financial Reporting Standards)

	NOTES	30/6/2005 RMB	31/12/2004 RMB
ASSETS			
Non-current assets			
Property, plant and equipment	11	101,179,102	93,348,619
Land use rights	12	2,388,492	-
Deferred tax assets	17	579,318	454,216
		104,146,912	93,802,835
Current assets			
Inventories	13	1,846,702	1,289,190
Trade and other receivables	14	12,242,148	2,907,891
Land use rights	12	129,108	-
Bank balances and cash	14	7,777,081	3,063,872
		21,995,039	7,260,953
Total assets		126,141,951	101,063,788
EQUITY AND LIABILITIES			
Capital and reserves			
Paid-in capital	15	46,310,000	46,310,000
Capital reserve	16	4,960,000	4,960,000
Accumulated profits (losses)		21,776,676	(2,149,941)
		73,046,676	49,120,059
Non-current liabilities			
Deferred income	19	1,002,941	1,035,294
Current liabilities			
Trade and other payables	18	11,269,490	6,377,533
Advance from ACIG	23	28,560,000	38,560,000
Amounts due to ACIG	23	8,588,312	2,122,525
Income tax liabilities		3,674,532	3,848,377
		52,092,334	50,908,435
Total equity and liabilities		126,141,951	101,063,788

See accompanying notes to financial statements.

ANYANG JIUTIAN FINE CHEMICAL CO., LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2005
(Prepared under International Financial Reporting Standards)

	Paid-in capital RMB	Capital reserve RMB (Note 16)	Accumulated profits (losses) RMB	Total RMB
Balance at 1 January 2005	46,310,000	4,960,000	(2,149,941)	49,120,059
Profit for the period	-	-	23,926,617	23,926,617
Balance at 30 June 2005	46,310,000	4,960,000	21,776,676	73,046,676
(Unaudited)				
Balance at 1 January 2004	26,280,000	4,960,000	(3,598,523)	27,641,477
Loss for the period	-	-	(1,918,345)	(1,918,345)
Balance at 30 June 2004	26,280,000	4,960,000	(5,516,868)	25,723,132

See accompanying notes to financial statements.

ANYANG JIUTIAN FINE CHEMICAL CO., LIMITED

CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2005
(Prepared under International Financial Reporting Standards)

	Six months ended 30 June	
	2005	2004
	RMB	RMB
		(unaudited)
OPERATING ACTIVITIES		
Profit (loss) for the period	23,926,617	(1,918,345)
Adjustments for:		
Depreciation of property, plant and equipment	3,474,715	2,061,009
Interest expense	1,008,888	604,520
Allowance for bad and doubtful debts	110,375	-
Income tax credit	(125,102)	(710,378)
Interest income	(16,962)	(19,541)
Amortisation of deferred income	(32,353)	(32,353)
Operating cash flows before movements in working capital	28,346,178	(15,088)
Increase in inventories	(557,512)	(740,420)
Increase in trade and other receivables	(10,144,632)	(1,689,525)
Increase in amount due to ACIG	2,508,299	19,537,450
Decrease in trade and other payables	(96,829)	(7,143,396)
Cash generated from operations	20,055,504	9,949,021
Income taxes paid	(173,845)	-
NET CASH FROM OPERATING ACTIVITIES	19,881,659	9,949,021
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(5,185,412)	(4,331,427)
Interest received	16,962	19,541
NET CASH USED IN INVESTING ACTIVITIES	(5,168,450)	(4,311,886)
FINANCING ACTIVITIES		
Repayment of borrowing from ACIG	(10,000,000)	(14,000,000)
New loan raised	-	1,000,000
NET CASH USED IN FINANCING ACTIVITIES	(10,000,000)	(13,000,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,713,209	(7,362,865)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	3,063,872	11,912,739
CASH AND CASH EQUIVALENTS AT END OF PERIOD BANK BALANCES AND CASH	7,777,081	4,549,874

See accompanying notes to financial statements.

ANYANG JIUTIAN FINE CHEMICAL CO., LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2005
(Prepared under International Financial Reporting Standards)

1. GENERAL

Anyang Jiutian Fine Chemical Co., Limited 安阳九天精细化工有限责任公司 (the "Company") was established in Anyang, Henan Province, People's Republic of China ("PRC") by Anyang Chemical Industry Group Co., Ltd. 安阳化学工业集团有限公司 ("ACIG") and six individual shareholders ("Party B") as a state-owned enterprise on 28 December 2001. The principal activities of the Company are production and sale of methanol, methylamine, DMF, oxygen and carbon dioxide gas. The Company commenced operations in January 2004.

On 15 December 2004, ACIG injected the net assets in Anyang Chemical Industry Group Co., Limited - Gas Branch ("ACIG Gas Branch") and Anyang Chemical Industry Group Co., Limited - Methanol Branch ("ACIG Methanol Branch") as capital contribution to the Company.

On 30 December 2004, the Company's then shareholders transferred all their interests to Zhongguo Jiutian Chemical Pte. Ltd. 中国九天化工私人有限公司 ("ZJCP") which is registered in Singapore. The registered capital of the Company is US$6,000,000. Subsequent to the interest transfer, the Company has been changed to a wholly foreign owned enterprise with an approved operating period of 20 years.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

At 30 June 2005, the Company's current liabilities exceeded current assets by RMB30,097,295. The financial statements have been prepared on a going concern basis as the management is of the opinion that the Company has obtained continuing and sufficient banking facilities to meet its liabilities as and when they fall due. Accordingly, the financial statements have been prepared on a going concern basis.

3. PRESENTATION OF FINANCIAL STATEMENTS

The Company maintains its accounting records and prepares its statutory financial statements in accordance with accounting standards and regulations of the PRC that are applicable to the Company.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") to show the financial positions of the Company as at 30 June 2005 and its results for the period then ended and solely for the purpose of inclusion in the prospectus in connection with the initial public offering of Zhongguo Jiutian Chemical Pte. Ltd. in Singapore. The basis of accounting under IFRS differs in certain respects from that used in the preparation of the Company's statutory financial statements. In preparing these IFRS financial statements, appropriate adjustments, which are not taken up in the accounting records of the Company, have been made to the Company's statutory financial statements.

These financial statements are presented in Renminbi ("RMB") since that is the currency in which the majority of the Company's transactions are denominated.

ANYANG JIUTIAN FINE CHEMICAL CO., LIMITED

4. ADOPTION OF NEW AND REVISED IFRS

In the current period, the Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2005. The adoption of these new and revised Standards and Interpretations has no material effect on the amounts reported for the current or prior periods.

At the date of approval of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

IFRS 6 Exploration for and Evaluation of Mineral Resources

IFRS 7 Financial Instruments: Disclosures

IFRIC 3 Emission Rights

IFRIC 4 Determining whether an Arrangement Contains a Lease

IFRIC 5 Right to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

IFRIC 6 Liabilities Arising from Participating in a Specific Market - Waste Electric and Electronic Equipment

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company.

5. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared on the historical cost basis.

The principal accounting policies adopted are set out below.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods delivered in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Business combinations

The acquisition of a business is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity issued by the Company in exchange for control of the acquired business, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition are recognised at their fair values at the acquisition date.

5. SIGNIFICANT ACCOUNTING POLICIES - continued

Business combinations - continued

Goodwill arising on the acquisition of a business represents the excess of the cost of acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the business recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment loss. Any excess of the Company's share of net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Company as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs and are deducted in reporting the related expense. Grants related to depreciable assets are presented as deferred income and are released to income over the useful lives of the assets.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Retirement benefit costs

The employees of the Company are members of State-managed retirement benefit schemes, the Company's obligations under which are equivalent to those arising in a defined contribution retirement benefit plan. Payments made to State-managed retirement benefit schemes are charged as expenses as they fall due.

5. SIGNIFICANT ACCOUNTING POLICIES - continued

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Other items of property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

5. SIGNIFICANT ACCOUNTING POLICIES - continued

Property, plant and equipment - continued

Depreciation is charged so as to write off the cost of assets, other than properties under construction, over their estimated useful lives, using the straight-line method, on the following bases:

Buildings	15 - 40 years
Motor vehicles	8 years
Machinery and equipment	5 - 28 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Land use rights

The prepayment made on acquiring a land use right in the PRC represents prepaid lease payments and it is accounted for as an operating lease. The industrial prepaid lease payment is released to the income statement on a straight-line basis over the lease term.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible 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 Company 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. Impairment losses are recognised as an expense immediately.

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 reversal of an impairment loss is recognised as income immediately.

5. SIGNIFICANT ACCOUNTING POLICIES - continued

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Company's accounting policy for borrowing costs (see above).

Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

6. KEY SOURCE OF ESTIMATION UNCERTAINTY

The Company makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets are discussed below.

Depreciation 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 value. The Company assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimate, such difference will impact the depreciation in the year/period in which such estimate has been changed.

Impairment of property, plant and equipment

The Company assesses annually whether property, plant and equipment have any indication of impairment in accordance with the accounting policy. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations. These calculations require the use of judgment and estimates.

Allowances for bad and doubtful debts

The Company makes allowances for bad and doubtful debts based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of trade and other receivables and doubtful debts expenses in the period in which such estimate has been changed.

7. REVENUE

Revenue represents the amount received or receivable from the sales of goods, net of sales return and sales tax, during the periods.

An analysis of the Company's revenue from its principal activities is as follows:

	Six months ended 30 June	
	2005	2004
	RMB	RMB
		(unaudited)
Sales of goods	94,455,478	40,580,826
Less: Sales tax	-	(60,383)
	94,455,478	40,520,443

ANYANG JIUTIAN FINE CHEMICAL CO., LIMITED

8. PROFIT (LOSS) FROM OPERATIONS

Profit (loss) from operations has been arrived at after charging (crediting):

	Six months ended 30 June	
	2005	2004
	RMB	RMB
		(unaudited)
Staff costs		
Contribution to retirement benefit plan	270,417	134,230
Other staff costs	2,481,309	2,552,447
	2,751,726	2,686,677
Allowance for bad and doubtful debts	110,375	-
Depreciation of property, plant and equipment	3,474,715	2,061,009
Interest income	(16,962)	(19,541)
Government grant (Note 19)	(32,353)	(32,353)

9. FINANCE COSTS

	Six months ended 30 June	
	2005	2004
	RMB	RMB
		(unaudited)
Interest on borrowings	1,008,888	604,520

10. INCOME TAX CREDIT

	Six months ended 30 June	
	2005	2004
	RMB	RMB
		(unaudited)
PRC income tax for the period	-	-
Deferred tax credit (Note 17)	125,102	710,378
	125,102	710,378

The Company was a PRC domestic company before 30 December 2004 and was governed by the Income Tax Law of the PRC concerning PRC Enterprises and various local income tax laws (the "PRC Income Tax Laws"). Pursuant to the PRC Income Tax Laws, enterprises are subject to income tax at a statutory rate of 33% on the PRC taxable income.

ANYANG JIUTIAN FINE CHEMICAL CO., LIMITED

10. INCOME TAX CREDIT - continued

Subsequent to the interest transfer between ACIG, Party B and ZJCP on 30 December 2004 (Note 1), the Company has changed to a wholly owned foreign enterprise ("WOFE") and is governed by Income Tax Law of the PRC Enterprises with Foreign Investment and Foreign Enterprises and various local income tax laws (the "FIE Income Tax Laws"). Under the FIE Income Tax Laws, foreign investment enterprises ("FIE") are generally subject to income tax at a combined rate of 33% (30% state income taxes plus 3% local income taxes) on income as reported in their statutory financial statements after appropriate tax adjustments unless the enterprise is located in specially designated regions or cities for which more favorable effective rates apply. In addition, as a manufacturing-oriented FIE, the Company is also eligible to be exempted from PRC income tax for two years commencing from its first profit-making year of operations, after offsetting all unexpired tax losses brought forward from the previous years, and thereafter, entitled to a 50% relief from PRC income tax for the next three years.

Pursuant to the approval issued by Anyang, Long An State Tax Bureau, the Company as a FIE is approved to be exempted from income tax from 2005 to 2006 and entitled to a 50% relief from income tax from 2007 to 2009.

The income tax credit can be reconciled to the profit (loss) per the income statement as follows:

	Six months ended 30 June			
	2005		2004	
	RMB	%	RMB (unaudited)	%
Profit (loss) before tax	23,801,515		(2,628,723)	
Tax at applicable income tax rate of 33%	7,854,500	33	(867,479)	33
Tax effect of expenses that are not deductible in determining taxable profit	15,918	-	157,101	(6)
Tax effect of tax losses/deferred tax assets not recognised	(36,424)	(1)	-	-
Tax effect of difference at concessionary rate	(7,959,096)	(33)	-	-
Tax credit and effective tax rate for the period	(125,102)	(1)	(710,378)	27

ANYANG JIUTIAN FINE CHEMICAL CO., LIMITED

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB	Motor vehicles RMB	Machinery and equipment RMB	Properties under construction RMB	Total RMB
COST					
At 1 January 2004	18,346,657	-	51,726,278	851,091	70,924,026
Addition (unaudited)	-	112,467	529,139	1,098,562	1,740,168
Transfer (unaudited)	-	-	184,111	(184,111)	-
At 30 June 2004 (unaudited)	18,346,657	112,467	52,439,528	1,765,542	72,664,194
Addition (unaudited)	-	1,653,075	265,288	6,531,466	8,449,829
Transfer (unaudited)	-	-	-	-	-
Capital injection	-	117,097	16,354,647	-	16,471,744
At 31 December 2004	18,346,657	1,882,639	69,059,463	8,297,008	97,585,767
Addition	-	-	183,964	11,121,234	11,305,198
Transfer	27,187	-	19,391,055	(19,418,242)	-
At 30 June 2005	18,373,844	1,882,639	88,634,482	-	108,890,965
DEPRECIATION					
At 1 January 2004	-	-	-	-	-
Charge for the period (unaudited)	366,163	103,201	1,591,645	-	2,061,009
At 30 June 2004 (unaudited)	366,163	103,201	1,591,645	-	2,061,009
Charge for the period (unaudited)	366,162	99,313	1,710,664	-	2,176,139
At 31 December 2004	732,325	202,514	3,302,309	-	4,237,148
Charge for the period	366,695	113,553	2,994,467	-	3,474,715
At 30 June 2005	1,099,020	316,067	6,296,776	-	7,711,863
CARRYING AMOUNT					
At 1 January 2004	18,346,657	-	51,726,278	851,091	70,924,026
At 30 June 2004 (unaudited)	17,980,494	9,266	50,847,883	1,765,542	70,603,185
At 31 December 2004	17,614,332	1,680,125	65,757,154	8,297,008	93,348,619
At 30 June 2005	17,274,824	1,566,572	82,337,706	-	101,179,102

12. LAND USE RIGHTS

	RMB
CARRYING VALUE	
Addition during the period	2,517,600
Balance at 30 June 2005	2,517,600
Less: portion to be charged to income statement in the next year under current assets	(129,108)
Amount due after one year	2,388,492

The amount represents the prepayment of leases for land use rights situated in the PRC for a period of 19.5 years, the shorter between remaining operation period and leasing period.

ANYANG JIUTIAN FINE CHEMICAL CO., LIMITED

13. INVENTORIES

	30/6/2005 RMB	31/12/2004 RMB
Finished goods	1,846,702	1,289,190

The inventories are stated at cost as at 30 June 2005 and 31 December 2004.

14. OTHER FINANCIAL ASSETS

Trade and other receivables mainly comprise amounts receivable from operations of RMB7,381,162 (31 December 2004: RMB2,752,340), deposits and prepayments to its suppliers of RMB4,971,361 (31 December 2004: RMB155,551).

An allowance has been made for estimated irrecoverable amounts arose from the sale of goods of RMB110,375 (31 December 2004: nil) as at the period end. The allowance has been determined by reference to past default experience.

The Company generally accepts cash sales, bankers acceptances or receives cash in advance on sales of goods.

The directors consider that the carrying amount of trade and other receivables and amounts due from related companies approximates to their fair value.

Bank balances and cash comprise cash and short-term deposits held by the Company with an original maturity of three months or less. The carrying amount of these assets approximates to their fair value.

Credit risk

The Company's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Company's management based on prior experience and the current economic environment.

The credit risk on liquid funds is limited because the counterparties are State owned banks in the PRC.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

ANYANG JIUTIAN FINE CHEMICAL CO., LIMITED

15. PAID-IN CAPITAL

	30/6/2005 and 31/12/2004	
	RMB	%
Paid-in capital		
ZJCP	46,310,000	100

Registered capital of the Company was RMB26,280,000 as at 30 June 2004 and had been verified by Anyang Fangzheng Certified Public Accountants in their capital verification report of Fangzheng Yanzi [2001] No.143. It has been increased to US$6,000,000 on 30 December 2004.

On 15 December 2004, ACIG completed its capital injection in the Company by the means of transferring the net assets of its Methanol Branch and Gas Branch. A paid-in capital amount of RMB20,030,000 has been credited according to the regulatory requirement prevailing in the PRC and the capital injection had been verified by Anyang Fangzheng Certified Public Accountants in their capital verification report of Fangzheng Yanzi [2004] No.71.

On 30 December 2004, the Company's then shareholders transferred all their interests in the Company to ZJCP which is registered in Singapore. The paid up capital increased to US$6,000,000 according to the capital verification report of Fangzheng Yanzi [2005] No. 15 and No. 27, issued by Anyang Fangzheng Certificated Public Accountants.

16. CAPITAL RESERVE

In 2003, the Company's shareholders at that time agreed to take over the payable amount of RMB4,960,000 in the general meeting held on 10 December 2003 to support the operation of the Company. This additional contribution was credited as capital reserve of the Company.

According to the Company Law of the PRC, in normal circumstances, the capital reserve shall only be used for making up losses or capitalisation into share capital of the Company.

17. DEFERRED TAX

The following are the major deferred tax assets recognised by the Company and movements thereon during the periods:

	Accelerated depreciation RMB	Pre-operating expenses RMB	Government grant RMB	Tax losses RMB	Total RMB
At 1 January 2004	-	207,436	285,353	-	492,789
Credit (charge) to profit or loss for the period (unaudited)	45,718	(54,328)	(10,676)	729,664	710,378
At 30 June 2004 (unaudited)	45,718	153,108	274,677	729,664	1,203,167
Credit (charge) to profit or loss for the period (unaudited)	45,719	(54,329)	(10,677)	(729,664)	(748,951)
At 31 December 2004	91,437	98,779	264,000	-	454,216
Credit to profit or loss for the period	125,102	-	-	-	125,102
At 30 June 2005	216,539	98,779	264,000	-	579,318

ANYANG JIUTIAN FINE CHEMICAL CO., LIMITED

18. OTHER FINANCIAL LIABILITIES

Trade and other payables, including the amount due to ACIG, principally comprise amounts outstanding for trade purchases and ongoing costs.

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

19. DEFERRED INCOME

	RMB
At 1 January 2004	1,100,000
Released to income statement (unaudited)	(32,353)
At 30 June 2004 (unaudited)	1,067,647
Released to income statement (unaudited)	(32,353)
At 31 December 2004	1,035,294
Released to income statement	(32,353)
At 30 June 2005	1,002,941

The amount represents government subsidy received for financing a technology improvement project from the local municipal governments. The grants were recorded as deferred income in the balance sheet and to be credited to the income statement on a straight-line basis over the expected useful lives of the related assets.

20. CAPITAL COMMITMENTS

	30/06/2005 RMB	31/12/2004 RMB
Commitments for the acquisition of property, plant and equipment	-	1,708,000

21. OPERATING LEASE ARRANGEMENTS

The Company as lessee

	Six months ended 30 June	
	2005 RMB	2004 RMB (unaudited)
Minimum lease payments under operating leases recognised as an expense in the period	216,770	-

21. OPERATING LEASE ARRANGEMENTS - continued

The Company as lessee - continued

At the balance sheet dates, the Company had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	30/6/2005 RMB	31/12/2004 RMB
Within one year	225,539	104,000
In the second to fifth year inclusive	902,156	-
Over five years	2,142,621	-
	3,270,316	104,000

Operating lease payments represent rentals payable by the Company for certain land and buildings rented from ACIG.

The Company as lessor

The Company rents some of its machinery with a net book value of RMB1,452,894 (2004 (unaudited): RMB1,673,587) under operating leases. Rental income earned during the six months ended 30 June 2005 was RMB165,000 (2004 (unaudited): RMB27,500).

All of the above machinery held have committed tenants for the next five years.

At the balance sheet date, the Company has contracted with tenants for the following future minimum lease payments:

	30/6/2005 RMB	31/12/2004 RMB
Within one year	330,000	330,000
In the second to fifth years inclusive	1,292,500	1,320,000
After five years	-	137,500
	1,622,500	1,787,500

22. RETIREMENT BENEFIT PLAN

The employees of the Company are members of a State-managed retirement benefit scheme operated by local government. The Company is required to contribute a specified percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Company with respect to the retirement benefit scheme is to make the specified contributions.

ANYANG JIUTIAN FINE CHEMICAL CO., LIMITED

23. TRANSACTIONS WITH ACIG

ACIG was a shareholder of the Company before 30 December 2004, when ACIG transferred all its interest in the Company to ZJCP. The transactions between ACIG and the Company during the six months ended 30 June 2005 are set out as below.

(a) During the periods, the Company entered into the following transactions with ACIG.

	Six months ended 30 June	
	2005	2004
	RMB	RMB
		(unaudited)
ACIG		
Purchase of goods	51,448,741	19,617,934
Purchase of power supplies	9,336,232	1,938,600
Purchase of property, plant and equipment	1,989,714	641,606
Sales of goods	14,700	-
Acquisition of land use right	2,517,600	-
Interest expenses	1,008,888	604,520
Rental expenses	216,770	-
Management fee	-	2,200,524
ACIG Methanol Branch		
Purchase of goods	-	17,595,521

The Company entered into a 20 - year raw materials and spare parts purchase agreement with ACIG on 1 January 2005. The terms are mutually agreed by both parties and the price will be update based on market price every three years.

The Company acquired land use rights from ACIG at RMB2,517,600, based on the fair value verified by a PRC qualified valuer, Anyang Jintu Land Valuation Co., Ltd. 安阳市金土地价评估事务所有限责任公司. The terms of the transaction were mutually agreed by the relevant parties and approved by Anyang State Land Resource Bureau.

(b) At the balance sheet dates, the Company had the following balances with ACIG and its subsidiary.

	Amounts due to ACIG	
	30/6/2005	31/12/2004
	RMB	RMB
ACIG	8,581,412	2,115,625
Subsidiary of ACIG	6,900	6,900
	8,588,312	2,122,525

The amounts due to ACIG and its subsidiary are unsecured, interest free and repayable on demand.

23. TRANSACTIONS WITH ACIG - continued

(c) Advance from ACIG

At the balance sheet dates, there is an advance received from ACIG of the amount RMB28,560,000 and RMB38,560,000 respectively as at 30 June 2005 and 31 December 2004. The advance bears interest at 5.58% and 4.20% respectively for the six months ended 30 June 2005 and the year ended 31 December 2004.

(d) Cash held on behalf of ACIG

Pursuant to the Agreement in Relationship to Funds in Escrow Account, the Company holds US$6,000,000 on behalf of ACIG. According to the arrangement, ACIG retains the ultimate right and title over the amount held by the Company on its behalf.

24. DIRECTORS' AND EXECUTIVES' REMUNERATION

The remuneration of directors and other members of key management for the six months ended 30 June 2005 were as follows:

	Six months ended 30 June	
	2005	2004
	RMB	RMB
		(unaudited)
Salaries	18,074	6,563
Contributions paid to State-managed retirement benefit scheme	3,054	762
	21,128	7,325

25. SUBSEQUENT EVENT

On 20 September 2005, the Company signed an entrusted loan agreement with The Agricultural Bank of China to obtain an entrusted loan from 安阳市建设投资有限责任公司 Anyang Construction Investment Co., Ltd., and pursuant to such agreement, The Agricultural Bank of China has advanced to the Company a term loan of RMB37,000,000 repayable three years from the date of the initial draw down of the loan. The borrowing carries interest at a rate of 5.76% per annum. The proceeds of this loan are used to repay the short term advances from ACIG and for the working capital of the Company.

26. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorised for issue on 24 November 2005.

ANNEX H: AUDITORS' REPORT AND FINANCIAL STATEMENTS OF ANYANG JIUTIAN FINE CHEMICAL CO., LIMITED FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2002, 2003 AND 2004

ANYANG JIUTIAN FINE CHEMICAL CO., LIMITED

Auditors' Report and Financial Statements
For each of the three years ended 31 December 2002, 2003 and 2004
(Prepared under International Financial Reporting Standards)

ANYANG JIUTIAN FINE CHEMICAL CO., LIMITED

AUDITORS' REPORT AND FINANCIAL STATEMENTS
FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2002, 2003 AND 2004
(Prepared under International Financial Reporting Standards)

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R 05-073

AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF
ANYANG JIUTIAN FINE CHEMICAL CO., LIMITED

We have audited the accompanying balance sheets of Anyang Jiutian Fine Chemical Co., Limited (the "Company") as of 31 December 2002, 2003 and 2004, and the related statements of income, changes in equity and cash flows for each of the three years ended 31 December 2002, 2003 and 2004. These financial statements are the responsibility of the Company's management and have been prepared solely for the purpose of inclusion in the prospectus in connection with initial public offering of Zhongguo Jiutian Chemical Pte. Ltd. in Singapore. Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2002, 2003 and 2004, and the results of its operations and its cash flows for each of the three years ended 31 December 2004, in accordance with International Financial Reporting Standards.

Deloitte Touche Tohmatsu CPA Ltd.

Deloitte Touche Tohmatsu Certified Public Accountants Ltd.
Beijing, 24 November 2005

ANYANG JIUTIAN FINE CHEMICAL CO., LIMITED

INCOME STATEMENTS
FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2002, 2003 AND 2004
(Prepared under International Financial Reporting Standards)

	NOTES	2004 RMB	2003 RMB	2002 RMB
Revenue	6	87,548,063	-	-
Cost of sales		(79,158,326)	-	-
Gross profit		8,389,737	-	-
Other operating income		359,700	72,700	72,481
Selling and distribution expenses		(638,757)	-	-
Administrative expenses		(3,652,395)	(1,656,006)	(349,677)
Profit (loss) from operations	7	4,458,285	(1,583,306)	(277,196)
Finance costs	8	(1,120,000)	(183,100)	-
Profit (loss) before tax		3,338,285	(1,766,406)	(277,196)
Income tax expense	9	(1,889,703)	(1,484,236)	(70,685)
Net profit (loss) for the year		1,448,582	(3,250,642)	(347,881)

See accompanying notes to financial statements.

ANYANG JIUTIAN FINE CHEMICAL CO., LIMITED

BALANCE SHEETS
AS AT 31 DECEMBER 2002, 2003 AND 2004
(Prepared under International Financial Reporting Standards)

	NOTES	2004 RMB	2003 RMB	2002 RMB
ASSETS				
Non-current assets				
Property, plant and equipment	10	93,348,619	70,924,026	13,743,499
Available-for-sale investments	11	-	4,600,000	4,600,000
Deferred tax assets	16	454,216	492,789	316,234
		93,802,835	76,016,815	18,659,733
Current assets				
Inventories	12	1,289,190	-	-
Trade and other receivables	13	2,907,891	3,093,767	84,606
Amount due from a related party	23	-	2,125,200	1,401,189
Bank balances and cash	13	3,063,872	11,912,739	23,525,790
		7,260,953	17,131,706	25,011,585
Total assets		101,063,788	93,148,521	43,671,318
EQUITY AND LIABILITIES				
Capital and reserves				
Paid-in capital	14	46,310,000	26,280,000	26,280,000
Capital reserve	15	4,960,000	4,960,000	-
Accumulated losses		(2,149,941)	(3,598,523)	(347,881)
		49,120,059	27,641,477	25,932,119
Non-current liabilities				
Deferred income	18	1,035,294	1,100,000	1,100,000
Current liabilities				
Trade and other payables	17	6,377,533	23,227,795	8,632,280
Advance from a related party	23	38,560,000	37,120,000	7,620,000
Amounts due to related parties	23	2,122,525	2,011,539	-
Income tax liabilities		3,848,377	2,047,710	386,919
		50,908,435	64,407,044	16,639,199
Total equity and liabilities		101,063,788	93,148,521	43,671,318

See accompanying notes to financial statements.

ANYANG JIUTIAN FINE CHEMICAL CO., LIMITED

STATEMENTS OF CHANGES IN EQUITY
FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2002, 2003 AND 2004
(Prepared under International Financial Reporting Standards)

	Paid-in capital RMB	Capital reserve RMB (Note 15)	Accumulated losses RMB	Total RMB
Balance at 1 January 2002	26,280,000	-	-	26,280,000
Net loss for the year	-	-	(347,881)	(347,881)
Balance at 31 December 2002	26,280,000	-	(347,881)	25,932,119
Additional contribution from shareholders	-	4,960,000	-	4,960,000
Net loss for the year	-	-	(3,250,642)	(3,250,642)
Balance at 31 December 2003	26,280,000	4,960,000	(3,598,523)	27,641,477
Capital injection	20,030,000	-	-	20,030,000
Net profit for the year	-	-	1,448,582	1,448,582
Balance at 31 December 2004	46,310,000	4,960,000	(2,149,941)	49,120,059

See accompanying notes to financial statements.

ANYANG JIUTIAN FINE CHEMICAL CO., LIMITED

CASH FLOW STATEMENTS
FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2002, 2003 AND 2004
(Prepared under International Financial Reporting Standards)

	2004 RMB	2003 RMB	2002 RMB
OPERATING ACTIVITIES			
Profit (loss) from operations	4,458,285	(1,583,306)	(277,196)
Adjustments for:			
Depreciation of property, plant and equipment	4,237,148	-	-
Interest income	(28,058)	(72,700)	(72,481)
Amortisation of deferred income	(64,706)	-	-
Operating cash flows before movements in working capital	8,602,669	(1,656,006)	(349,677)
Increase in inventories	(676,000)	-	-
Decrease (increase) in trade and other receivables	2,193,528	(3,009,161)	(84,606)
(Decrease) increase in trade and other payables	(9,619,368)	3,795,874	8,086,241
Advance from related parties	2,125,200	2,011,539	-
Repayment from (advance to) a related party	1,609,829	(724,011)	(1,401,189)
Cash generated from operations	4,235,858	418,235	6,250,769
Income taxes paid	(50,463)	-	-
NET CASH FROM OPERATING ACTIVITIES	4,185,395	418,235	6,250,769
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(19,102,320)	(40,584,989)	(13,089,421)
Disposal of available-for-sale investments	4,600,000	-	-
Interest received	28,058	72,700	72,481
Purchase of available-for-sale investments	-	-	(4,600,000)
NET CASH USED IN INVESTING ACTIVITIES	(14,474,262)	(40,512,289)	(17,616,940)
FINANCING ACTIVITIES			
New loans raised	17,440,000	29,500,000	7,620,000
Repayments of borrowings	(16,000,000)	-	-
Interest paid	-	(1,018,997)	(108,039)
Government grant received	-	-	1,100,000
NET CASH FROM FINANCING ACTIVITIES	1,440,000	28,481,003	8,611,961
NET DECREASE IN CASH AND CASH EQUIVALENTS	(8,848,867)	(11,613,051)	(2,754,210)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	11,912,739	23,525,790	26,280,000
CASH AND CASH EQUIVALENTS AT END OF YEAR	3,063,872	11,912,739	23,525,790
NON-CASH TRANSACTION			
Additional contribution made by shareholders by taking over certain liabilities from the Company (Note 15)	-	4,960,000	-

See accompanying notes to financial statements.

ANYANG JIUTIAN FINE CHEMICAL CO., LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2002, 2003 AND 2004
(Prepared under International Financial Reporting Standards)

1. GENERAL

Anyang Jiutian Fine Chemical Co., Limited 安阳九天精细化工有限责任公司 (the "Company") was established in Anyang, Henan Province, People's Republic of China ("PRC") by Anyang Chemical Industry Group Co., Ltd. 安阳化学工业集团有限公司 ("ACIG") and six individual shareholders ("Party B") as a state-owned enterprise on 28 December 2001. The principal activities of the Company are production and sale of methanol, methylamine, DMF, oxygen and carbon dioxide gas. The Company commenced operations in January 2004. The average number of employees of the Company for each of the three years ended 31 December 2002, 2003 and 2004 were 95, 112 and 288, respectively.

On 15 December 2004, ACIG injected the net assets in Anyang Chemical Industry Group Co., Limited - Gas Branch ("ACIG Gas Branch") and Anyang Chemical Industry Group Co., Limited - Methanol Branch ("ACIG Methanol Branch") as capital contribution to the Company.

On 30 December 2004, the Company's then shareholders transferred all their interests to Zhongguo Jiutian Chemical Pte. Ltd. 中国九天化工私人有限公司 ("ZJCP") which is registered in Singapore. The registered capital of the Company is US$6,000,000. Subsequent to the interest transfer, the Company has been changed to a wholly foreign owned enterprise with an approved operating period of 20 years.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

At 31 December 2004, the Company's accumulated losses were RMB2,149,941 and current liabilities exceeded current assets by RMB43,647,482. The financial statements have been prepared on a going concern basis as the management is of the opinion that ACIG will not require the Company to repay the due debts in the foreseeable future and the Company has obtained continuing and sufficient banking facilities to meet its liabilities as and when they fall due. Accordingly, the financial statements have been prepared on a going concern basis.

3. PRESENTATION OF FINANCIAL STATEMENTS

The Company maintains its accounting records and prepares its statutory financial statements in accordance with accounting standards and regulations of the PRC that are applicable to the Company.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") to show the financial positions of the Company as at 31 December 2004, 2003 and 2002 and its results for each of the years then ended and solely for the purpose of inclusion in the prospectus in connection with initial public offering of Zhongguo Jiutian Chemical Pte. Ltd. in Singapore. The basis of accounting under IFRS differs in certain respects from that used in the preparation of the Company's statutory financial statements. In preparing these IFRS financial statements, appropriate adjustments, which are not taken up in the accounting records of the Company, have been made to the Company's statutory financial statements.

These financial statements are presented in Renminbi ("RMB") since that is the currency in which the majority of the Company's transactions are denominated.

4. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In 2004, the International Accounting Standard Board issued a number of new or revised IFRSs (herein collectively referred to as "new IFRSs") which are effective for accounting periods beginning on or after 1 January 2005.

The Company has commenced considering the potential impact of those new IFRSs but is not yet in a position to determine whether those IFRSs would have a significant impact on how its results of operation and financial position are prepared and presented. Those new IFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

5. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared on the historical cost basis.

The principal accounting policies adopted are set out below.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Business combinations

The acquisition of a business is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity issued by the Company in exchange for control of the acquired business, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition are recognised at their fair values at the acquisition date.

Goodwill arising on the acquisition of a business represents the excess of the cost of acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the business recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment loss. Any excess of the Company's share of net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

ANYANG JIUTIAN FINE CHEMICAL CO., LIMITED

5. SIGNIFICANT ACCOUNTING POLICIES - continued

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Company as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs and are deducted in reporting the related expense. Grants related to depreciable assets are presented as deferred income and are released to income over the useful lives of the assets.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Retirement benefit costs

The employees of the Company are members of State-managed retirement benefit schemes, the Company's obligations under which are equivalent to those arising in a defined contribution retirement benefit plan. Payments made to State-managed retirement benefit schemes are charged as expenses as they fall due.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

5. SIGNIFICANT ACCOUNTING POLICIES - continued

Taxation - continued

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

Properties in the course of construction for production, rental or administrative purposes or for purposes not yet determined, are carried at cost, less any impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Other items of property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of assets, other than properties under construction, over their estimated useful lives, using the straight-line method, on the following bases:

Buildings	15 - 40 years
Motor vehicles	8 years
Machinery and equipment	5 - 28 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

ANYANG JIUTIAN FINE CHEMICAL CO., LIMITED

5. SIGNIFICANT ACCOUNTING POLICIES - continued

Investments

Investments are recognised on a trade-date basis and are initially measured at cost including transaction costs.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as either held-for-trading or available-for-sale, and are measured at subsequent reporting dates at fair value except for any financial assets that do not have a quoted market price in an active market and for which fair value cannot be reliably measured. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in net profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period. For available-for-sale investments that do not have a quoted market price and the fair value cannot be reliably measured, the investment is measured at cost less impairment at subsequent reporting dates.

Impairment

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible 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 Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the greater of net selling price 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. Impairment losses are recognised as an expense immediately.

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 reversal of an impairment loss is recognised as income immediately.

ANYANG JIUTIAN FINE CHEMICAL CO., LIMITED

5. SIGNIFICANT ACCOUNTING POLICIES - continued

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Trade and other receivables

Trade and other receivables are stated at their nominal value, as reduced by appropriate allowances for estimated irrecoverable amounts.

Trade and other payables

Trade and other payables are stated at their nominal value.

6. REVENUE

Revenue represents the amount received or receivable from the sales of goods, net of sales return and sales tax, during the years.

An analysis of the Company's revenue from its principal activities is as follows:

	2004 RMB	2003 RMB	2002 RMB
Sales of goods	87,734,471	-	-
Less: Sales tax	(186,408)	-	-
	87,548,063	-	-

ANYANG JIUTIAN FINE CHEMICAL CO., LIMITED

7. PROFIT (LOSS) FROM OPERATIONS

Profit (loss) from operations has been arrived at after charging (crediting):

	2004 RMB	2003 RMB	2002 RMB
Staff costs			
Contribution to retirement benefit plan	268,460	-	-
Other staff costs	3,106,465	645,498	-
	3,374,925	645,498	-
Depreciation of property, plant and equipment	4,237,148	-	-
Interest income	(28,058)	(72,700)	(72,481)
Government grant (Note 18)	(64,706)	-	-

8. FINANCE COSTS

	2004 RMB	2003 RMB	2002 RMB
Interest on borrowings	1,120,000	1,018,997	108,039
Less: amounts included in the cost of qualifying assets	-	(835,897)	(108,039)
	1,120,000	183,100	-

Borrowing costs included in the cost of qualifying assets during the years arose on the actual borrowing costs incurred by the Company on such assets.

9. INCOME TAX (EXPENSE) CREDIT

	2004 RMB	2003 RMB	2002 RMB
PRC income tax for the year	(1,851,130)	(1,660,791)	(386,919)
Deferred tax (charge) credit (Note 16)	(38,573)	176,555	316,234
	(1,889,703)	(1,484,236)	(70,685)

The Company was a PRC domestic company before 30 December 2004 and was governed by the Income Tax Law of the PRC concerning PRC Enterprises and various local income tax laws (the "PRC Income Tax Laws"). Pursuant to the PRC Income Tax Laws, enterprises are subjected to income tax at a statutory rate of 33% on the PRC taxable income.

ANYANG JIUTIAN FINE CHEMICAL CO., LIMITED

9. INCOME TAX (EXPENSE) CREDIT - continued

Subsequent to the interest transfer between ACIG, Party B and ZJCP on 30 December 2004 (Note 1), the Company has changed to a wholly owned foreign enterprise and is governed by Income Tax Law of the PRC Enterprises with Foreign Investment and Foreign Enterprises and various local income tax laws (the "FIE Income Tax Laws"). Under the FIE Income Tax Laws, foreign investment enterprises ("FIE") are generally subject to income tax at a combined rate of 33% (30% state income taxes plus 3% local income taxes) on income as reported in their statutory financial statements after appropriate tax adjustments unless the enterprise is located in specially designated regions or cities for which more favorable effective rates apply. In addition, as a manufacturing-oriented FIE, the Company is also eligible to be exempted from PRC income tax for two years commencing from its first profit-making year of operations, after offsetting all unexpired tax losses brought forward from the previous years, and thereafter, entitled to a 50% relief from PRC income tax for the next three years.

Pursuant to the approval issued by Anyang, Long An State Tax Bureau, the Company as a FIE is approved to be exempted from income tax from 2005 to 2006 and entitled to a 50% relief from income tax from 2007 to 2009.

The income tax expense (credit) can be reconciled to the profit (loss) per the income statement as follows:

	2004		2003		2002	
	RMB	%	RMB	%	RMB	%
Profit (loss) before tax	3,338,285		(1,766,406)		(277,196)	
Tax at applicable income tax rate of 33%	1,101,634	33	(582,914)	33	(91,475)	33
Tax effect of additional contribution from shareholders which is subject to taxation	-	-	1,636,800	(93)	-	-
Tax effect of expenses that are not deductible in determining taxable profit	788,069	24	430,350	(24)	162,160	(59)
Tax expense and effective tax rate for the year	1,889,703	57	1,484,236	(84)	70,685	(26)

ANYANG JIUTIAN FINE CHEMICAL CO., LIMITED

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB	Motor vehicles RMB	Machinery and equipment RMB	Properties under construction RMB	Total RMB
COST					
At 1 January 2002	-	-	-	-	-
Additions	-	-	-	13,743,499	13,743,499
At 31 December 2002	-	-	-	13,743,499	13,743,499
Additions	-	-	-	57,180,527	57,180,527
Transfer	18,346,657	-	51,726,278	(70,072,935)	-
At 31 December 2003	18,346,657	-	51,726,278	851,091	70,924,026
Additions	-	1,765,542	794,427	7,630,028	10,189,997
Transfer	-	-	184,111	(184,111)	-
Capital injection	-	117,097	16,354,647	-	16,471,744
At 31 December 2004	18,346,657	1,882,639	69,059,463	8,297,008	97,585,767
DEPRECIATION					
At 1 January 2002	-	-	-	-	-
Charge for the year	-	-	-	-	-
At 31 December 2002	-	-	-	-	-
Charge for the year	-	-	-	-	-
At 31 December 2003	-	-	-	-	-
Charge for the year	732,325	202,514	3,302,309	-	4,237,148
At 31 December 2004	732,325	202,514	3,302,309	-	4,237,148
CARRYING AMOUNT					
At 31 December 2004	17,614,332	1,680,125	65,757,154	8,297,008	93,348,619
At 31 December 2003	18,346,657	-	51,726,278	851,091	70,924,026
At 31 December 2002	-	-	-	13,743,499	13,743,499

As at 31 December 2004, the Company pledged machineries having a carrying amount of approximately RMB27,863,000 to secure banking facilities granted to ACIG. Subsequently in April 2005, such pledge of assets have been released by the banks.

11. AVAILABLE-FOR-SALE INVESTMENTS

	2004 RMB	2003 RMB	2002 RMB
Unlisted investments, at cost	-	4,600,000	4,600,000

ANYANG JIUTIAN FINE CHEMICAL CO., LIMITED

11. AVAILABLE-FOR-SALE INVESTMENTS - continued

Details of the investments as at the balance sheet dates are as follows:

Investee	Place of establishment	Proportion of paid up capital held by the Company	Principal activity
Henan Linuo Biochem Co., Ltd. 河南利诺生化有限责任公司	PRC	16%	Production and sale of linolenic acid
Wuzhou International Trading Co., Ltd. 安阳五洲国际贸易有限责任公司	PRC	20%	Trading of biochem products

The available-for-sale investments comprised unlisted investments over which the Company could not exercise significant influence or control.

The fair value of these available-for-sale investments cannot be reliably determined. They are stated at cost less impairment loss.

The directors of the Company are of the opinion that the carrying value of the available-for-sale investments approximates the recoverable amount of the investments as of the balance sheet dates.

The available-for-sale investments were disposed at cost to ACIG during the year 2004.

12. INVENTORIES

	2004 RMB	2003 RMB	2002 RMB
Finished goods	1,289,190	-	-

The inventories are stated at cost as at 31 December 2004.

13. OTHER FINANCIAL ASSETS

Trade and other receivables mainly comprise amounts receivable from operations, deposits and prepayments to its suppliers.

Since the commencement of business in 2004, the Company generally accepts cash sales, bankers acceptances or receives cash in advance on sales of goods.

The directors consider that the carrying amount of trade and other receivables and amounts due from related companies approximates to their fair value.

Bank balances and cash comprise cash and short-term deposits held by the Company with an original maturity of three months or less. The carrying amount of these assets approximates to their fair value.

ANYANG JIUTIAN FINE CHEMICAL CO., LIMITED

13. OTHER FINANCIAL ASSETS - continued

Credit risk

The Company's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Company's management based on prior experience and the current economic environment.

The credit risk on liquid funds is limited because the counterparties are State owned banks in the PRC.

The Company has no significant concentration of credit risk during each of the three years ended 31 December 2004 with exposure spread over a large number of counterparties and customers.

14. PAID-IN CAPITAL

	2004		2003		2002	
	RMB	%	RMB	%	RMB	%
Paid-in capital						
ACIG	-	-	23,280,000	89	23,280,000	89
ZJCP	46,310,000	100	-	-	-	-
Others	-	-	3,000,000	11	3,000,000	11
	46,310,000	100	26,280,000	100	26,280,000	100

Registered capital of the Company was RMB26,280,000 as at 31 December 2002 and 2003 respectively. It has been increased to US$6,000,000 on 30 December 2004 and as at 31 December 2004.

The paid up capital of 2002 and 2003 had been verified by Anyang Fangzheng Certified Public Accountants in their capital verification report of Fangzheng Yanzi [2001] No.143.

On 15 December 2004, ACIG completed its capital injection in the Company by the means of transferring the net assets of its Methanol Branch and Gas Branch. A paid-in capital amount of RMB20,030,000 has been credited according to the regulatory requirement prevailing in the PRC and the capital injection had been verified by Anyang Fangzheng Certified Public Accountants in their capital verification report of Fangzheng Yanzi [2004] No.71.

On 30 December 2004, the Company's then shareholders transferred all their interests in the Company to ZJCP which is registered in Singapore.

15. CAPITAL RESERVE

The Company's shareholders agreed to take over the payable amount of RMB4,960,000 in the general meeting held on 10 December 2003 to support the operation of the Company. This additional contribution is credited as capital reserve of the Company.

According to the Company Law of the PRC, in normal circumstances, the capital reserve shall only be used for making up losses or capitalisation into share capital of the Company.

ANYANG JIUTIAN FINE CHEMICAL CO., LIMITED

16. DEFERRED TAX

The following are the major deferred tax assets recognised by the Company and movements thereon during the years:

	Accelerated depreciation RMB	Pre-operating expenses RMB	Government grant RMB	Total RMB
At 1 January 2002	-	-	-	-
Credit to profit or loss for the year	-	30,881	285,353	316,234
At 31 December 2002	-	30,881	285,353	316,234
Credit to profit or loss for the year	-	176,555	-	176,555
At 31 December 2003	-	207,436	285,353	492,789
Credit (charge) to profit or loss for the year	91,437	(108,657)	(21,353)	(38,573)
At 31 December 2004	91,437	98,779	264,000	454,216

17. OTHER FINANCIAL LIABILITIES

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs.

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

18. DEFERRED INCOME

	2004 RMB	2003 RMB	2002 RMB
At beginning of the year	1,100,000	1,100,000	-
Grants obtained	-	-	1,100,000
Released to income statement	(64,706)	-	-
At end of the year	1,035,294	1,100,000	1,100,000

The amount represents government subsidy received for financing a technology improvement project from the local municipal government. The grants were recorded as deferred income in the balance sheet and to be credited to the income statement on a straight-line basis over the expected useful lives of the related assets.

ANYANG JIUTIAN FINE CHEMICAL CO., LIMITED

19. CONTINGENT LIABILITY

Certain equipments of the Company were pledged to the banks to facilitate ACIG in obtaining banking facilities. As at 31 December 2004 ACIG had obtained bank borrowings amounting to approximately RMB23,500,000 relating to such banking facilities. Subsequently in April 2005, such pledged of assets have been released by the banks.

20. CAPITAL COMMITMENTS

	2004 RMB	2003 RMB	2002 RMB
Commitments for the acquisition of property, plant and equipment	1,708,000	6,753,000	17,652,000

21. OPERATING LEASE ARRANGEMENTS

The Company as lessee

At the balance sheet dates, the Company had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2004 RMB	2003 RMB	2002 RMB
Within one year	104,000	-	-

Operating lease payments represent rentals payable by the Company for certain land rented from ACIG starting from 1 January 2005.

The Company did not have any minimum lease payment under operating leases during the reporting periods.

The Company as lessor

The Company rents out some of its machinery under operating leases to a non-related individual in 2004. Rental income earned for the year is RMB192,500.

All of the above machinery held have a committed tenant for the next six years.

21. OPERATING LEASE ARRANGEMENTS - continued

The Company as lessor - continued

At the balance sheet date, the Company has contracted with the tenant for certain machinery with the following future minimum lease payments:

	2004 RMB	2003 RMB	2002 RMB
Within one year	330,000	-	-
In the second to fifth years inclusive	1,320,000	-	-
After five years	137,500	-	-
	1,787,500	-	-

22. RETIREMENT BENEFIT PLAN

The employees of the Company are members of a State-managed retirement benefit scheme operated by local government. The Company is required to contribute a specified percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Company with respect to the retirement benefit scheme is to make the specified contributions.

23. RELATED PARTY TRANSACTIONS

(a) During the years, the Company entered into the following transactions with related parties:

	2004 RMB	2003 RMB	2002 RMB
ACIG (other than ACIG Methanol Branch and ACIG Gas Branch)			
Purchase of goods	33,385,819	-	-
Purchase of property, plant and equipment	5,726,536	6,328,426	3,635,063
Purchase of power supplies	3,457,643	251,459	-
Interest expenses	1,120,000	1,018,997	108,039
Management fee paid	2,270,524	-	-
ACIG Methanol Branch			
Purchase of goods	32,704,693	2,205,432	-

Terms of the above transactions were mutually agreed by the relevant parties.

The Company signed a 20 - year raw materials and spare parts purchase agreement with ACIG on 1 January 2005. The transaction price is mutually agreed by both parties and updated according to market price every three years.

In addition, during the year ended 31 December 2004, the Company disposed of its available-for-sale investments to ACIG for a consideration of RMB4,600,000.

23. RELATED PARTY TRANSACTIONS - continued

(b) At the balance sheet dates, the Company had the following balances with related parties:

	Amount due from a related party			Amounts due to related parties		
	2004 RMB	2003 RMB	2002 RMB	2004 RMB	2003 RMB	2002 RMB
ACIG (other than ACIG Methanol Branch and ACIG Gas Branch)	-	2,125,200	1,401,189	2,115,625	-	-
ACIG Methanol Branch	-	-	-	-	2,004,639	-
Subsidiary of ACIG	-	-	-	6,900	6,900	-
	-	2,125,200	1,401,189	2,122,525	2,011,539	-

The amounts due from/to related parties are unsecured, repayable on demand and interest free.

(c) Advance from a related party

At the balance sheet dates, there were advance received from ACIG (other than ACIG Methanol Branch and ACIG Gas Branch) of the amounts RMB38,560,000, RMB37,120,000 and RMB7,620,000 respectively for 2004, 2003 and 2002. These advances bear interest at 4.2%, 5.31% and 5.31% respectively for these years.

(d) Directors' and executives' remuneration:

The remuneration of directors and other members of key management during the year were as follows:

	2004 RMB	2003 RMB	2002 RMB
Salaries	14,039	7,947	-
Contributions paid to State-managed retirement benefit scheme	1,559	-	-
	15,598	7,947	-

(e) Others

The Company occupies and uses certain land of ACIG for its operation free of charge during the reporting periods. The land represents part of the factory field of ACIG and is owned by ACIG through its possession of the related land use right. The land use right was subsequently sold to the Company in June 2005 at RMB2,517,600.

The Company benefited from ACIG free of charge on environmental protection and methanol recycling activities from 15 December 2004 to 31 December 2004 after the injection of the Methanol and Gas businesses from ACIG.

The staff cost for the year 2002 and contribution to retirement benefit plan for 2003 are paid by ACIG on behalf of the Company for free.

24. INJECTION OF BUSINESSES

On 15 December 2004, ACIG injected the net assets of its Methanol Branch and Gas Branch to the Company. The amount of the net assets at the date of injection is as follow:

	The Branches' carrying amount before combination RMB	Fair value adjustment RMB	Total RMB
Net assets injected:			
Property, plant and equipment	15,325,539	1,146,205	16,471,744
Inventories	613,190	-	613,190
Trade and other receivables	2,007,652	-	2,007,652
Amount due from ACIG	4,840,866	-	4,840,866
Trade and other payables	(1,681,429)	-	(1,681,429)
	21,105,818	1,146,205	22,252,023
Satisfied by:			
Increment of paid-in capital of the Company			20,030,000
Increase in amount due to ACIG			2,222,023
			22,252,023

The Methanol Branch and Gas Branch contributed RMB7.3 million revenue and RMB2.4 million to the Company's profit before tax for the period between 15 December 2004 and the balance sheet date.

If the injection had been completed on 1 January 2004, total revenue of the Company for the period would have been RMB119.8 million, and profit for the year would have been RMB34 million.

25. SUBSEQUENT EVENT

On 20 September 2005, the Company signed an entrusted loan agreement with The Agricultural Bank of China to obtain an entrusted loan from 安阳市建设投资有限责任公司 Anyang Construction Investment Co., Ltd., and pursuant to such agreement, The Agricultural Bank of China has advanced to the Company a term loan of RMB37,000,000 repayable three years from the date of the initial draw down of the loan. The borrowing carries interest at a rate of 5.76% per annum. The proceeds of this loan are used to repay the short term advances from ACIG and for the working capital of the Company.

26. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorised for issue on 24 November 2005.

ANNEX I: AUDITORS' REPORT AND FINANCIAL INFORMATION OF ANYANG CHEMICAL INDUSTRY GROUP CO., LIMITED – METHANOL BRANCH FOR EACH OF THE TWO YEARS ENDED 31 DECEMBER 2002 AND 2003 AND THE PERIOD FROM 1 JANUARY 2004 TO 14 DECEMBER 2004

ANYANG CHEMICAL INDUSTRY GROUP CO., LIMITED - METHANOL BRANCH

Auditors' Report and Financial information
For each of the two years ended 31 December 2002 and 2003 and for the period from 1 January 2004 to 14 December 2004
(Prepared under International Financial Reporting Standards)

ANYANG CHEMICAL INDUSTRY GROUP CO., LIMITED - METHANOL BRANCH

AUDITORS' REPORT AND FINANCIAL INFORMATION
FOR EACH OF THE TWO YEARS ENDED 31 DECEMBER 2002 AND 2003 AND FOR THE PERIOD FROM 1 JANUARY 2004 TO 14 DECEMBER 2004
(Prepared under International Financial Reporting Standards)

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R 05-067

AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF
ANYANG CHEMICAL INDUSTRY GROUP CO., LIMITED

We have audited the accompanying balance sheets of Anyang Chemical Industry Group Co., Limited - Methanol Branch (the "Branch") as of 31 December 2002, 31 December 2003 and 14 December 2004, and the related statements of income, changes in equity and cash flows for each of the two years ended 31 December 2002 and 2003 and for the period from 1 January 2004 to 14 December 2004. This financial information is the responsibility of the management of Anyang Chemical Industry Group Co., Limited which has been prepared in accordance with International Financial Reporting Standards and has been prepared solely for the purpose of inclusion in the prospectus in connection with the initial public offering of Zhongguo Jiutian Chemical Pte. Ltd. in Singapore based on the basis set out in Note 2 to the financial information. Our responsibility is to express an opinion on this financial information based on our audit. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial information presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial information of the Branch as of 31 December 2002 and 2003 and 14 December 2004, and the results of its operations and its cash flows for each of the two years ended 31 December 2002 and 2003 and for the period from 1 January 2004 to 14 December 2004 have been properly prepared in accordance with the basis set out in Note 2.

Deloitte Touche Tohmatsu CPA Ltd.
Deloitte Touche Tohmatsu Certified Public Accountants Ltd.
Beijing, 24 November 2005

ANYANG CHEMICAL INDUSTRY GROUP CO., LIMITED - METHANOL BRANCH

INCOME STATEMENTS
FOR EACH OF THE TWO YEARS ENDED 31 DECEMBER 2002 AND 2003 AND FOR THE PERIOD FROM 1 JANUARY 2004 TO 14 DECEMBER 2004
(Prepared under International Financial Reporting Standards)

	NOTE	1/1/2004 to 14/12/2004 RMB	1/1/2003 to 14/12/2003 RMB (unaudited)	1/1/2003 to 31/12/2003 RMB	1/1/2002 to 31/12/2002 RMB
Revenue	5	110,926,111	97,506,794	103,261,100	51,303,549
Contribution to retirement benefit plan		(22,026)	(20,563)	(21,568)	(20,150)
Other staff costs		(1,320,961)	(1,047,037)	(1,193,941)	(1,693,565)
Depreciation of property, plant and equipment		(2,180,606)	(2,201,459)	(2,297,362)	(2,296,754)
Cost of inventories sold		(56,759,138)	(41,413,568)	(45,036,723)	(23,503,980)
Power supplies		(11,142,935)	(10,431,643)	(10,995,005)	(6,783,617)
Consumables		(2,872,256)	(2,029,811)	(2,181,586)	(1,337,063)
Repair and maintenance		(2,646,973)	(2,410,191)	(2,410,191)	(687,025)
Catalyzer costs		(1,551,891)	(544,497)	(552,213)	(1,858,218)
Others		(538,540)	(120,921)	(145,454)	(133,473)
Net profit of the Branch for the period/year		31,890,785	37,287,104	38,427,057	12,989,704

See accompanying notes to financial information.

ANYANG CHEMICAL INDUSTRY GROUP CO., LIMITED - METHANOL BRANCH

BALANCE SHEETS
AS AT 31 DECEMBER 2002, 31 DECEMBER 2003 AND 14 DECEMBER 2004
(Prepared under International Financial Reporting Standards)

	NOTES	14/12/2004 RMB	31/12/2003 RMB	31/12/2002 RMB
ASSETS				
Non-current assets				
Property, plant and equipment	6	14,892,981	15,893,900	18,191,262
Current assets				
Inventories, at cost		613,190	11,147	282,272
Trade and other receivables	7	2,007,652	2,263,756	2,602,369
Amounts due from related parties	10	4,840,867	2,004,639	-
		7,461,709	4,279,542	2,884,641
Total assets		22,354,690	20,173,442	21,075,903
LIABILITIES				
Current liabilities				
Trade and other payables	8	1,612,006	729,086	455,429
Balance with head office	10	20,742,684	19,444,356	20,620,474
Total liabilities		22,354,690	20,173,442	21,075,903

See accompanying notes to financial information.

ANYANG CHEMICAL INDUSTRY GROUP CO., LIMITED - METHANOL BRANCH

STATEMENTS OF CHANGES IN EQUITY
FOR EACH OF THE TWO YEARS ENDED 31 DECEMBER 2002 AND 2003 AND FOR THE PERIOD FROM 1 JANUARY 2004 TO 14 DECEMBER 2004
(Prepared under International Financial Reporting Standards)

	Accumulated profits RMB
Balance at 1 January 2002	-
Net profit for the year	12,989,704
Transfer to amount due to the head office	(12,989,704)
Balance at 31 December 2002	-
Net profit for the year	38,427,057
Transfer to amount due to the head office	(38,427,057)
Balance at 31 December 2003	-
Net profit for the period	31,890,785
Transfer to amount due to the head office	(31,890,785)
Balance at 14 December 2004	-
	(unaudited)
Balance at 1 January 2003	-
Net profit for the period	37,287,104
Transfer to amount due to the head office	(37,287,104)
Balance at 14 December 2003	-

See accompanying notes to financial information.

ANYANG CHEMICAL INDUSTRY GROUP CO., LIMITED - METHANOL BRANCH

CASH FLOW STATEMENTS
FOR EACH OF THE TWO YEARS ENDED 31 DECEMBER 2002 AND 2003 AND FOR THE PERIOD FROM 1 JANUARY 2004 TO 14 DECEMBER 2004
(Prepared under International Financial Reporting Standards)

	1/1/2004 to 14/12/2004 RMB	1/1/2003 to 14/12/2003 RMB (unaudited)	1/1/2003 to 31/12/2003 RMB	1/1/2002 to 31/12/2002 RMB
OPERATING ACTIVITIES				
Profit from operations	31,890,785	37,287,104	38,427,057	12,989,704
Adjustments for:				
Depreciation of property, plant and equipment	2,180,606	2,201,459	2,297,362	2,296,754
Operating cash flows before movements in working capital	34,071,391	39,488,563	40,724,419	15,286,458
(Increase) decrease in inventories	(602,043)	(15,967)	271,125	(93,999)
Increase in amounts due from related parties	(2,836,228)	(571,965)	(2,004,639)	-
Decrease (increase) in trade and other receivables	256,104	(679,635)	338,613	2,950,654
Increase in trade and other payables	882,920	537,562	273,657	306,838
Increase (decrease) in amount due to head office	1,298,328	(1,471,454)	(1,176,118)	(5,452,947)
NET CASH FROM OPERATING ACTIVITIES	33,070,472	37,287,104	38,427,057	12,997,004
INVESTING ACTIVITIES				
Purchases of property, plant and equipment	(1,179,687)	-	-	(7,300)
NET CASH USED IN INVESTING ACTIVITIES	(1,179,687)	-	-	(7,300)
FINANCING ACTIVITIES				
Amount transfer to the head office	(31,890,785)	(37,287,104)	(38,427,057)	(12,989,704)
NET CASH USED IN FINANCING ACTIVITIES	(31,890,785)	(37,287,104)	(38,427,057)	(12,989,704)
NET CHANGE IN CASH AND CASH EQUIVALENTS	-	-	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD	-	-	-	-
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	-	-	-	-

See accompanying notes to financial information.

ANYANG CHEMICAL INDUSTRY GROUP CO., LIMITED - METHANOL BRANCH

NOTES TO THE FINANCIAL INFORMATION
FOR EACH OF THE TWO YEARS ENDED 31 DECEMBER 2002 AND 2003 AND FOR THE PERIOD FROM 1 JANUARY 2004 TO 14 DECEMBER 2004
(Prepared under International Financial Reporting Standards)

1. GENERAL

Anyang Chemical Industry Group Co., Limited 安阳化学工业集团有限公司 ("ACIG") was established in Anyang, the People's Republic of China (the "PRC"). It also established a branch for the production and sale of methanol (the "Methanol Branch" or the "Branch") in Anyang in June 1995. Among the employees in ACIG, the average number of employees serving the Branch for each of the two years ended 31 December 2002 and 2003 and for the period from 1 January 2004 to 14 December 2004 were 130, 121 and 124, respectively.

ACIG signed an investment agreement with Anyang Jiutian Fine Chemical Co., Ltd. 安阳九天精细化工有限责任公司 ("Anyang Jiutian") on 13 December 2004 to transfer the Branch's assets and liabilities as capital injection to Anyang Jiutian on 15 December 2004.

2. PREPARATION AND PURPOSE OF FINANCIAL INFORMATION

The ACIG maintains its accounting records, including the Branch, and prepares its statutory financial information in accordance with accounting standards and regulations of the PRC that are applicable to it. It also maintains accounting records of the Branch in accordance with such accounting standards and regulations.

This financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") to show the financial positions of the Branch as at 31 December 2002, 31 December 2003 and 14 December 2004 and its results and cash flows for each of the two years ended 31 December 2002 and 2003 and for the period from 1 January 2004 to 14 December 2004 as if IFRS was adopted from 1 January 2002, solely for management's purpose of preparing a pro-forma financial information of Zhongguo Jiutian Chemical Pte. Ltd. as if the Methanol Branch had been run by Zhongguo Jiutian Chemical Pte. Ltd. for the reporting periods and including such pro-forma financial information in the prospectus in connection with initial public offering of Zhongguo Jiutian Chemical Pte. Ltd. in Singapore. Against this background, the financial information includes only items of assets and liabilities, income and expenses attributable to the manufacture operations of the Methanol Branch of ACIG which are separately accounted for. Other common costs incurred by ACIG at the corporate level relating to selling and distribution and administrative expenses and corporate income tax of ACIG have not been recharged by ACIG Head Office. This financial information of the Methanol Branch prepared by management therefore does not intend to present the results and cash flows of the operation of the Branch for the reporting periods if the Branch would have been running independently and separately from ACIG. Had the Methanol Branch run on its own independently from ACIG during the reporting periods the results and cash flows of the Branch's operation might be different from what have been presented in this financial information. In preparing this financial information, appropriate adjustments, which are not taken up in the accounting records of the Branch, have been made to the Branch's financial information.

This financial information is presented in Renminbi ("RMB") since that is the currency in which the majority of the Branch's transactions are denominated.

3. POTENTIAL IMPACT FROM ADOPTION OF NEW OR REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In 2004, the International Accounting Standards Committee Foundation issued a number of new or revised IFRSs which are effective for accounting periods beginning on or after 1 January 2005. The Branch has not early adopted these new IFRSs in the financial information for each of the two years ended 31 December 2002 and 2003 and for the period from 1 January 2004 to 14 December 2004.

4. SIGNIFICANT ACCOUNTING POLICIES

The financial information has been prepared on the historical cost basis.

The principal accounting policies adopted are set out below.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Retirement benefit costs

The employees of ACIG including those worked for the Branch are members of State-managed retirement benefit schemes. The obligations of ACIG and its branch are equivalent to those arising in a defined contribution retirement benefit plan. Payments made to State-managed retirement benefit schemes are charged as expenses as they fall due. The retirement benefit costs are allocated to the Branch on an actual basis.

Taxation

The Branch is a part of the ACIG and its income tax would be calculated at ACIG level. For the purpose of preparing this financial information of the Branch, as the Branch has no legal tax liabilities, no income tax has been calculated and provided.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Branch's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Property, plant and equipment - continued

Depreciation is charged so as to write off the cost of assets, other than properties under construction, over their estimated useful lives, using the straight-line method, on the following bases:

Machinery and equipment	5 - 28 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Impairment

At each balance sheet date, the Branch reviews the carrying amounts of its tangible and intangible 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 Branch estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the greater of net selling price 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. Impairment losses are recognised as an expense immediately.

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 reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories representing the finished products are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments

Financial assets and financial liabilities are recognised on the Branch's balance sheet when such operation of the Branch under ACIG becomes a party to the contractual provisions of the instrument in the Branch's operation.

Trade and other receivables

Trade and other receivables are stated at their nominal value, as reduced by appropriate allowances for estimated irrecoverable amounts.

Trade and other payables and balance with head office

Trade and other payables and balance with head office are stated at their nominal value.

5. REVENUE

Revenue represents the amount received or receivable from the sales of methanol, net of sales returns and sales tax, if any, during the period/years.

An analysis of the Branch's revenue from its principal activities is as follows:

	1/1/2004 to 14/12/2004	1/1/2003 to 14/12/2003	1/1/2003 to 31/12/2003	1/1/2002 to 31/12/2002
	RMB	RMB (unaudited)	RMB	RMB
Sales of goods	111,259,692	97,801,499	103,573,093	51,456,070
Less: Sales tax	(333,581)	(294,705)	(311,993)	(152,521)
	110,926,111	97,506,794	103,261,100	51,303,549

ANYANG CHEMICAL INDUSTRY GROUP CO., LIMITED - METHANOL BRANCH

6. PROPERTY, PLANT AND EQUIPMENT

	Machinery and equipment RMB
COST	
At 1 January 2002	30,464,679
Additions	7,300
At 31 December 2002	30,471,979
Additions	-
At 31 December 2003	30,471,979
Additions	1,179,687
At 14 December 2004	31,651,666
ACCUMULATED DEPRECIATION	
At 1 January 2002	9,983,963
Charge for the year	2,296,754
At 31 December 2002	12,280,717
Charge for the year	2,297,362
At 31 December 2003	14,578,079
Charge for the period	2,180,606
At 14 December 2004	16,758,685
CARRYING AMOUNT	
At 14 December 2004	14,892,981
At 31 December 2003	15,893,900
At 31 December 2002	18,191,262

ACIG had pledged its machinery used by the Branch, which having a carrying amount of approximately RMB15,869,000 and RMB15,171,000 as at 31 December 2002 and 2003 to secure banking facilities granted to ACIG. As at 31 December 2004, ACIG repaid all outstanding loans secured by the assets used by the Branch.

7. OTHER FINANCIAL ASSETS

Trade and other receivables comprise amounts receivable for the sale of goods of RMB18,979,799, RMB18,594,520 and RMB18,332,860 and prepayment of RMB62,449, RMB109,115 and RMB114,671 as at 31 December 2002, 31 December 2003 and 14 December 2004, respectively.

An allowance has been made for estimated irrecoverable amounts arose from the sale of goods of RMB16,439,879 as of 31 December 2002, 2003 and 14 December 2004. These sales were made before year 2001. This allowance has been determined by reference to past default experience.

The Branch generally accepts cash sales, bankers acceptance or receives cash in advance on sales of goods.

The directors consider that the carrying amount of trade and other receivables and amount due from a related party approximates to their fair value.

7. OTHER FINANCIAL ASSETS - continued

Credit risk

The Branch's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the balance sheets are net of allowances for doubtful receivables, estimated by the Branch's management based on prior experience and the current economic environment.

The Branch has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

8. OTHER FINANCIAL LIABILITIES

Trade and other payables and balance with head office principally comprise amounts outstanding for trade purchases and ongoing costs due with external suppliers and its head office ACIG.

The directors consider that the carrying amount of trade and other payables and balance with head office approximate to their fair value.

9. RETIREMENT BENEFIT PLAN

The employees of ACIG, who serve the Branch, are members of a State-managed retirement benefit scheme operated by the local government. ACIG is required to contribute a specified percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of ACIG with respect to the retirement benefit scheme is to make the specified contributions. The contribution to retirement benefit plan is recharged to the Branch on an actual basis.

ANYANG CHEMICAL INDUSTRY GROUP CO., LIMITED - METHANOL BRANCH

10. RELATED PARTY TRANSACTIONS

(a) During the years, the Branch entered into the following transactions with its head office and other related parties:

	Sales of goods				Purchases of goods, consumables and other supplies				Repair and maintenance costs paid			
	1/1/2004 to 14/12/2004 RMB	1/1/2003 to 14/12/2003 RMB (unaudited)	1/1/2003 to 31/12/2003 RMB	1/1/2002 to 31/12/2002 RMB	1/1/2004 to 14/12/2004 RMB	1/1/2003 to 14/12/2003 RMB (unaudited)	1/1/2003 to 31/12/2003 RMB	1/1/2002 to 31/12/2002 RMB	1/1/2004 to 14/12/2004 RMB	1/1/2003 to 14/12/2003 RMB (unaudited)	1/1/2003 to 31/12/2003 RMB	1/1/2002 to 31/12/2002 RMB
ACIG (Note 1)	-	-	-	-	65,617,746	54,452,743	58,523,778	31,817,646	2,646,973	2,410,191	2,410,191	687,025
Anyang (Note 2)												
Jiutian	32,704,693	980,925	2,205,432	-	-	-	-	-	-	-	-	-

Note 1: ACIG purchases goods, consumables and other supplies from outside suppliers and provides the repair and maintains services itself. Both the supplies and services provided to the Branch are charged at cost.

Note 2: The terms for the transactions with Anyang Jiutian are negotiated and mutually agreed with the respective parties.

ANYANG CHEMICAL INDUSTRY GROUP CO., LIMITED - METHANOL BRANCH

10. RELATED PARTY TRANSACTIONS - continued

(b) At the balance sheet dates, the Branch had the following balances with related parties:

	Amounts due from related parties			Amounts due to related parties		
	14/12/2004	31/12/2003	31/12/2002	14/12/2004	31/12/2003	31/12/2002
	RMB	RMB	RMB	RMB	RMB	RMB
ACIG	4,840,867	-	-	18,674,772	19,444,356	20,620,474
Anyang Jiutian	-	2,004,639	-	2,067,912	-	-
	4,840,867	2,004,639	-	20,742,684	19,444,356	20,620,474

The amounts due from/to related parties are unsecured, interest free and repayable on demand.

(c) Other

During the reporting periods, the Branch shared the land and building facilities, environmental protection expenses and methanol recycling system with ACIG free of charge. All administrative expenses incurred by the Branch were borne by ACIG throughout the reporting periods.

11. SUBSEQUENT EVENT

On 15 December 2004, ACIG transferred the Branch's assets and liabilities at their net book value, which was verified by Anyang Fang Zheng Certified Public Accountants, as capital injection to Anyang Jiutian.

12. APPROVAL OF FINANCIAL INFORMATION

The financial information was approved by the board of directors and authorised for issue on 24 November 2005.

ANNEX J: AUDITORS' REPORT AND FINANCIAL INFORMATION OF ANYANG CHEMICAL INDUSTRY GROUP CO., LIMITED – GAS BRANCH FOR EACH OF THE TWO YEARS ENDED 31 DECEMBER 2002 AND 2003 AND THE PERIOD FROM 1 JANUARY 2004 TO 14 DECEMBER 2004

ANYANG CHEMICAL INDUSTRY GROUP CO., LIMITED - GAS BRANCH

Auditors' Report and Financial information
For each of the two years ended 31 December 2002 and 2003 and for the period from 1 January 2004 to 14 December 2004 (Prepared under International Financial Reporting Standards)

ANYANG CHEMICAL INDUSTRY GROUP CO., LIMITED - GAS BRANCH

AUDITORS' REPORT AND FINANCIAL INFORMATION
FOR EACH OF THE TWO YEARS ENDED 31 DECEMBER 2002 AND 2003 AND FOR THE PERIOD FROM 1 JANUARY 2004 TO 14 DECEMBER 2004
(Prepared under International Financial Reporting Standards)

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Deloitte.
德勤

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1 East Chang An Avenue
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R 05-068

AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF
ANYANG CHEMICAL INDUSTRY GROUP CO., LIMITED

We have audited the accompanying balance sheets of Anyang Chemical Industry Group Co., Limited - Gas Branch (the "Branch") as of 31 December 2002 and 2003 and 14 December 2004, and the related statements of income, changes in equity and cash flows for each of the two years ended 31 December 2002 and 2003 and for the period from 1 January 2004 to 14 December 2004. This financial information is the responsibility of the management of Anyang Chemical Industry Group Co., Limited which has been prepared in accordance with International Financial Reporting Standards and has been prepared solely for the purpose of inclusion in the prospectus in connection with initial public offering of Zhongguo Jiutian Chemical Pte. Ltd. in Singapore based on the basis set out in Note 2 to the financial information. Our responsibility is to express an opinion on this financial information based on our audit. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial information are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial information presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial information of the Branch as of 31 December 2002 and 2003 and 14 December 2004, and the results of its operations and its cash flows for each of the two years ended 31 December 2002 and 2003 and for the period from 1 January 2004 to 14 December 2004 have been properly prepared in accordance with the basis set out in Note 2.

Deloitte Touche Tohmatsu CPA Ltd.

Deloitte Touche Tohmatsu Certified Public Accountants Ltd.
Beijing, 24 November 2005

ANYANG CHEMICAL INDUSTRY GROUP CO., LIMITED - GAS BRANCH

INCOME STATEMENTS
FOR EACH OF THE TWO YEARS ENDED 31 DECEMBER 2002 AND 2003 AND FOR THE PERIOD FROM 1 JANUARY 2004 TO 14 DECEMBER 2004
(Prepared under International Financial Reporting Standards)

	NOTE	1/1/2004 to 14/12/2004 RMB	1/1/2003 to 14/12/2003 RMB (unaudited)	1/1/2003 to 31/12/2003 RMB	1/1/2002 to 31/12/2002 RMB
Revenue	5	1,874,835	1,899,506	2,020,815	1,891,544
Contribution to retirement benefit plan		(89,173)	(85,700)	(89,886)	(92,642)
Other staff costs		(440,212)	(384,163)	(404,697)	(431,857)
Depreciation of property, plant and equipment		(85,184)	(126,679)	(132,232)	(146,077)
Cost of inventories sold		(377,074)	(719,256)	(755,046)	(765,576)
Power supplies		(182,840)	(181,767)	(191,512)	(152,328)
Consumables		(126,519)	(125,916)	(133,937)	(67,256)
Others		(49,163)	(13,274)	(35,375)	(14,229)
Net profit of the Branch for the period/year		524,670	262,751	278,130	221,579

See accompanying notes to financial information.

ANYANG CHEMICAL INDUSTRY GROUP CO., LIMITED - GAS BRANCH

BALANCE SHEETS
AS AT 31 DECEMBER 2002 AND 2003 AND 14 DECEMBER 2004
(Prepared under International Financial Reporting Standards)

	NOTES	14/12/2004 RMB	31/12/2003 RMB	31/12/2002 RMB
ASSETS				
Non-current assets				
Property, plant and equipment	6	432,557	515,141	647,373
Current assets				
Trade receivables	7	-	36,176	36,366
Total assets		432,557	551,317	683,739
LIABILITIES				
Current liabilities				
Trade and other payables	8	69,423	70,814	72,602
Balance with head office	10	363,134	480,503	611,137
Total liabilities		432,557	551,317	683,739

See accompanying notes to financial information.

ANYANG CHEMICAL INDUSTRY GROUP CO., LIMITED - GAS BRANCH

STATEMENTS OF CHANGES IN EQUITY
FOR EACH OF THE TWO YEARS ENDED 31 DECEMBER 2002 AND 2003 AND FOR THE PERIOD FROM 1 JANUARY 2004 TO 14 DECEMBER 2004
(Prepared under International Financial Reporting Standards)

	Accumulated profits RMB
Balance at 1 January 2002	-
Net profit for the year	221,579
Transfer to amount due to the head office	(221,579)
Balance at 31 December 2002	-
Net profit for the year	278,130
Transfer to amount due to the head office	(278,130)
Balance at 31 December 2003	-
Net profit for the period	524,670
Transfer to amount due to the head office	(524,670)
Balance at 14 December 2004	-
	(unaudited)
Balance at 1 January 2003	-
Net profit for the period	262,751
Transfer to amount due to the head office	(262,751)
Balance at 14 December 2003	-

See accompanying notes to financial information.

ANYANG CHEMICAL INDUSTRY GROUP CO., LIMITED - GAS BRANCH

CASH FLOW STATEMENTS
FOR EACH OF THE TWO YEARS ENDED 31 DECEMBER 2002 AND 2003 AND FOR THE PERIOD FROM 1 JANUARY 2004 TO 14 DECEMBER 2004
(Prepared under International Financial Reporting Standards)

	1/1/2004 to 14/12/2004 RMB	1/1/2003 to 14/12/2003 RMB (unaudited)	1/1/2003 to 31/12/2003 RMB	1/1/2002 to 31/12/2002 RMB
OPERATING ACTIVITIES				
Profit from operations	524,670	262,751	278,130	221,579
Adjustment for:				
Depreciation of property, plant and equipment	85,184	126,679	132,232	146,077
Operating cash flows before movements in working capital	609,854	389,430	410,362	367,656
Decrease (increase) in trade receivables	36,176	20,190	190	(11,999)
(Decrease) increase in trade and other payables	(1,391)	131,832	(1,788)	(22,393)
Decrease in amount due to the head office	(117,369)	(278,701)	(130,634)	(111,685)
NET CASH FROM OPERATING ACTIVITIES	527,270	262,751	278,130	221,579
NET CASH USED IN INVESTING ACTIVITIES				
Purchases of property, plant and equipment	(2,600)	-	-	-
FINANCING ACTIVITIES				
Amount transferred to the head office	(524,670)	(262,751)	(278,130)	(221,579)
NET CASH USED IN FINANCING ACTIVITIES	(524,670)	(262,751)	(278,130)	(221,579)
NET CHANGE IN CASH AND CASH EQUIVALENTS	-	-	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD/YEAR	-	-	-	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR	-	-	-	-

See accompanying notes to financial information.

ANYANG CHEMICAL INDUSTRY GROUP CO., LIMITED - GAS BRANCH

NOTES TO THE FINANCIAL INFORMATION
FOR EACH OF THE TWO YEARS ENDED 31 DECEMBER 2002 AND 2003 AND FOR THE PERIOD FROM 1 JANUARY 2004 TO 14 DECEMBER 2004
(Prepared under International Financial Reporting Standards)

1. GENERAL

Anyang Chemical Industry Group Co., Limited 安阳化学工业集团有限公司 ("ACIG") was established in Anyang, the People's Republic of China (the "PRC"). It also established a branch for the production and sale of oxygen and carbon dioxide gas (the "Gas Branch" or the "Branch") in Anyang in May 1994. Among the employees in ACIG, the average number of employees serving the Branch for the year ended 31 December 2002 and 2003 and for the period from 1 January 2004 to 31 December 2004 were 46, 45 and 43, respectively.

ACIG signed an investment agreement with Anyang Jiutian Fine Chemical Co., Limited 安阳九天精细化工有限责任公司 ("Anyang Jiutian") on 13 December 2004 to transfer the Branch's assets and liabilities as capital injection to Anyang Jiutian on 15 December 2004.

2. PREPARATION AND PURPOSE OF FINANCIAL INFORMATION

The ACIG maintains its accounting records, including the Branch, and prepares its statutory financial information in accordance with accounting standards and regulations of the PRC that are applicable to it. It also maintains accounting records of the Branch in accordance with such accounting standards and regulations.

This financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") to show the financial positions of the Branch as at 31 December 2002, 31 December 2003 and 14 December 2004 and its results and cash flows for each of the two years ended 31 December 2002 and 2003 and for the period from 1 January 2004 to 14 December 2004 as if IFRS was adopted from 1 January 2002, solely for management's purpose of preparing a pro-forma financial information of Zhongguo Jiutian Chemical Pte. Ltd. as if the Gas Branch had been run by Zhongguo Jiutian Chemical Pte. Ltd. for the reporting periods and including such pro-forma financial information in the prospectus in connection with initial public offering of Zhongguo Jiutian Chemical Pte. Ltd. in Singapore. Against this background, the financial information includes only items of assets and liabilities, income and expenses attributable to the manufacture operations of the Gas Branch of ACIG which are separately accounted for. Other common costs incurred by ACIG at the corporate level relating to selling and distribution and administrative expenses and corporate income tax of ACIG have not been recharged by ACIG Head Office. This financial information of the Gas Branch prepared by management therefore does not intend to present the results and cash flows of the operation of the Branch for the reporting periods if the Branch would have been running independently and separately from ACIG. Had the Gas Branch run on its own independently from ACIG during the reporting periods the results and cash flows of the Branch's operation might be different from what have been presented in this financial information. In preparing this financial information , appropriate adjustments, which are not taken up in the accounting records of the Branch, have been made to the Branch's financial information.

This financial information is presented in Renminbi ("RMB") since that is the currency in which the majority of the Branch's transactions are denominated.

ANYANG CHEMICAL INDUSTRY GROUP CO., LIMITED - GAS BRANCH

3. POTENTIAL IMPACT FROM ADOPTION OF NEW OR REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In 2004, the International Accounting Standards Committee Foundation issued a number of new or revised IFRSs which are effective for accounting periods beginning on or after 1 January 2005. The Branch has not early adopted these new IFRSs in the financial information for each of the two years ended 31 December 2002 and 2003 and for the period from 1 January 2004 to 14 December 2004.

4. SIGNIFICANT ACCOUNTING POLICIES

The financial information has been prepared on the historical cost basis.

The principal accounting policies adopted are set out below.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Retirement benefit costs

The employees of ACIG including those worked for the Branch are members of State-managed retirement benefit schemes. The obligations of ACIG and its branch are equivalent to those arising in a defined contribution retirement benefit plan. Payments made to State-managed retirement benefit schemes are charged as expenses as they fall due. The retirement benefit costs are allocated to the Branch on an actual basis.

Taxation

The Branch is a part of the ACIG and its income tax would be calculated at ACIG level. For the purpose of preparing these financial information of the Branch, as the Branch has no legal tax liabilities, no income tax has been calculated and provided.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Branch's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost of assets, other than properties under construction, over their estimated useful lives, using the straight-line method, on the following bases:

Motor vehicles	8 years
Machinery and equipment	5 - 28 years

ANYANG CHEMICAL INDUSTRY GROUP CO., LIMITED - GAS BRANCH

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Property, plant and equipment - continued

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Impairment

At each balance sheet date, the Branch reviews the carrying amounts of its tangible and intangible 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 Branch estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the greater of net selling price 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. Impairment losses are recognised as an expense immediately.

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 reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories representing the finished products are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

Financial assets and financial liabilities are recognised on the Branch's balance sheet when such operation of the Branch under ACIG becomes a party to the contractual provisions of the instrument in the Branch's operation.

Trade receivables

Trade receivables are stated at their nominal value, as reduced by appropriate allowances for estimated irrecoverable amounts.

Trade and other payables and balance with head office

Trade and other payables and balance with head office are stated at their nominal value.

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5. REVENUE

Revenue represents the amount received or receivable from the sales of oxygen and carbon dioxide gas, net of sales returns and sales tax, if any, during the period/years.

An analysis of the Branch's revenue is as follows:

	1/1/2004 to 14/12/2004 RMB	1/1/2003 to 14/12/2003 RMB (unaudited)	1/1/2003 to 31/12/2003 RMB	1/1/2002 to 31/12/2002 RMB
Sales of goods	1,878,268	1,902,878	2,024,444	1,894,756
Less: Sales tax	(3,433)	(3,372)	(3,629)	(3,212)
	1,874,835	1,899,506	2,020,815	1,891,544

6. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles RMB	Machinery and equipment RMB	Total RMB
COST			
At 1 January 2002, 31 December 2002 and 2003	378,900	1,604,259	1,983,159
Additions	-	2,600	2,600
At 14 December 2004	378,900	1,606,859	1,985,759
DEPRECIATION			
At 1 January 2002	193,184	996,525	1,189,709
Charge for the year	29,593	116,484	146,077
At 31 December 2002	222,777	1,113,009	1,335,786
Charge for the year	29,592	102,640	132,232
At 31 December 2003	252,369	1,215,649	1,468,018
Charge for the period	9,435	75,749	85,184
At 14 December 2004	261,804	1,291,398	1,553,202
CARRYING AMOUNT			
At 14 December 2004	117,096	315,461	432,557
At 31 December 2003	126,531	388,610	515,141
At 31 December 2002	156,123	491,250	647,373

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6. PROPERTY, PLANT AND EQUIPMENT - continued

ACIG has pledged its machinery used by the Branch, which having a carrying amount of approximately RMB444,000, RMB242,000 and RMB205,000, as at 31 December 2002, 31 December 2003 and 14 December 2004 to secure banking facilities granted to ACIG.

7. OTHER FINANCIAL ASSETS

Trade receivables

The Branch generally accepts cash sales bankers acceptances or receives cash in advance on sales of goods.

The directors consider that the carrying amount of trade receivables approximates to their fair value.

Credit risk

The Branch's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheets are net of allowances for doubtful receivables, if any, estimated by the Branch's management based on prior experience and the current economic environment.

The Branch has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

8. OTHER FINANCIAL LIABILITIES

Trade and other payables and balance with head office principally comprise amounts outstanding for trade purchases and ongoing costs due with external suppliers and its head office ACIG.

The directors consider that the carrying amount of trade and other payables and balance with head office approximate to their fair value.

9. RETIREMENT BENEFIT PLAN

The employees of ACIG, who serve the Branch, are members of a State-managed retirement benefit scheme operated by the local government. ACIG is required to contribute a specified percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of ACIG with respect to the retirement benefit scheme is to make the specified contributions. The contribution to retirement benefit plan is recharged to the Branch on an actual basis.

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10. RELATED PARTY TRANSACTIONS

(a) During the years, the Branch entered into the following transactions with its head office:

	Purchases of goods, consumables and other supplies			
	1/1/2004 to 14/12/2004	1/1/2003 to 14/12/2003	1/1/2003 to 31/12/2003	1/1/2002 to 31/12/2002
	RMB	RMB (unaudited)	RMB	RMB
ACIG	697,516	1,038,496	1,092,617	996,185

The Branch purchased goods, consumables and other supplies at the cost purchased from outsiders from ACIG.

(b) At the balance sheet dates, the Branch had the following balances due to a related party:

	14/12/2004	31/12/2003	31/12/2002
	RMB	RMB	RMB
ACIG	363,134	480,503	611,137

The amounts are unsecured, interest free and repayable on demand.

(c) Other

During the reporting periods, the Branch shares land and building facilities and environmental protection expenses with ACIG free of charge. The Branch's administrative expenses were borne by ACIG throughout the reporting periods.

11. SUBSEQUENT EVENT

On 15 December 2004, ACIG transferred the Branch's assets and liabilities at their net book value, which was verified by Anyang Fang Zheng Certified Public Accountants, as capital injection to Anyang Jiutian.

12. APPROVAL OF FINANCIAL INFORMATION

The financial information was approved by the board of directors and authorised for issue on 24 November 2005.


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