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

AUGMENTING
OUR CAPABILITIES

ANNUAL REPORT 2017

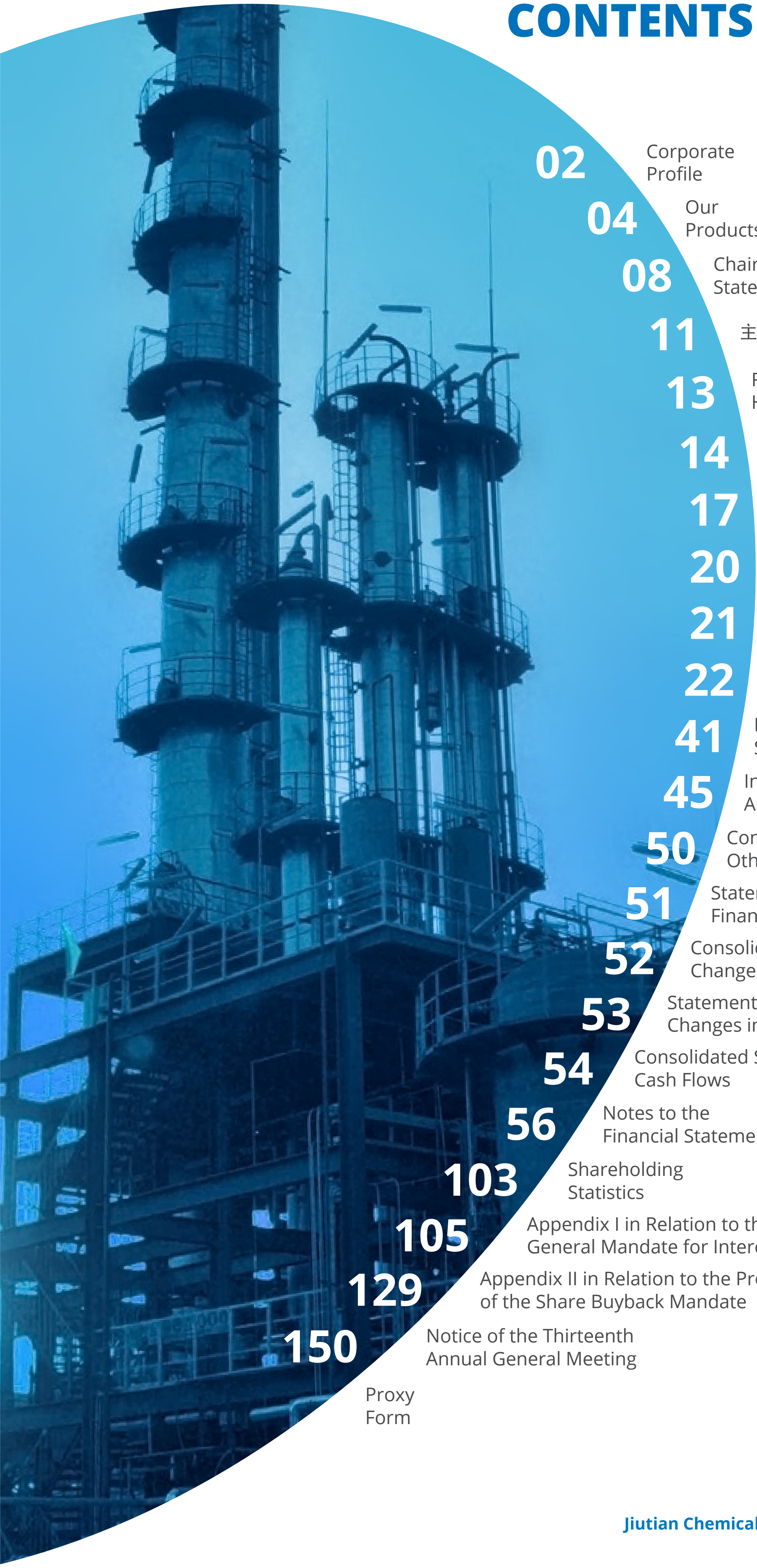
OUR MISSION STATEMENT

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

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

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

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



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CORPORATE PROFILE

A SPECIALIST IN FINE CHEMICAL INDUSTRY

Jiutian Chemical Group Limited ("Jiutian Chemical" or the "Company"), incorporated in Singapore on 30 November 2004, was listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") on 4 May 2006. We are engaged in the manufacture and production of dimethylformamide ("DMF") and methylamine. We are also involved in the processing and sale of consumable carbon dioxide and oxygen.

The business is divided into three main business divisions:

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

We are located in Henan, with a population of 95 million, which together with surrounding provinces have a combined population of 450 million. Whilst economic development and industrialisation in China began on the eastern and southern coast, this process has begun to spread rapidly inland, including to Henan and its surrounding regions, where cost of labour, land and raw materials are significantly lower.

As a result, industrialisation and urbanisation are occurring at a rapid pace in these regions, and the consequent establishment of factories producing a wide range of consumer products is driving the demand for chemicals such as DMF and methylamine. Being the only significant DMF producer in Henan province (within 500km from the plant), we are well-positioned to take advantage of this trend.

In addition, our location in China's Coal Belt allow us to enjoy a cost advantage over other PRC DMF producers due to our secure and low-cost access to the coal-based raw materials that are used in the manufacture of our products. Our production efficiency and cost-effective supply chain management strategy, which include direct piping-in of raw materials from our main supplier, has provided us a relative cost advantage against our competitors.

Henan Province is also on the Beijing-Guangzhou railway and its capital Zhengzhou, has one of Asia's largest railway stations and network. Zhengzhou has been developed into a logistics central station for cargo transportation. This will further reduce the transportation costs of our products. Our customer base in China consists of customers in Henan, the surrounding provinces adjacent to Henan, namely Hebei, Shaanxi, Shanxi, Hubei, Shandong, and Anhui, and provinces in the Yangtze Delta Region, namely, Jiangsu and Zhejiang.

CORPORATE PROFILE

Some of our customers are manufacturers of downstream products that use methylamine and DMF, while others, especially those located further away in the Yangtze Delta Region, are trading intermediaries that distribute these chemicals to customers that use these chemicals in their manufacturing processes. With our second DMF/methylamine facility of 120,000 annual ton capacity completed in late 2007, we have emerged as one of the world's largest manufacturers of DMF with a total annual capacity of 150,000 tons of DMF and methylamine.

To further our marketing reach in the Yangtze Delta Region, our completion of the storage and distribution facility in Changzhou City, Jiangsu Province which can handle up to 40,000 tons of DMF annually facilitated by a direct link to the national rail network via a dedicated railway line to the Group's production facilities, enable us to pass on our transport and distribution cost- savings to our customers.

The Group has a 49% equity interest in Anyang Jiulong Chemical Co., Ltd. with Henan's largest enterprise and one of China's most significant coal mining companies, Henan Energy and Chemical Industry Group Co., Ltd. ("HNEC") (formerly known as Henan Coal and Chemical Industry Group Co., Ltd). To date, Anyang Jiulong has completed the construction of two 130 tons per hour steam boilers, two 10,000 tons methanol storage tanks, a 400 tons per hour distilled water station, two 25,000 kilo watts per hour power station and a 20,000 tons DMAC (Dimethylacetamide) plant. The partnership with HNEC and investment in Anyang Jiulong will strengthen the integration of our operations and diversify our earnings base.

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

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

OUR PRODUCTS

DIMETHYLFORMAMIDE (DMF)

DMF, which is our main product, uses methylamine (another of the Group's secondary products) as a feedstock. DMF has a diversified range of applications. It is in turn used as a feedstock in the production of Polyurethane ("PU"), a key component in the manufacture of consumer goods such as leather products and shoe soles, as well as feedstock in the production for pharmaceutical and agro chemical products. DMF is also a universal industrial solvent that can be used as an absorbing agent mainly in electronics, acrylic fibre and pharmaceutical products.

DMF PRODUCTION PROCESSES

We have a fully integrated production process in our 150,000 tons DMF plant where methylamine manufactured is sold independently as well as used as feedstock in DMF production. This flow-through production process provides operational flexibility, as it allows management to change product mix to suit market conditions. We consistently optimise our cost structure through various measures including minimising transportation costs and ensuring regular supply of our high quality products to the customers. With global downstream manufacturing facilities based in China, as well as a growing domestic consumption based economy, demand for DMF in China is expected to continue to grow steadily over the next few years.

PU - DMF AS A KEY FEEDSTOCK

One of the most important applications of DMF is its use as a feedstock in the production of PU, an important chemical used in a wide range of consumer related applications. PU products can be found everywhere and is one of the most versatile materials today that offers the elasticity of rubber combined with the toughness and durability of metal. PU absorbs weight, improves durability, enhances insulation in the products and provides added comfort and resiliency.

KEY USES OF PU INCLUDE:

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

OUR PRODUCTS

SHOE SOLE

DMF is commonly used in manufacturing extremely versatile PU elastomers. With the properties of high levels of elasticity, tensile strength, elongation and shock absorbing abilities, it can be used in manufacturing shoe soles.

PU LEATHER

DMF is also widely used in the manufacture of pu leather, or synthetic leather. Due to its lightweight, classy-looking and comfortable properties, PU leather is easily maintained, water-resistant, abrasion-resistant and can be dry-cleaned. Synthetic leather is a lower cost alternative to real leather that can be used in manufacturing sofas, handbags, shoes and belts.

DMF AS UNIVERSAL SOLVENTS

PETROCHEMICAL

DMF can be used as an industrial solvent to produce petrochemical products, including butadiene. When combined with other chemicals, end products include synthetic rubber, nylon and automobile tyres. With the surging consumer and industrial demand for petrochemical products in China, large-scale increases in production capacity of petrochemical products are expected in the coming decade.

ACRYLIC FIBRE/NATURAL LEATHER

DMF is also used as an industrial solvent to produce acrylic fibre. Driven by the global fashion market, acrylic fibre has become a lower cost alternative to cashmere due to its similar soft fabric feeling. It is extensively used in knitwear, carpet, toys, blanket and apparel industries. DMF is also used to remove hair from natural leather.

PHARMACEUTICAL

The global pharmaceutical market is projected to grow, driven by the ageing global population. 10% of China's population, i.e., 130 million people, will be above 60 years old and this number is expected to rise more than 31% by the year 2050. In China, DMF is used as an industrial solvent to produce antibiotics and other type of consumable drugs - new uses of DMF as an ingredient of pharmaceutical products are being developed contstantly.

ELECTRONICS

DMF is also used to dissolve the catalyst in the epoxylaminated printed circuit boards ("PCB") in the electronics industry. Driven by the influx of investment in the electronics sector, along with the rapid development of the communications industry, China is amongst the world's largest producer of PCB boards, thus demand for DMF in China is expected to remain significant as well.

OUR PRODUCTS

DMF AS OTHER CHEMICAL FEEDSTOCK

AGROCHEMICAL

DMF and methylamine, used as chemical feedstock to produce agrochemicals such as fertilisers, soil conditioners, pesticides and antibiotics, are critical to raising crops for food. The PRC Government has pledged to improve the living standards of farmers by increasing local agricultural productivity and new investments in the countryside. The use of agrochemicals in Henan Province, which has one of China's largest agricultural sectors, is expected to increase in the coming decades due to this initiative.

METHYLAMINE

Methylamine is an important chemical feedstock in the organic chemical industry. It is widely used in various areas, such as agricultural chemicals, medicine, fuel, synthetic resin, leather making, production of the solvent used for chemical fibres, activating agents and photography. Methylamine is produced by the reaction of methanol with ammonia. Most of the methylamine produced by the Group is used as a feedstock for the production of DMF.

CONSUMABLE CARBON DIOXIDE

Carbon dioxide can be broadly classified as industrial carbon dioxide and consumable carbon dioxide. The Group's focus will be the higher margin consumable carbon dioxide due to the increasing demand for the product for use in aerated beverages, tobacco and preservation of vegetables.

OUR PRODUCTS

SODIUM HYDROSULFITE

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

OXYGEN-18

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

DEUTERIUM DEPLETED WATER

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

CHAIRMAN'S STATEMENT

> "Looking ahead, we remain optimistic. The major maintenance of our DMF and Methylamine plants in third quarter 2017 will allow our plants to operate at a high efficiency in FY2018."

WANG YIMING
Non-Executive and
Non-Independent Chairman

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

I am pleased to share with you our financial results for the financial year ended 31 December 2017 ("FY2017"). We saw robust growth across all our product lines, which resulted in net profits increasing by 194 times to RMB 70.1 million in FY2017 from RMB 0.36 million the year before ("FY2016"). This was achieved against a backdrop of tighter industry supply and Group operational improvements coupled with a robust Chinese economy in 2017, where GDP growth registered 6.9% compared with 6.7% the year before.

All in, revenue grew by 59% to RMB 1.12 billion compared with RMB 708.5 million in the preceding year. This was attributable to increases in the sales volume and selling prices of our main products Dimethylformamide ("DMF") and Methylamine. Year on year, the sales volume of DMF and Methylamine increased by 8% and 16% respectively. Over FY2017, the average selling price of DMF was RMB 5,527 per tonne, 33% higher than in FY2016. Meanwhile, the average selling price of Methylamine over FY2017 was RMB 7,557 per tonne, 49% higher than in FY2016. The higher average selling prices were mainly due to tighter industry supply arising from production stoppages and cuts by other producers in compliance with environmental regulations. The Chinese government has been attempting to improve environmental conditions in the country by increasing environmental protection regulations and enforcement measures.

Along with robust revenue growth, gross profit increased from RMB 39.4 million in FY2016 to RMB 148.2 million in FY2017. Gross profit margins saw an encouraging expansion from 6% in FY2016 to 13% in FY2017 with the aforementioned higher selling prices.

On top of improved financial results, we have also increased our operational efficiency. Our Anyang Jiutian DMF plant capacity utilisation rate increased from 57% to 65% from FY2016 to FY2017. Over the same period, our Anyang Jiutian Methylamine plant capacity utilisation improved from 92% to 100%. This efficiency forms a solid base upon which we can grow our business.

OUTLOOK

Looking ahead, we remain optimistic. The major maintenance of our DMF and Methylamine plants undertaken in third quarter 2017 will allow our plants to operate at a high efficiency in FY2018. We are aware that the Chinese government's emphasis on environmentally-friendly industrial operations will necessitate us keeping abreast of related regulatory developments and consequently improving our operations to comply with these changes. This pro-active stance will in turn place our Group on a more sustainable growth trajectory.

Another development that will diversify our revenue base is Project Sodium Hydrosulfite (the "Project"). As a chemical with wide ranging applications, sodium hydrosulfite is a white crystalline powder with a weak sulfurous odour. Its low toxicity makes it suitable for a myriad of uses, including water treatment, gas purification, cleaning, stripping, and the industrial processing of textiles, leather, foods, polymers, photography and many others.

With its broad applications, we believe it will in time contribute to our growth sustainably, in line with China's continued industrialisation. On 31 December 2017, we achieved a significant milestone with the commencement of the Project's commercial production.

This Project's production facilities will enable us to produce 140,000 tons of sodium hydrosulfite annually and, together with the ancillary facilities, 45,000 tons of sodium formate (HCOONa), 45,000 tons of sodium matabisulfite (Na2S2O5) and 45,000 tons of liquid sulphur dioxide (SO2) which are the main feedstocks of sodium hydrosulfite. This will make Anyang Jiujiu Chemical Technology Co., Ltd, our 74%- owned associated company, the most integrated and the second largest manufacturer of sodium hydrosulfite in China. Such economies of scale will put us in good stead as we seek to expand our customer base for this product.

As for our main products, DMF and Methylamine, our plants are currently operating at high efficiency levels. These products' market prices remain stable and we expect market demand to continue to be robust in FY2018.

CHAIRMAN'S STATEMENT

CONTINUED FINANCIAL SUPPORT

Despite our negative working capital as at 31 December 2017, we believe that the Group will be able to operate as a going concern as we retain the continued backing of our principal supplier and shareholder, Anhua Group and its associated company, Anyang Jiulong. Out of our current liabilities, we owe an approximate RMB 147.4 million to them. To date, we have obtained continued financial support from Anhua and Anyang Jiulong, who have agreed to defer payments of trade payables owing to them till Anyang Jiutian is able to settle its other liabilities.

CHANGES TO THE BOARD

In line with the board renewal plans of the controlling shareholder of the Company, Anyang Longyu (HK) Development Co, Ltd, a 100% owned subsidiary of Anhua, there have been changes to the Board with effect from 1 February 2018. Mr Gao Heng has resigned as the Non-Executive and Non-Independent Chairman and has been replaced by myself. Mr Su Jing and Mr Huo Xiaofan, the Non-Executive and Non-Independent Directors, have resigned and been replaced by Mr Zhang Hongtao and Mr Wang Gang.

Mr Chen Mingjin and Mr Koh Eng Kheng, Victor have also been appointed as Non-Executive and Independent Directors, in compliance with Guideline 2.2 of the Code of Corporate Governance 2012 which states that at least half the Board should comprise of Independent Directors if the Chairman is non-independent. On behalf of the Board, I would like to thank the outgoing Directors Mr Gao, Mr Su and Mr Huo for their past contributions and extend a warm welcome to our new directors. We look forward to their valuable input and guidance.

CONCLUSION

At this juncture, on behalf of the Board, I would also like to thank the management and staff for their leadership and dedication over the past year, and our shareholders for their steadfast support. Together we look forward to a fruitful 2018.

WANG YIMING

Non-Executive and Non-Independent Chairman

主席致辞

尊敬的各位股东：

我很高兴与大家分享本公司截至2017年12月31日之财政年度（“2017财年”）的财务业绩。去年，我们所有的产品系列均呈现强劲增长，从而推动净利润从前一年（“2016财年”）的36万元人民币增至2017财年的7,010万元人民币，增幅高达194倍。这一骄人的业绩，是在2017年的行业供应紧张、集团运营效率改善以及中国经济强劲发展这一大背景下取得的。中国去年的GDP增长率为6.9%，相比之下，前一年则为6.7%。

我们的全年收入同比增长59%，达到11.24亿元人民币，而去年同期仅为7.09亿元人民币。这是因为我们的主打产品二甲基甲酰胺（“DMF”）和甲胺，无论是销量还是销售价格，都有所上涨。与去年同期相比，DMF和甲胺的销售量分别增长了8%和16%。2017财年期间，DMF的平均售价为每吨5,527元人民币，较2016财年高出33%。同时，甲胺的平均售价为每吨7,557元人民币，比2016年财年增加49%。平均销售价格上涨，主要是由于其他生产商迫于环保法规要求停止和减少生产活动造成行业供应紧缩所致。中国政府一直在努力强化环保条例和执法措施，以便改善中国的环境状况。

随着本公司收入的强劲增长，我们的毛利润也从2016财年的3,940万元人民币增至2017财年的1.48亿元人民币。拜售价提高所赐，毛利率从2016财年的6%激增至2017财年的13%，委实令人鼓舞。

除了改善财务业绩之外，我们还着力提高运营效率。我们设在安阳的九天DMF工厂，产能利用率从2016财年的57%上升至2017财年的65%，同期，安阳九天甲胺工厂的产能利用率也从92%提高到了100%。这种效率为我们的业务增长奠定了坚实基础。

前景展望

展望未来，我们依然保持乐观。2017年第三季度，我们对二甲基甲酰胺及甲胺两个厂进行了重大检修，这将有利于本集团在2018年财年更好地发挥其产能。我们意识到，鉴于中国政府一直强调环保型工业运营，我们需把握这些监管动态，并持续改善运营状况，以符合这些变化的要求。而我们所采取的这一积极主动姿态，也将令本集团步入可持续发展的轨道。

“展望未来，我们依然保持乐观。2017年第三季度，我们对二甲基甲酰胺及甲胺两个厂进行了重大检修，这将有利于本集团在2018年财年更好地发挥其产能。”

王一鸣
非执行兼非独立主席

此外，本公司开发的连二亚硫酸钠项目（“保险粉”），也将使我们实现收入基础多样化。连二亚硫酸钠是一种广泛应用的化学物品。它是一种白色结晶粉末，具有弱亚硫酸气味，因毒性较低而适合用于各种用途，包括水处理、气体净化、清洁、脱墨，以及纺织品、皮革、食品、聚合物、摄影和众多其他方面的工业加工。

鉴于连二亚硫酸钠的广泛用途，我们确信它符合中国工业化持续发展的需要，并将有助于我们实现可持续增长。2017年12月31日，保险粉项目的商业化生产正式启动，标志着我们已取得重大的里程碑。

保险粉项目的生产设施，可使我们每年生产14万吨连二亚硫酸钠，加上相关的辅助设施，我们还可生产45,000吨甲酸钠（HCOONa）、45,000吨焦亚硫酸钠（Na2S205）和45,000吨液态二氧化硫　（SO2），而后三者均是连二亚硫酸钠的主要原料。这将使我们持股74％的联营公司--安阳九久化学科技有限公司--成为中国集成度最完善的生产商及中国第二大连二亚硫酸钠生产商。随着我们为这产品扩展良好的客户群体，这样的规模经济将令我们受益匪浅。

至于我们的主要产品DMF和甲胺，目前集团下属子公司正以高效水平加紧生产。这些产品的市场价格保持稳定，其市场需求预计2018财年将会继续保持强劲。

主席致辞

持续的财务支持

尽管截止至2017年12月31日我们的营运资金为负数，但由于我们得到了主要供应商兼大股东安化集团及联营公司安阳九龙的持续支持，我们相信本集团将有能力保持盈利状态。在我们的流动负债中，我们对前述公司的债务约为1.47亿元人民币。截至目前，我们已获得安化集团和安阳九龙的持续财务支持；他们同意，在安阳九天偿付其其他债务之前，我们可以延期支付欠付他们的应付账款。

董事会变更

根据本公司控股股东香港安阳龙宇发展有限公司（即安化集团的全资子公司）的董事会更新计划，董事会的结构已于2018年2月1日起对其结构作出变更。高恒先生已辞任非执行兼非独立主席职务，并由本人担任这一职务。非执行董事兼非独立董事苏静先生和霍晓凡先生均已辞职，并由张红涛先生和王刚先生分别取而代之。

陈明今先生和许永庆先生也已根据《2012公司管治守则》第2.2条的规定，获委成为非执行兼独立董事。该条规定，若主席为非独立主席，则董事会的至少一半成员应当为独立董事。我谨代表董事会感谢离任董事高先生、苏先生和霍先生过去对公司的贡献，并对我们的新董事表示热烈欢迎，并期待获得他们的宝贵意见和指导。

结论

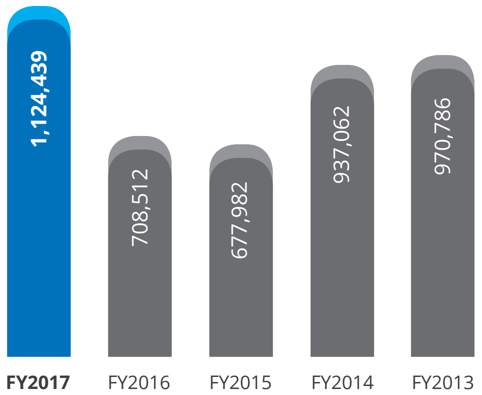
在此时刻，董事会还要感谢管理层在过去一年中所展现的领导力，以及广大员工给予本公司的热情奉献，并感谢我们的股东对公司的鼎力支持。让我们团结一心，期待2018年再创辉煌。

王一鸣
非执行兼非独立主席

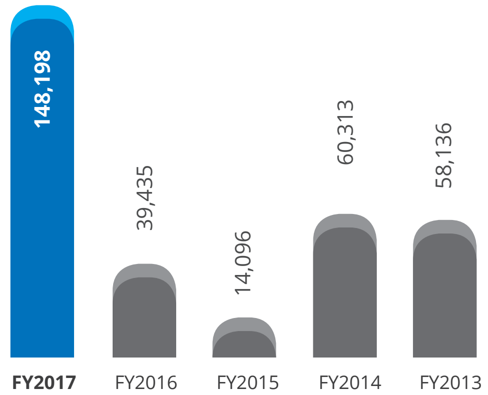
FINANCIAL HIGHLIGHTS

	2017	2016	2015	2014	2013
Revenue (RMB' 000)	**1,124,439**	708,512	677,982	937,062	970,786
Gross Profit (RMB' 000)	**148,198**	39,435	14,096	60,313	58,136
Profit/(Loss) Attributable to Shareholders (RMB' 000)	**70,817**	586	(8,717)	27,012	21,238
Earnings/(Loss) per share (RMB cents)	**3.89**	0.03	(0.48)	1.49	1.18

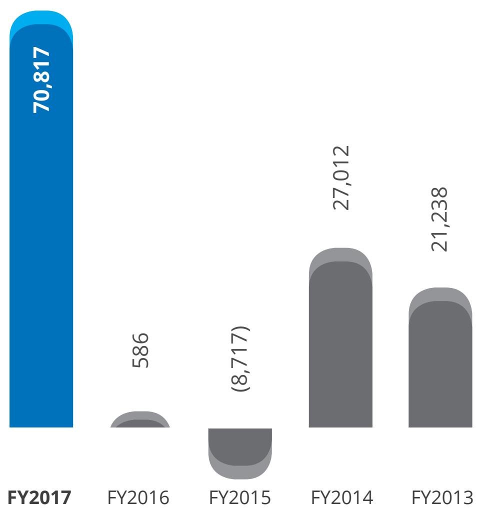
REVENUE (RMB'000)



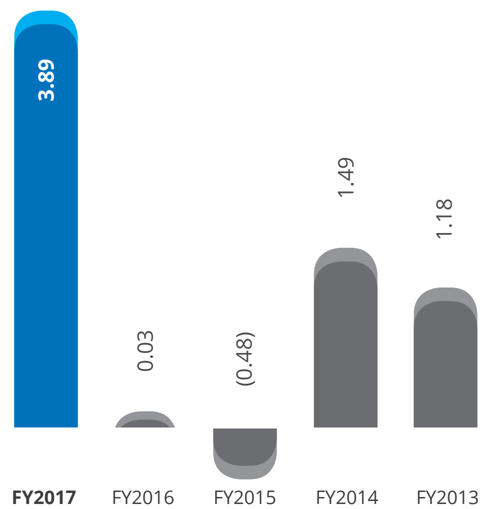
GROSS PROFIT (RMB'000)



PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS
(RMB'000)



EARNINGS/(LOSS) PER SHARE
RMB CENTS



REVIEW OF OPERATIONS

OPERATIONS OVERVIEW

THE YEAR IN REVIEW

For the financial year under review, the Group registered a solid performance with robust revenue and profit growth. This was backed by a strengthening Chinese economy, a tighter industry supply due to environmental regulatory compliance measures on the industry, and up-to-date compliant and efficient operations on our part.

Group revenue for FY2017 increased by 59% from RMB 708.5 million in FY2016 to RMB 1.12 billion, mainly due to increases in both sales volume and selling prices of DMF and Methylamine (collectively, the "Products"). In terms of sales volume, DMF and Methylamine were 8% and 16% higher than that of FY2016 respectively. For FY2017, average selling prices per tonne of DMF and Methylamine were RMB 5,527 and RMB 7,557 respectively, which were 33% and 49% higher than FY2016. The significant uptrend in average selling prices was mainly due to a tighter industry supply arising from production stoppages and cuts by other producers to comply with environmental regulations.

With our environmentally-compliant operational investments, our capacity utilisation at the Anyang Jiutian DMF plant increased from 57% to 65%, whilst capacity utilisation at the Anyang Jiutian Methylamine plant increased from 92% to 100% between FY2016 to FY2017.

Gross profit was booked at RMB 148.2 million in FY2017, an increase from RMB 39.4 million in FY2016 on the back of the increase in revenue. Gross profit margins increased to 13% in FY2017, from 6% in FY2016. This was mainly due to the higher selling prices during the year under review. Other income decreased by 65% to RMB 3.3 million in FY2017 mainly due to the absence of a one-off government grant amounting to RMB 3.0 million present in FY2016 and lower interest income, rental income and management fees received.

Meanwhile, distribution costs increased by 16% to RMB 19.6 million in FY2017, in line with the increase in sales volume of the Products and increase in transportation costs as more customers opted to purchase goods inclusive of transportation rather than ex-factory.

Administrative expenses increased by 12% to RMB 27.7 million in FY2017 mainly due to higher staff and related cost incurred by subsidiary companies (Anyang Jiutian Fine Chemical Co., Ltd and Henan Herunsheng Isotope Technology Co., Ltd.).

Other expenses for FY2017 mainly consists of property, plant and equipment written off of RMB 0.8 million (FY2016: Nil) and loss on disposal of property, plant and equipment amounting to RMB 0.8 million (FY2016: RMB 0.4 million).

Share of results of associated companies mainly pertains to share of loss from Anyang Jiulong and Anyang Jiujiu, of RMB 5.7 million and RMB 1.0 million respectively. Anyang Jiulong generated revenue from the production and sale of DMAC to third parties, industrial steam and electricity to Anyang Jiutian and Anhua, while Anyang Jiujiu generated revenue from sales of the main feedstocks of sodium hydrosulfite which are mainly sodium matabisulfite and liquid sulphur dioxide. Both Anyang Jiulong and Anyang Jiujiu suffered financial losses mainly due to an order from the Environmental Protection Department of Anyang City to limit the production of the chemical industry, to effectively control and reduce air pollution during the year-end winter period. Both Anyang Jiulong and Anyang Jiujiu resumed their operations on 31 December 2017.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2017, the Group's current assets was RMB 833.6 million, an increase of RMB 284.0 million from RMB 549.6 million as at 31 December 2016. The net increase was largely attributed to:

a. An increase in cash and cash equivalents of RMB 119.1 million mainly due to cash generated from operating activities;

b. An increase in inventories of RMB 14.9 million, mainly due to higher cost of raw material; and

c. An increase in trade and other receivables of RMB 149.9 million mainly due to:

   (i) the increase in trade receivables of RMB 149.3 million consistent with the increase in revenue in FY2017;

   (ii) further advances of RMB 7.2 million to Anyang Jiujiu for working capital; and partially offset by a repayment of RMB 1.7 million from related parties and utilisation of income tax recoverable of RMB 4.5 million.

The Group's non-current assets decreased by RMB 11.8 million due largely to share of loss of associated companies of RMB 6.7 million and utilisation of deferred tax assets of RMB 1.4 million.

As at 31 December 2017, the Group's current liabilities was RMB 946.4 million, an increase of RMB 252.2 million from RMB 694.2 million as at 31 December 2016, largely attributed to:

a. An increase in trade bills payables to banks of RMB 69.5 million as more suppliers opted for trade bills as a form of repayment;

b. An overall increase in trade and other payables of RMB 131.1 million in line with higher cost of sales in FY2017 as compared to FY2016;

c. Reclassification of non-current bank borrowings of RMB 50.0 million to current liabilities;

d. Increase in tax payables of RMB 11.6 million due to profit generated during the financial year and fully utilised prior year tax losses carried forward; and

e Partially offset by repayment of bank borrowings of RMB 10.0 million.

REVIEW OF OPERATIONS

WORKING CAPITAL

As at 31 December 2017, the Group's current liabilities exceeded current assets by RMB 112.8 million, attributable to the losses incurred in prior years. The Group believes that it will be able to repay its current liabilities as and when it falls due as a part of the Group's current liabilities are owing to its principal supplier and shareholder, Anhua Group and to its associated company, Anyang Jiulong, amounting to RMB 147.4 million. The Group has obtained continued financial support from Anhua and Anyang Jiulong, who have agreed to defer payments of trade payables owing to them till Anyang Jiutian is able to settle its other liabilities.

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

STATEMENT OF CASH FLOWS

Net cash generated from operating activities of RMB 94.6 million in FY2017 was mainly due to higher profit before tax and adjustment of depreciation of property, plant and equipment partially offset by outflow from working capital changes.

Net cash used in investing activities of RMB 29.6 million in FY2017 was mainly due to additions of property, plant and machinery.

Net cash used in financing activities of RMB 15.3 million in FY2017 was mainly due to net repayment of bank borrowings and interest paid during the financial year.

BOARD OF DIRECTORS

MR WANG YIMING
Non-Executive and Non-Independent Chairman

Mr Wang Yiming was appointed as the Non-Executive and Non-Independent Chairman on 1 February 2018. Mr Wang graduated from Hubei Polytechnic University with a Diploma in Chemical Engineering and Technology. Subsequently, he obtained a Bachelor Degree in Chemical Engineering and Technology from the China University of Petroleum. He is currently the Chairman and CEO of Anyang Chemical Industry Group Co. Ltd., and has held a number of supervisory and managerial position spanning over 24 years in Anyang Chemical Industry Group Co. Ltd.

MR ZHOU HONGXUAN
Chief Executive Officer and Executive Director

Mr Zhou Hongxuan was promoted to Chief Executive Officer of the Group on 13 February 2017. He is responsible for overseeing the China subsidiaries and taking care of their daily operations. In March 2012, Mr Zhou was appointed as the General Manager of the China subsidiaries, taking care of the daily operations of the subsidiaries. Prior to joining the Group, Mr Zhou was a Manager in Anyang Chemical Industry Group Co. Ltd, where he held a number of supervisory and managerial positions spanning over 19 years. Mr Zhou Hongxuan graduated from Xiangtan Mining Institution with a Bachelor Degree in Chemical Engineering.

MR LEE CHEE SENG
Executive Director

Mr Lee Chee Seng, Executive Director, is responsible for corporate finance and strategic planning for the Group. Mr Lee graduated from the National University of Singapore obtaining First Class Honours degree in Bachelor of Civil Engineering in 1987. Upon graduation, Mr Lee joined the Monetary Authority of Singapore as a central banking officer. Mr Lee has been a qualified Chartered Financial Analyst (CFA) since 1990. Mr Lee joined Morgan Grenfell (Asia) Limited in 1988 and was promoted in 1993 to become the Managing Director of Deutsche Morgan Grenfell (Malaysia) to run its investment banking business in Malaysia. Mr Lee returned to Singapore in 1994 to become Head of Corporate Finance for South-East Asia for Deutsche Morgan Grenfell Asia. Between April 2001 and November 2003, Mr Lee served as non-executive director of Malaysian Plantations Berhad, a Malaysian holding company for Alliance Bank Malaysia, and as exco member on the boards of its banking and finance subsidiaries.

MR WU YU LIANG
Non-Executive and Lead Independent Director

Mr Wu Yu Liang is an Independent Director. On 28 February 2008, Mr Wu was appointed by the Board as the Lead Independent Director of the Company. He graduated in 1985 from the National University of Singapore with a degree in Bachelor of Laws with Second Class Honours (Upper Division). He was admitted as an Advocate and Solicitor of the Supreme Court of Singapore in 1986. Mr Wu is currently the Managing Director of the Law Corporation WU LLC. His main areas of practice are corporate and commercial laws as well as litigation.

BOARD OF DIRECTORS

MR CHAN KAM LOON
Non-Executive and Independent Director

Mr Chan Kam Loon is an Independent Director. He holds a degree in Accounting and Finance from the London School of Economics and Political Science and is a Chartered Accountant with the Institute of Chartered Accountants in England and Wales. Between 1990 and 1996, Mr Chan worked at Morgan Grenfell Asia Ltd and HG Asia Securities Ltd in their corporate finance teams. From 1996 to 2001, Mr Chan was a Director of Investments at a private equity fund, Suez Asia Holdings Pte Ltd. From July 2001 to July 2004, Mr Chan headed up the Listings Function within the Markets Group at the Singapore Exchange Securities Trading Limited.

MR GAO GUOAN
Non-Executive and Independent Director

Mr Gao Guoan was appointed as a Non-Executive and Independent Director on 26 April 2013. Mr Gao was the secretary of the Party Committee of Henan Coal Mine Design Institute and the secretary of Party Committee and director of Henan Coal Industrial Department (Bureau). He also served as a member of Henan CPPCC Standing Committee and the deputy head of its Human Resources and Environment Committee. Mr Gao was also the president of Henan Province Coal Industrial Association.

MR ZHANG HONGTAO
Non-Executive and Non-Independent Director

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

MR WANG GANG
Non-Executive and Non-Independent Director

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

BOARD OF DIRECTORS

MR CHEN MINGJIN
Non-Executive and Independent Director

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

MR KOH ENG KHENG VICTOR
Non-Executive and Independent Director

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

KEY MANAGEMENT

MR WEI HONGGUANG

General Manager of Subsidiaries

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

MR NG HAN KIAT

Group Financial Controller

Mr Ng Han Kiat is responsible for the accounting, financial and taxation matters of the Jiutian Chemical Group Limited. He is experienced in the accounting and finance industries and has substantially been involved in public and private company audits whilst working at accounting and business advisory firms in Singapore.

MR CHENG JIANJUN

Vice General Manager of Subsidiaries
- Production and Technology

Mr Cheng Jianjun is responsible for the management and deployment of our production personnel, setting of the Group's technical targets, ensuring stable production and energy conservation. Mr Cheng joined Anyang Jiutian in March 2007. Mr Cheng graduated with a Bachelor's Degree in Zhengzhou Engineering Institute.

MS LIU SHUXIN

Financial Controller of Subsidiaries

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

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

NOMINATING COMMITTEE

Gao Guoan (Chairman)
Koh Eng Kheng Victor
Wang Yiming

REMUNERATION COMMITTEE

Wu Yu Liang (Chairman)
Chan Kam Loon
Gao Guoan

COMPANY SECRETARIES

Lee Wei Hsiung, ACIS
Lee Pay Lee, ACIS

REGISTERED OFFICE

80 Robinson Road #02-00
Singapore 068898

COMPANY REGISTRATION NUMBER

200415416H

PRINCIPAL PLACE OF BUSINESS ADDRESS

3 Raffles Place
#05-01 Bharat Building
Singapore 048617
Main line: (65) 6536 3738
Fax line: (65) 6536 3898
Zhangwu Street, Long An District,
Anyang City, Henan Province,
People's Republic of China

SHARE REGISTRAR

Tricor Barbinder Share Registration Services
(a business division of Tricor Singapore Pte. Ltd.)
80 Robinson Road #02-00
Singapore 068898

PRINCIPAL BANKER

Industrial and Commercial Bank of China
Anhua Branch
Zhangwu Street, Long An District,
Anyang City, Henan Province,
People's Republic of China

INDEPENDENT AUDITOR

Baker Tilly TFW LLP
Chartered Accountants of Singapore
600 North Bridge Road
#05-01 Parkview Square
Singapore 188778
Partner-in-charge: Lim Kok Heng
Appointed since financial year ended 31 December 2014

CONTINUING SPONSOR

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

CORPORATE GOVERNMENT REPORT

JIUTIAN CHEMICAL GROUP LIMITED ("**Jiutian Chemical**" or the "**Company**") is committed to maintaining high standards of corporate governance within the Company and its subsidiaries (the "**Group**") to advance its mission to create value for the Group's customers and shareholders. The Board recognises the importance of practicing good corporate governance as a fundamental part of its responsibilities to protect and enhance shareholders' value and the financial performance of the Group.

This Report describes the Group's ongoing efforts in the financial year end 31 December 2017 ("**FY2017**") in keeping pace with the evolving corporate governance practices and complying with Code of Corporate Governance 2012 (the "**Code**") and the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in January 2015 (the "**Guide**"). The Company has complied with the principles and guidelines as set out in the Code and the Guide, where applicable. Appropriate explanations have been provided in the relevant sections below where there are deviations from the Code and/or the Guide. The Company did not adopt any alternative corporate governance practices in FY2017.

BOARD MATTERS

Principle 1 – THE BOARD'S CONDUCT OF AFFAIRS

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

Mr Wang Yiming[1]	Non-Executive and Non-Independent Chairman
Mr Zhou Hongxuan	Chief Executive Officer and Executive Director
Mr Lee Chee Seng	Executive Director
Mr Wang Gang[2]	Non-Executive and Non-Independent Director
Mr Zhang Hongtao[2]	Non-Executive and Non-Independent Director
Mr Wu Yu Liang	Non-Executive and Lead Independent Director
Mr Chan Kam Loon	Non-Executive and Independent Director
Mr Gao Guoan	Non-Executive and Independent Director
Mr Chen Mingjin[3]	Non-Executive and Independent Director
Mr Koh Eng Kheng Victor[3]	Non-Executive and Independent Director

1 Appointed as Non-Executive and Non-Independent Chairman on 1 February 2018.

2 Appointed as Non-Executive and Non-Independent Director on 1 February 2018.

3 Appointed as Non-Executive and Independent Director on 1 February 2018.

All Directors objectively discharge their duties and responsibilities at all times in the interest of the Company. The principal functions of the Board apart from its statutory responsibilities are to:

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

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

c) align the interests of the Board and Management with that of shareholders and balance the interests of all stakeholders;

d) oversee the processes for risk management, financial reporting and compliance and evaluate the adequacy of internal controls; approve annual budget, key operational matters, major acquisition and divestment proposals and major funding proposals of the Company;

e) review management performance;

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

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

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

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

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

The Board meets at least four times a year. Ad-hoc meetings are convened as warranted by circumstances or deemed appropriate by the Board members. Non-Executive Directors are encouraged to meet regularly without management present.

The Group has adopted and documented internal guidelines setting forth the matters that require Board's prior approval. Matters which are specifically reserved for the decision of the entire Board include:

- Approval of quarterly results announcements, annual reports and audited financial statements;
- Convening of shareholders' meetings;
- Group strategy, business plan and annual budget;
- Material acquisition and disposal of assets;
- Capital-related matters including financial re-structure, market fund-raising;
- Share issuances, dividends release or changes in capital;
- Material interested person transactions; and
- Any investment or capital expenditures.

While matters relating to the Group's objectives, strategies and policies require the Board's decision and approval, Management is responsible for the day-to-day operation and administration of the Group.

To facilitate effective management, certain functions of the Board have been delegated to various Board Committees, namely Audit Committee ("**AC**"), Nominating Committee ("**NC**") and Remuneration Committee ("**RC**"). Further information regarding the function and details of the terms of reference of the Board Committees are set out in the later part of the report.

CORPORATE GOVERNMENT REPORT

In FY2017, the number of the Board and Board Committee meetings held and the attendance of each Board member are shown below:

	Board	AC(1)	NC(2)	RC(3)
	Number of Meetings held: 4	Number of Meetings held: 4	Number of Meetings held: 1	Number of Meetings held: 1
	Number of Meetings Attended	Number of Meetings Attended	Number of Meetings Attended	Number of Meetings Attended
Name				
Gao Heng[1]	1	n.a.	1 (Member)	n.a.
Zhou Hongxuan	3	n.a.	n.a.	n.a.
Lee Chee Seng	4	n.a.	n.a.	n.a.
Huo Xiaofan[2]	1	n.a.	n.a.	n.a.
Su Jing[2]	3	n.a.	n.a.	n.a.
Wu Yu Liang	4	4 (Member)	n.a	1 (Chairman)
Chan Kam Loon	4	4 (Chairman)	1 (Member)	1 (Member)
Gao Guoan	4	4 (Member)	1 (Chairman)	1 (Member)
Wang Yiming[3]	n.a.	n.a.	n.a.	n.a.
Wang Gang[4]	n.a.	n.a.	n.a.	n.a.
Zhang Hongtao[4]	n.a.	n.a.	n.a.	n.a.
Chen Mingjin[5]	n.a.	n.a.	n.a.	n.a.
Koh Eng Kheng Victor[5]	n.a.	n.a.	n.a.	n.a.

1 Resigned as the Non-Executive and Non-Independent Chairman on 1 February 2018.

2 Resigned as Non-Executive and Non-Independent Directors on 1 February 2018.

3 Appointed as the Non-Executive and Non-Independent Chairman on 1 February 2018.

4 Appointed as Non-Executive and Non-Independent Directors on 1 February 2018.

5 Appointed as Non-Executive and Independent Directors on 1 February 2018.

n.a.: not applicable

For FY2017,

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

(2) The NC comprises 3 members, the majority of whom, including the Chairman, are independent.

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

The Board values on-going professional development and recognises that it is important that all Directors receive regular training so as to be able to serve efficiently on and contribute to the Board. Each Director is entitled a certain budget to their training needs, to keep abreast with the latest developments such as updates on the relevant laws and regulations, changes in technology and industrial practice relating to the Group's business. The Group has an open policy for professional training for all Board members. The Company endorses the Singapore Institute of Directors ("**SID**") training programs and sets a budget for such training and professional development programs. All Board members are encouraged to attend relevant trainings organised by the SID or any other organisation which provides relevant training courses for directors. The cost of such training will be borne by the Company.

The Company will arrange for all newly appointed directors (if any) to meet with the Company's senior management to familiarise themselves with the business, operations and governance practices of the Company and its subsidiaries. Newly appointed Directors will be provided a formal letter setting out their duties and obligations. Existing directors of the Company are encouraged to participate in seminars and/or briefing sessions to be kept abreast of latest developments, such as regulatory changes which are applicable to the Group.

While the Directors have not attended any trainings for FY2017, briefings and updates for the Directors include:

- The independent auditors had briefed the AC on changes or amendments to accounting standards;

- The Company Secretary and/or Sponsor have briefed the Board on regulatory changes, such as changes to the Companies Act and/or the SGX-ST Listing Manual Section B: Rules of Catalist ("**Catalist Rule**"); and

- Site visit in November 2017 to the Group's operation facilities in Henen province of China, to familiarise the Board with the operations of the Company.

Under the existing Articles of the Company, the Directors may participate in a meeting of the Directors by means of a conference via telephone or similar communications. Timely communication with the Board can be achieved through electronic means.

The Board also regards sustainable development as a core value of the Group and is committed to adopting sustainable practices across its business. To enable a better assessment of listed companies' financial prospects and quality of management, the SGX-ST has made sustainability reporting mandatory with effect for any financial year ending on or after December 31 2017. For the first year, listed companies have up to 12 months from its financial year end to publish its first report. Accordingly, the Company is working towards the issuance of its first sustainability report by 31 December 2018 and such report will be made available to Shareholders on the SGXNET.

Principle 2 – Board Composition and Guidance

The Board comprises ten (10) Directors: two (2) Executive Directors ("**ED**"), five (5) Non-Executive and Independent Directors ("**ID**") and three (3) Non-Executive and Non-Independent Directors ("**NENID**") as at the date of this report. The profiles of the Directors are set out on pages 17, 18 and 19 of this Annual Report.

In view that the Chairman is not an Independent Director, Guideline 2.2 at the Code is met as the IDs make up half of the Board.

The Board assesses the effectiveness of the Board and Board Committee as a whole and the contribution by each Director to the effectiveness of the Board annually. It is of the view that the current composition and board size is appropriate for effective decision making. The Board will continue to review the size of the Board on an ongoing basis. In addition, each Director has been appointed on the strength of his calibre and experience which brings about a valuable range of experience and expertise to contribute to the development of the strategy and performance of the Company. As a team, the Board collectively provides core competencies in the areas of accounting, finance, legal, business and management, as well as industry knowledge.

The IDs have confirmed that they do not have any relationship with the Company or its related corporations, its 10% shareholders or its officers including any relationships and circumstances as stipulated in Guideline 2.3 of the Code that could interfere, or be reasonably perceived to interfere, with the exercise of independent judgment in carrying out the functions as IDs. Annually, each ID is required to complete the Director's Independence confirmation checklist in their assessment of independence. The NC has reviewed, determined and confirmed the independence of the IDs in accordance with the Code.

CORPORATE GOVERNMENT REPORT

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

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

The NC considered that Mr Wu Yu Liang and Mr Chan Kam Loon continued to demonstrate a strong spirit of professionalism, independence of conduct at the Board and Board Committee meetings. They have been consistent and diligent in discharging their duties and exercise sound independent business judgment in the deliberation for the best interest of the Company and objectivity which did not diminish over time. The length of their services on the Board didn't affect their independence from the Management and the Board as they continue to express their independent views and debate the issues in the Meetings.

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

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

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

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

Table 2.6 – Balance and Diversity of the Board		
	Number of Directors	**Proportion of Board**
Core Competencies		
- Accounting or finance	5	50%
- Business management	10	100%
- Legal or corporate governance	3	30%
- Relevant industry knowledge or experience	6	60%
- Strategic planning experience	10	100%

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

- Annual review by the NC to assess if the existing attributes and core competencies of the Board are complementary and enhance the efficacy of the Board; and
- Annual evaluation by the Directors of the skill sets the other Directors possess, with a view to understand the range of expertise which is lacking by the Board.

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

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

The Non-Executive Directors are scheduled to meet regularly, and as warranted, in the absence of key management personnel to discuss concerns or matters such as the effectiveness of Management. For FY2017, the Non-Executive Directors have met once in the absence of key management personnel.

Principle 3 – Chairman and Chief Executive Officer

To ensure a balance of power and authority within the Company, the role of the Non-Executive and Non-Independent Chairman ("**Chairman**") and the Chief Executive Officer ("**CEO**") of the Company are undertaken by Mr Wang Yiming and Mr Zhou Hongxuan respectively. The Chairman and CEO are not related to each other.

Mr Wang Yiming appointed as the Non-Executive and Non-Independent Chairman on 1 February 2018 plays a key role in developing a strong leadership and vision of the Group. The Chairman is responsible for the workings of the Board, ensuring the integrity and effectiveness of its governance process. He works closely with the Board to implement the policies set by the Board to realise the Group's vision. He also promotes a culture of openness and debate at the Board, facilitate the effective contribution of the Board and encourages constructive relations within the Board and between the Board and the Management. All major decisions made by the Chairman are reviewed by the Board.

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

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

Led by the Lead Independent Director, the IDs will meet in the absence of the other Directors as and when circumstances warrant. In FY2017, the IDs have met once in the absence of the other Directors.

Principle 4 – Board Membership

Nominating Committee

In FY2017, the NC comprises the following three (3) members, majority of whom, including the Chairman are independent:

Gao Guoan	(NC Chairman, ID)
Cham Kam Loon	(Member, ID)
Gao Heng	(Member, NENID)

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

(a) review and make recommendations to the Board on all candidates nominated for appointment to the Board as well as to the senior management positions in the Company, taking into account the candidate's track record, age, experience, capabilities and other relevant factors;

(b) identify and make recommendations to the Board as to the Directors who are to retire by rotation and to be put forward for re-election;

(c) determine annually whether or not a Director is independent in accordance with the Guidelines 2.3 and 2.4 of the Code and other salient factors;

(d) decide, in relation to a Director who has multiple board representations, whether or not such Director is able to and has been adequately carrying out his duties as Director of the Company;

(e) put in place plans for succession, in particular, of the chairman of the Board and the chief executive officer of the Company;

(f) make recommendations to the Board on matters relating to the review of training and professional development programs for the Board;

(g) evaluate the effectiveness of the Board as a whole and assess the contribution by each Director, to the effectiveness of the Board; and

(h) procure that at least one-third (1/3) of the Board shall comprise of IDs. (or such other minimum proportion and criteria as may be specified in the Code from time to time.)

The NC has in place formal, written procedures for making recommendations to the Board on the selection and appointment of Directors. Such procedures would be activated when a vacancy on the Board arises or when the Board is considering making a new Board appointment either to enhance the core competency of the Board or for purpose of progressive renewal of the Board.

In identifying suitable candidates, the NC may:

1. Advertise or use services of external advisers to facilitate a search.

2. Approach alternative sources such as the SID.

3. Consider candidates from a wide range of backgrounds from internal or external sources.

4. After short-listing the candidates, the NC shall:

   (a) consider and interview all candidates on merit against objective criteria, taking into consideration that appointees have enough time available to devote to the position; and

   (b) evaluate and agree to a preferred candidate for recommendation to and appointment by the Board.

The Company currently does not have any alternate directors.

Save for the following non-independent Directors who are nominees of Henan Energy and Chemical Industry Group Co., being the ultimate holding Company of Anyang Lonyu (HK) Development Co., Ltd (Controlling Shareholder of the Company), none of the other Directors (excluding the Executive Directors) are related and do not have any relationship with the Company or its related Companies or its officers that could interfere or to be reasonably perceived to interfere with the exercise of independent judgments.

(1) Mr Wang Yiming, Chairman and CEO of Anyang Chemical Industry Group Co., Ltd;

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

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

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

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

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

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

1. Mr Gao Guoan, upon re-election as a director of the Company, will remain as a Non-Executive and Independent Director of the Company, the Chairman of NC and a member of the RC. The Board considers Mr Gao to be independent for the purpose of Rule 704(7) of the Catalist Rules.

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

Pursuant to Article 97 of the Company's Constitution, the NC had reviewed and recommended the following Directors for re-election as Director at the forthcoming AGM of the Company:

1. Mr Wang Yiming, upon re-election as a director of the Company, will remain as the Non-Executive and Non-Independent Chairman and a member of the NC.

2. Mr Wang Gang, upon re-election as a director of the Company, will remain as a Non-Executive and Non-Independent Director.

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

4. Mr Chen Mingjin, upon re-election as a director of the Company, will remain as a Non-Executive and Independent Director.

5. Mr Koh Eng Kheng Victor, upon re-election as a director of the Company, will remain as a Non-Executive and Independent Director, and a member of the Audit Committee and Nominating Committee. The Board considers Mr Koh to be independent for the purpose of Rule 704(7) of the Catalist Rules.

In making the recommendations, the NC considered the Directors' overall contribution and performance. Their profiles are shown on pages 17, 18 and 19 of the Annual Report.

All Directors are required to declare their board appointments. The NC has reviewed the time spent and attention given by each Director to the Company's affairs, taking into account the multiple directorships and other principal commitments of each of the Directors (if any), and is satisfied that all Directors have adequately discharged their duties for FY2017.

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

CORPORATE GOVERNMENT REPORT

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

Name of Directors	Date of first appointment	Date of last re-election	Nature of Appointment	Membership of Board Committee	Directorship/ Chairmanship both present and those held over the preceding three years in other listed company	Other Principal Commitments
Wang Yiming	1 February 2018	–	Non–Executive and Non–Independent Chairman	1. Nominating Committee	Present – Past three years –	Chairman and CEO of Anyang Chemical Industry Group Co., Ltd.
Zhou Hongxuan	13 February 2017	27 April 2017 (Article 97)	Executive Director and Chief Executive Officer	–	–	–
Lee Chee Seng	30 November 2004	27 April 2017 (Article 91)	Executive Director	–	Present – Past three years –	–
Wang Gang	1 February 2018	–	Non–Executive and Non–Independent Director	–	Present – Past three years –	CFO of Anyang Chemical Industry Group Co., Ltd.
Zhang Hongtao	1 February 2018	–	Non–Executive and Non–Independent Director	–	Present – Past three years –	Deputy head of Capital Operations of Henan Energy and Chemical Industry Group Co., Limited.
Wu Yu Liang	19 April 2006	27 April 2017 (Article 91)	Non-Executive and Lead Independent Director	1. Audit Committee 2. Remuneration Committee (Chairman)	Present 1. Pan Asian Holdings Limited 2. AusGroup Limited Past three years 1. China Environment Ltd	Managing Director of Wu LLC
Chan Kam Loon	19 April 2006	22 April 2016 (Article 91)	Non-Executive and Independent Director	1. Audit Committee (Chairman) 2. Remuneration Committee	Present 1. Sarin Technologies Ltd 2. Megachem Limited 3. Hupsteel Limited 4. Uni–Asia Group Ltd Past three years –	–
Gao Guoan	26 April 2013	22 April 2016 (Article 91)	Non-Executive and Independent Director	1. Remuneration Committee 2. Nominating Committee (Chairman)	Present Zhengzhou Coal Mining Machinery Group Co., Ltd Past three years –	–

Name of Directors	Date of first appointment	Date of last re-election	Nature of Appointment	Membership of Board Committee	Directorship/ Chairmanship both present and those held over the preceding three years in other listed company	Other Principal Commitments
Chen Mingjin	1 February 2018	–	Non–Executive and Independent Director	–	Present – Past three years –	–
Koh Eng Kheng Victor	1 February 2018	–	Non–Executive and Independent Director	1. Audit Committee 2. Nominating Committee	Present – Past three years China Star Food Group Limited	–

Principle 5 – Board Performance

A review of the performance and effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board are conducted by the NC annually. On the recommendation of the NC, the Board has adopted an internal process for evaluating the effectiveness of the Board as a whole. Each Board member will be required to complete an evaluation form to be returned to the NC Chairman for evaluation. Based on the evaluation results, the NC Chairman will present his recommendations to the Board. The key objective of the evaluation exercise is to obtain constructive feedback on the various aspects of the Board's performance from each Director to continually improve the Board's performance and assess the overall effectiveness of the Board.

The NC had decided on the evaluation form for the Board's performance and the objective performance criteria. Such performance criteria allow the comparison with industry peers which are required to be approved by the Board in order to enhance the shareholders' value in long term. The NC did not propose any changes to the performance criteria for FY2017 as compared to the previous financial year as the Board composition and the Group's principal business activities remained the same since FY2016.

The NC will at the relevant time look into adopting guidelines for annual assessment of the contribution of each individual Director to the effectiveness of the Board and also the assessment of Board Committees. The NC is of the view that the Board is able to exercise objective judgement on corporate affairs independently and no individual or small group of individuals dominates the Board's decision making process. In addition, the evaluation exercise also assists the NC in determining whether to re-nominate Directors who are resigning or in appointing new directors in order to improve the performance and contributions of the Board.

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

The Board has not engaged any external facilitator in conducting the assessment of the Board's performance. The Board has met its performance objectives in FY2017.

Principle 6 – Access to Information

Management provides the Board with key information that is complete, adequate and timely, pertaining to areas such as budget forecast, funding positions and cash flow projections of the Group to help them carry out their responsibilities effectively. The following tabulates the information provided and the frequency in FY2017:

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

Management recognises the importance of circulating information on a timely basis to ensure that the Board has adequate time to review the materials to facilitate a constructive and effective discussion during the scheduled meetings. As such, Management endeavours to circulate information for the Board meetings at least 5 workings days prior to the meetings to allow sufficient time for the Directors' review.

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

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

All Board members also have separate and independent access to the advice and services of the Company Secretaries, who is responsible to the Board for ensuring that board procedures are followed and that applicable rules and regulations are complied with.

The Company Secretaries and/or the representative of the Company Secretaries attends Board and Board Committees meetings of the Company and prepare the minutes of the meetings. The appointment or removal of the Company Secretaries is a matter for the Board as a whole.

Board members are aware that they, whether as a group or individually, in the furtherance of their duties, can take independent professional advice, if necessary, at the Company's expense.

REMUNERATION MATTERS

Principle 7 – Procedures for Developing Remuneration Policies

Remuneration Committee

In FY2017, the RC comprises the following three (3) members, all of whom are independent:

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

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

(a) recommend to the Board a framework of remuneration for the Board and determine the specific remuneration package for each ED and the key management personnel of the Company, if he is not an ED;

(b) consider whether Directors and key management personnel should be eligible for benefits under long-term incentive schemes; and

(c) recommend to the Board the fees of Non-Executive Directors.

In its review, the RC's objective is to establish and maintain a level of remuneration that is in align with the long-term interest and risk policies of the Company to ensure that it is competitive to attract, retain and motivate the Directors and key management personnel to run the Company successfully. The framework of remuneration policies for its Directors and key executives is largely guided by the financial performance of the Company as well as prevailing market conditions. The RC also ensures that the remuneration policies and systems of the Group support the Group's objectives and strategies.

The Board has established a framework of remuneration for the Directors and key management personnel which cover all aspect of remuneration, including but not limited to director's fees, salaries, allowances, bonuses, benefits in kind.

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

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

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

Principle 8 – Level and Mix of Remuneration

The RC recommends to the Board a framework of remuneration for the Directors and key management personnel and determines specific remuneration packages for each Executive Director. The recommendations of the RC on the remuneration of Directors would be submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses and benefits-in-kind shall be reviewed by the RC.

Principle 9 – Disclosure on Remuneration

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

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

During the financial year, the RC met once to review and recommend the remuneration of the EDs, NENIDs and IDs. The RC had recommended the directors' fee for the IDs of S$108,900 for FY2017 to be paid quarterly in arrears.

The aggregate amount of the retirement and post-employment benefits to the Directors, the CEO and top 5 key management personnel (who are not directors or CEO) is approximately S$56,000. Details of the said benefits can be found on page 76 of the Annual Report.

CORPORATE GOVERNMENT REPORT

The remuneration band of the Directors and key management personnel for FY2017 and the various components of their remuneration in percentage terms are set out below in compliance with the recommendation of the Code. The remuneration received by the Executive Directors and key management personnel takes into consideration his or her individual performance and contribution towards the overall performance of the Group for FY2017. Their remuneration is made up of fixed and variable compensations. The fixed compensation consists of an annual base salary, fixed allowance and annual wage supplement. The variable compensation is determined based on the level of achievement of corporate and individual performance objectives.

For FY2017, the details of the annual remuneration of the Directors and top 5 key management personnel are as follows:

	Fees	Salary	Bonus	Other Benefits	Total
EXECUTIVE DIRECTORS					
S$250,000 – S$500,000					
Lee Chee Seng	–	68%	17%	15%	100%
Below S$250,000					
Zhou Hongxuan	–	81%	14%	5%	100%
NON-EXECUTIVE DIRECTORS					
Below S$250,000					
Gao Heng*	–	–	–	–	–
Su Jing*	–	–	–	–	–
Huo Xiaofan*	–	–	–	–	–
Wang Yiming*	–	–	–	–	–
Wang Gang*	–	–	–	–	–
Zhang Hongtao*	–	–	–	–	–
INDEPENDENT DIRECTORS					
Below S$250,000					
Chan Kam Loon	100%	–	–	–	100%
Wu Yu Liang	100%	–	–	–	100%
Gao Guoan	100%	–	–	–	100%
Chen Mingjin*	–	–	–	–	–
Koh Eng Kheng Victor*	–	–	–	–	–
KEY MANAGEMENT PERSONNEL					
Below S$250,000					
Wei Hongguang	–	83%	–	17%	100%
Cheng Jianjun	–	82%	–	18%	100%
Ng Han Kiat	–	69%	18%	13%	100%
Liu Shuxin	–	80%	–	20%	100%
Chen Yiquan	–	81%	–	19%	100%

* As announced on SGXNET on 1 February 2018, Mr Wang Yiming, Mr Wang Gang, Mr Zhang Hongtao, Mr Chen Mingjin and Mr Koh Eng Kheng Victor were appointed as Directors of the Company while Mr Gao Heng, Mr Huo Xiaofan and Mr Su Jing ceased as Directors.

Due to a highly competitive environment where industry poaching of executives is commonplace, and for confidentiality reasons, Company is therefore not disclosing the exact remuneration of Directors and key management personnel. The Company is instead disclosing the remuneration in bands of S$250,000 up to S$500,000.

For FY2017 the aggregate amount of the remuneration paid to the top 5 key management personnel is approximately S$263,000.

There was no employee of the Group who was an immediate family member of a Director or the CEO whose remuneration exceeded S$50,000 in FY2017.

The Company does not adopt any Employee Share Schemes.

The RC has reviewed and is satisfied that the performance conditions were met for FY2017.

ACCOUNTABILITY AND AUDIT

Principle 10 – Accountability

The Board accepts that it is accountable to the shareholders while the Management is accountable to the Board. The Management provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a quarterly basis. The Board provides shareholders with financial statements for the first three quarters and full financial year within the timeframe in line with Rule 705 of the Catalist Rules. In presenting the annual financial statements and announcements of financial results to shareholders, the Board aims to provide shareholders with a balanced and understandable assessment of the Company's performance, position and prospects on a quarterly basis via the quarterly financial results and report. Such responsibility is extended to the other price-sensitive public reports and reports to regulators, if required.

The Board also provides negative assurance confirmation to shareholders for the quarterly financial statements in accordance with Rule 705(5) of the Catalist Rules.

Principle 11 – Risk Management and Internal Controls

The Board is responsible for the overall risk governance, risk management and internal control framework of the Group and is fully aware of the need to put in place a system of internal controls within the Group to safeguard shareholders' interest and the Group's assets and to manage risk. The Group maintains a system of internal controls for all companies within the Group, but recognises that no internal control system will preclude all errors and irregularities. The system is designed to manage rather than to eliminate the risk of failure to achieve business objectives. The controls are to provide reasonable, but not absolute, assurance to safeguard shareholders' investments and the Group's assets.

Risk Management

The AC assisted the Board to review the adequacy and effectiveness of the Company's risk management and internal audit function annually based on the report of the internal and independent auditors. The Company had engaged Crowe Horwath First Trust Risk Advisory Pte Ltd to perform a review on its internal controls and enterprise risk management (the "**Reviews**"). During the financial year, the AC had reviewed and based on the internal auditors' reports of the Reviews, internal controls and risk management system established and maintained by the Group, work performed by independent auditors and reviews performed by Management, the Board with the concurrence of the AC is of the opinion that the Company's internal controls and risk management system in addressing financial, operational, compliance, information technology and enterprise risks are adequate and effective for FY2017.

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

In line with the Code, the AC with the concurrence of the Board, had adopted an Assurance Confirmation Statement ("**Assurance Statement**") confirming that the financial records of the Company have been properly maintained, the Company's financial statements give a true and fair view of the Company's operations and finances and an effective risk management and internal control systems have been put in place. The Assurance Statement would be signed by the Chief Executive Officer and the Group Finance Controller of the Company and tabled at the AC and Board meetings held for reviewing the Group's full year results. Consequent to the above, the Board noted that the AC had received the duly signed Assurance Statement for FY2017.

Whistle-Blowing Policy

The Company has developed a Whistle-Blowing policy. This policy provides well-defined and accessible channels in the Group through which employees may raise concerns about improper conduct within the Group. There was no Whistle-Blowing report received during the financial year.

Principle 12 – Audit Committee

In FY2017, the AC comprises the following three (3) members, all of whom are independent:

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

The AC has written terms of reference that describe the responsibilities of its members. The AC meets at least four (4) times a year to perform the following main functions:

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

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

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

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

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

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

(g) to review the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance;

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

(i) to commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity or failure of internal controls or suspected infringement of any law, rule and regulation (whether of Singapore or elsewhere) which has or is likely to have a material impact on the Groups and the Company's operating results and/or financial position, and management's response;

(j) to review the adequacy and effectiveness of the Group's and the Company's internal controls, including financial, operational, compliance, information technology controls and risk management policies and systems established by the management at least once a year;

(k) to review Whistle-blowing Policy and to ensure that arrangements are in place for independent investigation of such matters and for appropriate follow up action;

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

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

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

(o) to undertake such other functions and duties as may be required by the Catalist Rules or by law, and by such amendments made thereto from time to time.

The AC has full access to, and cooperation from the Management including the independent auditors, and has full discretion to invite any director and executive officer to attend its meetings. The AC also has power to investigate any matter brought to its attention, within its terms of reference, with the power to retain professional advice at the Company's expense.

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

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

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

The AC had reviewed the scope and quality of audit by the independent auditors and the independence and objectivity of the independent auditors as well as the cost effectiveness, and is satisfied that the nature and extent of such services would not prejudice the independence of the independent auditors. The AC also reviewed the audit fees paid to the independent auditors. The audit fees for the Group and its associated companies for the financial year ended 31 December 2017 was S$325,000. The independent auditors did not render any non-audit services to the Group during the financial year.

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

The Company is in compliance with Rules 712 and 715 of the Catalist Rules in relation to its independent auditors, as the subsidiary and associated companies of the Company were audited by Baker Tilly China Certified Public Accountants (an independent member firm of the Baker Tilly International network) for the purpose of preparation of the consolidated financial statements of the Group.

The AC is also satisfied that the independent auditors, Baker Tilly TFW LLP is able to meet the audit obligations of the Company and is pleased to recommend to the Board, the nomination of Baker Tilly TFW LLP for re-appointment as independent auditor of the Company at the forthcoming Annual General Meeting.

The independent auditor provides regular updates and briefing to the AC on changes or amendments to accounting standards to enable the members of the AC to keep abreast of such changes and its corresponding impact on the financial statements, if any.

Principle 13 – Internal Audit

The Board recognises the importance of the internal audit function which, being independent of Management is one of the principal means by which the AC is able to carry out its responsibilities effectively. The internal audit function is currently outsourced to Crowe Horwath First Trust Risk Advisory Pte Ltd ("**Crowe Horwath**") as the internal auditors of the Group. Crowe Horwath primarily reports to the AC Chairman.

The internal auditors' carrying out of their function is in accordance to the standards set by the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

The AC ensures that management provides good support to the internal auditors and provides them with access to documents, records, properties and personnel when requested in order for the internal auditors to carry out their function accordingly.

To ensure the adequacy of the internal audit function, the AC reviews and approves, on an annual basis, the internal audit plans and the resources required to adequately perform this function.

The AC is satisfied that Crowe Horwath is able to discharge its duties effectively as the internal auditor has the appropriate standing in the Company, given, *inter alia*, its involvement in certain AC meetings and its unfettered access to all the Group's documents, records, properties and personnel, including direct access to the AC.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14 – Shareholder Rights

The Company treats all shareholders fairly and equitably, and recognises, protects and facilitates the exercise of shareholders' rights and continually reviews and updates such governance arrangements. The Group strives for timeliness and transparency in its disclosures to the shareholders and the public. The Board provides shareholders with an assessment of the Company's performance, position and prospects on a quarterly basis and other ad hoc announcements as required by the SGX-ST. In addition to the regular dissemination of information through SGXNET, the Company also responds to enquiries from investors, analysts, fund managers and the press. However, the Company does not practise selective disclosure as all price-sensitive information are disclosed in a comprehensive, accurate and timely manner via SGXNET.

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

Principle 15 – Communications with the Shareholders

The Annual General Meeting of the Company is the principal forum for dialogue and interaction with all shareholders to gather views or inputs, and address shareholders' concern. The Board welcome shareholders to voice their views and ask the Board questions regarding the Company and the Group.

Information is disseminated / made available to shareholders through:

(i) SGXNET announcements and news releases; and

(ii) Annual Reports.

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

The Company does not have a specific dividend policy. Nonetheless, the Management after reviewing the performance of the Company in the relevant financial year will make appropriate recommendation to the Board. Any dividend declaration will be communicated to the shareholders via announcement through SGXNET.

Notwithstanding that the Company has reported a net profit for FY2017, its current priority is to achieve long-term growth for the benefit of its shareholders of the Company and it wishes to reserve adequate resources for the Company's ongoing projects and/or future expansion plans, and to respond to any adverse changes in the macroeconomic environment. As such, no dividend was declared for FY2017.

To promote a better understanding of shareholders' views, the Board actively encourages shareholders to participate during the Company's general meeting. These meetings provide excellent opportunities for the Company to obtain shareholders' view on value creation.

Principle 16 – Conduct of Shareholder Meetings

All shareholders receive reports or circulars of the Company including notice of general meeting by post within the mandatory period. Notice of general meeting is announced through SGXNET and published in the Business Times within the same period.

All registered shareholders are invited to participate and given the right to vote on resolutions at Annual General Meeting. Every matter requiring shareholders' approval is proposed as a separate resolution.

Each item of special business included in the notice of the Annual General Meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Proxy forms are sent with the notice of Annual General Meeting to all shareholders.

The Company's Constitution allow a member of the Company to appoint not more than two (2) proxies to attend and vote on his behalf at general meeting through proxy forms deposited 48 hours before the Annual General Meeting. As the authentication of shareholder identity information and other related security issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail, email or fax.

All Directors, Management, Company Secretary, independent auditors and legal advisors (if necessary), attend the Annual General Meeting. The procedures of Annual General Meeting provides shareholders the opportunity to ask questions relating to each resolution tabled for approval and open communication are encouraged by the shareholders with the Director on their views on matters relating to the Company. To enhance shareholder participation, the Company will puts all resolutions at the Annual General Meeting to vote by poll and announces the results by showing the number of votes cast for and against each resolution and the respective percentage to the audience at the Annual General Meeting. The polling results are also announced to the SGX-ST and posted on the Company's website after the meetings.

The Company Secretary prepares minutes of Annual General Meeting that include substantial and relevant comments or queries from shareholders relating to the agenda of the meetings, and responses from the Board and Management, and to make these minutes, subsequently approved by the Board, available to shareholders during office hours.

The Company will review its Constitution from time to time and make such amendments to the Constitution to be in line with the applicable requirements or rules and regulations governing the Continuing Listing obligations of the Catalist Rules.

CODE OF CONDUCT

Dealing in Securities

The Board is aware of the guidelines of the corporate disclosure policy and the requirements for continuing disclosure as set out in the Catalist Rules. The Board has the responsibility to ensure that the Directors and employees are prohibited from securities dealings on short-term consideration and while they are in possession of price-sensitive information.

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

CORPORATE GOVERNMENT REPORT

Interested Party Transactions ("IPT")

The AC is satisfied that the review procedures for IPTs and the reviews to be made periodically by the AC in relation thereto are adequate to ensure that the IPTs, if any, will be transacted on normal terms and will not be prejudicial to the interests of the Company and its minority shareholders.

In compliance with Rule 920 of the Catalist Rules, the aggregate value of recurrent interested persons transactions of revenue or trading in nature conducted during the financial year ended 31 December 2017 by the Company in accordance with the shareholders' mandate are as follows:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
	FY2017	FY2017
Anyang Chemical Industry Group Co., Ltd	(a) One-off interest payment by Anyang Jiujiu Chemical Technology Co., Ltd with respect to loan provided by Anyang Chemical RMB 4.86 million	(b) Sales of Repair Material, industrial steams and electricity RMB 40.92 million
		(c) Purchase of Raw Materials I and II (as defined in shareholders' mandate) RMB 156.95 million
		(d) Purchase of Repair Materials RMB 12.77 million
		(e) Rental of equipment RMB 2.57 million
Anyang Jiulong Chemical Co., Ltd	(f) Rental of equipment by Anyang Jiutian Fine Chemical Co., Ltd. RMB 0.78 million	(g) Purchase of electricity and industrial steam RMB 130.21 million
		(h) Sale of Dimethylamine RMB 30.49 million

Save as disclosed above, there are no other IPTs above S$100,000 in FY2017. Transactions (a) and (f) represented approximately 0.90% and 0.14% of the Group's FY2017 audited net tangible assets of RMB537.9 million as at 31 December 2017.

Material Contracts

There were no material contracts entered into by the Group involving the interests of the Chairman, CEO or other Directors or controlling shareholders, which are either still subsisting at the end of FY2017 or if not then subsisting, entered into since the end of the previous financial year.

Non-sponsor fees

For FY2017, the Company paid to its sponsor, PrimePartners Corporate Finance Pte. Ltd. non-sponsor fees of S$8,000.

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Jiutian Chemical Group Limited (the "Company") and its subsidiary companies (the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2017.

Opinion of the directors

In the opinion of the directors:

(i) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 50 to 102 are properly drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2017, and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore; and

(ii) at the date of this statement, after considering the measures taken by the Group and the Company with respect to the Group's and the Company's ability to continue as going concerns as described in Note 3 to the financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

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

Wang Yiming	(Appointed on 1 February 2018)
Lee Chee Seng	
Wu Yu Liang	
Chan Kam Loon	
Gao Guoan	
Zhou Hongxuan	
Wang Gang	(Appointed on 1 February 2018)
Zhang Hongtao	(Appointed on 1 February 2018)
Chen Mingjin	(Appointed on 1 February 2018)
Koh Eng Kheng Victor	(Appointed on 1 February 2018)

Arrangement to enable directors to acquire benefits

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' STATEMENT

Directors' interests in shares or debentures

The directors of the Company holding office at the end of the financial year had no interests in the shares and debentures of the Company and/or related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Act except as follows:

	Number of ordinary shares			
	Shareholdings registered in the name of the director		**Shareholdings in which the director is deemed to have an interest**	
Name of directors and companies in which interest are held	**At 1.1.2017**	**At 31.12.2017**	**At 1.1.2017**	**At 31.12.2017**
The Company				
Lee Chee Seng	10,250,000	10,250,000	44,419,000	44,419,000
Wu Yu Liang	300,000	300,000	–	–

The directors' interests in the ordinary shares of the Company as at 21 January 2018 were the same as those as at 31 December 2017.

Share options

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

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations whether granted before or during the financial year.

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

Audit Committee

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

Chan Kam Loon (Chairman) (Non-Executive and Independent Director)
Koh Eng Kheng Victor (Non-Executive and Independent Director)
Wu Yu Liang (Non-Executive and Independent Director)
Gao Guoan (Non-Executive and Independent Director) (resigned on 1 February 2018)

The AC has a written terms of reference that describe the responsibilities of its members. The AC meets at least four (4) times a year to perform the following main functions:

(a) to review with the independent auditor the audit plan, their evaluation of the system of internal accounting controls and their audit report;

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

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

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

Audit Committee (cont'd)

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

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

(g) to review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance;

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

(i) to commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity or failure of internal controls or suspected infringement of any law, rule and regulation (whether of Singapore or elsewhere) which has or is likely to have a material impact on the Group's and the Company's operating results and/or financial position, and management's response;

(j) to review the adequacy and effectiveness of the Group's and the Company's internal controls, including financial, operational, compliance, information technology controls and risk management policies and systems established by the management at least once a year;

(k) to review Whistle-blowing Policy and to ensure that arrangements are in place for independent investigation of such matters and for appropriate follow up action;

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

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

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

(o) to undertake such other functions and duties as may be required by the SGX-ST Listing Manual Section B: Rule of Catalist ("Catalist Rule") or by law, and by such amendments made thereto from time to time.

The AC has full access to, and cooperation from the management including the independent auditor, and has full discretion to invite any director and executive officer to attend its meetings. The AC also has power to investigate any matter brought to its attention, within its terms of reference, with the power to retain professional advice at the Company's expense.

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

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

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

DIRECTORS' STATEMENT

Audit Committee (cont'd)

The AC had reviewed the scope and quality of audit by the independent auditor and the independence and objectivity of the independent auditor as well as the cost effectiveness, and is satisfied that the nature and extent of such services would not prejudice the independence of the independent auditor. The AC also reviewed the audit fee paid to the independent auditor. The audit fee for the Group and its associated companies for the financial year ended 31 December 2017 is S$325,000. The independent auditor did not render any non-audit services to the Group during the financial year.

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

The Company is in compliance with Rule 712 and Rule 715 of the Catalist Rule in relation to its independent auditor, as the subsidiary companies and associated companies of the Company were audited by Baker Tilly China Certified Public Accountants (an independent member firm of the Baker Tilly International network) for the purpose of preparation of the consolidated financial statements of the Group.

The AC is also satisfied that the independent auditor, Baker Tilly TFW LLP is able to meet the audit obligations of the Company and is pleased to recommend to the Board of Directors, the nomination of Baker Tilly TFW LLP for re-appointment as independent auditor of the Company at the forthcoming Annual General Meeting. The independent auditor provides regular updates and briefing to the AC on changes or amendments to accounting standards to enable the members of the AC to keep abreast of such changes and its corresponding impact on the financial statements, if any.

Independent auditor's remuneration

The directors have reviewed the quantum and nature of fees, expenses and emoluments paid to the independent auditor for non-audit services under Section 206 (1A) of the Act and are satisfied that the provision of such services does not affect their independence.

Independent auditor

The independent auditor, Baker Tilly TFW LLP, has expressed its willingness to accept re-appointment.

On behalf of the Board of Directors

Wang Yiming
Director

Zhou Hongxuan
Director

3 April 2018

INDEPENDENT AUDITOR'S REPORT

To the Members of Jiutian Chemical Group Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Jiutian Chemical Group Limited (the "Company") and its subsidiary companies (the "Group") as set out on pages 50 to 102, which comprise the statements of financial position of the Group and the Company as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 3 to the financial statements with respect to the Group's and the Company's ability to continue as going concerns. At 31 December 2017, the Group's and the Company's current liabilities exceeded the current assets by RMB112,838,000 (2016: RMB144,604,000) and RMB9,246,000 (2016: RMB8,528,000) respectively. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Group's and the Company's ability to continue as going concerns and to realise their assets and discharge their liabilities in the ordinary course of business. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

1. Investment in associated companies

   As disclosed in Note 17 to the financial statements, the Company and Anyang Jiulong Chemical Co., Ltd. ("Anyang Jiulong") (an associated company of the Group) had incorporated Anyang Jiujiu Chemical Technology Co., Ltd. ("Anyang Jiujiu") to undertake the manufacturing and selling of sodium hydrosulfite project in 2013. The Company's direct ownership interest in both Anyang Jiulong and Anyang Jiujiu is 49%. The remaining interest in Anyang Jiujiu is owned by Anyang Jiulong. Accordingly, the Group's effective interest in Anyang Jiujiu is 74%.

   The Group's investment in both Anyang Jiulong and Anyang Jiujiu are classified as investment in associated companies and are accounted for in the consolidated financial statements of the Group using the equity method of accounting.

INDEPENDENT AUDITOR'S REPORT

To the Members of Jiutian Chemical Group Limited

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

Key Audit Matters (cont'd)

1. Investment in associated companies (cont'd)

   The Group's share of loss from associated companies for the financial year ended 31 December 2017 ("FY2017") was RMB6,716,000. The carrying value of the Group's investment in associated companies is stated at RMB345,596,000 which accounted for approximately 23% of the Group's total assets as at 31 December 2017.

   As disclosed in Note 17 to the financial statements, Anyang Jiujiu commenced construction of the manufacturing plants in April 2013 and commenced commercial production in December 2017 instead of the original scheduled commencement in 2016. The delay in commencement of commercial production is mainly due to the construction of a dedicated solid waste incineration plant to comply with the environmental protection requirements. In addition, there are also delays in the obtaining the approval of certain necessary licenses required for commercial production.

   This delay in commencement of the commercial production is an indicator that the non-financial assets of the associated company may be impaired. Any impairment loss on non-financial assets recognised by Anyang Jiujiu will affect the Group's share of results of associated companies and net carrying values of the investments.

   Investment in associated companies is considered a key audit matter due to the significance of the investment in associated companies to the Group's consolidated financial position, and also the significant judgement and estimations involved in the impairment assessment of the non-financial assets of Anyang Jiujiu. The assessment of the recoverable amounts of the non-financial assets of Anyang Jiujiu required significant judgement in particular relating to forecasted cash flows and the discount rate applied to the value-in-use calculation.

   Our procedures to address the key audit matter

   We have evaluated the independence, objectivity, capabilities and competence of the component auditor of the audit of Anyang Jiujiu. We also engaged in continuous communications with the component auditor throughout the audit and sent out audit instructions to the component auditor to satisfy our group audit requirements.

   We have evaluated the sufficiency and appropriateness of the audit work performed and evidence obtained by the component auditor on the impairment assessment of the non-financial assets of Anyang Jiujiu. We also independently evaluated value-in-use calculation and key assumptions and inputs applied in management's impairment assessment of the non-financial assets of Anyang Jiujiu.

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

2. Amount due from associated company

   As disclosed in Note 12 to the financial statements, the Group has non-trade amount due from associated company, Anyang Jiujiu amounting to RMB103,219,000 (2016: RMB96,027,000) as at 31 December 2017. The non-trade amount due from associated company represents advances to Anyang Jiujiu for the payments of costs incurred for the construction of its manufacturing plants.

   The assessment of the collectability of non-trade amount due from associated company is considered a key audit matter, as it involves significant management's judgement regarding Anyang Jiujiu's creditworthiness and ability to pay. If there is objective evidence of impairment, management need to assess whether an impairment loss should be recorded as expense in profit or loss.

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

Key Audit Matters (cont'd)

2. Amount due from associated company (cont'd)

Our procedures to address the key audit matter

We have evaluated management's assessment of the recoverability of the non-trade amount due from Anyang Jiujiu, by considering amongst others, factors such as financial position and performance of Anyang Jiujiu, the status of its manufacturing plants and estimated profits and forecasted cash flows of Anyang Jiujiu.

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

3. Impairment review of the Group's property, plant and equipment, land use rights and the Company's investment in subsidiary companies

As disclosed in Note 15 and Note 14 to the financial statements, the Group's property, plant and equipment and land use rights as at 31 December 2017 amounting to RMB305,320,000 after deducting accumulated impairment losses of RMB100,431,000 and RMB5,345,000 respectively, which in aggregate accounted for approximately 21% of the Group's total assets as at 31 December 2017.

As disclosed in Note 3 to the financial statements, management performed a review of the recoverable amounts of the Group's property, plant and equipment and land use rights. Based on management's assessment, no additional allowance for impairment loss on property, plant and equipment and land use rights is necessary at the end of the reporting period. In addition, no reversal of impairment loss on property, plant and equipment recognised in prior financial years is required as at 31 December 2017, as the recoverable amounts are not significantly higher than the carrying amounts of the property, plant and equipment and land use rights.

In performing impairment review of the Group's property, plant and equipment and land use rights, management also assessed the recoverable amounts of the Company's investment in subsidiary companies as disclosed in Note 3 to the financial statements. As disclosed in Note 16 to the financial statements, a reversal of allowance for impairment on the cost of investment in subsidiary companies of RMB115,996,000 was recognised in the Company's profit or loss in the current financial year, in order to write-back the net carrying amount of investment in subsidiary companies to its recoverable amount as at 31 December 2017.

Impairment review of the Group's property, plant and equipment and the Company's investment in subsidiary companies is considered a key audit matter due to the significance of these amounts to the Group's consolidated financial position and the Company's financial position respectively. In addition, there are significant judgement and estimations involved in the calculation of the recoverable amounts, in particular relating to forecasted cash flows and the discount rate applied to the value-in-use calculation.

Our procedures to address the key audit matter

We have evaluated the independence, objectivity, capabilities and competence of the component auditor of the subsidiary companies. We also engaged in continuous communications with the component auditor throughout the audit and sent out audit instructions to the component auditor to satisfy our group audit requirements.

We have evaluated the sufficiency and appropriateness of the audit work performed and evidence obtained by the component auditor on the impairment assessment of the property, plant and equipment and land use rights of the subsidiary companies. We also independently evaluated value-in-use calculation and key assumptions and inputs applied in the computation of the recoverable amounts of the Group's property, plant and equipment and land use rights and also the Company's investment in subsidiary companies.

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

INDEPENDENT AUDITOR'S REPORT

To the Members of Jiutian Chemical Group Limited

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report 2017, but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Lim Kok Heng.

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

3 April 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Financial Year ended 31 December 2017

	Note	Group 2017 RMB'000	Group 2016 RMB'000
Revenue	4	**1,124,439**	708,512
Cost of sales		**(976,241)**	(669,077)
Gross profit		**148,198**	39,435
Other income	5	**3,293**	9,506
Distribution costs		**(19,577)**	(16,873)
Administrative expenses		**(27,699)**	(24,624)
Other expenses	6	**(1,703)**	(551)
Finance costs	6	**(5,381)**	(5,496)
Share of results of associated companies		**(6,716)**	(1,136)
Profit before tax	7	**90,415**	261
Tax (expense)/credit	9	**(20,340)**	98
Profit and total comprehensive income for the year		**70,075**	359
Profit/(loss) and total comprehensive income/(loss) for the year attributable to:			
Equity holders of the Company		**70,817**	586
Non-controlling interests		**(742)**	(227)
		70,075	359
Earnings per share for profit for the year attributable to equity holders of the Company (in RMB cents per share)			
Basic and diluted	10	**3.89**	0.03

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017

		Group		Company	
		2017	2016	**2017**	2016
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
ASSETS					
Current assets					
Cash and cash equivalents	11	**148,713**	29,608	**2,346**	2,288
Trade and other receivables	12	**648,268**	498,323	**66**	81
Inventories	13	**36,568**	21,628	**–**	–
Total current assets		**833,549**	549,559	**2,412**	2,369
Non-current assets					
Land use rights	14	**5,345**	6,278	**–**	–
Property, plant and equipment	15	**305,320**	307,988	**–**	–
Investment in subsidiary companies	16	**–**	–	**203,023**	87,027
Investment in associated companies	17	**345,596**	352,312	**339,709**	339,709
Deferred tax assets	18	**12,157**	13,596	**–**	–
Total non-current assets		**668,418**	680,174	**542,732**	426,736
Total assets		**1,501,967**	1,229,733	**545,144**	429,105
LIABILITIES AND EQUITY					
Current liabilities					
Bank borrowings	19	**110,000**	70,000	**–**	–
Trade and other payables	20	**824,478**	623,894	**11,658**	10,897
Income tax payables		**11,909**	269	**–**	–
Total current liabilities		**946,387**	694,163	**11,658**	10,897
Non-current liabilities					
Bank borrowings	19	**–**	50,000	**–**	–
Deferred income	21	**194**	259	**–**	–
Total non-current liabilities		**194**	50,259	**–**	–
Total liabilities		**946,581**	744,422	**11,658**	10,897
Capital and reserves					
Share capital	22	**661,153**	661,153	**661,153**	661,153
Accumulated losses		**(132,584)**	(203,401)	**(127,667)**	(242,945)
Equity attributable to equity holders of the Company		**528,569**	457,752	**533,486**	418,208
Non-controlling interests	16	**26,817**	27,559	**–**	–
Total equity		**555,386**	485,311	**533,486**	418,208
Total liabilities and equity		**1,501,967**	1,229,733	**545,144**	429,105

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year ended 31 December 2017

	Share capital RMB'000	Accumulated losses RMB'000	Equity attributable to equity holders of the Company RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Group					
Balance at 1 January 2016	661,153	(203,987)	457,166	27,786	484,952
Profit/(loss) and total comprehensive income/(loss) for the year	–	586	586	(227)	359
Balance at 31 December 2016	661,153	(203,401)	457,752	27,559	485,311
Profit/(loss) and total comprehensive income/(loss) for the year	–	70,817	70,817	(742)	70,075
Balance at 31 December 2017	**661,153**	**(132,584)**	**528,569**	**26,817**	**555,386**

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

STATEMENT OF CHANGES IN EQUITY

For the Financial Year ended 31 December 2017

	Share capital RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Company			
Balance at 1 January 2016	661,153	(237,790)	423,363
Loss and total comprehensive loss for the year	–	(5,155)	(5,155)
Balance at 31 December 2016	661,153	(242,945)	418,208
Profit and total comprehensive income for the year	–	115,278	115,278
Balance at 31 December 2017	**661,153**	**(127,667)**	**533,486**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year ended 31 December 2017

		Group	
		2017	2016
	Note	**RMB'000**	RMB'000
Cash flows from operating activities			
Profit before tax		**90,415**	261
Adjustments for:			
Amortisation of deferred income		**(65)**	(65)
Amortisation of land use rights		**933**	934
Depreciation of property, plant and equipment		**30,417**	28,739
Interest expense		**5,381**	5,496
Interest income		**(332)**	(957)
Loss on disposal of property, plant and equipment		**800**	360
Property, plant and equipment written off		**781**	–
Share of results of associated companies		**6,716**	1,136
Unrealised gain on foreign exchange		**(51)**	(165)
Operating cash flows before movements in working capital		**134,995**	35,739
Changes in operating assets and liabilities:			
Inventories		**(14,940)**	3,536
Receivables		**(148,998)**	(69,251)
Payables		**125,920**	39,315
Cash generated from operations		**96,977**	9,339
Interest received		**332**	300
Income tax paid		**(2,751)**	–
Net cash generated from operating activities		**94,558**	9,639
Cash flows from investing activities			
Purchases of property, plant and equipment	A	**(24,712)**	(40,959)
Proceeds from disposal of property, plant and equipment		**522**	39
Advances to associated company		**(112,722)**	(110,285)
Repayment from associated company		**105,530**	72,930
Repayment from related parties, net		**1,734**	17,646
Net cash used in investing activities		**(29,648)**	(60,629)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year ended 31 December 2017

	Note	Group 2017 RMB'000	Group 2016 RMB'000
Cash flows from financing activities			
Drawdown of bank borrowings		**60,000**	70,000
Repayment of bank borrowings		**(70,000)**	(15,000)
(Increase)/decrease in pledged fixed deposits		**(69,500)**	6,800
Increase/(decrease) in bills payables to banks		**69,500**	(21,800)
Decrease in pledged bank balance		**–**	2,000
Interest paid		**(5,271)**	(5,319)
Net cash (used in)/generated from financing activities		**(15,271)**	36,681
Net increase/(decrease) in cash and cash equivalents		**49,639**	(14,309)
Cash and cash equivalents at beginning of the year		**14,108**	28,541
Effect of exchange rate changes on cash and cash equivalents		**(34)**	(124)
Cash and cash equivalents at end of the year	11	**63,713**	14,108

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

	Note	2017 RMB'000	2016 RMB'000
Aggregate cost of PPE acquired	15	**29,852**	60,157
Add: Outstanding payables at 1 January	20	**19,316**	7,443
Less: Outstanding payables at 31 December	20	**(24,456)**	(19,316)
Less: Advance payments at 1 January		**–**	(7,325)
Net cash outflow for purchases of PPE		**24,712**	40,959

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2017

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1 Corporate information

The Company (Co. Reg. No. 200415416H) is incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

The registered office and principal place of business of the Company are located at 80 Robinson Road, #02-00, Singapore 068898 and 3 Raffles Place, #05-01 Bharat Building, Singapore 048617, respectively. The principal place of business of the Group is located at Zhangwu Street, Long An District, Anyang City, Henan Province, the People's Republic of China ("PRC").

The principal activity of the Company is that of investment holding. The principal activities of the subsidiary companies are disclosed in Note 16.

2 Summary of significant accounting policies

(a) Basis of preparation

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company, are presented in Chinese Renminbi ("RMB") (rounded to the nearest thousand (RMB'000) except when otherwise stated), and have been prepared in accordance with the provisions of the Companies Act, Chapter 50 and Financial Reporting Standards in Singapore ("FRSs"). The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRSs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions and historical experiences and various other factors that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

Use of estimates and judgements

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving a higher degree of judgement in applying accounting policies, or areas where assumptions and estimates have a significant risk of resulting in material adjustment within the next financial year are disclosed in Note 3.

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables and current bank borrowings approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

2 Summary of significant accounting policies (cont'd)

(a) Basis of preparation (cont'd)

New and revised standards

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

From 1 January 2017, as a result of the amendments to FRS 7 *Statement of Cash Flows (Disclosure Initiative)*, the Group has provided additional disclosure in relation to changes in liabilities from financing activities for the current financial year (Note 19).

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

New standards, amendments to standards and interpretations that have been issued at the end of the reporting period but are not yet effective for the financial year ended 31 December 2017 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company except as disclosed below:

Convergence with International Financial Reporting Standards (IFRS)

The Accounting Standards Council ("ASC") announced that Singapore incorporated companies listed on the Singapore Exchange ("SGX") or are in the process of issuing equity or debt instruments for trading on SGX, will apply a new financial reporting framework identical to the International Financial Reporting Standards ("IFRS Convergence"), known as Singapore Financial Reporting Standards (International) ("SFRS(I)"), with effect from annual periods beginning on or after 1 January 2018.

The Group's financial statements for the financial year ending 31 December 2018 will be prepared in accordance with SFRS(I) issued by ASC. These financial statements will be the last set of financial statements prepared under the current FRSs in Singapore.

In adopting the new framework, the Group will be required to apply the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*. In addition to the adoption of the new framework, the Group will be adopting other new SFRS(I), amendments to standards and interpretations of SFRS(I) which are effective from the same date.

The Group does not expect the application of the new standards, amendments to standards and interpretations, and the IFRS Convergence to have significant impact on the financial statements except as set out below:

Application of SFRS(I) 1 and IFRS Convergence

When the Group adopts SFRS(I) in its 2018 financial statements, the Group will apply SFRS(I) 1 with 1 January 2017 as the date of transition for the Group and the Company.

SFRS(I) 1 generally requires that the Group applies SFRS(I) on a retrospective basis, subject to certain mandatory exceptions and optional exemptions under SFRS(I) 1. The Group plans to elect relevant optional exemptions. The Group does not expect the application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 to have any significant impact on the financial statements.

2 Summary of significant accounting policies (cont'd)

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

New and revised standards (cont'd)

SFRS(I) 15 Revenue from Contracts with Customers

SFRS(I) 15 replaces IAS 18 'Revenue', IAS 11 'Construction contracts' and other revenue-related interpretations. It applies to all contracts with customers, except for leases, financial instruments, insurance contracts and certain guarantee contracts and non-monetary exchange contracts. SFRS(I) 15 provides a single, principle-based model to be applied to all contracts with customers. An entity recognises revenue in accordance with the core principle in SFRS(I) 15 by applying a 5-step approach.

Under SFRS(I) 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. SFRS(I) 15 includes disclosure requirements that will result in disclosure of comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Group plans to adopt SFRS(I) 15 in its financial statements for the financial year ending 31 December 2018 using the full retrospective approach. As a result, the Group will apply the changes in accounting policies retrospectively to each reporting year presented.

Management has performed a preliminary impact assessment of applying the new standard on the Group's financial statements. Based on the existing sources of revenue as at 31 December 2017, management does not anticipate that the application of SFRS(I) 15 will have a material impact on the Group's financial statements. Further evaluation will be undertaken should the source of revenue change in the year when SFRS(I) 15 becomes effective.

SFRS(I) 9 Financial Instruments

SFRS(I) 9 which replaces IAS 39, includes guidance on (i) the classification and measurement of financial assets and financial liabilities; (ii) impairment requirements for financial assets; and (iii) general hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in SFRS(I) 9 are based on an expected credit loss model and replace IAS 39 incurred loss model.

The Group plans to adopt the new standard on the required effective date of 1 January 2018 without restating prior periods' information and recognises any differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 at the date of initial application in the opening retained earnings as at 1 January 2018.

(a) Classification and measurement

The Group has completed its preliminary assessment of the classification and measurement of its financial assets, and the Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under SFRS(I) 9. Loans and receivables that are currently accounted for at amortised cost are expected to continue to be measured at amortised cost model under SFRS(I) 9.

2 Summary of significant accounting policies (cont'd)

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

New and revised standards (cont'd)

SFRS(I) 9 Financial Instruments (cont'd)

(b) Impairment

The new impairment requirements are expected to result in changes to and likely increases in impairment loss allowances on trade receivables and other receivables, due to earlier recognition of credit losses. For trade receivables, the Group will apply the simplified approach and will record an allowance for lifetime expected losses on trade receivables from initial recognition. For other receivables, the Group will initially provide for 12 months expected losses under the three-stage model. Upon application of the expected credit loss model, the Group does not expect significant impact on its financial performance or financial position due to good credit history of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of impact.

The Group will adopt SFRS(I) 9 when it becomes effective in financial year ending 31 December 2018. The Group is currently finalising the computation of the impact and the quantum of the final transition adjustments.

SFRS(I) 16 Leases

SFRS(I) 16 replaces the existing IAS 17: *Leases*. It reforms lessee accounting by introducing a single lessee accounting model. Lessees are required to recognise all leases on their statements of financial position to reflect their rights to use leased assets (a "right-of-use" asset) and the associated obligations for lease payments (a lease liability), with limited exemptions for short term leases (less than 12 months) and leases of low value items. In addition, the nature of expenses related to those leases will change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge of right-of-use asset and interest expense on lease liability. The accounting for lessors will not change significantly.

The standard is effective for annual periods beginning on or after 1 January 2019. The Group will assess the potential impact of SFRS(I) 16 and plans to adopt the standard on the required effective date.

(b) **Basis of consolidation**

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

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

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

2 Summary of significant accounting policies (cont'd)

(b) Basis of consolidation (cont'd)

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

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

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary company attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary company, even if this results in the non-controlling interests having a deficit balance.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on an acquisition-by-acquisition basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the acquiree's net identifiable assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value or, when applicable, on the basis specified in another standard.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

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

When a change in the Company's ownership interest in subsidiary company results in a loss of control over the subsidiary company, the assets and liabilities of the subsidiary company including any goodwill, non-controlling interest and other components of equity related to the subsidiary company are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific FRSs.

Any retained equity interest in the previous subsidiary company is remeasured at fair value at the date that control is lost. The difference between the carrying amount of the retained interest at the date control is lost, and its fair value is recognised in profit or loss.

Consolidation of the subsidiary companies in PRC are based on the subsidiary companies' financial statements prepared in accordance with FRSs. Profits reflected in the financial statements prepared in accordance with FRSs may differ from those reflected in the PRC statutory financial statements of the subsidiary companies, prepared for PRC reporting purposes. In accordance with the relevant laws and regulations, profits available for distribution by the PRC subsidiary companies are based on the amounts stated in the PRC statutory financial statements.

2 Summary of significant accounting policies (cont'd)

(c) **Subsidiary companies**

Subsidiary companies are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In the Company's statement of financial position, investment in subsidiary companies are accounted for at cost less accumulated impairment losses, if any. On disposal of investment in subsidiary company, the difference between disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

(d) **Associated companies**

An associated company is an entity over which the Group has significant influence but not control or joint control, over the financial and operating policies of the entity. Significant influence is presumed to exist generally when the Group holds 20% or more but not exceeding 50% of the voting power of another entity.

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

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

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

Distributions received from associated companies are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associated company.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associated company recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately as income in the Group's profit or loss.

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

Upon loss of significant influence over the associated company, the Group measures any retained investment at its fair value. Any difference between the carrying amount of the associated company upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

2 Summary of significant accounting policies (cont'd)

(d) Associated companies (cont'd)

If the Group's ownership interest in an associated company is reduced, but the Group continues to apply the equity method, the Group shall reclassify to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

In the Company's statement of financial position, investment in associated companies are carried at cost less accumulated impairment losses, if any. On disposal of investment in associated company, the difference between the disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

(e) Goodwill

Goodwill is initially measured at cost and is subsequently measured at cost less any accumulated impairment losses.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of subsidiary company and associated company, the attributable amount of goodwill is included in the determination of profit or loss on disposal.

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

(f) Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised.

On disposal of a property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to profit or loss.

2 Summary of significant accounting policies (cont'd)

(f) **Property, plant and equipment (cont'd)**

Depreciation is calculated on a straight-line basis to write off the cost of property, plant and equipment, less any estimated residual value, over their expected useful lives. The estimated useful lives are as follows:

Leasehold buildings	15 to 40 years (over the terms of lease)
Machinery and equipment	5 to 28 years
Motor vehicles	8 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at the end of each reporting period. The effects of any revision are recognised in profit or loss when the changes arise.

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

Construction work-in-progress represents assets in the course of construction for production, or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss until construction or development is completed. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policies (Note 2(u)). Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

(g) **Land use rights**

Land use rights are initially recognised at cost and subsequently carried at cost less accumulated amortisation and accumulated impairment losses, if any. Land use rights are amortised on a straight line basis over the operation period of 5 to 13 years.

The amortisation period and amortisation method of land use rights are reviewed, and adjusted as appropriate, at the end of each reporting period. The effects of any revision are recognised in profit or loss when the changes arise.

(h) **Impairment of non-financial assets excluding goodwill**

At the end of each reporting period, the Group assesses the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A previously recognised impairment loss for an asset other than goodwill is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. A reversal of an impairment loss is recognised immediately in profit or loss.

2 Summary of significant accounting policies (cont'd)

(i) **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads based on normal operating capacity but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

(j) **Leases**

(1) When a group entity is the lessee:

Finance leases

Leases of property, plant and equipment where the Group assumes substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Each lease payment is allocated between reduction of the outstanding liability and finance charges. The corresponding lease liabilities, net of finance charges, are included in borrowings. The finance charge is taken to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The asset acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Operating leases

Leases where a significant portion of the risks and rewards incidental to ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to profit or loss on a straight-line basis over the period of the lease. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

When an operating lease is terminated before the lease period expires, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(2) When a group entity is the lessor:

Operating leases

Leases where the group entity retains substantially all the risks and rewards incidental to ownership of the asset are classified as operating leases. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

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

(k) **Financial assets**

Classification

The Group classifies its financial assets according to the nature of the assets and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition. The Group's only financial assets are loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except those maturing later than 12 months after the end of the reporting period which are classified as non-current assets. Loans and receivables are presented as "trade and other receivables" (excluding trade bills receivables that have been endorsed as payments, prepayments, income tax recoverable, value-added tax recoverable and advance payments to suppliers) and "cash and cash equivalents" on the statement of financial position.

2 Summary of significant accounting policies (cont'd)

(k) Financial assets (cont'd)

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade date - the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the net sale proceeds and its carrying amount is recognised in profit or loss.

Initial measurement

Loans and receivables are initially recognised at fair value plus transaction costs.

Subsequent measurement

Loans and receivables are carried at amortised cost using the effective interest method, less impairment.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account, and the amount of the loss is recognised in profit or loss. The allowance amount is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

If in subsequent periods, the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversed date.

Offset

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

(l) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value and excludes pledged fixed deposits and bank balance.

2 Summary of significant accounting policies (cont'd)

(m) **Financial liabilities**

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

Financial liabilities are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instruments.

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

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

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

(n) **Financial guarantees**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are initially recognised at their fair values plus transaction costs. Financial guarantees are classified as financial liabilities.

Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the expected amount payable to the holder. Financial guarantees contracts are amortised in profit or loss over the period of the guarantee.

(o) **Provisions for other liabilities**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past event, and it is probable that an outflow of economic resources will be required to settle that obligation and the amount can be estimated reliably. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. Where the effect of the time value of money is material, the amount of the provision shall be discounted to present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and risks specific to the obligation.

When discounting is used, the increase in the provision due to passage of time is recognised as a finance cost in profit or loss.

(p) **Share capital**

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2 Summary of significant accounting policies (cont'd)

(q) **Reserve fund**

In accordance with the relevant laws and regulations in PRC applicable to foreign investments enterprises and the Articles of Association of the PRC subsidiary companies, the subsidiary companies are required to make appropriation from profit after taxation as reported in the PRC statutory financial statements to reserve fund at a rate as determined by the Board of Directors. The transfer to this reserve must be made before the payment of dividends to shareholders. In the event that the PRC subsidiary company has accumulated losses, the transfer of this reserve can only be made after the accumulated losses are fully set off against current year net profit.

The reserve fund can only be used to set off against accumulated losses or to increase the registered capital of the PRC subsidiary company, subject to approval from the PRC authorities. This reserve fund is not available for dividend appropriation to the shareholders.

(r) **Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sales of goods and rendering of services, net of sales related taxes and after eliminating sales within the Group. Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group, and the amount of revenue and related cost can be reliably measured.

Sales of goods

Revenue from sale of goods is recognised when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from services is recognised during the financial year after the services have been rendered.

Management fee

Management fee income is recognised when services are rendered.

Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

Rental income

Rental income from operating leases are recognised on a straight-line basis over the lease term.

2 Summary of significant accounting policies (cont'd)

(s) **Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

When the grant relates to an expense item, it is recognised in profit or loss over the period necessary to match them on a systematic basis to the costs that it is intended to compensate.

(t) **Employee benefits**

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund, and will have no legal or constructive obligation to pay further contributions once the contributions have been paid. Contributions to defined contribution plans are recognised as an expense in the period in which the related service is performed.

(u) **Borrowing costs**

Borrowing costs, which comprise interest and other costs incurred in connection with the borrowing of funds, are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are recognised in profit or loss using the effective interest method.

(v) **Income taxes**

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

Current tax is the expected tax payable or recoverable on the taxable income for the current year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable or recoverable in respect of previous years.

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

2 Summary of significant accounting policies (cont'd)

(v) Income taxes (cont'd)

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

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

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

(w) Foreign currencies

Functional and presentation currency

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

Transactions and balances

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

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

(x) Segment reporting

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

3 Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical accounting judgements

Going concern assumption

At 31 December 2017, the Group's and the Company's current liabilities exceeded the current assets by RMB112,838,000 (2016: RMB144,604,000) and RMB9,246,000 (2016: RMB8,528,000) respectively. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Group's and the Company's ability to continue as going concerns and to realise their assets and discharge their liabilities in the ordinary course of business.

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

(i) the continuing financial support from Anyang Chemical Industry Group Co., Ltd. ("Anhua") and Anyang Jiulong Chemical Co., Ltd. ("Anyang Jiulong"), both are subsidiary companies of Henan Energy and Chemical Industry Group Co., Ltd ("HNEC"), a related party of the Group. The details of the financial support which was provided to Anyang Jiutian, a significant subsidiary company of the Group, are described in Note 23;

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

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

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

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

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

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

After considering the measures taken described above, the Group and the Company believe that they have adequate resources to continue their operations as going concerns.

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

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

Critical accounting judgements (cont'd)

Functional currency

The subsidiary companies and associated companies of the Company (the "PRC entities")'s revenue, expenses, results, assets and liabilities and capital expenditures are predominantly attributable to a single geographical region, the PRC, which is the Group's principal place of business and operations. RMB is the currency that mainly influences sales prices for goods and services, labour, material and other costs of providing goods or services and of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services for the PRC entities. Therefore, the management has determined that RMB is the functional currency for the PRC entities.

In view of the increased financial reliance of the Company on the operations of its PRC entities, the management also determined that RMB is the functional currency of the Company.

Investment in subsidiary company

Management has assessed and concluded that the Group has control over Henan Herunsheng Isotope Technology Co., Ltd. ("Herunsheng") on the basis that another investor with 35% (2016: 35%) of the voting rights in Herunsheng is acting in concert with the Group, although the Group owns 45% (2016: 45%) of the voting rights in Herunsheng. The investor with 35% (2016: 35%) of the voting rights in Herunsheng has signed a concert party agreement and agreed to vote for same decision as voted by the Group about relevant activities of Herunsheng including but are not limited to operating, financing and investing activities. The aggregate shareholding and voting rights in Herunsheng of the Group and its concert party is 80% (2016: 80%). The sole director of Herunsheng is appointed by the Group. Accordingly, the Group has accounted for this investment as its subsidiary company and consolidated Herunsheng's financial statements into the Group.

Investment in associated company

As disclosed in Note 17, the Group's effective interest in Anyang Jiujiu Chemical Technology Co., Ltd. ("Anyang Jiujiu") is 74% (2016: 74%). However, management has assessed and concluded that the Group has no control but only significant influence over Anyang Jiujiu as the majority voting rights and representative of the board of the directors in Anyang Jiujiu are held by Anyang Jiulong. Anyang Jiulong is in turn a subsidiary company of HNEC Group. Therefore, HNEC Group has control over Anyang Jiujiu through Anyang Jiulong. Accordingly, the Group has accounted for this investment as its associated company in the consolidated financial statements using equity method of accounting.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Useful lives and residual values of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The Group reviews the useful lives and residual values of property, plant and equipment at the end of each reporting period in accordance with the accounting policy in Note 2(f). The estimation of the useful lives and residual values involves assumptions concerning the future and estimations of the assets common life expectancies and expected level of usage. Any changes in the expected useful lives of these assets would affect the carrying amount of property, plant and equipment and the depreciation charge for the financial year. The carrying amount of property, plant and equipment and the depreciation charge for the financial year are disclosed in Note 15.

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

Key sources of estimation uncertainty (cont'd)

Impairment of property, plant and equipment and land use rights

The Group assesses whether there are any indicators of impairment for property, plant and equipment and land use rights in accordance with the accounting policy in Note 2(h). The Group also assesses whether there is any indication that an impairment loss recognised in prior periods for property, plant and equipment may no longer exist or may have decreased. Where indicators exist, the recoverable amounts of property, plant and equipment and land use rights are determined based on value-in-use calculations. An impairment loss exists when the carrying value of the property, plant and equipment and land use rights exceeds their recoverable amount. An impairment loss recognised in prior periods shall be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. These calculations require the use of judgements and estimates.

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

The Group's value-in-use calculations used cash flow forecasts derived from the most recent financial budgets approved by management. The pre-tax rate used to discount the forecast cash flows is 21% (2016: 17%).

A further decrease in the sales volume by approximately 2% (2016: 4%) or a decrease in gross profit margin by approximately 1% (2016: 1%) or an increase in discount rate by approximately 2% (2016: 2%) respectively, would result in the recoverable amounts to be equal to the carrying amounts of property, plant and equipment and land use rights at the end of the reporting period.

Based on management's assessment, no additional allowance for impairment loss on property, plant and equipment and land use rights is necessary at the end of the reporting period. In addition, no reversal of impairment loss recognised in prior financial years is required as at 31 December 2017, as the recoverable amounts are not significantly higher than the carrying amounts of the property, plant and equipment and land use rights.

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

Income taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, the amount and timing of future taxable income and deductibility of certain expenditure. Accordingly, there are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on reasonable estimates of whether additional taxes will be due. Where the final tax outcome of these matters is concluded and different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of income tax payables and recoverable of the Group at 31 December 2017 is RMB11,909,000 (2016: RMB269,000) and RMBNil (2016: RMB4,510,000) respectively.

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

Key sources of estimation uncertainty (cont'd)

Income taxes (cont'd)

The Group recognises deferred income tax assets on deductible temporary differences to the extent there are sufficient estimated future taxable profits and/or taxable temporary differences based on the recent five years' profits forecasts against which the deductible temporary differences can be utilised and that the Group is able to satisfy the continuing ownership test.

Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits and/or taxable temporary differences. The carrying amount of deferred tax assets recognised and the unrecognised potential deferred tax assets of the Group at 31 December 2017 are disclosed in Note 18.

Impairment of investments in subsidiary companies and associated companies

The Company assesses whether there are any indicators of impairment for investments in subsidiary companies and associated companies in accordance with the accounting policy in Note 2(h). The Company also assess whether there is any indication that an impairment loss recognised in prior periods for investment in subsidiary companies may no longer exist or may have decreased. Where indicators exist, the recoverable amounts of investments in subsidiary companies and associated companies are determined based on value-in-use calculations. An impairment loss exists when the carrying value of investments in subsidiary companies and associated companies exceeds their recoverable amount. An impairment loss recognised in prior periods shall be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. When value-in-use calculations are undertaken, management must estimate the future cash flows expected from these investments and an appropriate discount rate in order to calculate the present value of the future cash flows. The recoverable amounts of investments in subsidiary companies and associated companies are determined based on value-in-use calculations, using the pre-tax discount rate of 21% (2016: 17%).

Based on management's assessment, a reversal of allowance for impairment on the cost of investment in a subsidiary, Anyang Jiutian of RMB115,996,000 (2016: RMBNil) was recognised in the Company's profit or loss in the current financial year, in order to write-back the net carrying amount of investment in Anyang Jiutian to the recoverable amount as at 31 December 2017 as Anyang Jutian was profitable and generated positive cash inflow from operating activities. Management was also confident that Anyang Jiutian will continue to be profitable in the foreseeable future.

In addition, management believes that no reasonably possible changes in any of the key assumptions would cause the carrying amounts of the investments in associated companies to materially exceed their recoverable amounts.

The carrying amount of the Company's investment in subsidiary companies is disclosed in Note 16. The carrying amount of the Company's investment in associated companies is disclosed in Note 17.

Impairment of trade and other receivables

Management reviews its trade and other receivables for objective evidence of impairment at the end of each reporting period. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired.

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

Key sources of estimation uncertainty (cont'd)

Impairment of trade and other receivables (cont'd)

Significant management's judgement is involved in the determination as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management assess as to whether an impairment loss should be recorded as an expense in profit or loss. In determining this, management uses estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience.

The carrying amounts of the Group's and the Company's trade and other receivables at the end of the reporting period are disclosed in Note 12. If the present value of estimated future cash flows differ from management's estimates, the allowance for impairment for trade and other receivables and the trade and other receivables balance at the end of the reporting period will be affected accordingly.

4 Revenue - Group

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

5 Other income

	Group	
	2017	2016
	RMB'000	RMB'000
Interest income:		
- Related party	**–**	657
- Others	**332**	300
Rental income:		
- Lease of property, plant and equipment to related party	**1,215**	1,505
- Others	**–**	253
Amortisation of deferred income (Note 21)	**65**	65
Government grant	**–**	3,040
Management fees	**850**	1,116
Sundry income	**831**	2,570
	3,293	9,506

6 Other expenses and finance costs

	Group	
	2017	2016
	RMB'000	RMB'000
Other expenses		
Net loss on foreign exchange	**97**	191
Loss on disposal of property, plant and equipment	**800**	360
Property, plant and equipment written off	**781**	–
Reversal of allowance for doubtful receivables (Note 12)	**(13)**	–
Others	**38**	–
	1,703	551
Finance costs		
Interest expenses on:		
- Bank borrowings	**5,271**	4,659
- Amount due to related party	**110**	177
Other finance cost paid to related party	**–**	660
	5,381	5,496

7 Profit before tax

Profit before tax is arrived at after charging:

	Group	
	2017	2016
	RMB'000	RMB'000
Amortisation of land use rights (Note 14)	**933**	934
Auditors' remuneration paid/payable to:		
- independent auditor of the Company	**718**	682
- other auditors of the Group		
- current year	**42**	–
- under provision in prior year	**40**	–
Depreciation of property, plant and equipment (Note 15)	**30,417**	28,739
Fees for non-audit services paid/payable to:		
- independent auditor of the Company	**–**	–
- other auditors of the Group	**–**	–
Inventories written down	**–**	394
Staff costs (Note 8)	**30,489**	27,168
Operating leases expenses	**1,785**	1,855
Transportation charges	**17,047**	14,710

8 Staff costs

	Group	
	2017	2016
	RMB'000	RMB'000
Directors of the Company		
- Fees	**535**	742
- Salaries, bonus and other benefits	**2,180**	1,369
- Defined contribution benefits	**112**	40
Directors of the subsidiary companies		
- Salaries and bonus	**–**	141
- Defined contribution benefits	**–**	26
Key management personnel (non-directors)		
- Salaries and bonus	**986**	669
- Defined contribution benefits	**188**	108
Other personnel		
- Salaries, bonus and other benefits	**19,456**	18,128
- Defined contribution benefits	**7,032**	5,945
	30,489	27,168

9 Tax expense/(credit)

	Group	
	2017	2016
	RMB'000	RMB'000
Current income tax	**18,901**	–
Deferred income tax (Note 18)	**1,439**	(98)
	20,340	(98)

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

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

	Group	
	2017	2016
	RMB'000	RMB'000
Profit before tax	**90,415**	261
Share of results of associated companies	**6,716**	1,136
Profit before tax excluded share of results of associated companies	**97,131**	1,397
Tax at the domestic rates applicable to profit/(loss) in the countries where the Group operates	**24,805**	751
Income not subject to income tax	**(215)**	(204)
Tax incentives	**(509)**	(1,096)
Expenses not deductible for tax purposes	**31**	1,084
Utilisation of previously unrecognised deferred tax assets	**(3,996)**	(633)
Others	**224**	–
	20,340	(98)

The above tax reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

The statutory income tax rate applicable to the Company is 17% (2016: 17%).

Pursuant to the relevant laws and regulations in PRC, the subsidiary companies of the Group which were incorporated in PRC are required to pay PRC enterprise income tax at an uniform rate of 25% (2016: 25%).

At the end of the reporting period, there were no temporary differences associated with undistributed earnings of the subsidiary companies as the subsidiary companies were in accumulated losses position.

10 Earnings per share

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

	Group	
	2017	2016
Profit for the year attributable to equity holders of the Company (RMB'000)	**70,817**	586
Weighted average number of ordinary shares ('000)	**1,818,444**	1,818,444
Earnings per share (RMB cents)	**3.89**	0.03

Diluted earnings per share is same as basic earnings per share as there was no potential dilutive ordinary shares for the financial years ended 31 December 2017 and 31 December 2016.

11 Cash and cash equivalents

	Group		Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash on hand and at bank	**63,713**	14,108	**2,346**	2,288
Fixed deposits	**85,000**	15,500	**–**	–
	148,713	29,608	**2,346**	2,288
Pledged fixed deposits (Note 20)	**(85,000)**	(15,500)	**–**	–
Cash and cash equivalents in the consolidated statement of cash flows	**63,713**	14,108	**2,346**	2,288

Fixed deposits are pledged to secure bills payables to banks (Note 20) and bear interest rates ranging from 1.10% to 1.50% (2016: 0.10% to 2.25%) per annum. The pledged fixed deposits will be released upon the settlement of the bills payables to banks on maturity date. The carrying amounts of these assets approximates their fair values.

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

	Group		Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Singapore dollar	**2,253**	2,196	**2,253**	2,196
United States dollar	**93**	92	**93**	92

12 Trade and other receivables

	Group		Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables from:				
- Associated company	**–**	3,652	**–**	–
- Outside parties	**15,994**	20,948	**–**	–
Trade bills receivables	**524,344**	366,458	**–**	–
	540,338	391,058	**–**	–
Less: Allowance for doubtful receivables - outside parties	**(4,520)**	(4,533)	**–**	–
Total trade receivables, net	**535,818**	386,525	**–**	–
Advance payments to suppliers	**1,456**	1,400	**–**	–
Amount due from associated company	**103,219**	96,027	**–**	–
Amounts due from related parties	**19**	1,753	**–**	–
Value-added tax recoverable	**4,408**	4,245	**–**	–
Income tax recoverable	**–**	4,510	**–**	–
Prepayments	**35**	643	**–**	–
Refundable deposits	**66**	66	**66**	66
Others	**247**	154	**–**	15
Security deposits paid to secure corporate guarantee of the bank borrowing (Note 19)	**3,000**	3,000	**–**	–
	112,450	111,798	**66**	81
	648,268	498,323	**66**	81

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

	Group		Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Balance at beginning of the year	**4,533**	4,716	**–**	–
Bad debts written off against allowance	**–**	(183)	**–**	–
Reversal of allowance for doubtful receivables (Note 6)	**(13)**	–	**–**	–
Balance at end of the year	**4,520**	4,533	**–**	–

12 Trade and other receivables (cont'd)

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

	Group		Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Singapore dollar	**66**	81	**66**	81

The average credit period on sales of goods is 90 days (2016: 90 days). No interest is charged on the overdue trade receivables. The Group's trade bills receivables are non-interest bearing and are normally settled on terms of 90 to 365 days (2016: 90 to 365 days). The non-trade amounts due from associated company and related parties are unsecured, interest-free and payable on demand except for advances to a related party amounting to RMBNil (2016: RMB1,734,000) which bear interest rate of Nil% (2016: 5.60%) per annum. The non-trade amount due from associated company represents advances to Anyang Jiujiu for the payments of costs incurred for the construction of its manufacturing plants.

Included in the Group's trade bills receivables are trade bills receivables amounting to RMB456,819,000 (2016: RMB330,451,000) that have been endorsed as payments made to the suppliers. These trade bills receivables have yet to mature at the end of the reporting period (Note 20).

Included in the Group's trade receivables are debtors totalling RMB575,000 (2016: RMB5,085,000) which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful receivables. There has not been a significant change in credit quality and the management believes that amounts are still considered recoverable. The Group does not hold any collateral over these balances. For those balances which are neither past due nor impaired, management believes that they are with creditworthy counterparties.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. Accordingly, management believes that there are no further credit allowances required in excess of the allowance for doubtful receivables.

The table below is an analysis of trade receivables at the end of the reporting period:

	Group	
	2017	2016
	RMB'000	RMB'000
Not past due and not impaired	**535,243**	381,440
Past due but not impaired (i)	**575**	5,085
	535,818	386,525
Impaired receivables - individually assessed (ii):		
Gross amount that are past due above 275 days	**4,520**	4,533
Less: Allowance for doubtful receivables	**(4,520)**	(4,533)
	–	–
Total trade receivables, net	**535,818**	386,525

12 Trade and other receivables (cont'd)

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

	Group	
	2017	2016
	RMB'000	RMB'000
Past due 1 day to 30 days	**45**	391
Past due 31 days to 275 days	**43**	924
Past due above 275 days	**487**	3,770
	575	5,085

(ii) Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties or have defaulted on payments.

13 Inventories

	Group	
	2017	2016
	RMB'000	RMB'000
Raw materials, at cost	**10,522**	7,696
Finished goods, at cost and net realisable value	**26,046**	13,932
	36,568	21,628
Cost of inventories recognised as an expense in cost of sales	**976,241**	669,077

The cost of inventories recognised as an expense in cost of sales included an amount of RMBNil (2016: RMB394,000) in respect of write downs of inventories to net realisable value.

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14 Land use rights

	Group	
	2017	2016
	RMB'000	RMB'000
Cost		
At 1 January and 31 December	**14,936**	14,936
Accumulated amortisation		
At 1 January	**8,658**	7,724
Amortisation charge (Note 7)	**933**	934
At 31 December	**9,591**	8,658
Carrying amount		
At 31 December	**5,345**	6,278
Amount to be amortised:		
- Not later than one financial year	**721**	933
- Later than one financial year but not later than five financial years	**2,575**	2,652
- Later than five financial years	**2,049**	2,693
	5,345	6,278

The details of the land use rights as at 31 December 2017 are as follows:

Location	**Lease period**	**Land area (square metre)**
Zhangwu Street, Long An District, Anyang City, Henan Province, PRC	50 years from August 2001	20,833
Dabai Highway West, Tianchi Village, Shuiye Town, Anyang City, Henan Province, PRC*	50 years from December 2007	10,487
Zhangwu Street, Long An District, Anyang City, Henan Province, PRC*	47 years from December 2007	49,875
Choumou Chemical Concentration Zone, Beiqiao Village, Liyang City, Jiangsu Province, PRC	50 years from December 2008	12,917

* With effect from 7 September 2012, Anyang Jiutian Fine Chemical Co., Ltd. ("Anyang Jiutian") and Anyang Jiuyang Chemical Co., Ltd. ("Anyang Jiuyang") were amalgamated to continue as one company, being Anyang Jiutian (the "amalgamated company"), pursuant to Chapter 9 of the Company Law of PRC and Regulations of the Ministry of Foreign Trade and Economic Co-operation and the State Administration for Industry and Commerce on Merging and Spitting of Foreign-funded Enterprises. At the end of the reporting period, these land use rights are still registered in the name of Anyang Jiuyang. The Group is in the process to obtain an approval from the local authority to transfer the land use rights to Anyang Jiutian.

15 Property, plant and equipment

	Leasehold buildings	Machinery and equipment	Motor vehicles	Construction work-in-progress	Total
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Group					
Cost					
At 1 January 2016	92,701	519,358	4,856	31,721	648,636
Additions	–	7,406	–	52,751	60,157
Disposals	–	(653)	–	–	(653)
Write-offs	–	(3,460)	–	–	(3,460)
Reclassifications	–	69	–	(69)	–
At 31 December 2016	92,701	522,720	4,856	84,403	704,680
Additions	–	9,965	–	19,887	29,852
Disposals	(825)	(2,037)	(487)	–	(3,349)
Write-offs	(603)	(823)	–	–	(1,426)
Reclassifications	–	21,076	–	(21,076)	–
At 31 December 2017	**91,273**	**550,901**	**4,369**	**83,214**	**729,757**
Accumulated depreciation and impairment losses					
At 1 January 2016	27,044	341,532	3,091	–	371,667
Depreciation charge	2,858	25,443	438	–	28,739
Disposals	–	(254)	–	–	(254)
Write-offs	–	(3,460)	–	–	(3,460)
At 31 December 2016	29,902	363,261	3,529	–	396,692
Depreciation charge	2,858	27,328	231	–	30,417
Disposals	(168)	(1,465)	(394)	–	(2,027)
Write-offs	(302)	(343)	–	–	(645)
At 31 December 2017	**32,290**	**388,781**	**3,366**	**–**	**424,437**
Representing:					
Accumulated depreciation	29,902	262,361	3,529	–	295,792
Accumulated impairment losses	–	100,900	–	–	100,900
At 31 December 2016	29,902	363,261	3,529	–	396,692
Accumulated depreciation	32,290	288,350	3,366	–	324,006
Accumulated impairment losses	–	100,431	–	–	100,431
At 31 December 2017	**32,290**	**388,781**	**3,366**	**–**	**424,437**
Carrying amount					
At 31 December 2017	**58,983**	**162,120**	**1,003**	**83,214**	**305,320**
At 31 December 2016	62,799	159,459	1,327	84,403	307,988

Property, plant and equipment with carrying amount of RMB60.00 million were pledged to HNEC for the corporate guarantee provided (Note 19).

15 Property, plant and equipment (cont'd)

	Company	
	2017	2016
	RMB'000	RMB'000
Machinery and equipment		
Cost		
At 1 January and 31 December	**795**	795
Accumulated depreciation		
At 1 January and 31 December	**795**	795
Carrying amount		
At 31 December	**–**	–

16 Investment in subsidiary companies

	Company	
	2017	2016
	RMB'000	RMB'000
Unquoted equity shares, at cost	**265,724**	265,724
Allowance for impairment	**(62,701)**	(178,697)
	203,023	87,027

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

	Company	
	2017	2016
	RMB'000	RMB'000
Balance at beginning of the year	**178,697**	178,697
Reversal of allowance for impairment	**(115,996)**	–
Balance at end of the year	**62,701**	178,697

16 Investment in subsidiary companies (cont'd)

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

Name of subsidiary company	Proportion of ownership interest		Principal activities (Place of establishment/operation)
	2017	2016	
	%	%	
Anyang Jiutian Fine Chemical Co., Ltd.	**100**	100	Production, sale and service of industrial methanol, methylamine, dimethylformamide ("DMF") and gas (PRC)
Changzhou Jiutian Xiean Chemical Co., Ltd.	**80**	80	Sale of methylamine, DMF, polyurethane and downstream products (PRC)
Henan Herunsheng Isotope Technology Co., Ltd.	**45**	45	Research and development of isotope technology and, manufacturing and trading of Oxygen 18 and deuterium depleted water (PRC)
Xinjiang Jiutian Energy Technology Co., Ltd. ("Xinjiang Jiutian")	**–**	100	Research, development and commercialisation of natural gas processing technology (PRC)

In 2014, Anyang Jiutian has incorporated a 45% owned subsidiary company, Herunsheng for a cash consideration of RMB22,500,000. As disclosed in Note 3, management has assessed and concluded that the Group has control over Herunsheng. Accordingly, the Group has accounted for this investment as its subsidiary company.

In 2017, Xinjiang Jiutian has been struck off from the Register of Companies. The striking off of the subsidiary does not have any material impact to the Group's and the Company's financial statements for the financial year ended 31 December 2017 because Xinjiang Jiutian is inactive since date of incorporation.

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

(b) Significant restrictions

Cash and cash equivalents of RMB146,367,000 (2016: RMB27,320,000) are held in PRC and are subject to local exchange control regulations. These regulations place restrictions on the amount of currency being exported, other than through dividends subject to the approval from relevant authorities.

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16 Investment in subsidiary companies (cont'd)

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

The subsidiary company with NCI that are considered by the management to be material to the Group is as follows:

Name of subsidiary company	Place of establishment/ operation	Proportion of ownership interest held by NCI	
		2017	2016
		%	%
Herunsheng	PRC	**55**	55

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

	2017	2016
	RMB'000	RMB'000
Summarised statement of financial position		
Non-current assets	**70,094**	55,155
Current assets	**5,678**	8,711
Current liabilities	**(27,014)**	(13,759)
Net assets	**48,758**	50,107
Net assets attributable to NCI	**26,817**	27,559
Summarised statement of profit or loss and other comprehensive income		
Revenue	**–**	–
Loss before tax	**(1,348)**	(414)
Loss and total comprehensive loss	**(1,348)**	(414)
Loss allocated to NCI	**(742)**	(227)
Summarised statement of cash flows		
Cash flows from/(used in) operating activities	**8,518**	(272)
Cash flows used in investing activities	**(13,219)**	(8,235)
Cash flows from financing activities	**–**	–
Net decrease in cash and cash equivalents	**(4,701)**	(8,507)

16 Investment in subsidiary companies (cont'd)

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

The Company recorded an allowance for impairment on investment in Anyang Jiutian amounted to RMB170,710,000 in prior years. During the financial year, management performed a review of the recoverable amount on its investment in Anyang Jiutian because the subsidiary company was profitable and generated positive cash inflow from operating activities during the financial year ended 31 December 2017. The management estimated the recoverable amount of Anyang Jiutian as at 31 December 2017 to be RMB203,023,000. Accordingly, a reversal of allowance for impairment on the cost of investment in Anyang Jiutian of RMB115,996,000 (2016: RMBNil) was recognised in the Company's profit or loss in the current financial year, in order to write-back the net carrying amount of investment in Anyang Jiutian to the recoverable amount as at 31 December 2017. Management is confident that Anyang Jiutian will continue to be profitable in the foreseeable future.

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

The value-in-use calculations used cash flow forecasts derived from the most recent financial budgets approved by management. The pre-tax rate used to discount the forecast cash flows is 21%.

17 Investment in associated companies

	Group		**Company**	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Anyang Jiulong	**306,787**	312,863	**299,709**	299,709
Anyang Jiujiu	**38,809**	39,449	**40,000**	40,000
	345,596	352,312	**339,709**	339,709

The details of the associated companies are as follows:

Name of associated company	**Proportion of ownership interest**		**Principal activities (Place of establishment/operation)**
	2017	2016	
	%	%	
Anyang Jiulong Chemical Co., Ltd.	**49**	49	Production of coal-based chemicals (PRC)
Anyang Jiujiu Chemical Technology Co., Ltd.#	**74**	74	Manufacturing and selling of sodium hydrosulfite (PRC)

17 Investment in associated companies (cont'd)

\# In 2013, the Company and Anyang Jiulong had incorporated Anyang Jiujiu to undertake the manufacturing and selling of sodium hydrosulfite project. The Company's direct ownership interest in Anyang Jiujiu is 49% and the remaining interest in Anyang Jiujiu is owned by Anyang Jiulong. Accordingly, the Group's effective interest in Anyang Jiujiu is 74%. As disclosed in Note 3, management has assessed and concluded that the Group has no control but only significant influence over Anyang Jiujiu. Accordingly, Anyang Jiujiu is classified as investment in associated company.

Anyang Jiujiu commenced construction of the manufacturing plants in April 2013 and commenced commercial production in December 2017 instead of the orginal scheduled commencement in 2016. The delay in commencement of commercial production is mainly due to the construction of a dedicated solid waste incineration plant to comply with the environmental protection requirements. In addition, there are also delays in the obtaining the approval of certain necessary licenses required for commercial production.

In view of the above, management carried out a review of the recoverable amounts of Anyang Jiujiu's non-financial assets during the financial year. The recoverable amounts of Anyang Jiujiu's non-financial assets are determined from value-in-use calculation. The key assumptions and inputs for the value-in-use calculation are those regarding forecast revenue, forecast gross profit margin, forecast expenditures, discount rate and terminal growth rate. The forecast revenue, forecast gross profit margin and forecast expenditures are based on past performances and expectations developments in the market. Management estimates discount rate using pre-tax rate that reflect current market assessments of time value of money and the risks specific to its industry.

The value-in-use calculation used cash flow forecasts derived from the most recent financial budgets approved by management covering a five year-period. Cash flows beyond the five-year period were using terminal growth rate of 5%, which does not exceed the average long-term growth rate for the relevant industry. The pre-tax rate used to discount the cash flow forecast is 21%.

Based on management's assessment, no allowance for impairment loss on non-financial assets of Anyang Jiujiu is necessary at the end of the reporting period.

The associated companies are audited by Baker Tilly China for the purpose of preparation of the consolidated financial statements of the Group.

The associated companies are accounted for in the consolidated financial statements of the Group using the equity method of accounting. The activities of the associated companies are strategic to the Group's activities.

17 Investment in associated companies (cont'd)

The summarised financial information of Anyang Jiulong and Anyang Jiujiu based on their FRSs financial statements (not adjusted for the Group's share of those amounts) and a reconciliation to the carrying amounts of the investments in the consolidated financial statements of the Group are as follows:

	Anyang Jiulong and its subsidiary company		Anyang Jiujiu	
	2017	**2016**	**2017**	**2016**
	RMB'000	RMB'000	**RMB'000**	RMB'000
Summarised statement of profit or loss and other comprehensive income				
Revenue	**272,780**	166,582	**21,052**	–
Loss and total comprehensive loss attributable to:				
- Equity holders of the company	**(12,401)**	(2,050)	**(1,306)**	(269)
- Non-controlling interests	**(640)**	(132)	**–**	–
	(13,041)	(2,182)	**(1,306)**	(269)
Summarised statement of financial position				
Non-current assets	**970,079**	971,699	**675,526**	652,183
Current assets	**558,738**	384,839	**291,445**	169,912
Non-current liabilities	**(23,240)**	(53,912)	**(16,523)**	(47,013)
Current liabilities	**(840,672)**	(624,680)	**(871,245)**	(694,573)
Non-controlling interests	**(38,809)**	(39,449)	**–**	–
Total equity attributable to equity holders of the company	**626,096**	638,497	**79,203**	80,509
Group's share of net assets based on proportion of ownership interest and carrying amount of investment in associated company	**306,787**	312,863	**38,809**	39,449

Included in current liabilities and non-current liabilities are finance lease payables totalling RMB47.01 million (2016: RMB75.24 million) for the acquisition of property, plant and equipment. The finance lease payables are secured by the corporate guarantees from Anhua and Anyang Jiutian (Note 27).

Significant restrictions

The associated companies in PRC are subject to local exchange control regulations. These regulations place restrictions on the amount of currency being exported other than through dividends subject to the approval from relevant authorities.

18 Deferred tax assets

The following are the major deferred tax assets recognised by the Group and the movements thereon during the current and prior reporting period:

	Unabsorbed tax losses	Deferred income	Accelerated accounting depreciation	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group					
At 1 January 2016	–	81	13,417	–	13,498
Credit/(charge) to profit or loss	2,675	(16)	(2,561)	–	98
At 31 December 2016	2,675	65	10,856	–	13,596
(Charge)/credit to profit or loss	(2,675)	(16)	1,046	208	(1,439)
At 31 December 2017	**–**	**49**	**11,902**	**208**	**12,157**

The potential deferred tax assets on the following temporary differences have not been recognised in the financial statements at the end of the reporting period:

	Group	
	2017	2016
	RMB'000	RMB'000
Unabsorbed tax losses	**5,965**	9,382
Accelerated accounting depreciation	**–**	13,812
Others	**587**	1,822
	6,552	25,016

Unabsorbed tax losses are available for carry forward up to five years from the year of loss to offset against future taxable income of the companies in which the tax losses arose subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. During the financial year, the Group's unabsorbed tax losses brought forward amounting to RMB2,480,000 (2016: RMB7,051,000) has expired.

The potential deferred tax assets have not been recognised in the financial statements as it is not probable that the future taxable income in these companies will be sufficient to allow these temporary differences to be realised in the foreseeable future.

19 Bank borrowings

	Group	
	2017	2016
	RMB'000	RMB'000
Current		
Loan I	**–**	30,000
Loan II	**–**	30,000
Loan III	**–**	10,000
Loan IV	**50,000**	–
Loan V	**30,000**	–
Loan VI	**30,000**	–
	110,000	70,000
Non-current		
Loan IV	**–**	50,000
	110,000	120,000

Security for borrowings

Loan I bore interest rate of 5.22% per annum and was fully repaid during the financial year. In 2016, Loan I was guaranteed by HNEC and property, plant and equipment with carrying amount of RMB60.00 million (Note 15) and security deposit of RMB3.00 million (Note 12) were pledged to HNEC for the corporate guarantee provided.

Loan II bore interest rate of 4.35% per annum and was fully repaid during the financial year. In 2016, Loan II was guaranteed by Anhua.

Loan III bore interest rate of 5.66% per annum and was fully repaid during the financial year. In 2016, Loan III was guaranteed by related party.

Loan IV bears interest rate of 5.25% (2016: 5.25%) per annum and is payable in 2018. Loan IV is guaranteed by Anhua.

Loan V bears interest rate of 5.22% per annum and is payable in 2018. Loan V is guaranteed by HNEC and property, plant and equipment with carrying amount of RMB60.00 million (Note 15) and security deposit of RMB3.00 million (Note 12) were pledged to HNEC for the corporate guarantee provided.

Loan VI bears interest rate of 5.00% per annum and is payable in 2018. Loan VI is guaranteed by Anhua.

Fair values

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

In 2016, based on discounted cash flows using market lending rate for similar borrowing which the management expects would be available to the Group at the end of the reporting period, the fair value of the non-current borrowing at 31 December 2016 approximated its carrying value as there were no significant changes in the interest rate available to the Group at the end of the reporting period. This fair value measurement for disclosure purposes was categorised in the Level 3 of the fair value hierarchy.

19 Bank borrowings (cont'd)

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

	Amount due to related party (Note 20)	Bank loans	Bills payables to banks (Note 20)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	4,997	120,000	15,500	140,497
Changes from financing cash flows:				
- Drawdown	–	60,000	69,500	129,500
- Repayment	–	(70,000)	–	(70,000)
- Interest paid	–	(5,271)	–	(5,271)
Non-cash changes				
- Interest expenses	110	5,271	–	5,381
Effect of changes in foreign exchange rate	71	–	–	71
At 31 December 2017	5,178	110,000	85,000	200,178

20 Trade and other payables

	Group		Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables due to:				
- Outside parties	**53,122**	47,168	**–**	–
- Associated company	**112,534**	82,579	**–**	–
- Related parties	**37,302**	103,632	**–**	–
Trade bills payables due to:(a)				
- Outside parties	**313,835**	193,504	**–**	–
- Associated company	**46,353**	49,545	**–**	–
- Related parties	**96,631**	87,402	**–**	–
Bills payables to banks(b)	**85,000**	15,500	**–**	–
Total trade payables	**744,777**	579,330	**–**	–
Amount due to related party(c)	**5,178**	4,997	**5,178**	4,997
Amount due to subsidiary(d)	**–**	–	**5,158**	5,028
Advances from customers	**13,097**	12,228	**–**	–
Payable for purchase of property, plant and equipment	**24,456**	19,316	**–**	–
Accrued operating expenses	**19,461**	1,295	**972**	619
Security deposits received	**385**	521	**–**	–
Value-added tax payables	**5,388**	–	**–**	–
Rental payable to associated company	**–**	1,753	**–**	–
Staff related costs	**5,788**	3,705	**350**	253
Others	**5,948**	749	**–**	–
	79,701	44,564	**11,658**	10,897
Total trade and other payables	**824,478**	623,894	**11,658**	10,897

20 Trade and other payables (cont'd)

The average credit period on purchases of goods is 120 days (2016: 120 days).

(a) The Group's trade bills payables represent trade bills receivables that have been endorsed as payments made to the suppliers. These trade bills receivables have yet to mature at the end of the reporting period (Note 12).

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

(c) The amount due to related party, Anyang Longyu (HK) Development Co., Ltd., is unsecured, interest bearing of 2.20% (2016: 2.20%) per annum and payable within 12 months (2016: 12 months) after the end of the reporting period.

(d) The amount due to subsidiary, Anyang Jiutian, is unsecured, interest bearing of 2.20% (2016: 2.20%) per annum and payable within 12 months after the end of the reporting period.

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

	Group		Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Singapore dollar	**6,500**	5,869	**6,500**	5,869

21 Deferred income

	Group	
	2017	2016
	RMB'000	RMB'000
At beginning of the year	**259**	324
Credit to profit or loss (Note 5)	**(65)**	(65)
At end of the year	**194**	259

The amount represents a government grant received from the local municipal government for financing a technology improvement project of a subsidiary company in PRC. The grant is amortised to profit or loss on a straight-line basis over the expected useful lives of the related assets.

22 Share capital

	Group and Company			
	2017	2016	**2017**	2016
	Number of ordinary shares			
	'000	'000	**RMB'000**	RMB'000
Issued and paid up capital:				
At beginning and end of the year	**1,818,444**	1,818,444	**661,153**	661,153

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

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

23 Related party transactions

Major shareholder

Anyang Longyu (HK) Development Co., Ltd. ("Anyang Longyu") became a major shareholder of the Company on 3 November 2011 when it acquired the entire shareholding of Stateglory Investments Ltd (former shareholder) in the Company. As at 31 December 2017, Anyang Longyu holds 502,429,900 (2016: 502,429,900) ordinary shares through its nominee, RHB Securities Singapore Pte Ltd, representing approximately 27.63% (2016: 27.63%) of the issued share capital of the Company. Anyang Longyu is a wholly-owned subsidiary company of Anhua. Anhua is in turn a subsidiary company of HNEC. HNEC is one of the PRC's most significant coal mining company and a significant manufacturer in the chemical industry.

Management is of the view that Anyang Longyu is able to exercise significant influence over the operations of the Group, and hence is considered as related party of the Group.

Transactions with HNEC and its subsidiary companies are considered as related party transactions.

Sales and purchases with Anhua

On 1 January 2005, Anyang Jiutian signed a 20-year raw materials and spare parts purchase agreement with Anhua. The transaction price would be mutually agreed by both parties and updated according to market price every three years. According to the supplementary agreement dated 30 July 2005, between Anyang Jiutian and Anhua, the transaction price will be reviewed every half year before October 2009 and will be reviewed every month thereafter.

Financial support from Anhua and Anyang Jiulong

On 25 December 2017, Anyang Jiutian secured a letter of continuing financial support from Anhua and Anyang Jiulong, which Anhua and Anyang Jiulong had agreed to defer the payments of trade and other payables owing to them till Anyang Jiutian is able to settle its other liabilities. This agreement is for a period of 2 years ending 31 December 2019 and subject to further review. In addition, Anhua and Anyang Jiulong will extend credit period when Anyang Jiutian has cash flow problems and agreed to supply the raw materials to Anyang Jiutian during the financial years ending 31 December 2018 and 2019.

23 Related party transactions (cont'd)

Significant transactions with related parties

In addition to information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties, who are not members of the Group during the financial year on terms agreed by the parties concerned:

	Group	
	2017	2016
	RMB'000	RMB'000
With associated companies (subsidiary company of HNEC)		
Sales of goods	**34,858**	20,512
Purchases of electricity	**34,925**	26,108
Purchases of industrial steam	**95,486**	52,965
Purchases of goods	**131**	29
Rental expense	**785**	784
Advances given to	**112,722**	110,285
Repayment of advances given from	**105,530**	72,930
With other subsidiary companies of HNEC		
Sales of goods	**6,771**	2,500
Rental income	**1,207**	1,505
Service fee	**795**	795
Purchases of goods and industrial steam	**135,371**	164,353
Rental expense	**69**	498
Repayment of advances received	**–**	843
Finance costs	**110**	837
With a company in which key management personnel of subsidiary company has controlling interest		
Interest income receivable	**–**	657

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

24 Financial instruments

(a) Categories of financial instruments

Financial instruments at their carrying amounts at the end of the reporting period are as follows:

	Group		Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Loans and receivables				
(including cash and cash equivalents)	**334,263**	186,682	**2,412**	2,369
Financial liabilities				
Amortised cost	**459,174**	401,215	**11,658**	10,897

(b) Financial risk management

Management monitors and manages the financial risks relating to the operations of the Group and the Company to minimise adverse potential effects of financial performance. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

Foreign currency risk

The principal entities in the Group transact their business significantly in RMB which is also the functional currency of the PRC entities and therefore the Group's exposure to foreign currency risk, such as Singapore dollar ("SGD") and United States dollar ("USD") are not expected to be significant.

The carrying amounts of monetary assets and monetary liabilities not denominated in the functional currency of the respective entities at the end of the reporting period are as follows:

	Group and Company					
	Assets		Liabilities		Net exposure	
	2017	2016	**2017**	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
SGD	**2,319**	2,277	**(6,500)**	(5,869)	**(4,181)**	(3,592)
USD	**93**	92	**–**	–	**93**	92

24 Financial instruments (cont'd)

(b) Financial risk management (cont'd)

Foreign currency risk (cont'd)

Foreign currency sensitivity analysis

The following table details the sensitivity to a 5% increase and decrease in the relevant foreign currency against the functional currency of each group entity. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. With all other variables held constant, the effects will be as follows:

	Group and Company Increase/(decrease) in profit after tax	
	2017	2016
	RMB'000	RMB'000
SGD against RMB		
- Strengthened	**(209)**	(180)
- Weakened	**209**	180

The sensitivity analysis for foreign currency risk of USD is not disclosed as the effect on profit or loss and other comprehensive income is considered not significant.

Interest rate risk

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

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

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

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

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

24 Financial instruments (cont'd)

(b) Financial risk management (cont'd)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored.

Concentration of credit risk exists when changes in economic, industry or geographical factors similarly affect group of counterparties whose aggregate exposure is significant in relation to the Group's total credit exposure. All the Group's customers are PRC companies. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

Further details of credit risks on trade and other receivables are disclosed in Note 12.

The credit risk on liquid funds is limited because the counterparties are financial institutions with high credit-ratings assigned by international credit-rating agencies. The carrying amounts of financial assets as presented on the statement of financial position and the amount of RMB57.93 million (2016: RMB95.49 million) relating to corporate guarantee given by the Group to a financial institution for finance lease obtained by associated company as disclosed in Note 27, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance its operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of bank borrowings and ensures compliance with loan covenants. This strategy has not changed from prior periods.

In view of the Group's liquidity position, the liquidity risk management approach is outlined below:

- liquidity forecasts are produced on a weekly basis to ensure utilisation of current forecast is optimised.
- Management continually assesses the balance of capital and debt funding of the Group.

With the above approach, and after considering the measures to preserve cash and secure additional financing as described in Note 3, management has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

24 Financial instruments (cont'd)

(b) Financial risk management (cont'd)

Liquidity risk (cont'd)

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligation.

	1 year or less	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000
Group			
2017			
Trade and other payables	349,174	–	349,174
Bank borrowings	113,252	–	113,252
Financial guarantee contract (Note 27)	57,931	–	57,931
	520,357	**–**	**520,357**
2016			
Trade and other payables	281,215	–	281,215
Bank borrowings	73,644	51,877	125,521
Financial guarantee contract (Note 27)	95,489	–	95,489
	450,348	51,877	502,225
Company			
2017			
Trade and other payables	**11,658**	**–**	**11,658**
2016			
Trade and other payables	10,897	–	10,897

At the end of the reporting period, the Group does not consider it probable that a claim will be made against the Group under the financial guarantee contract.

(c) Fair value

(i) Fair value hierarchy

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

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

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

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

24 Financial instruments (cont'd)

(c) Fair value (cont'd)

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

At 31 December 2016, the carrying amount of non-current borrowing approximated its fair value at the end of the reporting period, as the market lending rate at the end of the reporting period was not significantly different from either its coupon rate of the agreement or market lending rate at the initial measurement date. The basis of determining fair value for disclosure purpose at the end of the reporting period is disclosed in Note 19.

The above does not include financial assets and financial liabilities whose carrying amounts measured on the amortised cost basis approximate their fair values due to their short-term nature and where the effect of discounting is immaterial or that there are no significant changes in the interest rates available to the Group.

(d) Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debts, which is the borrowings less cash and cash equivalents and equity attributable to equity holders of the Company, comprising share capital and reserves.

The Group's management reviews the capital structure on an on-going basis. As a part of this review, management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of management, the Group balances its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issuance of new debt or the redemption of existing debt.

The Group's overall strategy remains unchanged from 2016.

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2017 and 31 December 2016.

25 Operating lease arrangements

The Group as lessee

At the end of the reporting period, the Group and the Company have outstanding commitments under non-cancellable operating leases which fall due as follows:

	Group		Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Not later than one financial year	**961**	1,242	**189**	208
Later than one financial year but not later than five financial years	**319**	1,067	**–**	–
Later than five financial years	**70**	93	**–**	–
	1,350	2,402	**189**	208

25 Operating lease arrangements (cont'd)

The Group as lessee (cont'd)

Operating lease payments include rental payable by the Group for certain land and buildings leased from Anhua. Leases are negotiated for an average term of 1 - 19 years and rentals are fixed for an average of 1 - 19 years. Operating lease payments of the Company represent rental payable for its office premise for which the lease is negotiated on an annual basis.

The Group as lessor

The Group leased out certain machinery under operating leases to an unrelated individual. The Group also leased out certain property amount to a related party.

At the end of the reporting period, the Group has contracted with lessees for the following future minimum lease payments as follows:

	Group	
	2017	2016
	RMB'000	RMB'000
Not later than one financial year	**–**	160

26 Capital commitments

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

	Group		Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Capital commitments for the construction work-in-progress of property, plant and equipment	**–**	1,092	**–**	–

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

	Group	
	2017	2016
	RMB'000	RMB'000
Capital commitments for :		
- Land use rights	**–**	6,357

27 Contingent liabilities

The Group together with a related party have provided corporate guarantee totalling RMB57.93 million (2016: RMB95.49 million) to a financial institution for finance lease of RMB47.01 million (2016: RMB75.24 million) taken by Anyang Jiujiu (Note 17) at the end of the reporting period.

Management have assessed the fair value of this financial guarantee to have no material financial impact on the financial performance of the Group for the financial years ended 31 December 2017 and 31 December 2016.

28 Segment information

The Group is principally engaged in manufacturing and selling of chemical-based products, i.e. methylamine and DMF. All provisions are of a similar nature and subject to similar risks and returns. Accordingly, the Group's operating activities are mainly attributable to a single reportable operating segment.

Geographical information

The Group's revenue, expenses, results, assets and liabilities and capital expenditures are predominantly attributable to a single geographical region, the PRC, which is the Group's principal place of business and operations. Therefore, no analysis by geographical region is presented.

Information about major customer

Revenue of approximately RMB110,628,000 (2016: RMB73,681,000) are derived from 1 external customer who individually contributed 10% or more of the Group's total revenue.

29 Authorisation of financial statements

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors dated 3 April 2018.

SHAREHOLDING STATISTICS

As at 15 March 2018

Issued and Fully Paid-up Capital	-	S$137,541,385 comprising 1,818,444,000 ordinary shares
Class of Shares	-	Ordinary shares
Voting Rights	-	One Vote per share

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

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Holders	No. of Shares	% of Shares
1 – 99	–	–	–	–
100-1000	73	1.36	61,395	0.00
1,001 – 10,000	1,300	24.17	10,368,300	0.57
10,001 – 1,000,000	3,890	72.33	431,828,399	23.75
1,000,001 and above	115	2.14	1,376,185,906	75.68
	5,378	100.00	1,818,444,000	100.00

LIST OF 20 LARGEST SHAREHOLDERS

	SHAREHOLDER'S NAME	No. of Shares	% of Shares
1	RHB SECURITIES SINGAPORE PTE LTD	538,394,900	29.61
2	RAFFLES NOMINEES (PTE) LTD	108,492,198	5.97
3	OCBC SECURITIES PRIVATE LTD	107,310,400	5.90
4	SANJEEV GUPTA	74,299,800	4.09
5	KGI SECURITIES (SINGAPORE) PTE LTD	40,048,300	2.20
6	PHILLIP SECURITIES PTE LTD	34,550,000	1.90
7	CITIBANK NOMINEES SINGAPORE PTE LTD	30,885,238	1.70
8	PEK KOK SAM	25,836,000	1.42
9	DBS NOMINEES PTE LTD	25,205,300	1.39
10	MAYBANK KIM ENG SECURITIES PTE LTD	21,904,600	1.20
11	ANANYA GUPTA	18,000,000	0.99
12	MOE KHONG KIOEN	12,445,000	0.68
13	UOB KAY HIAN PTE LTD	11,665,500	0.64
14	CGS-CIMB SECURITIES (S) PTE LTD	10,860,406	0.60
15	OCBC NOMINEES SINGAPORE PTE LTD	10,332,000	0.57
16	LEE CHEE SENG	10,250,000	0.56
17	LIM TCHEN NAN	10,000,000	0.55
18	TENG TECK SENG	10,000,000	0.55
19	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	9,813,600	0.54
20	LEE YOW FEE	9,503,000	0.52
	TOTAL	**1,119,796,242**	**61.58**

SHAREHOLDING STATISTICS

As at 15 March 2018

SUBSTANTIAL SHAREHOLDERS

		Direct Interest		Deemed Interests	
No.	**Name**	**No. of shares held**	**%**	**No. of shares held**	**%**
1.	Anyang Longyu (HK) Development Co, Ltd	–	–	502,429,900	27.63
2.	Sanjeev Gupta	74,299,800	4.09	30,000,000	1.65

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

Based on information available and to the best knowledge of the Directors, as at 15 March 2018, approximately 63.61% of the ordinary shares of the Company are held by the public. The Company is therefore in compliance with Rule 723 of the SGX-ST Listing Manual Section B: Rules of Catalist of Singapore Exchange Securities Trading Limited.

APPENDIX I DATED 12 APRIL 2018

THIS APPENDIX I IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

This Appendix I is circulated to shareholders of Jiutian Chemical Group Limited (the "**Company**") together with the Company's Annual Report for its financial year ended 31 December 2017 (the "**Annual Report**"). Its purpose is to provide shareholders of the Company with information relating to the proposed renewal of the shareholders' general mandate for interested person transactions to be tabled at the Annual General Meeting of the Company to be held on 27 April 2018 at M Hotel Sinapore, J Collyer, Level 9, 81 Anson Road, Singapore 079909 at 9.30 a.m..

IF YOU ARE IN ANY DOUBT ABOUT ITS CONTENTS OR THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT, TAX ADVISER OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

If you have sold or transferred all your ordinary shares in the capital of the Company, you should immediately forward the Annual Report which contains, *inter alia*, this Appendix I, the Notice of Annual General Meeting and the Proxy Form to the purchaser or transferee or to the stockbroker or the bank or the agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

The Ordinary Resolution proposed to be passed in respect of the proposed renewal of the shareholders' general mandate for interested person transactions is set out in the Notice of Annual General Meeting, of which is contained together with the Proxy Form in the Annual Report.

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

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

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

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

JIUTIAN CHEMICAL GROUP LIMITED
(Company Registration Number 200415416H)
(Incorporated in the Republic of Singapore)

APPENDIX IN RELATION TO

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

APPENDIX I

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DEFINITION

In this Appendix I, the following definitions shall apply throughout unless the context otherwise requires:-

Companies, Organisations and Agencies

"Anhua"	:	Anyang Chemical Industry Group Co., Ltd., a subsidiary of HNEC
"Anhua Group"	:	HNEC, Anhua and their respective subsidiaries[(1)] and associates
"Anyang Jiulong"	:	Anyang Jiulong Chemical Co., Ltd., a subsidiary of Anhua and an associated company of Jiutian
"Anyang Jiutian"	:	Anyang Jiutian Fine Chemical Co., Ltd., a wholly-owned subsidiary of Jiutian
"Anyang Longyu"	:	Anyang Longyu (HK) Development Co., Ltd, a wholly-owned subsidiary of Anhua
"CDP"	:	The Central Depository (Pte) Limited
"Company" or "Jiutian"	:	Jiutian Chemical Group Limited
"Henan Electric"	:	Henan Electric Power Corporation, a state-owned electricity utility company, independent from both the Anhua Group and the Jiutian Group
"HNEC"	:	Henan Energy and Chemical Industry Group Co., Ltd. (formerly known as Henan Coal and Chemical Group Co., Ltd.)
"Jiutian Group"	:	The Company, its subsidiaries and its associated companies[(1)]
"SGX-ST"	:	Singapore Exchange Securities Trading Limited

General

"Act"	:	The Companies Act (Chapter 50) of Singapore, as amended or modified or supplemented from time to time
"AGM"	:	The annual general meeting of the Company to be held on 27 April 2018 at 9.30 a.m. at M Hotel Sinapore, J Collyer, Level 9, 81 Anson Road, Singapore 079909
"Annual Report"	:	The annual report of the Company for FY2017
"Appendix I"	:	This Appendix I dated 12 April 2018
"associated company"	:	A company in which at least 20% but not more than 50% of its shares are held by the Company or the Jiutian Group and that it is not listed on the SGX-ST or an approved exchange. This definition shall include Anyang Jiujiu Chemical Technology Co. Ltd. in which the Group holds 74% of its registered capital (direct interest of 49% and indirect interest of 25%), but over which the Company has significant influence but not control or joint control over the financial and operating policies of Anyang Jiujiu.

APPENDIX I

"associate" : (a) in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means:-

(i) his immediate family;

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

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

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

"Audited Accounts" : The audited financial statements of the Jiutian Group which includes Anyang Jiulong as part of the Jiutian Group

"Audit Committee" : The audit committee of the Company, comprising Mr. Chan Kam Loon, Mr. Wu Yu Liang and Mr. Koh Eng Kheng Victor

"Board" or "Directors" : The board of directors of the Company as at the Latest Practicable Date

"Catalist" : The sponsor-supervised listing platform of the SGX-ST

"Catalist Rules" : The SGX-ST Listing Manual (Section B: Rule of Catalist), as amended, modified or supplemented from time to time

"controlling shareholder" : A person who:-

(a) holds directly or indirectly 15% or more of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the company (unless the SGX-ST determines that such a person is not a controlling shareholder); or

(b) in fact exercises control over a company

"Dimethylamine" : A type of raw material used in the manufacturing of certain pharmaceutical products, agricultural chemicals and other organic chemicals

"Entities at Risk" : The entities at risk who fall within the IPT Mandate, as set out in section 4.2 of this Appendix I, namely, each of the entities within the Jiutian Group and Anyang Jiulong

"FY" : Financial year ended 31 December

"Interested Persons" : The interested persons of the Company who fall within the IPT Mandate, as set out in section 4.2 of this Appendix I, namely, each of the entities within the Anhua Group and Anyang Jiulong

"IPT Mandate" : The general mandate that was approved by Shareholders at the extraordinary general meeting of the Company held on 16 November 2012 and last renewed at the annual general meeting of the Company held on 27 April 2017, permitting the Entities at Risk to enter into the Recurrent IPTs with the Interested Persons

"Latest Practicable Date"	:	29 March 2018, being the latest practicable date prior to the printing of this Appendix I
"Non-interested Directors"	:	The Directors who are deemed to be non-interested in respect of and for the purpose of the IPT Mandate, namely, Mr. Zhou Hongxuan, Mr. Lee Chee Seng, Mr. Wu Yu Liang, Mr. Chan Kam Loon, Mr. Gao Guoan, Mr. Chen Mingjin and Mr. Koh Eng Kheng Victor
"Notice of AGM"	:	The notice of AGM dated 12 April 2018
"NTA"	:	Net tangible assets
"Raw Materials Type I"	:	Includes liquid ammonia, methanol, nitrogen and carbon dioxide
"Raw Materials Type II"	:	Includes liquid coal gas, oxygen, clean water, desalinated water, recycled water and instrument air
"Recurrent IPTs"	:	The categories of transactions with the Interested Persons which fall within the IPT Mandate, as set out in sections 4.2.2(b) and 4.3 of this Appendix I
"Shares"	:	Ordinary shares in the capital of the Company

Currencies, Units and Others

"RMB"	:	Renminbi, the lawful currency of the PRC
"S$"	:	Singapore dollars, the lawful currency of the Republic of Singapore
"%"	:	Per centum or percentage

Note:-

(1) Save for references to the Jiutian Group in connection with the Audited Accounts, in the context of this Appendix I:-

(a) Anyang Jiulong, being a subsidiary of the Anhua Group, is excluded from the definition of the term "Anhua Group"; and

(b) Anyang Jiulong, being an associated company of the Jiutian Group, is excluded from the definition of the term "Jiutian Group",

wherever the said terms appear in this Appendix I.

The terms "Transactions A", "Transaction B", "Transaction C", "Transaction D", "Transaction E", "Transaction F", "Transaction G" and "Transaction H" shall have the meanings ascribed to them respectively in section 4.2.2(b) of this Appendix I.

The terms "Depositor", "Depository Agent" and "Depository Register" shall have the meanings ascribed to them respectively in Section 81F of the Securities and Future Act (Chapter 289) of Singapore ("**SFA**").

Words importing the singular shall, where applicable, include the plural and vice versa, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Words importing persons shall, where applicable, include corporations.

Any reference in this Appendix I to any statue or enactment is a reference to that statute or enactment as for the time being amended or re-enacted. Any word defined under the Act, the SFA, the Catalist Rules or any statutory modification thereof and used in this Appendix I shall, where applicable, have the same meaning ascribed to it under the Act, the SFA, the Catalist Rules or any statutory modification thereof, as the case may be, unless otherwise provided.

Any reference to dates and time of day in this Appendix I shall be a reference to Singapore dates and time unless otherwise stated.

APPENDIX I

LETTER TO SHAREHOLDERS

JIUTIAN CHEMICAL GROUP LIMITED

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

Board of Directors:

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

Registered Office:

80 Robinson Road #02-00
Singapore 068898

12 April 2018

To: The Shareholders of Jiutian Chemical Group Limited

Dear Sir/Madam

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

1. INTRODUCTION

The Company proposes to seek the approval of its Shareholders at the AGM to be held on 27 April 2018 for the proposed renewal of the IPT Mandate.

The Company refers to the Notice of AGM accompanying the Annual Report for FY2017 and Resolution 12 in relation to the proposed renewal of the IPT Mandate under the heading "Special Business" set out in the Notice of AGM.

The purpose of this Appendix I is to provide Shareholders with information relating to the IPT Mandate.

The proposed renewal of the IPT Mandate will authorise the Company, its subsidiaries, its associated companies and Anyang Jiulong that are considered to be "entities at risk" within the meaning of Chapter 9 of the Catalist Rules, to enter in the ordinary course of business any of the mandated transactions with specific classes of the Company's interested persons, provided that such transactions are made on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders, and are entered into in accordance with the review procedures for such transactions.

General information relating to Chapter 9 of the Catalist Rules is set out in Section 3 of this Appendix I.

2. PROPOSED RENEWAL OF THE IPT MANDATE

Under Chapter 9 of the Catalist Rules, a general mandate for transactions with interested persons is subject to annual renewal. The IPT Mandate was previously approved and adopted at the extraordinary general meeting of the Company held on 16 November 2012 and last renewed at the annual general meeting of the Company held on 27 April 2017.

The existing IPT Mandate will continue to be in force until the conclusion of the AGM. Accordingly, it is proposed that the IPT Mandate be renewed at the AGM and to take effect, unless revoked or varied by the Company in general meeting, until the next annual general meeting of the Company.

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

3. THE CATALIST RULES

3.1 Chapter 9 of the Catalist Rules

Chapter 9 of the Catalist Rules governs transactions in which a listed company or any of its subsidiaries or associated companies (known as an "**entity at risk**") enters into or proposes to enter into with a person who is an interested person of the listed company. The purpose is to guard against the risk that an interested person could influence the listed company, its subsidiaries or associated companies to enter into transactions with it that may adversely affect the interests of the listed company or its shareholders.

For the purposes of Chapter 9 of the Catalist Rules:-

3.1.1 an "**entity at risk**" means:-

(a) the listed company;

(b) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or

(c) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed group, or the listed group and its interested person(s), has control over the associated company;

3.1.2 an "**interested person**" means a director, chief executive officer or controlling shareholder of the listed company or an associate of any such director, chief executive officer or controlling shareholder;

3.1.3 an "**associate**":-

(a) in relation to any director, chief executive officer or controlling shareholder (being an individual) means:-

(i) his immediate family;

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

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

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

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

3.1.5 an "**interested person transaction**" means a transaction between an entity at risk and an interested person, and includes the provision or receipt of financial assistance, the acquisition, disposal or leasing of assets, the provision or receipt of services, the issuance or subscription of securities, the granting of or being granted options, and the establishment of joint ventures or joint investments, whether or not in the ordinary course of business, and whether or not entered into directly or indirectly.

3.2 Financial Thresholds

An immediate announcement and/or shareholders' approval is required in respect of transactions with interested persons if the value of the transaction is equal to or exceeds certain financial thresholds.

In particular, an immediate announcement is required where:-

(a) the transaction is of a value equal to, or more than, 3% of the group's latest audited NTA; or

(b) the aggregate value of all transactions entered into with the same interested person during the same financial year amounts to 3% or more of the group's latest audited NTA.

Further, shareholders' approval (in addition to an immediate announcement) is required where:-

(a) the transaction is of a value equal to, or more than, 5% of the group's latest audited NTA; or

(b) the transaction, when aggregated with other transactions entered into with the same interested person during the same financial year, is of a value equal to, or more than, 5% of the group's latest audited NTA.

The above requirements for immediate announcement and/or for shareholders' approval do not apply to any transaction below S$100,000, and certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested person and hence excluded from the ambit of Chapter 9 of the Catalist Rules.

Pursuant to Rule 909 of the Catalist Rules, the value of a transaction is the amount at risk to the listed company.

This is illustrated by the following examples:-

(a) in the case of a partly-owned subsidiary or associated company, the value of the transaction is the listed company's effective interest in that transaction;

(b) in the case of a joint venture, the value of the transaction includes the equity participation, shareholders' loans and guarantees given by the entity at risk; and

(c) in the case of borrowing of funds from an interested person, the value of the transaction is the interest payable on the borrowing. In the case of lending of funds to an interested person, the value of the transaction is the interest payable on the loan and the value of the loan.

3.3 Illustration

For illustration purposes, based on the Jiutian Group's latest Audited Accounts for FY2017, the Jiutian Group's latest audited NTA as at 31 December 2017 was approximately RMB 537.88 million. Accordingly, in relation to the Jiutian Group, for the purposes of Chapter 9 of the Catalist Rules in the current financial year, shareholders' approval is required where:-

(a) the transaction is of a value equal to, or more than, RMB26.89 million, being 5% of the Jiutian Group's latest audited NTA as at 31 December 2017; or

(b) the transaction, when aggregated with other transactions entered into with the same interested person during the same financial year, is of a value equal to, or more than, RMB26.89 million. The aggregation will exclude any transaction that has been approved by shareholders previously or is the subject of aggregation with another transaction that has been approved by shareholders.

3.4 General Mandate

Part VIII of Chapter 9 of the Catalist Rules allows a listed company to seek a general mandate from its shareholders for recurrent transactions with interested persons where such transactions are of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials, but not in respect of the purchase or sale of assets, undertakings or businesses. A general mandate granted by shareholders is subject to annual renewal.

4. PROPOSED RENEWAL OF THE IPT MANDATE

4.1 Scope of the IPT Mandate

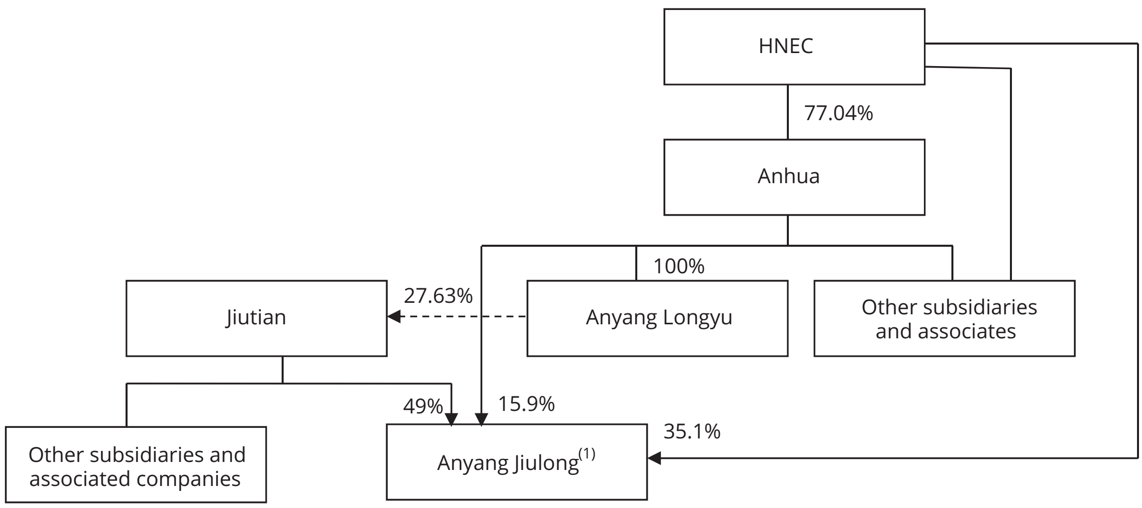
The Jiutian Group, Anyang Jiulong and the Interested Persons are in related businesses. It is envisaged that in the ordinary course of their respective businesses, certain recurrent transactions (as more particularly set out in sections 4.2.2(b) and 4.3 of this Appendix I) between the Jiutian Group,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

Given that the Recurrent IPTs are of a trading nature and are expected to recur and occur at any time, and due to the time-sensitive nature of these transactions, in order for the Jiutian Group and Anyang Jiulong to undertake such transactions in a more expeditious manner, the Company is seeking the approval of its shareholders for the proposed renewal of the IPT Mandate in respect of the Recurrent IPTs provided that such transactions are made on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

4.2 Information on the Entities at Risk and the Interested Persons

4.2.1 Relationship between the Entities at Risk and the Interested Persons

As at the Latest Practicable Date, the corporate structure of the Jiutian Group, the Anhua Group and Anyang Jiulong and the relationship among them was as follows:-



Note:-

(1) Anyang Jiulong is a joint venture between Jiutian and the Anhua Group pursuant to which the Anhua Group holds 51% (that is, 15.9% is held by Anhua and the balance 35.1% is held by HNEC) and Jiutian holds 49% of the registered capital of Anyang Jiulong. Accordingly, Anyang Jiulong is a subsidiary of the Anhua Group and an associated company of Jiutian. Therefore, in certain circumstances, Anyang Jiulong would be deemed to be an Entity at Risk when it enters into transactions with the Interested Persons as part of the Jiutian Group. It would also be deemed to be an Interested Person as being part of the Anhua Group when it enters into transactions with the Jiutian Group.

Pursuant to Chapter 9 of the Catalist Rules:-

(a) the Entities at Risk under the IPT Mandate consist of the Company, its subsidiaries and its associated companies, including Anyang Jiulong;

(b) the Interested Persons under the IPT Mandate consist of HNEC, Anhua and their respective subsidiaries and associates, including Anyang Jiulong; and

(c) the interested person transactions under the IPT Mandate include primarily:-

(i) transactions entered by the Jiutian Group and Anyang Jiulong (as an associated company of the Jiutian Group) as the customer with the Anhua Group as the supplier;

(ii) transactions entered by the Anhua Group as the customer and the Jiutian Group and Anyang Jiulong (as an associated company of the Jiutian Group) as the supplier; and

(iii) transactions entered by the Jiutian Group as the customer and Anyang Jiulong (as a subsidiary of the Anhua Group) as the supplier.

Please refer to sections 4.2.2(b) and 4.3 of this Appendix I for further information relating to the Recurrent IPTs.

4.2.2 Classes of the Entities at Risk and the Interested Persons

(a) *Background*

As at the Latest Practicable Date, Anyang Longyu holds 502,499,000 Shares through its nominee, RHB Securities Singapore Pte. Ltd., representing approximately 27.63% of the issued share capital of the Company. According, Anyang Longyu is a controlling shareholder of the Company.

Anyang Longyu is a wholly-owned subsidiary of Anhua, a state-owned enterprise incorporated in Anyang, Henan Province, PRC. Anhua is in turn a subsidiary of HNEC. HNEC is one of the PRC's most significant coal mining companies and a significant manufacturer in the chemical industry. In this regard, HNEC, Anhua and certain of their subsidiaries and associates, are regarded as associates of Anyang Longyu . As such, all transactions entered into by the Anhua Group and Anyang Jiulong (as Interested Persons) with the Jiutian Group and Anyang Jiulong (as Entities at Risk) constitute interested person transactions under Chapter 9 of the Catalist Rules.

The Anhua Group has been a key supplier of raw materials to the Jiutian Group since 2005 pursuant to a 20-year supply agreement entered into between Anyang Jiutian and Anhua on 1 January 2005 (the "**Supply Agreement**").

Pursuant to the Supply Agreement, Anhua has been supplying (a) liquid coal gas, liquid ammonia, water, electricity, meter running gas, industrial steam and nitrogen to the Jiutian Group's dimethylformamide and methylamine workshops, (b) liquid coal gas, water, electricity, industrial steam, meter gas and nitrogen to the Jiutian Group's methanol workshop and (c) carbon dioxide, oxygen, production water, electricity and industrial steam to the Jiutian Group's gas workshop.

The term of the Supply Agreement is for 20 years commencing on 1 January 2005 and expiring on 31 December 2024. The prices for all the raw materials and services to be supplied by Anhua under the Supply Agreement are not fixed and are subject to negotiations between the Jiutian Group and Anhua. Anyang Jiutian also has the right, under the Supply Agreement, to purchase raw materials directly from other third parties.

The term of the Supply Agreement is renewable on the 18th year for a further period of 20 years through negotiations between the Jiutian Group and Anhua. With the Supply Agreement, the Jiutian Group can be assured of a stable supply of its essential raw materials in accordance with its standards and specifications. Another advantage of the Supply Agreement is that the Jiutian Group will not be charged by Anhua for any transportation costs for the raw materials supplied due to the close proximity of the factories of Anhua and the Jiutian Group.

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

The list of the Entities at Risk and the Interested Persons and the types of transactions which are covered under the IPT Mandate are as follows:-

Entities At Risk	**Interested Persons**	**Type of transaction**
Jiutian Group and Anyang Jiulong as the customer	Anhua Group as the supplier	Purchase of Raw Materials Type I and Raw Materials Type II from the Anhua Group Purchase of Repair Materials from the Anhua Group (the above transactions are collectively referred to as "**Transactions A**")
Jiutian Group and Anyang Jiulong as the lessor	Anhua Group as the lessee	Leasing of equipment to the Anhua Group (the said transaction is referred to as "**Transaction B**")
Jiutian Group and Anyang Jiulong as the lessee	Anhua Group as the lessor	Renting of equipment from the Anhua Group (the said transaction is referred to as "**Transaction C**")
Jiutian Group and Anyang Jiulong as the supplier	Anhua Group as the customer	Sale of Repair Materials to the Anhua Group (the said transaction is referred to as "**Transaction D**")
Jiutian Group as the customer	Anhua Group as the supplier	Purchase of electricity and industrial steam from the Anhua Group (the said transaction is referred to as "**Transaction E**")
Jiutian Group as the customer	Anyang Jiulong as the supplier	Purchase of electricity and industrial steam from Anyang Jiulong (the said transaction is referred to as ("**Transaction F**")
Anyang Jiulong as the supplier	Anhua Group as the customer	Sale of electricity and industrial steam to the Anhua Group (the said transaction is referred to as "**Transaction G**")
Jiutian Group as the supplier	Anhua Group and/or Anyang Jiulong as the cusomers	Sale of Dimethylamine to the Anhua Group and/or Anyang Jiulong (the said transaction is referred to as "**Transaction H**")

Please refer to section 4.3 of this Appendix I for a detailed description of the aforesaid transactions.

4.3 Categories of the Recurrent IPTs

The IPT Mandate will include all transactions set out in section 4.2.2(b) of this Appendix I, namely, Transactions A to Transaction H.

Transactions A to Transaction H are transactions entered in the normal course of business of the Jiutian Group and Anyang Jiulong. Such transactions are recurrent transactions of revenue or trading nature or those which are necessary for the day-to-day operations of the Jiutian Group and Anyang Jiulong.

The categories of the Recurrent IPTs which are covered by the IPT Mandate include the following:-

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

(a) *Transactions A – Purchase of Raw Materials Type I*

The Jiutian Group and Anyang Jiulong require raw materials to produce its chemical products. Currently, they purchase some of the raw materials such as liquid coal gas, liquid ammonia, recycled water, clean water, desalinated water, nitrogen, carbon dioxide, instrument air, methanol, oxygen and other gases from the Anhua Group. Due to the close proximity of the factories of the Jiutian Group, Anyang Jiulong and the Anhua Group, these raw materials are being delivered to the factories of the Jiutian Group and/or Anyang Jiulong via pipelines without any transportation costs being incurred by the Jiutian Group and/or Anyang Jiulong. The Jiutian Group and Anyang Jiulong will incur transportation costs if they purchased such raw materials from other unrelated third parties.

The types of raw materials which the Jiutian Group and/or Anyang Jiulong are able to purchase from unrelated third parties comprise mainly of raw materials under Raw Materials Type I, that is, liquid ammonia, methanol, nitrogen and carbon dioxide. However, the costs of purchasing such raw materials will be much higher if it is purchased from unrelated third parties as transportation costs will be incurred. Liquid ammonia, methanol, nitrogen and carbon dioxide when they are purchased from unrelated third parties will be stored in either storage bottles or tanks and transported to the factories of the Jiutian Group and/or Anyang Jiulong via trucks. On the other hand, the Jiutian Group and/or Anyang Jiulong is able to purchase such raw materials from the Anhua Group at a lower cost as the same are delivered to the factories of the Jiutian Group and/or Anyang Jiulong via pipelines without any transportation costs being incurred.

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

(b) *Transactions A – Purchase of Raw Materials Type II*

The raw materials which the Jiutian Group (including Anyang Jiulong) is unable to obtain quotes from unrelated third parties or where purchases from unrelated third parties are not available comprise mainly of the raw materials under Raw Materials Type II, that is, liquid coal gas, oxygen, clean water, desalinated water, recycled water and instrument air. The Jiutian Group has been purchasing such raw materials from the Anhua Group since 2005. Anyang Jiulong has been purchasing clean water and desalinated water from the Anhua Group since September 2010.

The Jiutian Group uses the relevant Technical Cost Conversion Formula in arriving at the purchase price of liquid coal gas, oxygen and instrument air. The Jiutian Group shall proceed to purchase liquid coal gas, oxygen and instrument air from the Anhua Group based on the prices as computed by the Jiutian Group using the Technical Cost Conversion Formulae.

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

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

None of the raw materials under Raw Materials Type II represented a significant portion of the purchases from the Interested Persons.

(c) Transactions E and F – Purchase of electricity and industrial steam from the Anhua Group and/or Anyang Jiulong

The Jiutian Group purchases from the Anhua Group and/or Anyang Jiulong electricity which is delivered to the Jiutian Group's factories via power lines without incurring delivery costs. The only other vendor in the vicinity which supplies electricity is Henan Electric, a state-owned electricity utility company which supplies electricity to the public in the Henan province of the PRC.

The unit price of electricity when purchases are made by the Jiutian Group from the Anhua Group and/or Anyang Jiulong will not be higher than the unit price of electricity as quoted by Henan Electric and the same unit price of electricity will apply to the sale of electricity by Anyang Jiulong to the Anhua Group. Please refer to section 4.3.2 of this Appendix I for further information relating to the sale of electricity by Anyang Jiulong to the Anhua Group.

In addition, the purchase of electricity from the Anhua Group and/or Anyang Jiulong is deemed by the Jiutian Group to be more cost effective than to incur costs for building an electricity substation and to install new power lines so as to receive electricity from Henan Electric. Based on the existing power lines installed at the factories of the Jiutian Group, the Anhua Group and/or Anyang Jiulong is able to transmit electricity through such power lines and the Jiutian Group does not incur any delivery costs in connection therewith. This results in cost savings to the Jiutian Group.

The Jiutian Group also purchases industrial steam from the Anhua Group and/or Anyang Jiulong which is delivered to the Jiutian Group's factories via pipelines without incurring transportation costs. The Jiutian Group uses the relevant Technical Cost Conversion Formula in arriving at the purchase price of industrial steam. The Jiutian Group shall proceed to purchase industrial steam from the Anhua Group and/or Anyang Jiulong based on the prices as computed by the Jiutian Group using the Technical Cost Conversion Formulae.

It is cost efficient for the Jiutian Group to purchase industrial steam from the Anhua Group and/or Anyang Jiulong as opposed to those factories from neighbouring towns as industrial steam would be transported to the Jiutian Group's factories through pipelines without incurring transportation costs. There is also no other factories which are in the vicinity of the Jiutian Group's factories for industrial steam to be supplied via pipelines and the Jiutian Group will incur transportation costs for purchasing the same from unrelated third parties.

It is also not practicable for the Jiutian Group to obtain quotations from unrelated third parties for the purchase of industrial steam as typically, chemical companies would have their own steam boilers to produce their own steam. This is because it is not practicable for industrial steam to be transported via trucks or long distance pipes. However, due to the close proximity of the factories of the Jiutian Group, the Anhua Group and/or Anyang Jiulong, the Jiutian Group is able to purchase industrial steam from the Anhua Group and/or Anyang Jiulong which is delivered via pipelines and without incurring transportation costs. Such purchase of industrial steam from the Anhua Group and/or Anyang Jiulong is deemed by the Jiutian Group to be more cost effective than to invest heavy capital expenditure for the building of steam boilers to produce industrial steam internally.

4.3.2 Transaction G – Sale of electricity and industrial steam by Anyang Jiulong to the Anhua Group

Anyang Jiulong has been selling electricity and industrial steam to the Anhua Group since September 2010.

The unit price of electricity when purchases are made by the Anhua Group from Anyang Jiulong will not be higher than the unit price of electricity as quoted by Henan Electric and the same unit price of electricity will apply to the sale of electricity by Anyang Jiulong and/or the Anhua Group to the Jiutian Group. Please refer to section 4.3.1(c) of this Appendix I for further information relating to the sale of electricity by the Anhua Group and/or Anyang Jiulong to the Jiutian Group.

The selling price for the industrial steam is determined by Anyang Jiulong using the Technical Cost Conversion Formula.

Electricity and industrial steam are respectively delivered to the factories of the Anhua Group via power lines and pipelines without any transportation costs being imposed on the Anhua Group.

4.3.3 Transactions A and D – Purchase and/or sale of Repair Materials

The Jiutian Group and/or Anyang Jiulong purchase from the Anhua Group materials which are necessary for carrying out repairs and maintenance work on its factories in the PRC (the "**Repair Materials**"). These Repair Materials include steel materials, cement and related materials. Taking into account industry norms such as the prevailing market conditions, the nature of the Repair Material, the order quantity, the discount or rebates for bulk purchases, transportation cost and credit terms, the prices paid for the Repair Materials which are purchased from the Anhua Group are not less favourable than those purchased from unrelated third parties.

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

4.3.4 Transactions B and C – Rental and/or lease of equipment

The Jiutian Group, Anyang Jiulong and the Anhua Group, from time to time, lease and/or rent equipment from each other whenever such a need arises. Additional equipment may be required by the parties due to higher production requirements as a result of an increase in their purchase orders or where certain equipment is under maintenance.

Currently, the Jiutian Group has shut down its methanol workshop due to a decreasing demand for methanol and its inability to produce methanol at a competitive price. The Jiutian Group has leased part of its facilities in the methanol workshop to Anhua who uses the said facilities to process certain gases for their own use.

Other examples of equipment which were leased by and/or rented from the Anhua Group include compressors and storage tanks which are necessary and critical in the chemical industry. Each of the Jiutian Group, Anyang Jiulong and the Anhua Group have their own compressors and storage tanks and whenever there is a shortage of capacity due to higher production requirements or maintenance issues, the Jiutian Group, Anyang Jiulong and the Anhua Group will lease to and/or rent such equipment from each other.

The equipment for rental is usually bulky in size, customised for the production of chemicals and there is no market for the rental of such equipment. The rental rate shall be the depreciation rate of the equipment with a markup of 10% consisting of maintenance related administrative expenses (7.5%) and taxes (2.5%) to be borne by the lessor in connection therewith.

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

Dimethylamine is one of the products which the Jiutian Group produces and sells to third parties in its ordinary course of business.

The Jiutian Group started selling Dimethylamine to Anyang Jiulong, being part of the Anhua Group, on 28 February 2013.

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

4.4 The Technical Cost Conversion Formulae

The Jiutian Group and Anyang Jiulong have, from March 2012, adopted the Technical Cost Conversion Formulae for the purposes of determining the prices of certain raw materials.

The Technical Cost Conversion Formulae seek to ensure that the purchase prices of liquid coal gas, oxygen and instrument air as purchased by the Jiutian Group and/or Anyang Jiulong from the Anhua Group are reasonable.

The Jiutian Group also uses the Technical Cost Conversion Formula to arrive at the purchase price of industrial steam when it purchases industrial steam from the Anhua Group and/or Anyang Jiulong. Similarly, the same Technical Cost Conversion Formula is also being used to arrive at the selling price of industrial steam when Anyang Jiulong sells industrial steam to the Anhua Group.

Each of the Technical Cost Conversion Formulae was formulated by, an independent technical consultant in the PRC, not related in any way to the Jiutian Group, the Anhua Group and Anyang Jiulong. The Technical Cost Conversion Formulae takes into account factors such as the component cost of the raw materials and the quantity of each component that is required to produce every unit of the raw material.

The Directors of Jiutian are of the view that the Technical Cost Conversion Formulae will ensure that the purchase price of the aforesaid raw materials are reasonable and are not prejudicial to the interests of the Company and its minority Shareholders as the Technical Cost Conversion Formulae do not favour the Jiutian Group, the Anhua Group or Anyang Jiulong. The purchase of raw materials from the Interested Persons also results in cost savings to the Entities at Risk as no transportation costs is incurred by the Entities at Risk when it purchases raw materials from the Interested Persons.

4.5 The Production Cost Method

The Jiutian Group and Anyang Jiulong uses the Production Cost Method in arriving at the prices of clean water, desalinated water and recycled water.

The Production Cost Method uses the unit production cost of the Anhua Group for the said raw materials with a mark up of 5%. The Anhua Group pays approximately 5% tax on the sale of raw materials to the Jiutian Group and/or Anyang Jiulong and the 5% mark up is to cover the tax that is payable by the Anhua Group to the PRC authorities.

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

The Jiutian Group and Anyang Jiulong have and will continue to use the Production Cost Method in arriving at the prices of clean water, desalinated water and recycled water as the independent technical consultant as mentioned in section 4.4 does not have the requisite expertise to formulate the technical formulae for arriving at the prices of such materials.

The Directors of Jiutian are of the view that the Production Cost Method will continue to ensure that the purchase price of the aforesaid raw materials are reasonable and are not prejudicial to the interests of the Company and its minority Shareholders as the Jiutian Group and Anyang Jiulong are able to, on their own, determine the unit production cost of the aforesaid raw materials thereby ensuring that the prices quoted by the Anhua Group are reasonable. Moreover, when the Jiutian Group and/or Anyang Jiulong purchase such raw materials from the Anhua Group, it does not incur any transportation costs and that results in savings to the Jiutian Group and/or Anyang Jiulong.

Any inefficiencies in the production of the aforesaid raw materials by the Anhua Group will invariably add to the cost of production for which the Jiutian Group and/or Anyang Jiulong will have to bear. Notwithstanding such cost increase, the Jiutian Group and/or Anyang Jiulong still have to purchase the aforesaid raw materials from the Anhua Group because it is not possible for the Jiutian Group and/or Anyang Jiulong to purchase them from unrelated third parties that are in the vicinity of their factories. To purchase the aforesaid raw materials from the nearest neighbouring town will require the Jiutian Group and/or Anyang Jiulong to install 3 waterlines to receive the aforesaid raw materials.

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

4.6 Rationale for and benefits of the IPT Mandate

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

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

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

(c) timely delivery is an essential element in the businesses of the Jiutian Group and Anyang Jiulong. If the Company is required to seek shareholders' approval on each occasion it deals with the Interested Persons, it would not be commercially viable for the Interested Persons to transact with the Jiutian Group and Anyang Jiulong. The IPT Mandate would facilitate such transactions with the Interested Persons being carried out in a timely manner; and

(d) the Recurrent IPTs will occur from time to time at differing intervals. The IPT Mandate and the subsequent renewals on an annual basis will eliminate the need to prepare and make announcements and/or convene separate general meetings on a continual basis to seek prior shareholders' approval for the entry into these transactions. This will reduce the time and expenses which would otherwise be incurred to convene general meetings on an ad hoc basis, and allow such resources and time to be channelled towards the Company's other corporate and business objectives.

4.7 Guidelines and Review Procedures for the Recurrent IPTs under the IPT Mandate

4.7.1 The Company has established the following procedures to ensure that the Recurrent IPTs are undertaken on an arm's length basis and on normal commercial terms, and are not prejudicial to the interests of the Company and its minority shareholders. In general, these are procedures established by the Company to ensure that the Recurrent IPTs are undertaken on an arm's length basis and on normal commercial terms consistent with the usual business practices and policies of the Jiutian Group (including Anyang Jiulong), which are generally no more favourable to the Interested Persons than those extended to or by unrelated third parties.

The guidelines and review procedures for each type of the Recurrent IPTs are as follows:-

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

(i) Sale of Repair Materials by the Jiutian Group and/or Anyang Jiulong to the Anhua Group

When selling the Repair Materials which are in excess of the needs of the Jiutian Group and/or Anyang Jiulong to the Anhua Group, the sale price and terms of the sale will be comparable and not less favourable to prevailing market prices between unrelated third parties.

For the sale of Repair Materials to the Anhua Group, the Jiutian Group and/or Anyang Jiulong will obtain quotations from at least two unrelated third parties selling such materials for comparison to ensure that such Recurrent IPTs are conducted on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders. The selling price and terms of the sale will not be lower or more favourable than that quoted by unrelated third parties.

(ii) Sale of electricity and industrial steam by Anyang Jiulong to the Anhua Group

When selling electricity to the Anhua Group, Anyang Jiulong will compare its unit selling price of electricity against the unit price of electricity as quoted by Henan Electric to ensure that such Recurrent IPTs are conducted on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders. The unit price of electricity when purchases are made by the Anhua Group from Anyang Jiulong shall not be higher than the unit price of electricity offered by Henan Electric and the same unit price of electricity will apply to the sale of electricity by the Anhua Group and/or Anyang Jiulong to the Jiutian Group.

When selling industrial steam to the Anhua Group, the price of the industrial steam shall be determined by Anyang Jiulong using the Technical Cost Conversion Formula.

(b) <u>Transactions A, E and F - Purchase of raw materials and/or Repair Materials from the Anhua Group and/or Anyang Jiulong, as the case may be</u>

(i) Purchase of electricity and industrial steam from the Anhua Group and/or Anyang Jiulong

When purchasing electricity from the Anhua Group and/or Anyang Jiulong, the Jiutian Group will compare the unit price of electricity as quoted by the Anhua Group and/or Anyang Jiulong against the unit price of electricity as quoted by Henan Electric to ensure that such Recurrent IPTs are conducted on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders. The unit price of electricity when purchases are made by the Jiutian Group shall not be higher than the unit price of electricity offered by Henan Electric and the same unit price of electricity will apply to the sale of electricity by Anyang Jiulong to the Anhua Group. In addition, the credit terms obtained from the Anhua Group and/or Anyang Jiulong for the purchase of electricity shall not be less favourable than those obtained from Henan Electric.

When purchasing industrial steam from the Anhua Group and/or Anyang Jiulong, the Jiutian Group uses the Technical Cost Conversion Formula in arriving at the price of industrial steam.

(ii) *Purchase of Raw Materials Type I and/or Repair Materials from the Anhua Group*

When the Jiutian Group and/or Anyang Jiulong purchases raw materials under Raw Materials Type I (that is, liquid ammonia, methanol, nitrogen and carbon dioxide) which are readily available in the market or Repair Materials from the Anhua Group, two other quotations from unrelated third parties will be obtained for comparison to ensure that such Recurrent IPTs are conducted on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders. The purchase price for these raw materials and the Repair Materials shall not be higher than the most competitive price offered by two other unrelated third parties, and all pertinent factors, including but not limited to quality, specifications and requirements, duration of contracts, reliability in delivery and track record will be taken into consideration. In addition, the credit terms obtained from the Anhua Group shall not be less favourable than those obtained from unrelated third parties.

(iii) *Purchase of Raw Materials Type II from the Anhua Group*

When the Jiutian Group and/or Anyang Jiulong purchases raw materials under Raw Materials Type II (that is, liquid coal gas, oxygen, clean water, desalinated water, recycled water and instrument air) from the Anhua Group whereby it is not practicable to transact with unrelated third parties, the Jiutian Group and/or Anyang Jiulong uses the Technical Cost Conversion Formulae or the Production Cost Method to ensure that the prices of the said raw materials are reasonable and are not prejudicial to the interests of the Company and its minority shareholders.

When purchasing liquid coal gas, oxygen and instrument air from the Anhua Group, the Jiutian Group uses the relevant Technical Cost Conversion Formula in arriving at the prices of such raw materials.

When purchasing clean water, desalinated water and recycled water from the Anhua Group, the Jiutian Group and/or Anyang Jiulong uses the Production Cost Method to arrive at the prices of such raw materials.

In purchasing raw materials which involves the use of the Production Cost Method, the local finance team (which includes the Vice Head of Finance) of the Jiutian Group and/or Anyang Jiulong will request for the costing report from the Anhua Group and reviews the key component costs of the raw materials. As all of the Jiutian Group, Anyang Jiulong and the Anhua Group are in related businesses, the Jiutian Group and/or Anyang Jiulong is able to review and determine whether the production cost of the Anhua Group for the aforesaid raw materials are reasonable. This ensures that the prices quoted by the Anhua Group are reasonable and are of a markup of 5% of the unit production cost of the Anhua Group. The Anhua Group pays approximately 5% tax on sale of raw materials to the Jiutian Group and/or Anyang Jiulong and the 5% markup is to cover the tax that is payable by the Anhua Group to the PRC authorities.

Monthly reports are prepared by (i) the local team of each of the subsidiaries of the Company and (ii) the local team of Anyang Jiulong and the group financial controller of the Company will review the costing and the setting of the prices for such raw materials. Thereafter, a report containing details of the transaction and the prices of the raw materials is provided to the Audit Committee for its approval.

(c) <u>Transactions B and C - Rental and/or lease of equipment</u>

When renting and/or leasing of equipment to the Anhua Group, the rental rate of the equipment shall be based on the depreciation rate of the equipment with a mark up of 10% consisting of maintenance related administrative expenses (7.5%) and taxes (2.5%) to be borne by the lessor in connection therewith. The depreciation policy of (i) the subsidiaries of the Jiutian Group in the PRC, (ii) Anyang Jiulong and (iii) the Anhua Group are similar as tax allowance for capital assets are unified in the PRC.

There is currently no market for the rental of such equipment and the Company is of the view that the formula for computing the rate for rental or lease of equipment to and from the Anhua Group is fair and reasonable.

(d) Transaction H – Sale of Dimethylamine

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

For the sale of Dimethylamine to the Anhua Group and/or Anyang Jiulong (as part of the Anhua Group), the Jiutian Group will compare the sale price and terms of the sale of Dimethylamine to the Anhua Group and/or Anyang Jiulong against its sale, in the same month, of Dimethylamine to unrelated third parties. This seeks to ensure that the sale of Dimethylamine to the Anhua Group and/or Anyang Jiulong are conducted on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders. The selling price and terms of the sale of Dimethylamine to the Anhua Group and/or Anyang Jiulong will not be lower or more favourable than that transacted with unrelated third parties.

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

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

(a) any single transaction of a value less than RMB500,000 will be reviewed and approved by the group financial controller of the Company and/or a general manager of the Company (who shall not be interested in respect of the particular transaction) as designated by the Audit Committee prior to entering into the transaction;

(b) any single transaction of a value between RMB500,000 and RMB20 million will be reviewed and approved jointly by the Chief Executive Officer and the group financial controller of the Company prior to entering into the transaction. In the event that any of the said persons is not available, an appropriate senior executive approved by the Audit Committee will be appointed in the interim in place of the said person being unavailable;

(c) where any single transaction or the aggregate value of all transactions entered into with the same Interested Person in the same financial year is equal to or more than RMB20 million, such transactions will be reviewed by the Audit Committee to ensure that they are carried out on normal commercial terms and in accordance with the procedures of the IPT Mandate;

(d) in the event that a person is interested in any transaction to be entered into with an Interested Person, he shall abstain from participating in the review and/or approval of that particular transaction;

(e) the Company maintains a register for all transactions entered into with the Interested Persons (the "**Register**") recording the basis, including, if applicable, the quotations obtained to support such basis, on which they were entered into and the person who has approved the transaction;

(f) the Company shall, on a quarterly basis, report and forward the Register to the Audit Committee on all transactions entered into with the Interested Persons during the preceding quarter. The Audit Committee shall review such Recurrent IPTs at its quarterly meetings, save for those transactions which have been previously approved by the Audit Committee, to ensure that the Recurrent IPTs are carried out on normal commercial terms and in accordance with the guidelines and review procedures of the IPT Mandate. All relevant non-quantitative factors will also be taken into account. Such review includes the examination of the transaction and its supporting documents or such other data deemed necessary by the Audit Committee. The Audit Committee shall, when it deems fit, have the right to require the appointment of independent sources, advisers and/or valuers to provide additional information pertaining to the transaction under review;

(g) the Company's annual internal audit plan shall incorporate a review of all Recurrent IPTs including the established review procedures for the monitoring of such transactions entered into during the same financial year pursuant to the IPT Mandate;

(h) the Audit Committee shall also, on a yearly basis, review the internal audit report to ascertain whether the guidelines and review procedures established to monitor the Recurrent IPTs have been complied with and whether the established guidelines and review procedures continue to be adequate and/or commercially practicable in ensuring that the Recurrent IPTs are conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders; and

(i) a new general mandate from shareholders shall be sought if the periodic reviews by the Audit Committee indicate that the existing guidelines and review procedures have become inappropriate or insufficient to ensure that the Recurrent IPTs will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

4.7.3 Most of the Recurrent IPTs with the Interested Persons are expected to be in the range of RMB500,000 and RMB20 million. As such, it is prudent that the Recurrent IPTs within the said range are reviewed and approved jointly by the Chief Executive Officer and the group financial controller of the Company. As a further control element, the Recurrent IPTs are subject to further review by the Audit Committee in the event that the value of a transaction or aggregate value of all transactions entered into with the same Interested Person in the same financial year is equal to or exceeds RMB20 million. In such a situation, the group financial controller of the Company shall forward the list of the Recurrent IPTs and the basis of the transactions to the Audit Committee for its review. The Company believes that with the guidelines and review procedures set out in this section, it will be able to ensure that the Recurrent IPTs are and will be conducted on normal commercial terms and are not or will not be prejudicial to the interests of the Company and its minority shareholders.

4.7.4 The Audit Committee believes that the above guidelines and review procedures are sufficient to ensure that the Recurrent IPTs will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

4.7.5 In the event that the Audit Committee is of the view that a new general mandate shall be sought from the shareholders, all transactions to be entered into with the Interested Persons during the interim shall be subject to the review and approval of the Audit Committee, to ensure that such transactions will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

4.8 Statement of the Audit Committee

Pursuant to Rule 920(1)(c) of the Catalist Rules, the Audit Committee confirms that:-

(a) the methods and review procedures for determining the transaction prices of the Recurrent IPTs have not changed since the last Shareholders' approval on 27 April 2017; and

(b) the methods and review procedures of the Recurrent IPTs established by the Company for determining the transaction prices of the Recurrent IPTs, if adhered to, are sufficient to ensure that the Recurrent IPTs will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

4.9 Validity Period of the IPT Mandate

If approved at the AGM, the IPT Mandate will take effect from the date of the passing of the ordinary resolution approving the renewal of the IPT Mandate and will (unless revoked or varied by the Company in general meeting) continue to be in force until the next annual general meeting of the Company.

Approval from the shareholders will be sought for the renewal of the IPT Mandate at each subsequent annual general meeting of the Company subject to satisfactory review by the Audit Committee of its continued application to the transactions with the Interested Persons.

4.10 Disclosure in the annual report

The Company will announce the aggregate value of transactions conducted with the Interested Persons pursuant to the IPT Mandate for the relevant financial periods which the Company is required to report on pursuant to the Catalist Rules and within the time frame required for the announcement of such reports.

Disclosure will also be made in the Company's annual report of the aggregate value of transactions conducted with the Interested Persons pursuant to the IPT Mandate during the financial year, and in the annual reports for subsequent financial years that the IPT Mandate continues to be in force, in accordance with the requirements of Chapter 9 of the Catalist Rules.

The names of each Interested Person and the corresponding aggregate value of the transactions entered with them will be presented in the following format:-

Name of interested person	Aggregate value of all interested person transactions entered during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under the shareholders' mandate pursuant to Rule 920 of the Catalist Rules)	Aggregate value of all interested person transactions conducted under the shareholders' mandate pursuant to Rule 920 of the Catalist Rules (excluding transactions less than S$100,000)

5. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed in this Appendix I, none of the Directors or substantial shareholders of the Company has any interest, direct or indirect, in the proposed renewal of the IPT Mandate other than through their respective shareholdings in the Company.

6. SHAREHOLDING INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

The interests of the Directors and substantial shareholders of the Company in the Shares as at the Latest Practicable Date, as recorded in the Register of Directors' Shareholdings and the Register of Substantial Shareholders maintained under the provisions of the Act, were as follows:-

	Direct Interest		Deemed Interest	
	Number of Shares	**%[1]**	**Number of Shares**	**%[1]**
Directors				
Wang Yiming	–	–	–	–
Zhou Hongxuan	–	–	–	–
Lee Chee Seng[2]	10,250,000	0.56	44,419,000	2.44
Zhang Hongtao	–	–	–	–
Wang Gang	–	–	–	–
Wu Yu Liang	300,000	0.02	–	–
Chan Kam Loon	–	–	–	–
Gao Guoan	–	–	–	–
Chen Mingjin	–	–	–	–
Koh Eng Kheng Victor	–	–	–	–
Substantial Shareholders				
Anyang Longyu [3]	–	–	502,429,900	27.63
Sanjeev Gupta [4]	77,694,500	4.27	30,000,000	1.65

Notes:

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

(2) Lee Chee Seng is deemed interested in 44,419,000 shares held through his indirect nominee, Raffles Nominees (Pte) Ltd.

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

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

7. ANNUAL GENERAL MEETING

The AGM, notice of which is contained in the Annual Report of the Company, will be held on 27 April 2018 at M Hotel Sinapore, J Collyer, Level 9, 81 Anson Road, Singapore 079909 at 9.30 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, Resolution 12 relating to the proposed renewal of the IPT Mandate.

8. NON-INTERESTED DIRECTORS' RECOMMENDATION

As Mr. Wang Yiming, Mr. Zhang Hongtao and Mr. Wang Gang are nominee directors of HNEC, each of them will abstain from making any recommendation to the shareholders on Resolution 12 relating to the proposed renewal of the IPT Mandate. Accordingly, the Non-interested Directors (who are considered to be independent for the purposes of making a recommendation to the shareholders in respect of the proposed renewal of the IPT Mandate) are Mr. Zhou Hongxuan, Mr. Lee Chee Seng, Mr. Wu Yu Liang, Mr. Chan Kam Loon , Mr. Gao Guoan, Mr. Chen Mingjin and Mr. Koh Eng Kheng Victor. Save as disclosed herein, none of the Directors has any interest, direct or indirect, in the proposed renewal of the IPT Mandate other than through their respective shareholdings in the Company.

Having fully considered, among others, the terms, rationale and the benefits of the IPT Mandate to the Jiutian Group and Anyang Jiulong as set out in this Appendix I, the Non-interested Directors are of the view that the proposed renewal of the IPT Mandate is in the best interests of the Company and, accordingly, they recommend that Shareholders vote in favour of Resolution 12 relating to the proposed renewal of the IPT Mandate at the AGM.

9. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the AGM and who wish to appoint a proxy or proxies to attend on their behalf are requested to complete, sign and return the proxy form contained in the Annual Report in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the office of the Share Registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road, #11-02, Singapore 068898 not less than 48 hours before the time appointed for holding the AGM. The completion and lodgment of the proxy form by a shareholder will not prevent him from attending and voting at the AGM in person if he so wishes. However, any appointment of a proxy or proxies by such shareholder shall be deemed to be revoked if the shareholder attends the AGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the proxy form, to the AGM.

A Depositor shall not be regarded as a member of the Company entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register at least 72 hours before the time appointed for holding the AGM.

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

Rule 919 of the Catalist Rules provides that interested persons and their associates must not vote on any shareholders' resolution approving any mandate in respect of any interested person transactions nor accept appointments as proxies unless specific instructions as to voting are given.

Accordingly, Anyang Longyu will abstain from voting its shareholding, and undertakes to ensure that its associates will abstain from voting, in respect of Resolution 12 relating to the proposed renewal of the IPT Mandate at the AGM. Further, Anyang Longyu undertakes to decline, and shall ensure that its associates shall decline, to accept appointment as proxies to vote in respect of Resolution 12 unless the shareholder concerned shall have given specific instructions as to the manner in which his votes are to be cast at the AGM for the said resolution. In addition, Mr. Wang Yiming, Mr. Zhang Hongtao and Mr. Wang Gang have also undertaken to decline to accept appointment as proxies to vote in respect of Resolution 12 unless the Shareholder concerned shall have given specific instructions as to the manner in which his votes are to be cast at the AGM in respect of the said resolution.

11. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix I and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Appendix I constitutes full and true disclosure of all material facts about the proposed renewal of the IPT Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix I misleading.

Where information in this Appendix I has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from these sources and/or reproduced in this Appendix I in its proper form and context.

12. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents may be inspected at the registered office of the Company at 80 Robinson Road, #02-00, Singapore 068898 during normal business hours from the date hereof up to and including the date of the AGM:-

(a) the Constitution of the Company; and

(b) the Technical Cost Conversion Formulae.

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

Zhou Hongxuan
Chief Executive Officer and Executive Director

APPENDIX II DATED 12 APRIL 2018

THIS APPENDIX II IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

This Appendix II is circulated to shareholders of Jiutian Chemical Group Limited (the "**Company**") together with the Company's Annual Report for its financial year ended 31 December 2017 (the "**Annual Report**"). Its purpose is to provide shareholders of the Company with information relating to the proposed renewal of the share buyback mandate to be tabled at the Annual General Meeting of the Company to be held on Friday, 27 April 2018 at M Hotel Singapore, J Collyer, Level 9, 81 Anson Road, Singapore 079908 at 9.30 a.m.

IF YOU ARE IN ANY DOUBT ABOUT ITS CONTENTS OR THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT, TAX ADVISER OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

If you have sold or transferred all your ordinary shares in the capital of the Company, you should immediately forward the Annual Report which contains, *inter alia*, this Appendix II, the Notice of Annual General Meeting and the Proxy Form to the purchaser or transferee or to the stockbroker or the bank or the agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

The Ordinary Resolution proposed to be passed in respect of the proposed renewal of the share buyback mandate is set out in the Notice of Annual General Meeting. The Notice of Annual General Meeting and the Proxy Form are contained in the Annual Report.

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

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

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

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

JIUTIAN CHEMICAL GROUP LIMITED
(Company Registration Number 200415416H)
(Incorporated in the Republic of Singapore)

APPENDIX IN RELATION TO

THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

APPENDIX II

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APPENDIX II

DEFINITIONS

In this Appendix II, the following definitions shall apply throughout unless the context otherwise requires:-

"ACRA"	:	Accounting and Corporate Regulatory Authority of Singapore
"AGM"	:	The annual general meeting of the Company to be held on Friday, 27 April 2018 at M Hotel Singapore, J Collyer, Level 9, 81 Anson Road, Singapore 079908 at 9.30 a.m.
"Anyang Longyu"	:	Anyang Longyu (HK) Development Co., Ltd.
"Annual Report"	:	The annual report of the Company for the financial year ended 31 December 2017
"Appendix II"	:	This Appendix II dated 12 April 2018
"associated company"	:	A company in which at least 20% but not more than 50% of its shares are held by the Company or the Group and shall include Anyang Jiujiu Chemical Technology Co., Ltd in which the Group holds 74% of its registered capital (direct interest of 49% and indirect interest of 25%) but over which the Company has significant influence but not control or joint control over the financial and operating policies of the said company.
"Board" or "Directors"	:	The board of directors of the Company as at the Latest Practicable Date
"Catalist"	:	The sponsor-supervised listing platform of the SGX-ST
"Catalist Rules"	:	The SGX-ST Listing Manual (Section B: Rules of Catalist), as amended, modified or supplemented from time to time
"CDP"	:	The Central Depository (Pte) Limited
"Companies Act"	:	The Companies Act (Chapter 50) of Singapore, as amended or modified or supplemented from time to time
"Company"	:	Jiutian Chemical Group Limited
"Constitution"	:	The Constitution (formerly the Memorandum and Articles and Association) of the Company, as amended or modified or supplemented from time to time
"Controlling Shareholder"	:	A person who: (a) holds directly or indirectly 15% or more of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the Company (unless the SGX-ST determines that such a person is not a controlling shareholder); or (b) in fact exercise control over the Company
"EPS"	:	Earnings per Share
"Group"	:	The Company, its subsidiaries and its associated companies
"HNEC"	:	Henan Energy and Chemical Industry Group Co., Limited
"Latest Practicable Date"	:	29 March 2018, being the latest practicable date prior to the printing of this Appendix II
"Market Day(s)"	:	A day or days on which the SGX-ST is open for trading in securities

APPENDIX II

"Notice of AGM"	:	The notice of AGM dated 12 April 2018
"NTA"	:	Net tangible assets
"Relevant Period"	:	The period commencing from the date of AGM on which the ordinary resolution relating to the proposed renewal of the Share Buyback Mandate is passed and expiring on the date on which the next annual general meeting of the Company is held or required by law to be held, or the date on which the share buybacks are carried out to the full extent mandated or the date the said mandate is revoked or varied by the Company in a general meeting
"SGX-ST"	:	Singapore Exchange Securities Trading Limited
"SFA"	:	Securities and Futures Act, Chapter 289 of Singapore, as amended or modified or supplemented from time to time
"Share Buyback"	:	The purchase or acquisition of issued Share(s) by the Company pursuant to the terms of the Share Buyback Mandate
"Share Buyback Mandate"	:	The general and unconditional mandate given by the Shareholders to authorise the Directors to exercise all powers of the Company to purchase or otherwise acquire, on behalf of the Company, issued Shares in accordance with the terms of the Share Buyback Mandate set out in this Appendix II as well as the rules and regulations set forth in the Companies Act and the Catalist Rules
"Shareholders"	:	Registered holders of Shares, except that where the registered holder is CDP, the term "Shareholders" shall, in relation to such Shares and where the context so admits, mean the persons named as Depositors in the Depository Register maintained by CDP whose Securities Accounts are credited with those Shares
"Shares"	:	Ordinary shares in the capital of the Company
"SIC"	:	The Securities Industry Council of Singapore
"Sponsor"	:	PrimePartners Corporate Finance Pte. Ltd.
"subsidiary"	:	A company being a subsidiary of the Company, as defined by Section 5 of the Companies Act
"Subsidiary Holdings"	:	Shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act
"Substantial Shareholder"	:	A person who has an interest in voting Shares of the Company and the total votes attached to that Share, or those Shares, are not less than 5% of the total votes attached to all voting Shares in the Company
"Take-over Code"	:	The Singapore Code on Take-overs and Mergers as may be amended or modified or supplemented from time to time
"Treasury Shares"	:	Shares purchased or acquired by the Company pursuant to the Share Buyback Mandate and held by the Company in accordance with Section 76H of the Companies Act and have since purchase been continuously held by the Company
"RMB" and "RMB cents"	:	Renminbi dollars and cents, the lawful currency of the PRC
"S$" and "cents"	:	Singapore dollars and cents, the lawful currency of Singapore
"%" or "per cent."	:	Per centum or percentage

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

Words importing the singular shall, where applicable, include the plural and vice versa, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. Words importing persons shall, where applicable, include corporations.

Any reference in this Appendix II to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the Catalist Rules or the Take-over Code or any modification thereof and not otherwise defined in this Appendix II shall, where applicable, have the same meaning ascribed to it under the Companies Act, the Catalist Rules or the Take-over Code or such modification thereof, as the case may be, unless the context otherwise requires.

Any reference to date and time of day in this Appendix II shall be a reference to Singapore date and time unless otherwise stated.

All discrepancies in figures in tables included in this Appendix II between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

In this Appendix II, unless otherwise stated, the exchange rate of S$1.00 to RMB4.82 has been used to convert Singapore dollars to Renminbi dollars and vice versa. The said exchange rate has been presented solely for information only and should not be construed as a representation that the said exchange rate could have been, or could be, converted into the respective currencies, at any particular rates, the rate stated, or at all.

APPENDIX II

LETTER TO SHAREHOLDERS

JIUTIAN CHEMICAL GROUP LIMITED

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

Board of Directors:

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

Registered Office:

80 Robinson Road #02-00
Singapore 068898

12 April 2018

To: The Shareholders of Jiutian Chemical Group Limited

Dear Sir/Madam

THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

1. INTRODUCTION

The Company proposes to seek the approval of its Shareholders at the AGM to be held on 27 April 2018 for the proposed renewal of the Share Buyback Mandate.

The Company refers to the Notice of AGM accompanying the Annual Report for the financial year ended 31 December 2017 and Resolution 13 in relation to the proposed renewal of the Share Buyback Mandate under the heading "Special Business" set out in the Notice of AGM.

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

2. PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

2.1 Background

The Share Buyback Mandate was originally approved by Shareholders at an extraordinary general meeting of the Company held on 13 January 2014 and was last renewed at the annual general meeting of the Company held on 27 April 2017.

The Share Buyback Mandate will expire on 27 April 2018, being the date of the forthcoming AGM.

Shareholders' approval is thus being sought at the AGM for the renewal of the general and unconditional Share Buyback Mandate for the purchase or acquisition by the Company of its issued Shares. If approved, the Share Buyback Mandate will take effect from the date of the AGM at which the renewal of the Share Buyback Mandate is approved by the Shareholders and continue in force for the duration of the Relevant Period, which is until the earlier of the date of the next annual general meeting of the Company or such date as the next annual general meeting is required by law to be held (whereupon it will lapse, unless renewed at such meeting), or the date when Share Buybacks pursuant to a Share Buyback Mandate are carried out to the full extent mandated or the date the Share Buyback Mandate is revoked or varied by the Company in general meeting.

Any purchase or acquisition of Shares by the Company will have to be made in accordance with, and in the manner prescribed by, the Companies Act, the Constitution, the Catalist Rules, and such other laws and regulations as may for the time being be applicable.

2.2 Rationale

The Share Buyback Mandate will give the Company the flexibility to undertake purchases or acquisitions of its issued Shares up to the ten per cent. (10%) limit described in paragraph 2.3.1 below, at any time, subject to market conditions, during the period that the Share Buyback Mandate is in force.

Share Buyback is one of the methods by which return on equity may be enhanced. Share Buybacks also provide the Company with a mechanism to return surplus cash (if any) which is in excess of the Group's financial needs and/or ordinary capital requirements in an expedient and cost-effective manner. The Directors believe that that Share Buybacks may help to mitigate short-term market or price volatility, off-set the effects of short-term share speculation and bolster Shareholders' confidence and employees' morale. Share Buybacks will also allow the Directors greater control over the Company's share capital structure, dividend policy and cash reserves with a view to enhancing the EPS and/or NTA per Share of the Company and the Group.

Whilst the Share Buyback Mandate would authorise Share Buybacks up to the said ten per cent. (10%) limit during the duration referred to in paragraph 2.3.2 below, Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Buyback Mandate may not be carried out to the full ten per cent. (10%) limit as authorised and the purchases or acquisitions of Shares pursuant to the Share Buyback Mandate would be made only as and when the Directors consider it to be in the best interest of the Company and/or Shareholders and in circumstances which they believe will not result in any material adverse effect to the financial position of the Company or the Group, or result in the Company being delisted from the SGX-ST. The Directors will use their best efforts to ensure that after a Share Buyback pursuant to the Share Buyback Mandate, the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or adversely affect the orderly trading and listing status of the Shares on the SGX-ST.

2.3 Authority and Limits on the Share Buyback Mandate

The authority and limits of the Share Buyback Mandate, if renewed at the AGM, are the same as were first approved by Shareholders at the extraordinary general meeting of the Company held on 13 January 2014. The authority and limitations placed on purchases or acquisitions of Shares by the Company under the Share Buyback Mandate are summarised below:-

2.3.1 Maximum Number of Shares

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. The total number of Shares that may be purchased or acquired by the Company during the Relevant Period shall not exceed ten per cent. (10%) of the total number of issued Shares of the Company as at the date of the AGM at which the renewal of the Share Buyback Mandate is approved, unless the Company has, at any time during the Relevant Period, effected a reduction of its share capital in accordance with the applicable provisions of the Companies Act, in which event the total number of issued Shares of the Company shall be taken to be the total number of issued Shares of the Company as altered. Any Shares which are held as Treasury Shares and Subsidiary Holdings will be disregarded for purposes of computing the ten per cent. (10%) limit.

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

2.3.2 *Duration of Authority*

Purchases or acquisitions of Shares may be made, at any time and from time to time, by the Company on and from the date of the AGM at which the renewal of the Share Buyback Mandate is approved, up to the earliest of:-

(a) the conclusion of the next annual general meeting or the date by which such annual general meeting of the Company is held or required by law to be held;

(b) the date on which the Share Buybacks are carried out to the full extent mandated; or

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

(the "**Relevant Period**")

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

2.3.3 *Manner of Purchase or Acquisition of Shares*

Purchases or acquisitions of Shares by the Company may be effected by way of:-

(a) on-market purchases transacted on the SGX-ST through the SGX-ST's trading system, through one or more duly licensed stockbrokers appointed by the Company for the purpose of Share Buyback ("**Market Purchases**"); and/or

(b) off-market purchases (if effected otherwise than on the SGX-ST) in accordance with an "equal access scheme" as defined in Section 76C of the Companies Act ("**Off-Market Purchases**").

In an Off-Market Purchase, the Directors may impose such terms and conditions which are consistent with the Share Buyback Mandate, the Catalist Rules, the Companies Act, the Constitution of the Company and other applicable laws and regulations, as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes.

Under the Companies Act, an Off-Market Purchase must satisfy all the following conditions:-

(i) offers for the purchase or acquisition of shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;

(ii) all of those persons shall be given a reasonable opportunity to accept the offers made to them; and

(iii) the terms of all the offers shall be the same, except that there shall be disregarded, where applicable:-

(aa) differences in consideration attributable to the fact that the offers relate to shares with different accrued dividends entitlements;

(bb) differences in consideration attributable to the fact that the offers relate to shares with different amounts remaining unpaid; and

(cc) differences in the offers introduced solely to ensure that each person is left with a whole number of shares.

Pursuant to Rule 870 of the Catalist Rules, if the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, it must issue an offer document to all Shareholders containing at least the following information:-

(i) the terms and conditions of the offer;

(ii) the period and procedures for acceptances;

(iii) the reasons for the proposed purchase or acquisition of Shares;

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

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

(vi) details of any purchases or acquisitions of Shares made by the Company in the previous twelve (12) months (whether by way of Market Purchases or Off-Market Purchases), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases or acquisitions of Shares, where relevant, and the total consideration paid for the purchases or acquisitions of Shares; and

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

2.3.4 Maximum Purchase Price

The purchase price per Share (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) to be paid for the Shares purchased or acquired pursuant to the Share Buyback Mandate will be determined by the Directors, provided that such purchase price must not exceed:-

(i) in the case of a Market Purchase, one hundred and five per cent. (105%) of the Average Closing Price (as defined hereinafter); and

(ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, one hundred and twenty per cent. (120%) of the Average Closing Price (as defined hereinafter),

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

For the above purposes of determining the Maximum Price:-

"**Average Closing Price**" means the average of the closing market prices of the Shares over the last five (5) Market Days on which transactions in the Shares were recorded on the SGX-ST immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer (as defined below) pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five (5) Market Days period.

"**date of the making of the offer**" means the date on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

2.4 Status of Purchased or Acquired Shares

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

All Shares purchased or acquired by the Company (other than Treasury Shares held by the Company to the extent permitted under the Companies Act) will be automatically delisted by the SGX-ST, and (where applicable) all share certificates in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following settlement of any such purchase or acquisition.

At the time of each purchase of Shares by the Company, the Directors may decide to cancel Shares which have been purchased or acquired by the Company or hold such Shares as Treasury Shares, depending on whether it is in the interests of the Company to do so.

2.5 Treasury Shares

Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as Treasury Shares. Some of the provisions on Treasury Shares under the Companies Act are summarised below:-

2.5.1 Maximum Holdings

The aggregate number of Shares held as Treasury Shares cannot at any time exceed ten per cent. (10%) of the total number of issued Shares. In the event that the aggregate number of Treasury Shares held by the Company exceeds the aforesaid limit, the Company shall dispose of or cancel the excess Treasury Shares in accordance with Section 76K of the Companies Act within six (6) months from the day the aforesaid limit is first exceeded or such further periods as ACRA may allow.

2.5.2 Voting and Other Rights

The Company cannot exercise any right in respect of Treasury Shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the Treasury Shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to members of the Company on a winding up) may be made, to the Company in respect of Treasury Shares. However, the allotment of Shares as fully paid bonus shares in respect of Treasury Shares is allowed.

The Treasury Shares may be sub-divided or consolidated, so long as the total value of the Treasury Shares after such sub-division or consolidation is the same as the total value of the Treasury Shares before the sub-division or consolidation, as the case may be.

2.5.3 Disposal and Cancellation

Where Shares are held as Treasury Shares, the Company may at any time:-

(a) sell the Treasury Shares (or any of them) for cash;

(b) transfer the Treasury Shares (or any of them) for the purposes of or pursuant to any share scheme, whether for its employees, Directors or other person;

(c) transfer the Treasury Shares (or any of them) as consideration for the acquisition of shares in or assets of another company or assets of a person;

(d) cancel the Treasury Shares (or any of them); or

(e) sell, transfer or otherwise use the Treasury Shares for such purposes as may be prescribed by the Minister of Finance.

Under the Catalist Rules, an immediate announcement must be made of any sale, transfer, cancellation and/or use of Treasury Shares (in each case, the "**usage**"). Such announcement must include details such as the date of the usage, the purpose of the usage, the number of Treasury Shares comprised in the usage, the number of Treasury Shares before and after the usage, the percentage of the number of Treasury Shares comprised in the usage against the total number of issued Shares (of the same class as the treasury shares) which are listed on the SGX-ST before and after the usage and the value of the Treasury Shares comprised in the usage.

2.6 Reporting Requirements

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

The Company shall notify ACRA in the prescribed form within thirty (30) days of a purchase or acquisition of Shares on the SGX-ST or otherwise. Such notification shall include, *inter alia*, details of the purchase or acquisition, the total number of Shares purchased or acquired by the Company, the number of Shares cancelled, the number of Shares held as Treasury Shares, the Company's issued share capital before and after the purchase or acquisition of Shares and the amount of consideration paid by the Company for the purchase or acquisition, whether the Shares were purchased or acquired out of profits or the capital of the Company and such other particulars as may be required by ACRA.

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

The Catalist Rules specify that a listed company shall notify the SGX-ST of all purchases or acquisitions of its shares not later than 9.00 a.m.:-

(a) in the case of a Market Purchase, on the Market Day following the day on which the Market Purchase was made; or

(b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptance of the offer for the Off-Market Purchase.

The notification of such purchases or acquisitions of Shares to the SGX-ST shall be in such form and shall include such details that the SGX-ST may prescribe. The Company shall make arrangements with its stockbrokers to ensure that they provide to the Company in a timely fashion the necessary information which will enable the Company to make the notifications to the SGX-ST.

2.7 Source of Funds

The Company may only apply funds legally available for such purchase or acquisition as provided in the Constitution, Catalist Rules and the applicable laws in Singapore. The Company may not purchase or acquire its Shares for a consideration other than in cash or, in the case of a Market Purchase, for settlement otherwise than in accordance with the trading rules of the SGX-ST.

Pursuant to the Companies Act, any payment made by the Company in consideration of the purchase or acquisition of Shares by the Company may be made out of the Company's capital or profits, so long as the Company is solvent.

It is an offence for a Director or an officer of the Company to approve or authorise the purchase or acquisition of Shares or the release of obligations, knowing that the Company is not solvent. For this purpose, pursuant to Section 76F(4) of the Companies Act, a company is solvent if at the date of payment of purchase or acquisition of its shares, the following conditions are satisfied:

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

(b) if:

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

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

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

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

The Company intends to use internal sources of funds or external borrowings or a combination of both to finance purchases or acquisitions of its Shares pursuant to the Share Buyback Mandate. The amount of funding required for the Company to purchase or acquire its Shares and the financial impact on the Company and the Group arising from such purchases or acquisitions of Shares pursuant to the Share Buyback Mandate will depend on, *inter alia*, the aggregate number of Shares purchased or acquired, the consideration paid at the relevant time, and the amount (if any) borrowed by the Company to fund the purchases or acquisitions of Shares. However in considering the option of external financing, the Board will consider particularly the prevailing gearing level of the Group. The Board will only make purchases or acquisitions of Shares pursuant to the Share Buyback Mandate in circumstances which they believe will not result in any material adverse effect to the financial position of the Company or the Group.

2.8 Financial Effects

It is not possible for the Company to realistically calculate or quantify the impact of purchases or acquisitions of Shares that may be made pursuant to the Share Buyback Mandate on the Company and the Group's EPS and NTA per Share as the resultant effect would depend on, *inter alia*, the aggregate number of Shares purchased or acquired, whether the purchase or acquisition of Shares is made out of capital and/or profits, the purchase price paid for such Shares, the amount (if any) borrowed by the Company to fund such purchases or acquisitions of Shares and whether the Shares purchased or acquired are cancelled or held as Treasury Shares.

Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the Company's capital or profits so long as the Company is solvent.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration (including brokerage, stamp duties, applicable goods and services tax and other related expenses) will correspondingly reduce the amount available for the distribution of cash dividends by the Company.

Where the consideration (including brokerage, stamp duties, applicable goods and services tax and other related expenses) paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount available for distribution of cash dividends by the Company will not be reduced.

The Directors do not propose to exercise the Share Buyback Mandate to such an extent that it would have a material adverse effect on the working capital requirements of the Group or on the financial position of the Company or the Group. The purchase or acquisition of Shares will only be effected after considering relevant factors such as the working capital requirements, the availability of financial resources, the expansion and investment plans of the Group and the prevailing market conditions. The Share Buyback Mandate will be exercised with a view to enhance the EPS and/or NTA per Share of the Group.

Purely for illustrative purposes only, the financial effects of the Share Buyback Mandate on the Group, based on the audited financial statements of the Group for the financial year ended 31 December 2017, are based on the following assumptions as set out below:-

(a) Details of the assumed Share Buybacks

Share Buybacks					Maximum Number of Shares to be Purchased	Equivalent Percentage of issued Shares[(2)]
Scenario	**Out Of Capital or Profits**	**Type**	**Whether held as Treasury Shares or cancelled**	**Maximum Price per Share (S$/RMB)[(1)]**		
(A)	Capital	Market Purchase	Held as Treasury Shares	S$0.068 / RMB0.328	181,844,400	10.0%
(B)	Capital	Market Purchase	Cancelled	S$0.068 / RMB0.328	181,844,400	10.0%
(C)	Capital	Off-Market Purchase	Held as Treasury Shares	S$0.071 / RMB0.342	181,844,400	10.0%
(D)	Capital	Off-Market Purchase	Cancelled	S$0.071 / RMB0.342	181,844,400	10.0%

Notes:-

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

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

(b) external financing of RMB59,644,000 and RMB62,191,000 were undertaken to fund the Market Purchases and Off-Market Purchases respectively;

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

(d) the purchase or acquisition of Shares by the Company took place on 1 January 2017.

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

As at 31 December 2017 (RMB'000)	As per the audited consolidated financial statements of the Company	Pro-forma financial effects as at 31 December 2017			
		Scenario (A)	Scenario (B)	Scenario (C)	Scenario (D)
Share capital	661,153	661,153	601,509	661,153	598,962
Accumulated losses	(132,584)	(132,584)	(132,584)	(132,584)	(132,584)
Treasury shares	–	(59,644)	–	(62,191)	–
Total Shareholders' equity	528,569	468,925	468,925	466,378	466,378
Total Equity	555,386	495,742	495,742	493,195	493,195
NTA	537,884	478,240	478,240	475,693	475,693
Current assets	833,549	833,549	833,549	833,549	833,549
Current liabilities	946,387	1,006,031	1,006,031	1,008,578	1,008,578
External borrowings	110,000	169,644	169,644	172,191	172,191
Cash and cash equivalents	148,713	148,713	148,713	148,713	148,713
Profit attributable to Shareholders	70,817	70,817	70,817	70,817	70,817
Total issued no. of Shares[1] ('000)	1,818,444	1,636,600	1,636,600	1,636,600	1,636,600
Financial Ratios					
NTA per Share (RMB cents)	29.58	29.22	29.22	29.07	29.07
EPS (RMB cents)	3.89	4.33	4.33	4.33	4.33
Gearing ratio (times)	0.20	0.34	0.34	0.35	0.35
Current ratio (times)	0.88	0.83	0.83	0.83	0.83

Note:-

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

(2) NTA per Share equals to NTA (excludes minority interests) divided by the number of Shares outstanding adjusted for the effect of the Share Buyback as at 31 December 2017.

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

(4) EPS is calculated based on profit attributable to Shareholders and aggregated weighted average number of issued and paid-up Shares (excluding Treasury Shares and Subsidiary Holdings) adjusted for the effect of the Share Buyback based on the audited financial statements of the Company and the Group for FY2017.

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

Shareholders should note that the financial effects illustrated above are based on the respective aforesaid assumptions and purely for illustrative purposes only. In particular, it is important to note that the above analysis is based on the audited financial statements of the Group for the financial year ended 31 December 2017 and is not necessarily representative of the future financial performance of the Company or the Group.

The Company will take into account both financial (such as cash surplus, debt position and working capital requirements) and non-financial factors (such as stock market conditions and performance of the Shares) in assessing the relative impact of the Share Buyback before execution. Although the Share Buyback Mandate would authorise the Company to purchase or acquire up to ten per cent. (10%) of the total number of issued Shares of the Company, ascertained as at the date of the AGM, the Company may not necessarily purchase or be able to purchase the entire ten per cent. (10%) of the total number of its issued Shares. In addition, the Company may cancel all or part of the Shares repurchased or hold all or part of the Shares repurchased as Treasury Shares.

2.9 Interested Persons

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

2.10 Taxation

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

2.11 Take-over implications arising from Share Buybacks

Appendix 2 of the Take-over Code ("Appendix 2") contains the Share Buy-Back Guidance Note applicable as at the Latest Practicable Date. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below.

2.11.1 Obligation to make a Take-over Offer

If, as a result of any purchase or acquisition by the Company of its Shares, the proportionate interest in the voting capital of the Company of a Shareholder and persons acting in concert with him increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code ("Rule 14"). Consequently, a Shareholder or a group of Shareholders acting in concert with a Director could obtain or consolidate effective control of the Company and become obliged to make an offer under Rule 14.

2.11.2 Persons acting in concert

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate effective control of that company.

Unless the contrary is established, the Take-over Code presumes, *inter alia*, the following individuals and companies to be persons acting in concert with each other:-

(i) a company with its parent company, subsidiaries, fellow subsidiaries, any associated companies of the foregoing companies, any company whose associated companies include any of the foregoing companies, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing for the purchase of voting rights;

(ii) a company with any of its directors, together with their close relatives, related trusts and any companies controlled by any of the directors, their close relatives and related trusts;

(iii) a company with any of its pension funds and employee share schemes;

(iv) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;

(v) a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser and all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total ten per cent. (10%) or more of the client's equity share capital;

(vi) directors of a company, together with their close relatives, related trusts and companies controlled by any of them, which is subject to an offer or where they have reason to believe a bona fide offer for their company may be imminent;

(vii) partners; and

(viii) an individual, his close relatives, his related trusts, any person who is accustomed to act according to his instructions, companies controlled by any of the foregoing persons, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing persons and/or entities for the purchase of voting rights.

For this purpose, ownership or control of at least twenty per cent. (20%) but not more than fifty per cent. (50%) of the voting rights of a company will be regarded as the test of associated company status.

The circumstances under which Shareholders, including Directors and persons acting in concert with them respectively, will incur an obligation to make a take-over offer under Rule 14 after a purchase or acquisition of Shares by the Company are set out in Appendix 2.

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

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring Shares, the voting rights of such Directors and their concert parties would increase to thirty per cent. (30%) or more, or in the event that such Directors and their concert parties hold between thirty per cent. (30%) and fifty per cent. (50%) of the Company's voting rights, if the voting rights of such Directors and their concert parties would increase by more than one per cent. (1%) in any period of six (6) months. In calculating the percentages of voting rights of such Directors and their concert parties, Treasury Shares and Subsidiary Holdings shall be excluded.

Under Appendix 2, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to thirty per cent. (30%) or more, or, if such Shareholder holds between thirty per cent. (30%) and fifty per cent. (50%) of the Company's voting rights, the voting rights of such Shareholder would increase by more than one per cent. (1%) in any period of six (6) months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Buyback Mandate.

2.11.4 Application of the Take-over Code

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

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

Assuming that the Company purchases or acquires a maximum of 181,844,400 Shares pursuant to the Share Buyback Mandate, the total number of issued Shares remain unchanged at 1,818,444,000 Shares and there is no change in the number of Shares held or deemed to be held by the Concert Party Group, the voting rights of Anyang Longyu will increase from 27.63% to 30.70% solely as a result of the Company purchasing or acquiring Shares up to the maximum limit of ten per cent. (10%) of the issued Shares of the Company pursuant to the Share Buyback Mandate. Accordingly, the Concert Party Group would, unless exempted, become obliged to make a general offer under the Take-over Code for the Shares not owned by them, if as a result of the exercise of the Share Buyback Mandate, their interest in the voting rights of the Company increases to 30% or more.

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

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

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

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

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

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

(ii) the aforesaid circular discloses the names and voting rights of the members of the Concert Party Group as at the time of the Share Buyback Resolution and after the Company exercises the power under the Share Buyback Mandate up to the maximum 10% limit of the issued Shares;

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

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

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

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

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

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

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

2.11.6 Form 2 submission to the SIC

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

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

2.11.7 Abstention from Voting

In compliance with the conditions of the exemption set out in section 2.11.5 (iv) above, each of the members of the Concert Party Group will abstain from voting in respect of the resolution relating to the renewal of the Share Buyback Mandate. They shall also decline to accept appointment as proxies or otherwise for voting at the AGM for the renewal of the Share Buyback Mandate unless the Shareholders concerned have given specific instructions as to the manner in which their votes are to be cast.

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

2.11.8 Advice to Shareholders

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

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

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

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

2.12 The Catalist Rules

While the Catalist Rules do not expressly prohibit any purchase of shares by a listed company during any particular time or times, because the listed company would be considered to be an "insider" in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the Share Buyback Mandate at any time after a price sensitive development has occurred or has been the subject of a consideration and/or a decision of the Board until such time as the price-sensitive information has been publicly announced. In particular, in line with the Company's internal guide on securities dealings, the Company will not purchase or acquire any Shares through Market Purchases during the period of two (2) weeks and one (1) month immediately preceding the announcement of the Company's interim and full year results respectively, as the case may be, and ending on the date of announcement of the relevant results.

The Company is required under Rule 723 of the Catalist Rules to ensure that at least ten per cent. (10%) of its issued Shares (excluding Treasury Shares, preference shares and convertible equity securities) are in the hands of the public. The term "public" is defined under the Catalist Rules as persons other than (a) the directors, chief executive officer, Substantial Shareholders or Controlling Shareholders of the listed company and its subsidiary companies and (b) the associates (as defined in the Catalist Rules) of the persons described in paragraph (a).

As at the Latest Practicable Date, 1,156,745,300 Shares (excluding nil Treasury Shares and Subsidiary Holdings), representing approximately 63.61% of the issued Shares of the Company, are in the hands of the public. Assuming that the Company purchases or acquires its Shares through Market Purchases up to the full ten per cent. (10%) limit pursuant to the Share Buyback Mandate from the public, the number of Shares in the hands of the public would be reduced to 974,900,900 Shares (excluding nil Treasury Shares and Subsidiary Holdings), representing approximately 59.57% of the issued Shares of the Company. Accordingly, the Company is of the view that there is a sufficient number of Shares held in the hands of the public which would permit the Company to undertake purchases or acquisitions of its Shares up to the full ten per cent. (10%) limit pursuant to the Share Buyback Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or to affect orderly trading.

In undertaking any purchases or acquisitions of Shares pursuant to the Share Buyback Mandate, the Directors will use their best efforts to ensure that, notwithstanding such purchases or acquisitions, a sufficient float in the hands of the public will be maintained so that the purchases or acquisitions of Shares will not adversely affect the listing status of the Shares on the SGX-ST, cause market illiquidity or adversely affect the orderly trading of the Shares.

2.13 Share Buybacks in the previous twelve (12) months

The Company has not purchased or acquired any Shares during the twelve (12) months period immediately preceding the Latest Practicable Date.

3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

Based on the Register of Director's Shareholdings and the Register of Substantial Shareholders maintained pursuant to Sections 164 and 88 of the Companies Act respectively, as at the Latest Practicable Date, the shareholdings of the Directors and Substantial Shareholders before and after the purchase or acquisition of Shares pursuant to the Share Buyback Mandate, assuming (a) the Company purchases or acquires the maximum limit of ten per cent. (10%) of the issued share capital of the Company as at the Latest Practicable Date; and (b) there is no change in the number of Shares held or deemed to be held by the Directors and Substantial Shareholders of the Company, will be as follows:

	Before the Share Buyback (Number of Shares)			Before the Share Buyback	After the Share Buyback
	Direct Interest	Deemed Interest	Total Interest	%(1)	%(2)
Directors					
Wang Yiming	–	–	–	–	–
Zhou Hongxuan	–	–	–	–	–
Lee Chee Seng(3)	10,250,000	44,419,000	54,669,000	3.01	3.34
Zhang Hongtao	–	–	–	–	–
Wang Gang	–	–	–	–	–
Wu Yu Liang	300,000	–	300,000	0.02	0.02
Chan Kam Loon	–	–	–	–	–
Gao Guoan	–	–	–	–	–
Chen Mingjin	–	–	–	–	–
Koh Eng Kheng Victor	–	–	–	–	–
Substantial Shareholders					
Anyang Longyu (HK) Development Co., Ltd(4)	–	502,429,900	502,429,900	27.63	30.70
Sanjeev Gupta(5)	77,694,500	30,000,000	107,694,500	5.92	6.58

Notes:

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

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

(3) Lee Chee Seng is deemed interested in 44,419,000 shares held through his indirect nominee, Raffles Nominees (Pte) Ltd.

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

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

4. ANNUAL GENERAL MEETING

The AGM, notice of which is contained in the Annual Report of the Company, will be held on Friday, 27 April 2018 at M Hotel Singapore, J Collyer, Level 9, 81 Anson Road, Singapore 079908 at 9.30 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, Resolution 13 relating to the proposed renewal of the Share Buyback Mandate.

5. **ACTION TO BE TAKEN BY SHAREHOLDERS**

Shareholders who are unable to attend the AGM and who wish to appoint a proxy or proxies to attend and vote on their behalf, should complete, sign and return the proxy form contained in the Annual Report in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the office of the Share Registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road, #11-02, Singapore 068898 not less than 48 hours before the time appointed for holding the AGM. The completion and lodgment of the proxy form by a Shareholder will not prevent him from attending and voting at the AGM in person if he so wishes. However, any appointment of a proxy or proxies by such Shareholder shall be deemed to be revoked if the Shareholder attends the AGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the proxy form, to the AGM.

A Depositor shall not be regarded as a member of the Company entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register at least 72 hours before the time appointed for holding the AGM.

6. **DIRECTORS' RECOMMENDATION**

Having fully considered, *inter alia*, the rationale and benefit of the Share Buyback Mandate, the Directors (save for the HNEC Directors, being Mr Wang Yiming, Mr Zhang Hongtao and Mr Wang Gang who have abstained from making any recommendation to Shareholders) are of the view that the proposed renewal of the Share Buyback Mandate is in the best interests of the Company. They accordingly recommend that Shareholders vote in favour of Resolution 13 relating to the proposed renewal of the Share Buyback Mandate at the AGM.

7. **DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix II and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Appendix II constitutes full and true disclosure of all material facts about the proposed renewal of the Share Buyback Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix II misleading. Where information in this Appendix II has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Appendix II in its proper form and context.

8. **DOCUMENTS FOR INSPECTION**

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

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

Zhou Hongxuan
Chief Executive Officer and Executive Director

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

NOTICE OF THE THIRTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirteenth Annual General Meeting of Jiutian Chemical Group Limited (the "Company") will be held at M Hotel Singapore, J Collyer, Level 9, 81 Anson Road, Singapore 079908 on Friday, 27 April 2018 at 9.30 a.m. for the purpose of transacting the following businesses:

Ordinary Business

1. To receive and adopt the Directors' Statement and the Audited Financial Statements for the financial year ended 31 December 2017 together with the Auditor's Report thereon. **(Resolution 1)**

2. To approve the payment of Directors' fee of S$190,000 for the financial year ending 31 December 2018, to be paid quarterly in arrears (FY2017: S$108,900) **(Resolution 2)**

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

   a. Mr Gao Guoan *[See Explanatory Note 1]* **(Resolution 3)**

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

4. To re-elect the following directors who are retiring in accordance with the Article 97 of the Constitution of the Company and have offered themselves for re-election:

   a. Mr Wang Yiming *[See Explanatory Note 3]* **(Resolution 5)**

   b. Mr Zhang Hongtao *[See Explanatory Note 4]* **(Resolution 6)**

   c. Mr Wang Gang *[See Explanatory Note 5]* **(Resolution 7)**

   d. Mr Chen Mingjin *[See Explanatory Note 6]* **(Resolution 8)**

   e. Mr Koh Eng Kheng Victor *[See Explanatory Note 7]* **(Resolution 9)**

5. To re-appoint Messrs Baker Tilly TFW LLP as Auditor of the Company and to authorise the Directors to fix their remuneration. **(Resolution 10)**

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

Special Business

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

7. **Authority to allot and issue shares** **(Resolution 11)**

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

(a) (i) allot and issue shares in the capital of the Company ("Shares") (whether by way of rights, bonus or otherwise); and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other Instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(b) notwithstanding the authority conferred by this Resolution may have ceased to be in force, issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force, provided that:

(1) the aggregate number of Shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to be issued pursuant to this Resolution does not exceed one hundred per cent (100%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to existing shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST), for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Resolution is passed, after adjusting for:

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

(ii) new Shares arising from excising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution, provided that the share options or share awards (as the case may be) were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

(iil) any subsequent bonus issue, consolidation or subdivision of Shares.

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST), and all applicable legal requirements under the Companies Act, and otherwise, the Company's Constitution for the time being; and

(4) unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.
[See Explanatory Note 8]

8. **Proposed Renewal of the General Mandate for Interested Person Transactions** **(Resolution 12)**

That:

(a) approval be and is hereby given, for the purposes of Chapter 9 of the Catalist Rules, for the Entities at Risk (as defined in Appendix I to the Company's Annual Report for its financial year ended 31 December 2017 dated 12 April 2018 (the "Appendix I")), or any of them, to enter into any of the transactions falling within the types of Recurrent IPTs (as defined in Appendix I) with any Interested Person (as defined in Appendix I), provided that such transactions are made on normal commercial terms, will not be prejudicial to the interests of the Company and its minority shareholders and are in accordance with the guidelines and review procedures for such Recurrent IPTs (the "IPT Mandate");

(b) the IPT Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next annual general meeting of the Company;

(c) the Audit Committee of the Company be and is hereby authorised to take such action as it deems proper in respect of the procedures and/or to modify or implement such procedures as may be necessary to take into consideration any amendment to Chapter 9 of the Catalist Rules which may be prescribed by the SGX-ST from time to time; and

(d) the Directors or any one of them be and are hereby authorised to complete and do all such acts and things as they or he may consider necessary or expedient for the purposes of or in connection with and to give effect to the transactions contemplated and/or authorised by the IPT Mandate and/or this Resolution (including but not limited to the execution of other ancillary documents, procurement of third party consents and making of amendments to the Recurrent IPTs) as they or he shall think fit and in the interests of the Company.
[See Explanatory Note 9]

9. **Proposed Renewal of the Share Buyback Mandate** **(Resolution 13)**

That :

(a) for the purposes of Sections 76C and 76E of the Companies Act and Catalist Rules, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares fully paid in the capital of the Company not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price or prices as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) market purchase(s) (each a "Market Purchase") on the SGX-ST; and/or

(ii) off-market purchase(s) (each an "Off-Market Purchase") effected otherwise than on the SGX-ST in accordance with any equal access scheme(s) as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all conditions prescribed by the Companies Act;

and otherwise in accordance with all other laws and regulations, including but not limited to, the provisions of the Companies Act and the Catalist Rules as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "Share Buyback Mandate");

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

(i) the date on which the next annual general meeting of the Company is held or required by law to be held; or

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

(c) in this Resolution:

"**Prescribed Limit**" means that number of issued Shares representing ten per cent (10%) of the total number of issued Shares as at the date of the passing of this Resolution unless the Company has effected a reduction of the total number of issued Shares of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period (as hereafter defined), in which event the total number of issued Shares shall be taken to be the total number of issued Shares as altered. Any Shares which are held as treasury shares and subsidiary holdings will be disregarded for purposes of computing the 10% limit; and

"**Relevant Period**" means the period commencing from the date of the annual general meeting at which the renewal of the Share Buyback Mandate is approved and thereafter, expiring on the date on which the next annual general meeting of the Company is held or is required by law to be held, whichever is the earlier, after the date of this Resolution is passed; and

"**Maximum Price**", in relation to a share to be purchased or acquired pursuant to the Share Buyback Mandate means an amount (excluding brokerage, commission, applicable goods and services tax and other related expenses) not exceeding:

(i) in the case of a Market Purchase, one hundred and five per cent (105%) of the Average Closing Price (as hereinafter defined); and

(ii) in the case of an Off-Market Purchase, one hundred and twenty per cent (120%) of the Average Closing Price (as hereinafter defined), where:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five (5) market days on which transactions in the Shares were recorded on the SGX-ST immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer (as hereinafter defined) pursuant to Off-Market Purchase, and deemed to be adjusted for any corporate action which occurs after the relevant five (5) market day period; and

"**date of making of the offer**" means the date on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

(d) the Directors of the Company and/or any of them be and are hereby authorised to deal with the Shares purchased or acquired by the Company, pursuant to the Share Buyback Mandate, in any manner as they think fit, which is permissible under the Companies Act; and

(e) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient and necessary to give effect to the transactions contemplated and/or authorised by this Resolution.
[See Explanatory Note 10]

BY ORDER OF THE BOARD

Lee Pay Lee
Lee Wei Hsiung
Company Secretaries

Singapore, 12 April 2018

Explanatory Notes:

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

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

3. Mr Wang Yiming, upon re-election as a director of the Company, will remain as the Non-Executive and Non-Independent Chairman and a member of the Nominating Committee.

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

5. Mr Wang Gang, upon re-election as a director of the Company, will remain as a Non-Executive and Non-Independent Director.

6. Mr Chen Mingjin, upon re-election as a director of the Company, will remain as a Non-Executive and Independent Director.

7. Mr Koh Eng Kheng Victor, upon re-election as a director of the Company, will remain as a Non-Executive and Independent Director, and a member of the Audit Committee and Nominating Committee. The Board considers Mr Koh to be independent for the purpose of Rule 704(7) of the Catalist Rules.

8. Resolution 11 in item 7 above, if passed, will authorise and empower the Directors of the Company from the date of the above meeting until the next annual general meeting to allot and issue shares and/or convertible securities in the Company. The aggregate number of Shares (including any Shares issued pursuant to Instruments made or granted) which the Directors may allot and issue under this Resolution, shall not exceed one hundred per cent (100%) of the Company's total number of issued Shares (excluding treasury shares and subsidiary holdings). For issues of Shares other than a pro-rata basis to all shareholders, the aggregate number of Shares to be issued will not exceed fifty per cent (50%) of Company's total number of issued Shares (excluding treasury shares and subsidiary holdings). This authority will, unless revoked or varied at a general meeting, expire at the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier. However, notwithstanding the cessation of this authority, the Directors are empowered to issue Shares pursuant to any instruments made or granted under this authority.

9. Resolution 12 in item 8 above, if passed, will renew the IPT Mandate initially approved by shareholders on 16 November 2012 to allow the Entities at Risk (as defined in Appendix I to the Company's Annual Report for its financial year ended 31 December 2017 dated 12 April 2018 (the "Appendix I")), or any of them, to enter into transactions with any Interested Person (as defined in Appendix I). Please refer to Appendix I for details relating to the said IPT Mandate.

10. Resolution 13 in item 9 above, if passed, will empower the Directors of the Company to buyback issued Shares from time to time (whether by way of market purchases or off-market purchases on an equal access scheme) of up to ten per cent (10%) of the total number of issued Shares of the Company (excluding treasury shares and subsidiary holdings) at the prices of up to but not exceeding the Maximum Price (as defined in Appendix II to the Company's Annual Report for its financial year ended 31 December 2017 dated 12 April 2018 (the "Appendix II")) and in accordance with the terms and subject to the conditions of the Share Buyback Mandate (as defined in Appendix II), the Companies Act, and the Catalist Rules. This authority will, unless revoked or varied at general meeting, continue in force until the earlier of (a) the date that the next annual general meeting of the Company is held or required by law to be held and (b) the date on which purchases or acquisitions of Shares pursuant to the Share Buyback Mandate are carried out in full to the prescribed limit mandated.

    The Company intends to use internal sources of funds or external borrowings or a combination of both to finance the purchase or acquisition of its Shares pursuant to the Share Buyback Mandate. The amount of financing required for the Company to purchase or acquire its Shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice as these will depend on the number of Shares purchased or acquired, the price at which such Shares were purchased or acquired and whether the Shares purchased or acquired are cancelled or held as treasury shares.

    The financial effects of the purchase or acquisition of Shares by the Company pursuant to the proposed Share Buyback Mandate on the audited financial statements of the Company and its subsidiaries and associated companies for the financial year ended 31 December 2017, based on certain assumptions, are set out in paragraph 2.8 of Appendix II.

Notes:

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

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

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

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

4. The instrument appointing a proxy or proxies must be under the hand of the appointor or by his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

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

Personal Data Privacy

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

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

PROXY FORM

Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 12 April 2018.

Important:

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy. In which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We ______________________________ (Name)

of ______________________________ (Address)

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

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

*and/or

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

or failing *him/her/them, the Chairman of the Thirteenth Annual General Meeting ("13th AGM") of the Company as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the 13th AGM of the Company, to be held at, M Hotel Singapore, J Collyer, Level 9, 81 Anson Road, Singapore 079908 on Friday, 27 April 2018 at 9:30 a.m. and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against the Resolutions to be proposed at the 13th AGM as indicated hereunder with an "x" in the spaces provided hereunder. If no specific directions as to voting are given, the *proxy/proxies will vote or abstain from voting at *his/their discretion, as he/she/they will on any other matter arising at the 13th AGM and at any adjournment thereof.

The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

No.	Resolutions	For*	Against*
	Ordinary Business		
1	To receive and adopt the Directors' Statement and the Audited Financial Statements for the financial year ended 31 December 2017 together with the Auditor's Report thereon.		
2	To approve the payment of Directors' fee of S$190,000 for the financial year ending 31 December 2018, to be paid quarterly in arrears. (FY2017: S$108,900)		
3	To re-elect Mr Gao Guoan as a Director.		
4	To re-elect Mr Chan Kam Loon as a Director.		
5	To re-elect Mr Wang Yiming as a Director.		
6	To re-elect Mr Zhang Hongtao as a Director.		
7	To re-elect Mr Wang Gang as a Director.		
8	To re-elect Mr Chen Mingjin as a Director.		
9	To re-elect Mr Koh Eng Kheng Victor as a Director.		
10	To re-appoint Messrs Baker Tilly TFW LLP as Auditor of the Company and authorise the Directors to fix their remuneration.		
	Special Business		
11	To authorise Directors to allot and issue Shares.		
12	To approve the renewal of the General Mandate for Interested Person Transactions.		
13	To approve the renewal of the Share Buyback Mandate		

Note:

* If you wish to exercise all your votes "For" or "Against", please indicate with an "x" within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this __________ day of ____________________ 2018

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

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

IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS PROXY FORM

Notes:

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

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

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

   "**Relevant Intermediary**" means:

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

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

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

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

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or by his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

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

8. The submission of an instrument or form appointing a proxy by a shareholder does not preclude him from attending and voting in person at the AGM if he so wishes, in which case the appointment of the proxy will be deemed revoked and the Company reserves the right to refuse to admit any person appointed under the relevant instrument appointing the proxy to the AGM.

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

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

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

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