A Formula for Growth
Annual Report 2013
Jiutian Chemical Group Limited (the “Company” or the “Group”), incorporated in Singapore on 30 November 2004, was listed on the Singapore Exchange on 4 May 2006. We are engaged in the manufacture and production of dimethylformamide (“DMF”) and methylamine. We are also involved in the processing and sale of consumable carbon dioxide and oxygen.

The business is divided into two main business divisions:

1. DMF division producing DMF as its main product and methylamine as our secondary product.

2. Gas division producing consumable carbon dioxide and oxygen.

We are located in Henan, China’s most populous province with a population of 100 million, which together with surrounding provinces have a combined population of 450 million. Whilst economic development and industrialisation in China began on the eastern and southern coast, this process has begun to spread rapidly inland, including to Henan and its surrounding regions, where cost of labour, land and raw materials are significantly lower.

As a result, industrialisation and urbanisation is occurring at a rapid pace in these regions, and the consequent establishment of factories producing wide range of consumer products is driving the demand for chemicals such as DMF, methylamine and methanol. Being the only significant DMF producer in Henan province and 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 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 close to Zhengzhou, which has one of Asia’s largest railway stations and network. There are plans for Zhengzhou to be developed into a logistics central station for cargo transportation. This will further reduce the transportation costs of our products. Our customer base in China consists of customers in Henan, the surrounding provinces adjacent to Henan, namely
CORPORATE PROFILE

Hebei, Shaanxi, Shanxi, Hubei, Shandong, Jiangsu and Anhui, and provinces in the Yangtze Delta Region, namely, Jiangsu and Zhejiang.

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

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

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

DIMETHYLFORMAMIDE (DMF)

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

DMF PRODUCTION PROCESSES

We have a fully integrated production process in our 150,000 ton DMF plant where methylamine manufactured is sold independently as well as used as feedstock in DMF production. This flow-through production process provides operational flexibility, as it allows management to change product mix to suit market conditions. We consistently optimise our cost structure through various measures including minimising transportation costs and ensuring regular supply of our high quality products to the customers. With global downstream manufacturing facilities shifting increasingly to China, as well as a growing domestic consumption economy, demand for DMF in China is expected to continue to grow steadily over the next few years. Furthermore, Chinese producers are increasingly exporting and this would no doubt be a source of growth for China’s DMF manufacturers in the years to come.

POLYURETHANE - DMF AS A KEY FEEDSTOCK

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

KEY USES OF POLYURETHANE INCLUDE:

Consumer goods (Insulation & Cushioning) Polyurethane is often used for its insulation and cushioning capabilities. Over three quarters of the global consumption of polyurethane products is in the form of foams with flexible and rigid types being roughly equal in market size. Flexible foams are used in the upholstery of commercial and domestic furniture
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Annual Report
2013

Jiutian Chemical Group Limited

OUR PRODUCTS

as well as in automobiles, while rigid foams are found on the insides of metal and plastic walls of most refrigerators and freezers; or behind paper, metals and other surface materials in the case of thermal insulation panels in the construction sector.

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

PU Leather
DMF is also widely used in the manufacture of polyurethane leather, or synthetic leather. Due to its lightweight, classylooking and comfortable properties, PU leather is easily maintained, water-resistant, abrasion-resistant and can be drycleaned. 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 is expected in the coming decade.

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

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

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

DMF AS OTHER CHEMICAL FEEDSTOCK

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

METHYLAMINE

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

CONSUMABLE CARBON DIOXIDE

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

Our range of products has expanded to include sodium hydrosulfite which has various uses for industrial, biological science, geoscience and photography. This opens new opportunities for growth and enhances our standing as a leading fine chemicals specialist.
CORPORATE MILESTONES

2013

JUNE
Incorporated a new associated company, Anyang Jiujiu Chemical Technology Co., Ltd to undertake the Project Sodium Hydrosulfite.

FEBRUARY
S$10.4 million raised in the Company’s fourth share placement exercise.

2012

DECEMBER
Completion of 20,000 ton DMCA (“Dimethylacetamide”) plant by Anyang Jiulong Chemical Co., Ltd. (“Anyang Jiulong”), a 49% associated company of the Group.

SEPTEMBER
A systematic revamp of the 120,000 ton DMF plant carried out from mid 2011 was successfully completed in September 2012. The results were marked improvements in overall operating efficiency and productivity.

2011

NOVEMBER
Anyang Longyu (HK) Development Co., Ltd. (“Anyang Longyu”) became the major shareholder of the Company holding 28.43% of the issued and paid up share capital of the Company. Anyang Longyu is an indirect subsidiary company of Henan Energy and Chemical Industry Group Co., Ltd (“HNEC”) (formerly known as Henan Coal and Chemical Industry Group Co., Ltd). HNEC (ranked amongst China’s top 100 enterprises) is one of China’s most significant coal mining companies and a significant manufacturer in the chemical industry.

2010

SEPTEMBER
Anyang Jiulong completed the registration of the new joint venture structure with HNEC taking to a 35.1% equity stake.

2009

NOVEMBER
HNEC, a newly established group which comprised the merger of five coal and coal-based chemical companies including Yong Mei Group signed a supplementary agreement to inject RMB 227.9 million for a 35.1% equity stake in Anyang Jiulong, revised from 32.15% earlier.

2008

AUGUST
The Group announced Yong Mei Group taking a 32.15% equity interests in Anyang Jiulong by injecting RMB 200 million into Anyang Jiulong.

MAY
S$36.9 million raised in the Company’s third share placement exercise.

JANUARY
The Group announced an increase in its equity interests of Anyang Jiulong from 51% to 75.5%.

2007

DECEMBER
Completion of storage and distribution facility in Changzhou City, Jiangsu Province.

SEPTEMBER
Completion of 120,000 ton DMF production capacity.

MARCH
The Group announced investment of 51% equity interests in Anyang Jiulong.

FEBRUARY
Establishment of R&D centre within the Production and Technical Department to focus on progress improvement and research on other coal-based fine chemicals.

S$47.0 million raised in the Company’s second share placement exercise.
### CORPORATE MILESTONES

#### 2006

**NOVEMBER**

S$18.9 million raised in the Company’s first share placement exercise.

**OCTOBER**

The Group announced expansion of capacity of new DMF plant under construction from 60,000 ton to 120,000 ton.

**MAY**

The Company was admitted to SGX-ST and trading began. 30,000 ton consumable carbon dioxide production facility began production.

**JANUARY**

Construction of a new 60,000 ton DMF facility began.

#### 2005

**SEPTEMBER**

Construction of a new 30,000 ton consumable carbon dioxide production facility began.

**JULY**

Anyang Jiutian Fine Chemical Co., Ltd (“Anyang Jiutian) obtained a certification of registration issued by the National Quality Assurance Limited, a UK company, for ISO 9001:2000 certification in our quality management system in our production, sale and service of industrial methanol, DMF and methylamine.

**MAY**

Completion of an upgrading programme which increased methylamine/DMF production capacity from 20,000 ton to 30,000 ton.

#### 2003

Methylamine/DMF facility completed in end of 2003; improvement in technology allowed the completion of 20,000 ton facility, twice the original planned capacity.

#### 2001


#### 2004

**DECEMBER**

The Group acquired 100% equity stake in Anyang Jiutian. Anyang Jiutian acquired methanol and gas divisions of Anhua.

**NOVEMBER**

The Company incorporated in Singapore.

Methylamine/DMF facility completed in end of 2003; improvement in technology allowed the completion of 20,000 ton facility, twice the original planned capacity.


**DECEMBER**

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**NOVEMBER**

The Company incorporated in Singapore.
CHAIRMAN’S STATEMENT

“Our results affirm the success of our strategy of improving production efficiency.”

Gao Heng
Non-Executive and Non-Independent Chairman
CHAIRMAN’S STATEMENT

DEAR SHAREHOLDERS,

The financial year ended 31 December 2013 (“FY2013”) concluded on a strongly positive note. We have kept our momentum of being profitable and posted strong results due to continued efforts to improve the operating efficiency of our fine chemicals manufacturing plants.

Improving Value

Revenue for the year under review grew by 6% to RMB970.8 million from RMB918.0 million in FY2012. The growth was fuelled by the combination of our improved plant capacity utilisation and higher sales volume.

Capacity utilisation at our Anyang Jiutian DMF plant increased to 95% from 86% in FY2012.

For the year under review, we successfully enhanced the DMF’s quality and its combination of products’ structure. Improvements to DMF’s quality translates to higher margin products while improvements to product’s structure allow us to customise the product to better cater to market demand and strengthen our position as a key provider of fine chemicals. These advancements allowed us to unlock greater value from our plant which has an annual designed capacity of 150,000 tonnes.

The benefits of our commitment to improving productivity have also borne fruit in the form of strong gross profit growth. Powered by the greater efficiency, our gross profit has surged 77% to RMB58.1 million in FY2013 as compared to RMB32.8 million previously.

Growing Potential

As we made strides in our existing strengths, we also looked for other avenues of growth. One such avenue was to expand our product line to include sodium hydrosulfite, a water soluble salt that has a wide range of uses for industrial, biological science, geoscience and photography. It is a niche chemical with a wide range of applications due its low toxicity. Sodium hydrosulfite can also be used for water treatment, gas purification, cleaning, and stripping.

The addition of sodium hydrosulfite to our product line was made via a joint investment between the Group and Anyang Jiulong, our 49% associated company. The project involves the construction of a new production line of sodium hydrosulfite with an annual capacity of 100,000 tonnes. Construction of the plant has commenced in April 2013 and is scheduled for completion in June 2014.

Sodium hydrosulfite is experiencing a steady increase in demand in China. We believe that together with our substantial shareholders Anyang Chemical Industry Group Co., Ltd and Henan Energy and Chemical Industry Group Co., Ltd (formerly known as Henan Coal and Chemical Industry Group Co., Ltd), our current production facilities have up to 80% of the feedstocks needed for sodium hydrosulfite plant and this makes us a strong player in terms of cost competitiveness and steady feedstock supply. The chemical has enjoyed a healthy profit margin over the past years, and is expected to continue.
CHAIRMAN’S STATEMENT

We believe that the addition of sodium hydrosulfite to our range of products will help us achieve our goal of diversifying our earnings base, open new opportunities for growth and enhance our standing as a leading fine chemicals specialist.

Positive Outlook

Moving forward, we remain focused on our strategy of improving productivity of our plants. We will continue exploring avenues of enhancing the quality of our DMF products and the product conversation rate to unlock greater value.

We will also continue to leverage on our position as one of the largest manufacturers of DMF in China and focus our marketing efforts to grow our pool of direct customers. This will lead to improved average selling prices and consequently enable us to deliver greater value to our shareholders.

The Group will also leverage on the new sodium hydrosulfite plant once fully ready. Our aforementioned supply of feedstock should position us well to fully capitalise on the demand for this niche product and contribute to the upcoming financial year’s results. As a start, we will be targeting to market the product to the printing and dyeing industry in China.

On the global front, the slow global growth may rebound in 2014. Analysts such as The Conference Board are projecting a growth of global GDP from 2.9% in 2013 to 3.5% in 2014. The uptick will be driven by the United States which is expected to increase its growth from 1.9% in 2013 to approximately 3% in 2014. As such, we expect the demand of Polyurethane (PU), a material widely used across various industries, to increase and by extension, boost demand for DMF, a feedstock in the production of PU. We will monitor the situation closely and take into account a competitive business environment and adapt our business strategies as and when appropriate.¹

In Appreciation

I would like to once again express my gratitude to all my fellow board members for their contribution in guiding the Company and the staff of the Group at all levels for their hard work and faith in the potential of the Company.

I would also like to extend a warm welcome to Mr Gao Guoan who joined us as an Non-Executive and Independent Director in April 2013. We look forward to working together with him to bring the Company further.

In closing, I would like to say thank you to the shareholders for the continued support and confidence in the Group and we renew our pledge to deliver greater value to all.

Gao Heng

Non-Executive and Non-Independent Chairman

Refining Our Capabilities

We actively find new methods to improve and perform technical upgrades alongside scheduled maintenance and repairs to improve production efficiency and deliver better value for our stakeholders.
FINANCIAL HIGHLIGHTS

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<tr>
<td><strong>Revenue</strong> RMB’000</td>
<td>970,786</td>
<td>918,035</td>
<td>829,557</td>
<td>462,432</td>
<td>216,528</td>
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<tr>
<td><strong>Gross Profit (Loss)</strong></td>
<td>58,136</td>
<td>32,752</td>
<td>(53,514)</td>
<td>(89,941)</td>
<td>(56,949)</td>
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<tr>
<td><strong>Profit (Loss) Attributable to Shareholders</strong></td>
<td>21,238</td>
<td>1,324</td>
<td>(90,793)</td>
<td>(156,322)</td>
<td>(95,710)</td>
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<td><strong>Earning (Loss) per share (RMB cents)</strong></td>
<td>1.18</td>
<td>0.08</td>
<td>(5.48)</td>
<td>(9.38)</td>
<td>(5.78)</td>
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FINANCIAL HIGHLIGHTS

PROFIT (LOSS) ATTRIBUTABLE TO SHAREHOLDERS

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<th>Year</th>
<th>Profit (Loss) Attributable to Shareholders</th>
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<tr>
<td>2009</td>
<td>(95,710)</td>
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EARNINGS (LOSS) PER SHARE

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REVIEW OF OPERATIONS

OPERATIONS OVERVIEW

The Group’s business is divided into two main business divisions:
1) The DMF producing division, with DMF as the main product and methylamine as the secondary product;
2) The gas division, producing consumable carbon dioxide and oxygen.

The Year in Review

The Group maintained its momentum for growth and achieved greater profitability for the financial year ended 31 December 2013 (FY2013) due to improvements to operating efficiency of our manufacturing plants.

Revenue for FY2013 grew by 6% to RMB 970.8 million, an increase of RMB 52.8 million as compared to the FY2012. The increase in revenue is attributed mainly to our ongoing efforts to improve operating efficiency and higher sales volume.

However, our efforts were partially affected by the lower average selling price of DMF at RMB 5,200 per tonne and methylamine at RMB 6,321 per tonne. These prices were lower than the previous year by 6.1% and 3.7% respectively.

Despite the lower average selling prices, the Group succeeded in improving its gross profit, surging ahead by 77% from RMB 32.8 million in FY2012 to RMB 58.1 million in FY2013. This was due to the aforementioned improvements in operating efficiency which allowed us to unlock greater value from our assets.

In line with the growth in revenue, we saw a 9% increase in administrative expenses which amounted to RMB 26.4 million.

The higher sales volume and higher rate of transportation has also resulted in a 21% increase in distribution expenses to RMB 25.1 million.

Our pursuit for greater returns is tempered by careful management of our finances. Strengthened by our greater returns, we significantly reduced our finance costs via a full repayment of short term bank loans and other banking facilities in FY2012.

Factoring in the developments above, the Group registered a net profit attributable to shareholders of RMB 21.2 million in FY2013, a new milestone in comparison to the marginal profit of RMB 1.5 million in FY2012. The profitable year also marks a successive year of profitable operations.

The Group’s Statement of Financial Position:

As at 31 December 2013, the Group’s current assets stood at RMB 593.6 million, an increase of RMB 12.2 million relative to that as at 31 December 2012. The net increase was largely attributed to:

a) an increase in cash and cash equivalents of RMB 14.0 million from RMB 56.9 million to RMB 70.9 million due largely to proceeds raised from the placement of 163,000,000 shares during the financial year. The increase was partially offset by the additional investment in a new associated company, Anyang Jiujiu Chemical Technology Co., Ltd (“Anyang Jiujiu”) amounting to RMB 40 million.

b) a decrease in trade and other receivables of RMB 3.0 million mainly due to decrease of advances/prepayment to suppliers of raw materials amounting of RMB 9.3 million and value-added tax recoverable of RMB 10.5 million. The decrease was partially offset by increasing of trade receivables of RMB 3.5 million and advances to Anyang Jiujiu for the construction of plants amounting of RMB 13.6 million.

c) an increase in inventories of RMB 1.3 million.
The Group’s non-current assets increased by RMB 27.1 million due largely to:

a) an increase in investment in associated companies mainly due to share of results of associated company, Anyang Jiulong, of RMB 3.8 million and additional investment in Anyang Jiujiu of RMB 40 million.

b) partially offset by a decrease in property, plant and equipment and land use rights due to depreciation and amortisation of property, plant and equipment and land use rights. However, the decrease was partially offset by the additional of property, plant and equipment.

Current liabilities as at 31 December 2013 was RMB 805.3 million, a decrease of RMB 33.8 million relative to that as at 31 December 2012. The net decrease was largely attributed to:

a) a decrease in trade payables of RMB 10.5 million relative to 31 December 2012.

b) a decrease in payables for property, plant and equipment and other payables of RMB 6.1 million and RMB 4 million respectively.

Net asset value as at 31 December 2013 was RMB 438.9 million, RMB 73.2 million higher than the net asset value as at 31 December 2012 of RMB 365.7 million. This was largely attributed to the profit generated for the year and proceeds from the placement of 163,000,000 new shares during the financial year.

**The Company’s Statement of Financial Position**

As at 31 December 2013, the Company’s net assets increased by RMB 41.6 million due largely to the proceeds from the placement of 163,000,000 new shares during the year, and was partially offset by head office expenses.

**Outlook**

We anticipate the business environment will likely remain competitive in the coming financial year. The Group will remain vigilant and monitor the market condition closely to adapt its business strategies as and when appropriate to stay robust in the face of external challenges. The Group’s primary focus for the upcoming financial year will be to maintain production efficiency and yield, and develop more direct customers to achieve better average selling prices.

By leveraging on our sound strategy and strengthened fundamentals, we are well poised to pave the way for greater growth in value for our shareholders.
BOARD OF DIRECTORS

MR GAO HENG
Non-Executive and Non-Independent Chairman
Mr Gao Heng was appointed as Non-Executive and Non-Independent Chairman on 20 March 2012. He obtained a bachelor’s degree and master’s degree in Engineering from China University of Mining and Technology. He is currently the Chairman and CEO of Anyang Chemical Industry Group Co. Ltd. Mr Gao was Vice-General Manager of Henan Coal Company and plant manager of Yima Coal Company between December 2006 to April 2009.

MR SUN ZHIQIANG
Acting Chief Executive Officer
Mr Sun Zhiqiang, redesignated as Acting Chief Executive Officer of the Group on 20 March 2012, is responsible for the overall management and strategic planning for the development of the Group. Mr Sun graduated from Henan University with a degree in Chemical Engineering in 1993. Upon graduation, Mr Sun joined Anhua. He was promoted to the position of assistant engineer in 1996, engineer in 1999 and Deputy Head of workshop in 2000. In 2001, Mr Sun was instrumental in setting up Anyang Jiutian’s DMF and methylamine production facilities.

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

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

MR CHAN KAM LOON
Non-Executive and Independent Director
Mr Chan Kam Loon is Independent Director. He holds a degree in Accounting and Finance from the London School of Economics and Political Science and is a Chartered Accountant with the Institute of Chartered Accountants in England and Wales. Between 1990 and 1996, Mr Chan worked at Morgan Grenfell Asia Ltd and HG Asia Securities Ltd in their corporate finance teams. From 1996 to 2001 Mr Chan was a Director of Investments at a private equity fund, Suez Asia Holdings Pte Ltd. From July 2001 to July 2004, Mr Chan headed up the Listings Function within the Markets Group at the Singapore Exchange Securities Trading Ltd.
MR FOO MENG KEE
Non-Executive and Independent Director
Mr. Foo Meng Kee is Independent Director. He holds a Bachelor of Commerce degree (Honours) from the Nanyang University of Singapore, as well as a Master of Business Administration degree from the University of Dubuque, United States of America. Mr Foo is currently the Managing Director of MK Capital Pte Ltd. Between 1976 and 1998, Mr Foo worked in Hitachi Zosen Singapore Limited (now known as Keppel Shipyard Limited) and became a board member in July 1989. When the company became listed in 1992, Mr Foo was appointed as Managing Director and served in the Executive and Audit Committees. Mr Foo has also been on the committee of the Association of Singapore Marine Industries and the Singapore Armed Forces Reservists’ Association.

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

MR SU JING
Non-Executive and Non-Independent Director
Mr Su Jing was appointed as non-independent and non-executive director on 22 July 2010. He holds a Bachelor of Engineering degree from Beijing Transportation University as well as a Master Degree in Accounting from the Royal Melbourne Institute of Technology, Australia. Mr Su is currently the Vice General Manager of HNEC Investment Co., Ltd. Prior to the current appointment in HNEC, Mr Su was the Head of Capital Operation in Yongcheng Coal and Electricity Group (commonly known as Yong Mei Group) between March 2006 to February 2009.

MR HUO XIAOFAN
Non-Executive and Non-Independent Director
Mr Huo Xiaofan specializes in accounting and has a degree in Business Administration from the Central University of Finance and Economics. He was head of the Tax Section in the Henan Chemical Factory from 1989 to 2004. Mr Huo was also Audit Supervisor in Yongcheng Coal and Electricity Group for four years and later assumed the position of Head of Finance in Zhenglong Coal Co. Ltd, a subsidiary of Yongmei Group, in 2007 until 2009. He was previously the Vice Chief Financial Officer of Anyang Chemical Group Co., Ltd before he was promoted to Chief Financial Officer in 2011.
KEY MANAGEMENT

MR ZHOU HONGXUAN  
General Manager of Subsidiary

Mr Zhou Hongxuan graduated from Xiangtan Mining Institution with a bachelor degree in Chemical Engineering. In March 2012, Mr Zhou was appointed as the General Manager of the China subsidiaries taking care of the daily operation of the subsidiaries. Prior to joining the Group, Mr Zhou was a Manager in Anhua, where he had held a number of supervisor and manager position spanning over 19 years.

MR ZHOU DENGFENG  
Vice General Manager - Marketing

Mr Zhou Dengfeng is responsible for directing market research, planning, market analysis and forecast, monitoring national and international development and changes in product market, formulating marketing strategy and brand strategy. Mr Zhou joined the Group in February 2010 as Deputy Head of Sales and Marketing and was promoted to the current position in September 2012. Mr Zhou obtained a Bachelor Degree from Henan University of Science and Technologies.

MR CHENG JIANJUN  
Vice General Manager - Production and Technology

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

MR KHAW SHEE KAI  
Group Financial Controller

Mr Khaw Shee Kai 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 substantially been involved in public and private company audits whilst at Foo Kon Tan Grant Thornton in Singapore and Moores Rowland in Malaysia. Prior to joining the Company, he was Group Finance Manager of another S-chip company listed on SGX. He is a member of the Association of Chartered Certified Accountants (United Kingdom).

MS LIU SHUXIN  
Head of Finance of Subsidiary

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 Jiutian in 2010 as Finance Supervisor and was in charge of the financial budget, financial statements, taxation matters of China subsidiaries. She was appointed as Head of Finance in Jiutian in 2011.
Focusing on Sustainability

As we continue to embark on new initiatives for growth, we ensure that progress is made in tandem with the interests of our stakeholders, society and the environment to do our part in building a better tomorrow.
CORPORATE GOVERNANCE

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

This Report describes the Group’s ongoing efforts in FY2013 in keeping pace with the evolving corporate governance practices and complying with the revised Code of Corporate Governance 2012 (the "Code") issued on 2 May 2012. Outlined below are the policies, processes and practices adopted by the Group in compliance with the principles and spirit of the Code.

BOARD MATTERS

Principle 1– THE BOARD’S CONDUCT OF AFFAIRS

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

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

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

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

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

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

d) review management performance;

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

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

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

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

The Board meets at least four times a year. Ad-hoc meetings are convened as warranted by circumstances or deemed appropriate by the Board members. Non-executive directors are encouraged to meet regularly without management present.
The Group has adopted and documented internal guidelines setting forth matters that require Board approval. Matters which are specifically reserved for the decision of the full Board include:

- Approval of quarterly results announcements;
- Approval of the Annual Reports and audited financial statements;
- Convening of shareholders’ meetings;
- Group strategy, business plan and annual budget;
- Material acquisition and disposal of assets;
- Capital-related matters including financial re-structure, market fund-raising;
- Share issuances, interim dividends and other returns to shareholders; and
- Any investment or expenditures exceeding set material limit.

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

To facilitate effective management, certain functions of the Board have been delegated to various Board Committees, namely Audit, Nominating and Remuneration Committees. Further information regarding the function and details of the terms of reference of the Board Committees are set out in the later part of the Report.

Directors’ attendance at meetings of the Board and Board Committees during the financial year is as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Board Meetings held: 4</th>
<th>Audit Committee Meetings held: 4</th>
<th>Nominating Committee Meetings held: 1</th>
<th>Remuneration Committee Meetings held: 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gao Heng</td>
<td>4</td>
<td>n.a.</td>
<td>1</td>
<td>n.a.</td>
</tr>
<tr>
<td>Sun Zhiqiang</td>
<td>4</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>Lee Chee Seng</td>
<td>4</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>Wu Yu Liang</td>
<td>4</td>
<td>4</td>
<td>n.a.</td>
<td>1</td>
</tr>
<tr>
<td>Chan Kam Loon</td>
<td>4</td>
<td>4</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Foo Meng Kee</td>
<td>4</td>
<td>4</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Gao Guoan</td>
<td>3</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>Su Jing</td>
<td>3</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>Huo Xiaofan</td>
<td>4</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
</tbody>
</table>

n.a.: not applicable
Note 1: Mr Gao Guoan was appointed as a Non-Executive and Independent Director on 26 April 2013.

The Board is responsible for arranging and funding the training of Directors. Each director is entitled a certain budget to their training needs, to keep abreast with the latest developments such as updates on the relevant laws and regulations, changes in technology and industrial practice relating to the Company’s business. During the financial year, the Directors visited the production plants in Henan, China to have a better understanding of the development of the plants and new production facilities.
The Company will arrange for all newly appointed Directors (if any) to meet with the Company’s senior management to familiarise themselves with the business, operations and governance practices of the Company and its subsidiaries. Newly appointed Directors will be provided a formal letter setting out their duties and obligations. Existing directors of the Company are encouraged to participate in seminars and/or briefing sessions to be kept abreast of latest developments, such as regulatory changes which applicable to the Group.

Under the existing Articles of Association of the Company, the Directors may participate in a meeting of the Directors by means of a conference via telephone or similar communications.

**Principle 2 – Board Composition and Guidance**

The Board comprises nine (9) Directors: two (2) Executive Directors, four (4) Independent Directors and three (3) Non-Executives and Non-Independent Directors. The profiles of the Directors are set out on pages 18 and 19 of this Annual Report.

The Board assesses the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board annually. It is of the view that the current composition and board size is appropriate for effective decision making, the Board will continue to review the size of the Board on an ongoing basis. The four (4) Independent Directors who made up more than one-third of the board composition provide the Board with independent and objective judgment on the corporate affairs of the Group. As a team, the Board collectively provides core competencies in the areas of accounting, finance, legal, business and management, as well as industry knowledge.

Each of the Independent Directors has confirmed that he does not have any relationship with the Company or its related corporations, its 10% shareholders or its officers including confirming not having any relationships and circumstances provided in Guideline 2.3 of the 2012 Code, that could interfere, or be reasonably perceived to interfere, with the exercise of independent judgment in carrying out the functions as an Independent Director with a view to the best interests of the Group. The Nominating Committee has reviewed, determined and confirmed the independence of the Independent Directors.

The Independent Directors arrange to meet the auditors at least once a year without the presence of Management or Executive Directors to review matters that must be raised privately.

**Principle 3 – Chairman and Chief Executive Officer**

To ensure a balance of power and authority within the Company, the role of the Non-Executive and Non-Independent Chairman (“Chairman”) and the Acting Chief Executive Officer (“Acting CEO”) of the Company are undertaken by Mr. Gao Heng and Mr. Sun Zhiqiang respectively. The Chairman and Acting CEO are not related to each other.

The Chairman, Mr. Gao Heng plays a key role in developing the business of the Group and provides the Group with strong leadership and vision. 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 and encourages constructive relations within the Board and between the Board and Management. All major decisions made by the Chairman are reviewed by the Board.

Mr Sun Zhiqiang who was one of the founding managers of the Company and responsible in the setting up of Anyang Jiutian Fine Chemical Co., Ltd’s DMF and methylamine production facilities in 2001, is the Company’s Acting CEO.

The performance and appointment of the Non-Executive and Non-Independent Chairman and the Acting CEO to the Board are reviewed periodically by the Nominating Committee and their remuneration package is reviewed periodically by the Remuneration Committee. Both the Nominating Committee and Remuneration Committee comprise a majority of Non-Executive Directors. As such, the Board believes that there are adequate safeguards in place against an uneven concentration of power and authority in a single individual.
As recommended by the Code, the Board has appointed Independent Non-Executive Director, Mr Wu Yu Liang, as the Lead Independent Director. Shareholders of the Company with serious concerns that could have a material impact on the Group, for which contact through the normal channels of the Chairman, Acting CEO or Group Financial Controller have failed to resolve or is inappropriate, shall be able to contact Mr Wu Yu Liang or the Audit Committee members of the Group.

Principle 4 - Board Membership

Nominating Committee

The Nominating Committee (“NC”) comprises three (3) Directors, majority of whom, including the Chairman is independent. The NC members are:

Foo Meng Kee (Chairman) (Non-executive and Independent)
Chan Kam Loon (Non-executive and Independent)
Gao Heng (Non-executive and Non-Independent)

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 of Corporate Governance 2012 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 independent Directors. (or such other minimum proportion and criteria as may be specified in the Code from time to time.)

The Group has an open policy for professional training for all the Board members, including the Executive Director and Independent Directors. The Company endorses the Singapore Institute of Directors (“SID”) training programs and sets a budget for such training and professional development programs. All Board members are encouraged to attend relevant trainings organised by the SID or any other organisation which provides relevant training courses for directors. The cost of such training will be borne by the Company.

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

In identifying suitable candidates, the NC may:

1. Advertise or use services of external advisers to facilitate a search.
2. Approach alternative sources such as the SID.
3. Consider candidates from a wide range of backgrounds from internal or external sources.
4. After short listing the candidates, the NC shall:
   (a) consider and interview all candidates on merit against objective criteria, taking into consideration that appointees have enough time available to devote to the position; and
   (b) evaluate and agree to a preferred candidate for recommendation to and appointment by the Board.

During the year, the NC met once and determined the independence of the Directors is in line with the requirements based on Guideline 2.3 of the Code’s definition of what constitutes the independence of the Independent Directors. The NC has affirmed that Mr Wu Yu Liang, Mr Foo Meng Kee, Mr Chan Kam Loon and Mr Gao Guoan are independent. None of the Independent Directors have served on the Board beyond nine years from their respective date of appointment. Guideline 2.4 of the 2012 Code is therefore not applicable to the Board.

The NC acknowledges that the prescribed Board composition changes under the Code which required Independent Directors to make up half of the Board to take effect for financial year commencing 1 May 2016. The NC is reviewing this so that necessary steps can be taken to comply this requirement after such review. In the interim, the four Independent Directors help to uphold good corporate governance at the Board level and their presence facilitates the exercise of independent and objective judgement on corporate affairs.

Save for the following Directors who are related to the Company’s substantial shareholders (is not less than 10% of the total voting Shares), none of the Directors on the Board are related to each other 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 their independent judgements.

(1) Mr Gao Heng, Chairman and CEO of Anyang Chemical Industry Group Co., Ltd (“Anhua”), immediate holding company of Anyang Longyu (HK) Development Co., Ltd;
(2) Mr Huo Xiaofan, CFO of Anhua; and
(3) Mr Su Jing, Vice General Manager of HNEC Investment Co., Ltd, a related company of Anyang Longyu (HK) Development Co., Ltd.

In accordance with the provisions of the Company’s Articles of Association, one-third of our Directors retires by rotation and being eligible, may submit themselves for re-election at every Annual General Meeting (“AGM”). The Acting CEO who is a member of the Board must also subject himself to retirement by rotation and re-election by shareholders.

Accordingly, Mr Gao Heng, Mr Wu Yu Liang and Mr Huo Xiaofan will retire at the forthcoming AGM. Mr Gao Guoan will retire and seek re-appointment under Section 153(6) of the Companies Act at the forthcoming AGM and he will hold office from the date of the AGM until the next AGM of the Company. The NC has recommended to the Board that the retiring Directors be nominated for re-election and re-appointment. In making the recommendations, the NC considers the Directors’ overall contribution and performance.

Their profiles are shown on pages 18 and 19 of the Annual Report.

All Directors are required to declare their board appointments. The NC has reviewed and is satisfied that notwithstanding their multiple board appointments, Mr Wu Yu Liang, Mr Foo Meng Kee, Mr Chan Kam Loon, and Mr Gao Guoan who sit on multiple boards of listed companies, have been able to devote sufficient time and attention to the affairs of the Group to adequately discharge their duties as Directors of the Company.
Key information regarding the Directors of the Company is disclosed as follows:

<table>
<thead>
<tr>
<th>Name of Directors</th>
<th>Date of first appointment</th>
<th>Date of last re-election</th>
<th>Nature of Appointment</th>
<th>Membership of Board Committee</th>
<th>Directorship/Chairmanship both present and those held over the preceding three years in other listed company</th>
<th>Other Principal Commitments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gao Heng</td>
<td>01 June 2011</td>
<td>27 April 2012</td>
<td>Non-Executive and Non-Independent Chairman</td>
<td>1. Nominating Committee</td>
<td>-</td>
<td>Chairman and CEO of Anyang Chemical Industry Group Co., Ltd.</td>
</tr>
<tr>
<td>Sun Zhiqiang</td>
<td>30 November 2004</td>
<td>26 April 2013</td>
<td>Acting Chief Executive Officer</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Lee Chee Seng</td>
<td>30 November 2004</td>
<td>27 April 2012</td>
<td>Executive Director</td>
<td>-</td>
<td>Present -</td>
<td>-</td>
</tr>
<tr>
<td>Wu Yu Liang</td>
<td>19 April 2006</td>
<td>28 April 2011</td>
<td>Non-Executive and Lead Independent Director</td>
<td>1. Audit Committee 2. Remuneration Committee (Chairman)</td>
<td>Present 1. Pan Asian Holdings Limited 2. China Environment Ltd 3. Past three years 1. See Hup Seng Limited</td>
<td>Managing Director of Wu LLC</td>
</tr>
<tr>
<td>Su Jing</td>
<td>22 July 2010</td>
<td>26 April 2013</td>
<td>Non-Executive and Non-Independent Director</td>
<td>-</td>
<td>-</td>
<td>Vice General Manager of HNEC Investment Co., Ltd.</td>
</tr>
<tr>
<td>Hua Xiaofan</td>
<td>20 March 2012</td>
<td>27 April 2012</td>
<td>Non-Executive and Non-Independent Director</td>
<td>-</td>
<td>-</td>
<td>CFO of Anyang Chemical Industry Group Co., Ltd.</td>
</tr>
<tr>
<td>Gao Guoan</td>
<td>26 April 2013</td>
<td>-</td>
<td>Non-Executive and Independent Director</td>
<td>-</td>
<td>Present Zhengzhou Coal Mining Machinery Group Co., Ltd. 2. Past three years</td>
<td>-</td>
</tr>
</tbody>
</table>
**CORPORATE GOVERNANCE**

**Principle 5 – Board Performance**

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

The NC will at the relevant time look into adopting guidelines for annual assessment of the contribution of each individual Director to the effectiveness of the Board and also the assessment of Board Committees. The NC is of the view that despite multiple board representations in certain instances, each Director has been adequately carrying out his duties as a Director of the Company and the Board is able to exercise objective judgement on corporate affairs independently and no individual or small group of individuals dominates the Board’s decision making process.

The Board has not engaged any external facilitator in conducting the assessment of the Board’s performance.

**Principle 6 – Access to Information**

Board members are provided with management information pertaining to areas such as budget forecast, funding positions and cash flow projections of the Group to help them carry out their responsibilities effectively. In addition, all relevant information on material events and transactions are circulated to the Directors as and when they arise.

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

The Company Secretary attends Board and Board Committees meetings of the Company. The appointment or removal of the Company Secretaries should be a matter for the Board as a whole.

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

**RENUMERATION MATTERS**

**Principle 7 – Procedures for Developing Remuneration Policies**

**Remuneration Committee**

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

- Wu Yu Liang (Chairman) (Non-Executive and Independent)
- Chan Kam Loon (Non-Executive and Independent)
- Foo Meng Kee (Non-Executive and Independent)

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

(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 Executives to run the Company successfully. The framework of remuneration policies for its Directors and Key Executives is largely guided by the financial performance of the Company. The RC also ensures that the remuneration policies and systems of the Group support the Group’s objectives and strategies.

The Board has established a framework of remuneration for the Directors and Key Executives which cover all aspect of remuneration, including but not limited to Director’s fees, salaries, allowances, bonuses, benefits in kind.

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 Executives, 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 Executive Directors, the Company makes a comparative study of the packages of Executive Directors 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 meeting of the Company.

During the financial year, the RC met once to review and recommend the remuneration of the Executive Directors, Non-Executive Directors and Independent Directors. The RC had recommended a Directors’ fees for the Independent Directors of S$170,000 for the financial year ending 31 December 2014 to be paid quarterly in arrears.

The aggregate amount of the retirement and post-employment benefits to the Directors, the Acting CEO and top 5 key executives (who are not directors or CEO) is approximately S$56,000. Details of the said benefits can be found on page 57 of the Annual Report.

The remuneration band of the Directors and Key Executives for FY2013 and the various components of their remuneration in percentage terms are set out below in compliance with the recommendation of the Code.

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

<table>
<thead>
<tr>
<th></th>
<th>Fees</th>
<th>Salary</th>
<th>Bonus</th>
<th>Other Benefits</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EXECUTIVE DIRECTORS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S$250,000 – S$500,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lee Chee Seng</td>
<td>–</td>
<td>90%</td>
<td>7%</td>
<td>3%</td>
<td>100%</td>
</tr>
<tr>
<td>Below S$250,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sun Zhiqiang</td>
<td>–</td>
<td>83%</td>
<td>7%</td>
<td>10%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>NON-EXECUTIVE DIRECTORS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Below S$250,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gao Heng</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Su Jing</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Huo Xiaofan</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>
CORPORATE GOVERNANCE

<table>
<thead>
<tr>
<th></th>
<th>Fees</th>
<th>Salary</th>
<th>Bonus</th>
<th>Other Benefits</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INDEPENDENT DIRECTORS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Below S$250,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foo Meng Kee</td>
<td>100%</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>100%</td>
</tr>
<tr>
<td>Chan Kam Loon</td>
<td>100%</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>100%</td>
</tr>
<tr>
<td>Wu Yu Liang</td>
<td>100%</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>100%</td>
</tr>
<tr>
<td>Gao Guoan</td>
<td>100%</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>100%</td>
</tr>
</tbody>
</table>

| **KEY EXECUTIVES** |      |        |       |                |       |
| Below S$250,000   |      |        |       |                |       |
| Zhou Hongxuan     | –    | 36%    | 54%   | 10%            | 100%  |
| Zhou Dengfeng     | –    | 65%    | 19%   | 16%            | 100%  |
| Cheng Jianjun     | –    | 40%    | 48%   | 12%            | 100%  |
| Khaw Shee Kai     | –    | 84%    | 7%    | 9%             | 100%  |
| Liu Shuxin        | –    | 45%    | 44%   | 11%            | 100%  |

Note 1: Mr Gao Guoan was appointed on 26 April 2013.

For competitive and confidentiality reasons, the Company is not disclosing the identity and remuneration of Directors and Key Executives. The Company is instead disclosing the remuneration in bands of S$250,000 up to S$500,000.

For the financial year ended 31 December 2013, the aggregate amount of the remuneration paid to the top 5 Key Executives is approximately S$309,000.

None of the employees whose remuneration exceeds S$50,000 is an immediate family member of the Directors.

ACCOUNTABILITY AND AUDIT

**Principle 10 – Accountability**

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

The Board also provides negative assurance confirmation to shareholders for the quarterly financial statements in accordance with Rule 705(5) of the Listing Manual of SGX-ST.

**Principle 11 – Risk Management and Internal Controls**

The Group maintains a system of internal controls for all companies within the Group, but recognises that no internal control system will preclude all errors and irregularities. The system is designed to manage rather than to eliminate the risk of failure to achieve business objectives. The controls are to provide reasonable, but not absolute, assurance to safeguard shareholders’ investments and the Group’s assets.
CORPORATE GOVERNANCE

Risk Management

The Audit Committee ("AC") assisted the Board to review the effectiveness of the internal audit function annually based on the report of the internal and independent auditors. During the financial year, the AC had reviewed and the Board with the concurrence of the AC is of the opinion that there are adequate internal controls addressing financial, operational, compliance and information technology risks.

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

In line with the Code, the AC, with the concurrence of the Board, had adopted an Assurance Confirmation Statement ("Assurance Statement") confirming that the financial records of the Group have been properly maintained, the Group’s financial statements give a true and fair view of the Group’s operations and finances and an effective risk management and internal control systems have been put in place. The Assurance Statement would be signed by the Acting Chief Executive Officer and the Group Finance Controller of the Company and tabled at AC and Board meetings held for reviewing full year results. Consequent to the above, the Board noted that the AC had received the duly signed Assurance Statement for FY2013 at the AC and Board meetings of the Company held in February 2014.

Whistle Blowing Policy

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

Principle 12 – Audit Committee

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

Chan Kam Loon (Chairman)  (Non-Executive and Independent)
Foo Meng Kee  (Non-Executive and Independent)
Wu Yu Liang (Non-Executive and Independent)

The AC has written terms of reference that describe the responsibilities of its members. The AC meets at least four (4) times a year to perform the following main functions:
(a) to review with the independent auditor the audit plan, their evaluation of the system of internal accounting controls and their audit report;
(b) to review quarterly and full year financial statements of the Company and the Group, including announcements in relation thereto before their recommendation to the Board of Directors for approval to be released to SGX-ST;
(c) to review the assistance given by management to the independent auditor;
(d) to review any significant unresolved differences between the independent auditor, internal auditors and management;
(e) to review the scope and results of the audit and its cost effectiveness. The independence of independent auditor should be reviewed annually;
(f) to review annually the nature and extent of non-audit services (where these are substantial) provided by the independent auditor to the Company to ensure that these are provided objectively, on a value-for-money basis;
(g) to review the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Company’s financial performance;
CORPORATE GOVERNANCE

(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;

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

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

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

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

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

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

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

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

During the financial year, AC had met with the internal auditors and independent auditor, without the presence of the Management to discuss the results of their examinations and their evaluations of the systems of internal accounting controls.

The AC had reviewed the scope and quality of audit by the independent auditor and the independence and objectivity of the independent auditor as well as the cost effectiveness. The AC also reviewed the audit fee paid to the independent auditor. The independent auditor did not render any non-audit services to the Group during the financial year. The audit fee for the Group and its associated companies for the financial year ended 31 December 2013 was S$300,000.

The Group does not appoint different auditors for its significant subsidiary companies or associated companies.

The Company is in compliance with Rule 712 and Rule 715 of the Listing Manual of SGX-ST in relation to its independent auditor, as the subsidiary companies and associated companies of the Company were audited by Baker Tilly TFW LLP for the purpose of preparation of the consolidated financial statements of the Group.

Each of the AC’s members had confirmed their independence in accordance with the guidelines set out in the Code.

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

Principle 13 – Internal Audit

The Board recognises the importance of the internal audit function which, being independent of Management is one of the principal means by which the AC is able to carry out its responsibilities effectively. Messrs Crowe Horwath First Trust Risk Advisory Pte Ltd (“Horwath”) is the existing internal auditors of the Group. Horwath primarily reports to the chairman of the AC.

The internal auditors’ carrying out of their function is in accordance to the standards set by the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The AC ensures that management provides good support to the internal auditors and provides them with access to documents, records, properties and personnel when requested in order for the internal auditors to carry out their function accordingly.

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

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14 – Shareholder Rights

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

Principle 15 – Communications with the Shareholders

The annual general meeting of the Company is the principal forum for dialogue and interaction with all shareholders. The Board welcome shareholders to voice their views and ask the Board questions regarding the Company and the Group.

Information is disseminated / made available to shareholders through:

(i) SGXNet announcements and news releases; and

(ii) Annual Reports.

The Company does not have a specific dividend policy. Nonetheless, the Management after reviewing the performing 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.

No dividend declaration for the financial year ended 31 December 2013 as the Company wish to reserve the fund for the ongoing project.

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.
CORPORATE GOVERNANCE

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 general meetings. Every matter requiring shareholders’ approval is proposed as a separate resolution.

Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Proxy form is sent with notice of general meeting to all shareholders.

The Company’s Articles of Association 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 general meeting. As the authentication of shareholder identity information and other related security issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail, email or fax.

All Directors, Management, Company Secretary, independent auditor and legal advisors (if necessary), attend the general meetings. The procedures of general meetings provide shareholders the opportunity to ask questions relating to each resolution tabled for approval and open communication are encouraged by the shareholders with the Director on their views on matters relating to the Company.

The Company Secretary prepares minutes of general meetings 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.

While acknowledging that voting by poll is integral in the enhancement of corporate governance and lead to greater transparency of the level of support for each resolution, the Company is concerned over the cost effectiveness and efficiency of the polling procedures which may be logistically and administratively burdensome. Electronic polling may be efficient in terms of speed but may not be cost effective. The Board will adhere to the requirements of the Listing Manual where all resolutions are to be voted by poll for general meetings held on and after 1 August 2015.

The Company will review its Memorandum and Articles of Association from time to time and make such amendments to the Articles of Association to be in line with the applicable requirements or rules and regulations governing the Continuing Listing obligations of the Listing Manual of the SGX-ST.

CODE OF CONDUCT

Dealing in Securities

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

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 GOVERNANCE

Interested Party Transactions (“IPT”)

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

In compliance with Rule 920 of the Listing Manual, the aggregate value of recurrent interested persons transactions of revenue or trading in nature conducted during the financial year ended 31 December 2013 by the Company in accordance with the shareholders’ mandate are as follows:

<table>
<thead>
<tr>
<th>Name of interested person</th>
<th>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)</th>
<th>Aggregate value of all interested person transactions conducted under shareholders’ mandate pursuant to Rule 920 (excluding transactions less than S$100,000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anyang Chemical Industry Group Industry Group Co., Ltd</td>
<td>Nil</td>
<td>RMB 308.03 million</td>
</tr>
<tr>
<td>Anyang Jiulong Chemical Co., Ltd</td>
<td>RMB 4.5 Million</td>
<td>RMB 50.00 million</td>
</tr>
<tr>
<td>Anyang Yongjin Chemical Co., Ltd</td>
<td>RMB 9.4 Million</td>
<td>RMB 29.53 million</td>
</tr>
</tbody>
</table>

Material Contracts

There are no material contracts of the Company or its subsidiary companies involving the interests of the Chairman, Acting CEO or any other Directors or controlling shareholders at the end of the financial year.

Use of Proceeds from Placement of New Shares

As at 31 December 2013, the Company has utilised the net proceeds raised from the Placement in February 2013 as follows:

<table>
<thead>
<tr>
<th>S$’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Proceeds</td>
</tr>
<tr>
<td>Less:</td>
</tr>
<tr>
<td>1. Payment of Project Sodium Hydrosulphite’s registered capital</td>
</tr>
<tr>
<td>2. General working capital requirements:</td>
</tr>
<tr>
<td>a. Staffs costs and directors’ fee</td>
</tr>
<tr>
<td>b. Audit, tax and other professional fee</td>
</tr>
<tr>
<td>c. Other operating expenses(1)</td>
</tr>
<tr>
<td>Balance</td>
</tr>
</tbody>
</table>

Note(1): Other operating expenses included, but were not limited to, rental of office premises, printing and stationery, transportation, office utilities, courier and telecommunication expenses.

The utilisation of the net proceeds from the Placement as stated above is in accordance with the purposes as set out in the Offer Information Statements relating to the Placement.
The directors are pleased to present their report 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 2013.

1 Directors

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

Gao Heng
Sun Zhiqiang
Lee Chee Seng
Wu Yu Liang
Chan Kam Loon
Foo Meng Kee
Su Jing
Huo Xiaofan
Gao Guoan (appointed on 26 April 2013)

2 Arrangements to enable directors to acquire benefits

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

3 Directors’ interests in shares or debentures

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

<table>
<thead>
<tr>
<th>Name of directors and companies in which interest are held</th>
<th>Number of ordinary shares</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Shareholdings registered in the name of director</td>
</tr>
<tr>
<td>The Company</td>
<td></td>
</tr>
<tr>
<td>Lee Chee Seng</td>
<td>10,250,000</td>
</tr>
<tr>
<td>Wu Yu Liang</td>
<td>300,000</td>
</tr>
<tr>
<td>Chan Kam Loon</td>
<td>100,000</td>
</tr>
</tbody>
</table>

The directors’ interests in the ordinary shares of the Company as at 21 January 2014 were the same as those as at 31 December 2013.

4 Directors’ contractual benefits

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit other than those disclosed in the consolidated financial statements and this report by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest. Certain directors received remuneration from related corporations in their capacity as directors and/or executives of these related corporations.
5 Share options

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

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

6 Audit Committee

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

Chan Kam Loon (Chairman) (Non-executive and Independent)
Foo Meng Kee (Non-executive and Independent)
Wu Yu Liang (Non-executive and Independent)

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

(a) to review with the independent auditor the audit plan, their evaluation of the system of internal accounting controls and their audit report;
(b) to review quarterly and full year financial statements of the Company and the Group, including announcements in relation thereto before their recommendation to the Board of Directors for approval to be released to Singapore Exchange Securities Trading Limited ("SGX-ST");
(c) to review the assistance given by management to the independent auditor;
(d) to review any significant unresolved differences between the independent auditor, internal auditors and management;
(e) to review the scope and results of the audit and its cost effectiveness. The independence of independent auditor should be reviewed annually;
(f) to review annually the nature and extent of non-audit services (where these are substantial) provided by the independent auditor to the Company to ensure that these are provided objectively, on a value-for-money basis;
(g) to review the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Company’s financial performance;
(h) to consider the appointment/re-appointment and removal of the independent auditor, the remuneration, terms of engagement and matters relating to the resignation or dismissal of the independent auditor for the purpose of making recommendations to the Board of Directors;
(i) to commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity or failure of internal controls or suspected infringement of any law, rule and regulation (whether of Singapore or elsewhere) which has or is likely to have a material impact on the Group’s and the Company’s operating results and/or financial position, and management’s response;
6 Audit Committee (cont’d)

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

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

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

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

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

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

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

During the financial year, AC had met with the internal auditor and independent auditor, without the presence of the management to discuss the results of their examinations and their evaluations of the systems of internal accounting controls.

The AC had reviewed the scope and quality of audit by the independent auditor and the independence and objectivity of the independent auditor as well as the cost effectiveness. The AC also reviewed the audit fee paid to the independent auditor. The independent auditor did not render any non-audit services to the Group during the financial year. The audit fee for the Group and its associated companies for the financial year ended 31 December 2013 was S$300,000.

The Company is in compliance with Rule 712 and Rule 715 of the Listing Manual of SGX-ST in relation to its independent auditor, as the subsidiary companies and associated companies of the Company were audited by Baker Tilly TFW LLP for the purpose of preparation of the consolidated financial statements of the Group.

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

7 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.
8 Independent auditor

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

On behalf of the Board of Directors

Sun Zhiqiang
Director

Gao Heng
Director

21 March 2014
STATEMENT BY 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 set out on pages 43 to 80 are properly drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2013 and the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards; and

(ii) at the date of this statement, after considering the measures taken by the Group with respect to the Group’s ability to continue as a going concern as described in Note 2(a) to the financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

Sun Zhiqiang
Director

Gao Heng
Director

21 March 2014
INDEPENDENT AUDITOR’S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Jiutian Chemical Group Limited (the “Company”) and its subsidiary companies (the “Group”) set out on pages 43 to 80, which comprise the statements of financial position of the Group and the Company as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the “Act”) and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors’ Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2013 and the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date.
INDEPENDENT AUDITOR’S REPORT

Report on the Financial Statements (cont’d)

Emphasis of Matter

We draw attention to Note 2(a) to the financial statements with respect to the Group’s ability to continue as a going concern. At 31 December 2013, the Group’s current liabilities exceeded its current assets by RMB211.75 million. This factor indicates the existence of a material uncertainty that may cast significant doubt about the Group’s ability to continue as a going concern. The financial statements have been prepared on a going concern basis and did not include any adjustments that may result in the event that the Group is unable to continue as a going concern. The validity of the going concern basis on which the financial statements are prepared depends on management’s assessment of the Group’s ability to operate as a going concern as set forth in Note 2(a) to the financial statements. In the event that the Group is unable to continue as a going concern, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the amounts at which they are currently recorded in the statement of financial position. In addition, the Group may have to provide for further liabilities that might arise and to reclassify non-current assets and liabilities as current assets and liabilities. Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

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

Baker Tilly TFW LLP
Public Accountants and Chartered Accountants
Singapore

21 March 2014
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the financial year ended 31 December 2013

The accompanying notes form an integral part of these financial statements.
# STATEMENTS OF FINANCIAL POSITION

At 31 December 2013

<table>
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<tbody>
<tr>
<td></td>
<td>RMB’000</td>
<td>RMB’000</td>
<td>RMB’000</td>
<td>RMB’000</td>
</tr>
</tbody>
</table>

**ASSETS**

**Current assets**
- Cash and cash equivalents 12
  - Group: 70,888
  - Company: 11,448
  - 2013: 56,941
  - 2012: 9,103
- Trade and other receivables 13
  - Group: 478,707
  - Company: 64
  - 2013: 481,708
  - 2012: 229
- Inventories 14
  - Group: 43,972
  - Company: -
  - 2013: 42,707
  - 2012: -

**Total current assets**
- Group: 593,567
- Company: 11,512
- 2013: 581,356
- 2012: 9,332

**Non-current assets**
- Land use rights 15
  - Group: 9,080
  - Company: -
  - 2013: 10,013
  - 2012: -
- Property, plant and equipment 16
  - Group: 297,291
  - Company: -
  - 2013: 313,038
  - 2012: 9
- Investment in subsidiary companies 17
  - Group: -
  - Company: 87,027
  - 2013: -
  - 2012: 87,027
- Investment in associated companies 18
  - Group: 336,225
  - Company: 339,709
  - 2013: 292,463
  - 2012: 299,709
- Deferred tax assets 19
  - Group: 8,476
  - Company: -
  - 2013: 8,476
  - 2012: -

**Total non-current assets**
- Group: 651,072
- Company: 426,736
- 2013: 623,990
- 2012: 386,745

**Total assets**
- Group: 1,244,639
- Company: 438,248
- 2013: 1,205,346
- 2012: 396,077

**LIABILITIES AND EQUITY**

**Current liabilities**
- Trade and other payables 20
  - Group: 805,315
  - Company: 1,541
  - 2013: 839,118
  - 2012: 1,022

**Non-current liability**
- Deferred income 21
  - Group: 453
  - Company: -
  - 2013: 518
  - 2012: -

**Capital and reserves**
- Share capital 22
  - Group: 661,153
  - Company: 661,153
  - 2013: 609,230
  - 2012: 609,230
- Accumulated losses
  - Group: (222,282)
  - Company: (224,446)
  - 2013: (243,520)
  - 2012: (214,175)

**Total equity**
- Group: 438,871
- Company: 436,707
- 2013: 365,710
- 2012: 395,055

**Total liabilities and equity**
- Group: 1,244,639
- Company: 438,248
- 2013: 1,205,346
- 2012: 396,077

The accompanying notes form an integral part of these financial statements.
<table>
<thead>
<tr>
<th>Share capital</th>
<th>Reserve fund</th>
<th>Accumulated losses</th>
<th>Equity attributable to equity holders of the Company</th>
<th>Non-controlling interests</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>RMB’000</td>
<td>RMB’000</td>
<td>RMB’000</td>
<td>RMB’000</td>
<td>RMB’000</td>
<td>RMB’000</td>
</tr>
<tr>
<td><strong>Group</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at 1 January 2012</td>
<td>609,230</td>
<td>26,064</td>
<td>(270,908)</td>
<td>364,386</td>
<td>(217)</td>
</tr>
<tr>
<td>Profit and total comprehensive income for the year</td>
<td>–</td>
<td>–</td>
<td>1,324</td>
<td>1,324</td>
<td>217</td>
</tr>
<tr>
<td>Transfer from reserve fund arising from amalgamation of 2 wholly owned subsidiary companies</td>
<td>–</td>
<td>(26,064)</td>
<td>26,064</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Balance at 31 December 2012</td>
<td>609,230</td>
<td>–</td>
<td>(243,520)</td>
<td>365,710</td>
<td>–</td>
</tr>
<tr>
<td>Profit and total comprehensive income for the year</td>
<td>–</td>
<td>–</td>
<td>21,238</td>
<td>21,238</td>
<td>–</td>
</tr>
<tr>
<td>Issuance of ordinary shares:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Share placement, net of expenses</td>
<td>51,923</td>
<td>–</td>
<td>–</td>
<td>51,923</td>
<td>–</td>
</tr>
<tr>
<td><strong>Balance at 31 December 2013</strong></td>
<td><strong>661,153</strong></td>
<td>–</td>
<td>(222,282)</td>
<td><strong>438,871</strong></td>
<td>–</td>
</tr>
</tbody>
</table>

The accompanying notes form an integral part of these financial statements.
# Statement of Changes in Equity

For the financial year ended 31 December 2013

<table>
<thead>
<tr>
<th>Share capital</th>
<th>Accumulated losses</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>RMB'000</td>
<td>RMB'000</td>
<td>RMB'000</td>
</tr>
<tr>
<td><strong>Company</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at 1 January 2012</td>
<td>609,230</td>
<td>(207,296)</td>
</tr>
<tr>
<td>Loss and total comprehensive loss for the year</td>
<td>-</td>
<td>(6,879)</td>
</tr>
<tr>
<td>Balance at 31 December 2012</td>
<td>609,230</td>
<td>(214,175)</td>
</tr>
<tr>
<td>Loss and total comprehensive loss for the year</td>
<td>-</td>
<td>(10,271)</td>
</tr>
<tr>
<td>Issuance of ordinary shares:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Share placement, net of expenses</td>
<td>51,923</td>
<td>-</td>
</tr>
<tr>
<td><strong>Balance at 31 December 2013</strong></td>
<td><strong>661,153</strong></td>
<td><strong>(224,446)</strong></td>
</tr>
</tbody>
</table>

The accompanying notes form an integral part of these financial statements.
**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the financial year ended 31 December 2013

<table>
<thead>
<tr>
<th>Note</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit before tax</td>
<td>21,238</td>
<td>1,566</td>
</tr>
<tr>
<td>Adjustments for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortisation of deferred income</td>
<td>(65)</td>
<td>(64)</td>
</tr>
<tr>
<td>Amortisation of land use rights</td>
<td>933</td>
<td>933</td>
</tr>
<tr>
<td>Depreciation of property, plant and equipment</td>
<td>27,443</td>
<td>26,673</td>
</tr>
<tr>
<td>Interest expense</td>
<td>-</td>
<td>226</td>
</tr>
<tr>
<td>Interest income</td>
<td>(2,524)</td>
<td>(3,145)</td>
</tr>
<tr>
<td>Loss on disposal of property, plant and equipment</td>
<td>37</td>
<td>160</td>
</tr>
<tr>
<td>Loss/(gain) on foreign exchange</td>
<td>461</td>
<td>(447)</td>
</tr>
<tr>
<td>Share of results of associated companies</td>
<td>(3,762)</td>
<td>(2,404)</td>
</tr>
<tr>
<td>Operating cash flows before movements in working capital</td>
<td>43,761</td>
<td>23,498</td>
</tr>
<tr>
<td>Inventories</td>
<td>(1,265)</td>
<td>6,775</td>
</tr>
<tr>
<td>Receivables</td>
<td>2,994</td>
<td>(170,017)</td>
</tr>
<tr>
<td>Payables</td>
<td>(12,730)</td>
<td>(80,325)</td>
</tr>
<tr>
<td>Cash generated from/(used in) operations</td>
<td>32,760</td>
<td>(220,069)</td>
</tr>
<tr>
<td>Interest paid</td>
<td>-</td>
<td>(226)</td>
</tr>
<tr>
<td>Interest received</td>
<td>2,524</td>
<td>3,145</td>
</tr>
<tr>
<td>Income tax paid</td>
<td>-</td>
<td>(34)</td>
</tr>
<tr>
<td><strong>Net cash generated from/(used in) operating activities</strong></td>
<td>35,284</td>
<td>(217,184)</td>
</tr>
</tbody>
</table>

| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment | (17,887) | (31,220) |
| Proceeds from disposal of property, plant and equipment | 38 | 223 |
| Investment in an associated company | (40,000) | - |
| **Net cash used in investing activities** | (57,849) | (30,997) |

| **Cash flows from financing activities** | | |
| Proceeds from issuance of ordinary shares, net of expenses | 51,923 | - |
| (Increase)/decrease in pledged fixed deposits | (5,000) | 74,855 |
| Net (repayment to)/advances from related parties | (14,893) | 174,639 |
| **Net cash generated from financing activities** | 32,030 | 249,494 |

| **Net increase in cash and cash equivalents** | | |
| Cash and cash equivalents at beginning of the year | 18,941 | 17,215 |
| Effects of exchange rate changes on cash and cash equivalents | (518) | 413 |
| **Cash and cash equivalents at end of the year** | 27,888 | 18,941 |

Note A - Purchase of property, plant and equipment

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aggregate cost of property, plant and equipment acquired</td>
<td>11,771</td>
<td>15,477</td>
</tr>
<tr>
<td>Add: Outstanding payables at 1 January</td>
<td>24,196</td>
<td>39,939</td>
</tr>
<tr>
<td>Less: Outstanding payables at 31 December</td>
<td>(18,080)</td>
<td>(24,196)</td>
</tr>
<tr>
<td>Net cash outflow for purchase of property, plant and equipment</td>
<td>17,887</td>
<td>31,220</td>
</tr>
</tbody>
</table>

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

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

The registered office and principal place of business of the Company are located at 80 Robinson Road, #02-00, Singapore 068898 and 3 Raffles Place, #05-01 Bharat Building, Singapore 048617, respectively. The principal place of business of the Group is located at Zhangwu Street, Long An District, Anyang City, Henan Province, 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 17. There have been no significant changes in the nature of these activities during the financial year.

2 Summary of significant accounting policies

(a) Going concern

At 31 December 2013, the Group’s current liabilities exceeded its current assets by RMB211.75 million (2012: RMB257.76 million). This factor indicates the existence of a material uncertainty that may cast significant doubt about the Group’s ability to continue as a going concern.

The ability of the Group to continue as a going concern is dependent on:

i) the continuing financial support from Anyang Chemical Industry Group Co., Ltd. (“Anhua”) and Anyang Jiulong Chemical Co., Ltd (“Anyang Jiulong”), both are subsidiary companies of Henan Energy and Chemical Industry Group Co., Ltd, a related party of the Group. The details of the financial support are described in Note 23;

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

iii) the availability of credit facilities from the Group’s lenders over the next twelve months.

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

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

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

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 believes that it has adequate resources to continue its operations as a going concern. For these reasons, the Group continues to adopt the going concern assumption in the preparation of the financial statements.

The financial statements did not include any adjustments that may result in the event that the Group is unable to continue as a going concern. In the event that the Group is unable to continue as a going concern, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the amounts at which they are currently recorded in the statement of financial position. In addition, the Group may have to provide for further liabilities that might arise and to reclassify non-current assets and liabilities as current assets and liabilities.
2 Summary of significant accounting policies (cont’d)

(b) Basis of preparation

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company, expressed in Chinese Renminbi (“RMB”) (rounded to the nearest thousand dollars unless otherwise stated), have been prepared in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards (“FRS”). The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

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

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

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

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

In the current financial year, the Group has adopted all the new and revised FRS and Interpretations of FRS (“INT FRS”) that are relevant to its operations and effective for the current financial year.

The adoption of these new and revised FRS and INT FRS did not have any material effect on the financial results or 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 2013 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.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies at the end of the reporting period. The financial statements of the subsidiary companies are prepared for the same 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.

Subsidiary companies are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.
2 Summary of significant accounting policies (cont'd)

(c) Basis of consolidation (cont'd)

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

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

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

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 subsidiary company that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners).

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 are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific FRS.

Consolidation of the subsidiary companies in PRC are based on the subsidiary companies’ financial statements prepared in accordance with FRS. Profits reflected in the financial statements prepared in accordance with FRS may differ from those reflected in the PRC statutory financial statements of the subsidiary companies, prepared for PRC reporting purposes. In accordance with the relevant laws and regulations, profits available for distribution by the PRC subsidiary companies are based on the amounts stated in the PRC statutory financial statements.
2 Summary of significant accounting policies (cont’d)

(d) Subsidiary companies

A subsidiary company is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. The Group generally has such power when it directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control over another entity.

In the Company’s statement of financial position, investment in subsidiary companies are accounted for at cost less accumulated impairment losses. On disposal of the investment, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

(e) Associated companies

An associated company is an entity over which the Group has significant influence and that is neither a subsidiary company nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Investment in associated companies are accounted for in the consolidated financial statements using the equity method of accounting.

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

In applying the equity method of accounting, the Group’s share of its associated companies’ post-acquisition profits or losses is recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from associated companies are adjusted against the carrying amount of the investment. When the Group’s share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associated company.

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

Where a group entity transacts with an associated company of the Group, profits and losses are eliminated to the extent of the Group’s interest in the relevant associated company.

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

Gains and losses arising from partial disposals or dilutions in investment in associated companies in which significant influence is retained are recognised in profit or loss.

In the Company’s statement of financial position, investment in associated companies are carried at cost less accumulated impairment losses. 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.
2 Summary of significant accounting policies (cont’d)

(f) Goodwill

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

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

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

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

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

(g) Property, plant and equipment

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

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

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

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

Properties in the course of construction for production, or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss until construction or development is completed. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group’s accounting policies (Note 2(u)). Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.
NOTES TO FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

2 Summary of significant accounting policies (cont’d)

(h) Land use rights

Land use rights are initially recognised at cost and subsequently carried at cost less accumulated amortisation and accumulated impairment losses, if any. Land use rights are amortised on a straight line basis over the shorter of remaining years of rights allocated to use the land of 38 to 45 years, respectively or operation period of 5 to 13 years respectively.

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

(i) Impairment of non-financial assets excluding goodwill

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is recognised in other comprehensive income up to the amount of any previous revaluation.

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

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads based on normal operating capacity but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.
NOTES TO FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

2 Summary of significant accounting policies (cont’d)

(k) Leases

(1) When a group entity is the lessee:

Finance leases

Leases of property, plant and equipment where the Group assumes substantially all
the risks and rewards incidental to ownership are classified as finance leases. Finance
leases are capitalised at the inception of the lease at the lower of the fair value of the
leased asset or the present value of the minimum lease payments. Each lease payment
is allocated between reduction of the liability and finance charges. The corresponding
rental obligations, net of finance charges, are included in borrowings. The interest element
of the finance cost 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.

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.

(l) Financial assets

Classification

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

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

Recognition and derecognition

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

(l) Financial assets (cont’d)

*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.

Interest income on loans and receivables are recognised in profit or loss.

*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.

(m) Cash and cash equivalents

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

(n) Financial liabilities

Financial liabilities include trade and other payables (excluding trade bills payables and advances from customers). Financial liabilities are recognised on the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instruments. Financial liabilities are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is extinguished. Gains and losses are recognised in profit or loss when the liabilities are derecognised and through the amortisation process.
2 Summary of significant accounting policies (cont’d)

(o) Provisions for other liabilities

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

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

(p) Share capital

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

(q) Reserve fund

In accordance with the relevant laws and regulations in the 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 sale of goods and rendering of services, net of sales related taxes, rebates and discounts, 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.

Sale 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.
2 Summary of significant accounting policies (cont’d)

(r) Revenue recognition (cont’d)

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

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

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

(s) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statements 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. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable or recoverable on the taxable income for the current year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable or recoverable in respect of previous years.
2 Summary of significant accounting policies (cont’d)

(v) Income taxes (cont’d)

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

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

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

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

Deferred income tax is charged or credited to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

(w) Foreign currencies

Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which that entity operates (the “functional currency”). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in RMB, which is the functional currency of the principal entities in PRC and the Company.

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 incur 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.
2 Summary of significant accounting policies (cont’d)

(y) Related parties

A related party is defined as follows:

a) A person or a close member of that person’s family is related to the Group and the Company if that person:

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Group or the Company or a parent of the Company.

b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) the entity and the Company are members of the same group (which means that each parent, subsidiary company and fellow subsidiary company is related to the others).

(ii) one entity is associated company or joint venture of other entity (or associated company or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is associated company of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3 Critical accounting judgments and key sources of estimation uncertainty

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

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.
Key sources of estimation uncertainty (cont'd)

Property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values.

The Group reviews the useful lives and residual values of property, plant and equipment at the end of each reporting period in accordance with the accounting policy in Note 2(g). The estimation of the useful lives and residual values involves assumptions concerning the future and estimations of the assets common life expectancies and expected level of usage.

Any changes in the expected useful lives of these assets would affect the carrying amount of property, plant and equipment, and the depreciation charge for the financial year.

The carrying amount of property, plant and equipment at 31 December 2013 and the depreciation charge for the financial year ended 31 December 2013 are disclosed in Note 16.

The Group assesses whether there are any indicators for impairment for property, plant and equipment in accordance with the accounting policy in Note 2(i). Where indicators exist, the recoverable amounts of property, plant and equipment are determined based on value-in-use calculations. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. These calculations require the use of judgments and estimates.

The recoverable amounts of property, plant and equipment are determined based on value-in-use calculations, using the pre-tax discount rate of 19% (2012: 19%). The key assumptions for the value-in-use computations are those regarding the sales volume, gross margin and discount rate. The sensitivity analysis on the changes in key assumptions on the recoverable amounts of the property, plant and equipment are as follows:

<table>
<thead>
<tr>
<th>Changes in key assumption</th>
<th>Increase/(decrease) in recoverable amounts of the property, plant and equipment RMB'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales volume</td>
<td></td>
</tr>
<tr>
<td>- 5% higher</td>
<td>13,874</td>
</tr>
<tr>
<td>- 5% lower</td>
<td></td>
</tr>
<tr>
<td>Gross margin</td>
<td></td>
</tr>
<tr>
<td>- 5% higher</td>
<td>13,891</td>
</tr>
<tr>
<td>- 5% lower</td>
<td></td>
</tr>
<tr>
<td>Discount rate</td>
<td></td>
</tr>
<tr>
<td>- 5% higher</td>
<td>(3,478)</td>
</tr>
<tr>
<td>- 5% lower</td>
<td></td>
</tr>
</tbody>
</table>
3 Critical accounting judgments and key sources of estimation uncertainty (cont’d)

Key sources of estimation uncertainty (cont’d)

Deferred income tax assets

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 against which the deductible temporary differences can be utilised and that the Group is able to satisfy the continuing ownership test.

Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits. The carrying value of deferred tax assets recognised and the unrecognised potential deferred tax assets of the Group at 31 December 2013 are disclosed in Note 19.

Impairment of investments in subsidiary companies and associated companies

Determining whether investments in subsidiary companies and associated companies are impaired requires an estimation of the value-in-use of those investments. The value-in-use calculation requires the Company to estimate the future cash flows expected from these investments and an appropriate discount rate in order to calculate the present value of the future cash flows. Management has evaluated the recoverability of the investment based on such estimates and is confident that the allowance for impairment, where necessary, is adequate. The carrying amount of the Company’s investment in subsidiary companies at 31 December 2013 is disclosed in Note 17. The carrying amounts of the Group’s and the Company’s investment in associated companies is disclosed in Note 18.

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 19% (2012: 19%).

Allowance for inventories

Management determines whether an allowance is required for any shortfall in net realisable value of inventories by reviewing the inventory listing on a periodic basis. The review involves a comparison of the carrying value of the inventory items with the respective net realisable value as well as the forecasted demand for the inventories. Following the review, management sets up the necessary allowance for any shortfall in the net realisable value of the inventories. The carrying amount of the Group’s inventories at 31 December 2013 and the amount of inventories written down for the financial year are disclosed in Note 14.

Allowance for doubtful receivables

The Group makes allowance for doubtful receivables based on an assessment of the recoverability of its trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgments and estimates, including creditworthiness and the past collection history of each debtor. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade and other receivables and doubtful debts expenses in the period in which such estimate has been changed. The carrying amounts of trade and other receivables are disclosed in Note 13.
NOTES TO FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

4 Revenue

Revenue represents the amount received or receivable from sales of goods, net of sales return and sales related taxes. Revenue of the Group excludes transactions within the Group.

5 Other income

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>RMB’000</td>
<td>RMB’000</td>
</tr>
<tr>
<td>Interest income</td>
<td></td>
<td>2,524</td>
<td>3,145</td>
</tr>
<tr>
<td>Rental income:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Rental of property, plant</td>
<td></td>
<td>1,898</td>
<td>1,999</td>
</tr>
<tr>
<td>and equipment to related</td>
<td></td>
<td>236</td>
<td>288</td>
</tr>
<tr>
<td>party</td>
<td></td>
<td>1,132</td>
<td>-</td>
</tr>
<tr>
<td>- Others</td>
<td></td>
<td>2632</td>
<td>276</td>
</tr>
<tr>
<td>Income from sale of waste</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>materials</td>
<td></td>
<td>6,174</td>
<td>6,148</td>
</tr>
<tr>
<td>Insurance claims</td>
<td></td>
<td>200</td>
<td>169</td>
</tr>
<tr>
<td>Amortisation of deferred</td>
<td></td>
<td>65</td>
<td>64</td>
</tr>
<tr>
<td>income (Note 21)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net gain on foreign exchange</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service fee</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>14,861</td>
<td>12,458</td>
</tr>
</tbody>
</table>

6 Other expenses

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>RMB’000</td>
<td>RMB’000</td>
</tr>
<tr>
<td>Allowance for doubtful</td>
<td></td>
<td>1,148</td>
<td>-</td>
</tr>
<tr>
<td>receivables (Note 13)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss on disposal of property</td>
<td></td>
<td>37</td>
<td>160</td>
</tr>
<tr>
<td>and equipment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net loss on foreign exchange</td>
<td></td>
<td>2,796</td>
<td>-</td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td>110</td>
<td>852</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4,091</td>
<td>1,012</td>
</tr>
</tbody>
</table>

7 Finance costs

Finance costs represent interest expense on bank loans and banking facilities utilised.
8 Profit before tax

Profit before tax is arrived at after charging:

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amortisation of land use rights (Note 15)</td>
<td>933</td>
<td>933</td>
</tr>
<tr>
<td>Auditors’ remuneration paid/payable to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- auditor of the Company</td>
<td>983</td>
<td>928</td>
</tr>
<tr>
<td>- other auditors of the Group</td>
<td>419</td>
<td>135</td>
</tr>
<tr>
<td>Depreciation of property, plant and equipment (Note 16)</td>
<td>27,443</td>
<td>26,673</td>
</tr>
<tr>
<td>Fees for non-audit services paid/payable to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- auditor of the Company</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- other auditors of the Group</td>
<td>-</td>
<td>20</td>
</tr>
<tr>
<td>Staff costs (Note 9)</td>
<td>26,474</td>
<td>23,299</td>
</tr>
<tr>
<td>Operating leases expenses</td>
<td>728</td>
<td>1,621</td>
</tr>
<tr>
<td>Transportation charges</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

9 Staff costs

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors of the Company</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Fees</td>
<td>813</td>
<td>760</td>
</tr>
<tr>
<td>- Salaries, bonus and other benefits</td>
<td>2,316</td>
<td>2,382</td>
</tr>
<tr>
<td>- Defined contribution benefits</td>
<td>85</td>
<td>66</td>
</tr>
<tr>
<td>Directors of the subsidiary companies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Salaries and bonus</td>
<td>229</td>
<td>123</td>
</tr>
<tr>
<td>- Defined contribution benefits</td>
<td>27</td>
<td>21</td>
</tr>
<tr>
<td>Key management personnel (non-directors)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Salaries and bonus</td>
<td>1,202</td>
<td>1,329</td>
</tr>
<tr>
<td>- Defined contribution benefits</td>
<td>164</td>
<td>224</td>
</tr>
<tr>
<td>Other personnel</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Salaries, bonus and other benefits</td>
<td>17,065</td>
<td>13,682</td>
</tr>
<tr>
<td>- Defined contribution benefits</td>
<td>4,573</td>
<td>4,712</td>
</tr>
<tr>
<td></td>
<td>26,474</td>
<td>23,299</td>
</tr>
</tbody>
</table>
NOTES TO FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

10 Tax expense

Tax expense represents current year’s income tax.

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

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2012</td>
</tr>
<tr>
<td></td>
<td>RMB’000</td>
<td>RMB’000</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>21,238</td>
<td>1,566</td>
</tr>
<tr>
<td>Share of results of associated companies</td>
<td>(3,762)</td>
<td>(2,404)</td>
</tr>
<tr>
<td>Profit/(loss) before tax excluded share of results of associated companies</td>
<td>17,476</td>
<td>(838)</td>
</tr>
<tr>
<td>Tax at the domestic rates applicable to profit/(loss) in the countries where the Group operates</td>
<td>5,049</td>
<td>339</td>
</tr>
<tr>
<td>Singapore statutory stepped income exemption</td>
<td>-</td>
<td>(15)</td>
</tr>
<tr>
<td>Expenses not deductible for tax purposes</td>
<td>1,795</td>
<td>1,377</td>
</tr>
<tr>
<td>Utilisation of previously unrecognised deferred tax assets</td>
<td>(6,844)</td>
<td>(1,676)</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>25</td>
</tr>
</tbody>
</table>

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% (2012: 17%).

Pursuant to the relevant laws and regulations in the 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% (2012: 25%).

11 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:

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2012</td>
</tr>
<tr>
<td></td>
<td>RMB’000</td>
<td>RMB’000</td>
</tr>
<tr>
<td>Profit for the year attributable to equity holders of the Company</td>
<td>21,238</td>
<td>1,324</td>
</tr>
<tr>
<td>Weighted average number of ordinary shares</td>
<td>1,795,222</td>
<td>1,655,444</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>1.18</td>
<td>0.08</td>
</tr>
</tbody>
</table>

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 2013 and 31 December 2012.
NOTES TO FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

12 Cash and cash equivalents

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RMB'000</td>
<td>RMB'000</td>
<td>RMB'000</td>
<td>RMB'000</td>
</tr>
<tr>
<td>Cash on hand and at bank</td>
<td>17,141</td>
<td>11,231</td>
<td>701</td>
<td>1,393</td>
</tr>
<tr>
<td>Fixed deposits</td>
<td>53,747</td>
<td>45,710</td>
<td>10,747</td>
<td>7,710</td>
</tr>
<tr>
<td></td>
<td>70,888</td>
<td>56,941</td>
<td>11,448</td>
<td>9,103</td>
</tr>
<tr>
<td>Pledged fixed deposits</td>
<td>(43,000)</td>
<td>(38,000)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cash and cash equivalents in the consolidated statement of cash flows</td>
<td>27,888</td>
<td>18,941</td>
<td>11,448</td>
<td>9,103</td>
</tr>
</tbody>
</table>

Fixed deposits, except for the amounts pledged to secure bills payables to bank (Note 20), bear interest rates ranging from 0.12% to 0.68% (2012: 0.12% to 0.26%) per annum with maturity dates of three months or less. The pledged fixed deposits will be released upon the settlement of the bills payables on maturity date. The carrying amounts of these assets approximates their fair values.

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:

<table>
<thead>
<tr>
<th></th>
<th>Group 2013</th>
<th>Group 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RMB'000</td>
<td>RMB'000</td>
</tr>
<tr>
<td>Singapore dollars</td>
<td>11,366</td>
<td>9,015</td>
</tr>
<tr>
<td>United States dollars</td>
<td>82</td>
<td>88</td>
</tr>
</tbody>
</table>

13 Trade and other receivables

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RMB'000</td>
<td>RMB'000</td>
<td>RMB'000</td>
<td>RMB'000</td>
</tr>
<tr>
<td>Trade receivables from:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Outside parties</td>
<td>36,489</td>
<td>43,025</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Related parties</td>
<td>1,608</td>
<td>2,487</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Trade bills receivables</td>
<td>427,208</td>
<td>415,196</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>465,305</td>
<td>460,708</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Less: Allowance for doubtful receivables - outside parties</td>
<td>(4,389)</td>
<td>(3,241)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total trade receivables, net</td>
<td>460,916</td>
<td>457,467</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Advance payments to suppliers:

- Outside parties | 22 | 9,311 | - | - |
- Advance to associated company | 13,627 | - | - | - |
- Value-added tax recoverable | 1,062 | 11,571 | - | - |
- Income tax recoverable | 2,166 | 2,166 | - | - |
- Prepayments | 41 | 12 | - | - |
- Refundable deposits | 64 | 229 | 64 | 229 |
- Others | 809 | 952 | - | - |

478,707 | 481,708 | 64 | 229 |
NOTES TO FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

13 Trade and other receivables (cont’d)

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of the year</td>
<td>3,241</td>
<td>3,241</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Allowance made and recognised in profit or loss (Note 6)</td>
<td>1,148</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Balance at end of the year</td>
<td>4,389</td>
<td>3,241</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>Currency</th>
<th>2013 RMB’000</th>
<th>2012 RMB’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singapore dollars</td>
<td>64</td>
<td>229</td>
</tr>
</tbody>
</table>

The average credit period on sales of goods is 90 days (2012: 90 days). No interest is charged on the overdue trade receivables. The Group’s trade bills receivables are non-interest bearing and are normally settled on terms of 90 to 180 days.

Included in the Group’s trade bills receivables are trade bills receivables amounting to RMB399.01 million (2012: RMB403.52 million) that have been endorsed as payments made to the suppliers. These trade bills receivables have yet to mature at the end of the reporting period (Note 20).

Included in the Group’s trade receivables are debtors totalling RMB5.79 million (2012: RMB3.75 million) which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful receivables. There has not been a significant change in credit qualities and the management believes that amounts are still considered recoverable. The Group does not hold any collateral over these balances. For those balances which are neither past due nor impaired, management believes that they are with creditworthy counterparties.

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

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

<table>
<thead>
<tr>
<th></th>
<th>Group 2013</th>
<th>Group 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not past due and not impaired</td>
<td>454,457</td>
<td>453,716</td>
</tr>
<tr>
<td>Past due but not impaired (i)</td>
<td>5,791</td>
<td>3,751</td>
</tr>
<tr>
<td>Impaired receivables - individually assessed (ii)</td>
<td>5,057</td>
<td>3,241</td>
</tr>
<tr>
<td>Less: Allowance for doubtful receivables (4,389)</td>
<td>(3,241)</td>
<td></td>
</tr>
<tr>
<td>Total trade receivables, net</td>
<td>460,916</td>
<td>457,467</td>
</tr>
</tbody>
</table>
13 Trade and other receivables (cont’d)

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

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Past due 1 day to 30 days</td>
<td>371</td>
<td>1,177</td>
</tr>
<tr>
<td>Past due 30 days to 275 days</td>
<td>2,508</td>
<td>2,457</td>
</tr>
<tr>
<td>Past due above 275 days</td>
<td>2,912</td>
<td>117</td>
</tr>
<tr>
<td></td>
<td>5,791</td>
<td>3,751</td>
</tr>
</tbody>
</table>

(ii) These amounts are stated before any deduction for impairment losses. Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties or have defaulted on payments.

14 Inventories

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw materials, at cost</td>
<td>10,858</td>
<td>15,066</td>
</tr>
<tr>
<td>Finished goods, at cost or net realisable value</td>
<td>33,114</td>
<td>27,641</td>
</tr>
<tr>
<td></td>
<td>43,972</td>
<td>42,707</td>
</tr>
</tbody>
</table>

Cost of inventories recognised as an expense in cost of sales

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>912,650</td>
<td>885,283</td>
</tr>
</tbody>
</table>

The cost of inventories recognised as an expense in cost of sales included an amount of RMBNil (2012: RMB0.06 million) in respect of write downs of inventories to net realisable value.
NOTES TO FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

15 Land use rights

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2012</td>
<td></td>
</tr>
<tr>
<td></td>
<td>RMB’000</td>
<td>RMB’000</td>
<td></td>
</tr>
<tr>
<td><strong>Cost</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January and 31 December</td>
<td>14,936</td>
<td>14,936</td>
<td></td>
</tr>
<tr>
<td><strong>Accumulated amortisation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January</td>
<td>4,923</td>
<td>3,990</td>
<td></td>
</tr>
<tr>
<td>Amortisation for the year (Note 8)</td>
<td>933</td>
<td>933</td>
<td></td>
</tr>
<tr>
<td>At 31 December</td>
<td>5,856</td>
<td>4,923</td>
<td></td>
</tr>
<tr>
<td><strong>Carrying amount</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 31 December</td>
<td>9,080</td>
<td>10,013</td>
<td></td>
</tr>
<tr>
<td><strong>Amount to be amortised</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Not later than one financial year</td>
<td>933</td>
<td>933</td>
<td></td>
</tr>
<tr>
<td>- Later than one financial year but not later than five financial years</td>
<td>3,521</td>
<td>3,734</td>
<td></td>
</tr>
<tr>
<td>- Later than five financial years</td>
<td>4,626</td>
<td>5,346</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>9,080</td>
<td>10,013</td>
<td></td>
</tr>
</tbody>
</table>

The details of the land use rights as at 31 December 2013 are as follows:

<table>
<thead>
<tr>
<th>Location</th>
<th>Lease period</th>
<th>Land area (square metre)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zhangwu Street, Long An</td>
<td>50 years from August 2001</td>
<td>20,833</td>
</tr>
<tr>
<td>District, Anyang City, Henan Province, PRC</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dabai Highway West, Tianchi</td>
<td>50 years from December 2007</td>
<td>10,487</td>
</tr>
<tr>
<td>Village, Shuiye Town, Anyang City, Henan City, Henan Province, PRC</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Zhangwu Street, Long An</td>
<td>47 years from December 2007</td>
<td>49,875</td>
</tr>
<tr>
<td>District, Anyang City, Henan Province, PRC</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Choumou Chemical Concentration Zone, Belgiao Village, Liyang City, Jiangsu Province, PRC</td>
<td>50 years from December 2008</td>
<td>12,917</td>
</tr>
</tbody>
</table>
### Property, plant and equipment

<table>
<thead>
<tr>
<th></th>
<th>Leasehold buildings</th>
<th>Machinery and equipment</th>
<th>Motor vehicles</th>
<th>Construction-in-progress</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RMB’000</td>
<td>RMB’000</td>
<td>RMB’000</td>
<td>RMB’000</td>
<td>RMB’000</td>
</tr>
<tr>
<td><strong>Group</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cost</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2012</td>
<td>92,864</td>
<td>482,828</td>
<td>7,306</td>
<td>9,643</td>
<td>592,641</td>
</tr>
<tr>
<td>Additions</td>
<td>–</td>
<td>1,710</td>
<td>552</td>
<td>13,215</td>
<td>15,477</td>
</tr>
<tr>
<td>Disposals</td>
<td>–</td>
<td>(704)</td>
<td>–</td>
<td>(144)</td>
<td>(848)</td>
</tr>
<tr>
<td>Reclassifications</td>
<td>(163)</td>
<td>442</td>
<td>(279)</td>
<td>(27)</td>
<td>(27)</td>
</tr>
<tr>
<td>At 31 December 2012</td>
<td>92,701</td>
<td>484,276</td>
<td>7,579</td>
<td>22,687</td>
<td>607,243</td>
</tr>
<tr>
<td>Additions</td>
<td>–</td>
<td>9,282</td>
<td>209</td>
<td>2,280</td>
<td>11,771</td>
</tr>
<tr>
<td>Disposals</td>
<td>–</td>
<td>(226)</td>
<td>–</td>
<td>–</td>
<td>(226)</td>
</tr>
<tr>
<td>Reclassifications</td>
<td>–</td>
<td>4,082</td>
<td>–</td>
<td>(4,082)</td>
<td>–</td>
</tr>
<tr>
<td>At 31 December 2013</td>
<td>92,701</td>
<td>497,414</td>
<td>7,788</td>
<td>20,885</td>
<td>618,788</td>
</tr>
<tr>
<td><strong>Accumulated depreciation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2012</td>
<td>13,795</td>
<td>148,006</td>
<td>4,223</td>
<td>–</td>
<td>166,024</td>
</tr>
<tr>
<td>Depreciation charge</td>
<td>3,102</td>
<td>22,703</td>
<td>868</td>
<td>–</td>
<td>26,673</td>
</tr>
<tr>
<td>Disposals</td>
<td>–</td>
<td>(178)</td>
<td>–</td>
<td>–</td>
<td>(178)</td>
</tr>
<tr>
<td>Reclassifications</td>
<td>1,120</td>
<td>292</td>
<td>(1,439)</td>
<td>–</td>
<td>(27)</td>
</tr>
<tr>
<td>At 31 December 2012</td>
<td>18,017</td>
<td>170,823</td>
<td>3,652</td>
<td>–</td>
<td>192,492</td>
</tr>
<tr>
<td>Depreciation charge</td>
<td>3,048</td>
<td>23,478</td>
<td>917</td>
<td>–</td>
<td>27,443</td>
</tr>
<tr>
<td>Disposals</td>
<td>–</td>
<td>(111)</td>
<td>–</td>
<td>–</td>
<td>(111)</td>
</tr>
<tr>
<td>At 31 December 2013</td>
<td>21,065</td>
<td>194,190</td>
<td>4,569</td>
<td>–</td>
<td>219,824</td>
</tr>
<tr>
<td><strong>Accumulated impairment losses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2012</td>
<td>–</td>
<td>102,000</td>
<td>–</td>
<td>–</td>
<td>102,000</td>
</tr>
<tr>
<td>Disposals</td>
<td>–</td>
<td>(287)</td>
<td>–</td>
<td>–</td>
<td>(287)</td>
</tr>
<tr>
<td>At 31 December 2012</td>
<td>–</td>
<td>101,713</td>
<td>–</td>
<td>–</td>
<td>101,713</td>
</tr>
<tr>
<td>Disposals</td>
<td>–</td>
<td>(40)</td>
<td>–</td>
<td>–</td>
<td>(40)</td>
</tr>
<tr>
<td>At 31 December 2013</td>
<td>–</td>
<td>101,673</td>
<td>–</td>
<td>–</td>
<td>101,673</td>
</tr>
<tr>
<td><strong>Carrying amount</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 31 December 2013</td>
<td>71,636</td>
<td>201,551</td>
<td>3,219</td>
<td>20,885</td>
<td>297,291</td>
</tr>
<tr>
<td>At 31 December 2012</td>
<td>74,684</td>
<td>211,740</td>
<td>3,927</td>
<td>22,687</td>
<td>313,038</td>
</tr>
</tbody>
</table>
NOTES TO FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

16 Property, plant and equipment (cont’d)

<table>
<thead>
<tr>
<th>Company</th>
<th>Machinery and equipment RMB’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td></td>
</tr>
<tr>
<td>At 1 January 2012, 31 December 2012 and 31 December 2013</td>
<td>795</td>
</tr>
</tbody>
</table>

Accumulated depreciation

<table>
<thead>
<tr>
<th>Company</th>
<th>Machinery and equipment RMB’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accumulated depreciation</td>
<td></td>
</tr>
<tr>
<td>At 1 January 2012</td>
<td>781</td>
</tr>
<tr>
<td>Depreciation charge</td>
<td>5</td>
</tr>
<tr>
<td>At 31 December 2012</td>
<td>786</td>
</tr>
<tr>
<td>Depreciation charge</td>
<td>9</td>
</tr>
<tr>
<td>At 31 December 2013</td>
<td>795</td>
</tr>
</tbody>
</table>

Carrying amount

<table>
<thead>
<tr>
<th>Company</th>
<th>Machinery and equipment RMB’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying amount</td>
<td></td>
</tr>
<tr>
<td>At 31 December 2013</td>
<td>–</td>
</tr>
<tr>
<td>At 31 December 2012</td>
<td>9</td>
</tr>
</tbody>
</table>

17 Investment in subsidiary companies

<table>
<thead>
<tr>
<th>Company</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>RMB’000</td>
<td>RMB’000</td>
<td></td>
</tr>
<tr>
<td>Unquoted equity shares, at cost</td>
<td>265,724</td>
<td>265,724</td>
</tr>
<tr>
<td>Impairment losses</td>
<td>(178,697)</td>
<td>(178,697)</td>
</tr>
<tr>
<td>87,027</td>
<td>87,027</td>
<td></td>
</tr>
</tbody>
</table>

The details of the subsidiary companies are as follows:

<table>
<thead>
<tr>
<th>Subsidiary company</th>
<th>Effective of equity held</th>
<th>Principal activities (Place of establishment/operation)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2012</td>
</tr>
<tr>
<td>Anyang Jiutian Fine Chemical Co., Ltd* (“Anyang Jiutian”)</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Changzhou Jiutian Xiean Chemical Co., Ltd (“Changzhou Jiutian”)</td>
<td>80</td>
<td>80</td>
</tr>
</tbody>
</table>

* With effect from 7 September 2012, Anyang Jiutian and Anyang Jiuyang Chemical Co., Ltd 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 Splitting of Foreign-funded Enterprises.

The subsidiary companies are audited by Baker Tilly TFW LLP for the purpose of preparation of the consolidated financial statements of the Group.
NOTES TO FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

18 Investment in associated companies

<table>
<thead>
<tr>
<th>Associated company</th>
<th>Effective of equity held</th>
<th>Principal activities (Place of establishment/operation)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2012</td>
</tr>
<tr>
<td>Anyang Jiulong Chemical Co., Ltd (&quot;Anyang Jiulong&quot;)</td>
<td>49</td>
<td>49</td>
</tr>
<tr>
<td>Anyang Jiuju Chemical Technology Co., Ltd (&quot;Anyang Jiuju&quot;)#</td>
<td>74</td>
<td>–</td>
</tr>
</tbody>
</table>

# In 2013, the Company and Anyang Jiulong had incorporated Anyang Jiuju to undertake the sodium hydrosulfite project. The Company’s direct ownership interest in Anyang Jiuju is 49% and the remaining interest in Anyang Jiuju is owned by Anyang Jiulong. Therefore, the Group’s effective interest in Anyang Jiuju is 74%.

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

The summarised financial information of the Group’s associated companies which is not adjusted for the percentage of ownership interest held by the Group are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
</tr>
<tr>
<td></td>
<td>RMB’000</td>
</tr>
<tr>
<td>Statement of financial position information</td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>785,121</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>(98,940)</td>
</tr>
<tr>
<td>Net assets</td>
<td>686,181</td>
</tr>
<tr>
<td>Group’s share of associated companies’ net assets</td>
<td>336,225</td>
</tr>
<tr>
<td>Profit or loss information</td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>225,657</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>7,677</td>
</tr>
<tr>
<td>Group’s share of associated companies’ results for the year</td>
<td>3,762</td>
</tr>
</tbody>
</table>
19 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:

<table>
<thead>
<tr>
<th></th>
<th>Deferred income</th>
<th>Accelerated accounting depreciation</th>
<th>Tax losses</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January 2012</td>
<td>145</td>
<td>3,593</td>
<td>4,738</td>
<td>8,476</td>
</tr>
<tr>
<td>(Charge)/credit to profit or loss for the year</td>
<td>(16)</td>
<td>(286)</td>
<td>302</td>
<td>0</td>
</tr>
<tr>
<td>At 31 December 2012</td>
<td>129</td>
<td>3,307</td>
<td>5,040</td>
<td>8,476</td>
</tr>
<tr>
<td>(Charge)/credit to profit or loss for the year</td>
<td>(16)</td>
<td>5,056</td>
<td>(5,040)</td>
<td>0</td>
</tr>
<tr>
<td>At 31 December 2013</td>
<td>113</td>
<td>8,363</td>
<td>0</td>
<td>8,476</td>
</tr>
</tbody>
</table>

At the end of the reporting period, the Group has unutilised tax losses of RMB104.71 million (2012: RMB127.72 million) that 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. Deferred tax asset has been recognised in respect of RMBNil (2012: RMB20.16 million) of such losses.

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:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unabsorbed tax losses</td>
<td>104,705</td>
<td>107,558</td>
</tr>
<tr>
<td>Accelerated accounting depreciation</td>
<td>43,327</td>
<td>71,471</td>
</tr>
<tr>
<td>Others</td>
<td>3,721</td>
<td>3,304</td>
</tr>
<tr>
<td></td>
<td><strong>151,753</strong></td>
<td><strong>182,333</strong></td>
</tr>
</tbody>
</table>

The potential deferred tax assets have not been recognised in the financial statements as:

(i) the available for carry forward of the unabsorbed tax losses are still subject to the agreement of the tax authorities and compliance with certain provisions of tax legislation; and

(ii) 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.
20 Trade and other payables

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RMB’000</td>
<td>RMB’000</td>
<td>RMB’000</td>
<td>RMB’000</td>
</tr>
<tr>
<td>Trade payables due to:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Outside parties</td>
<td>41,463</td>
<td>43,019</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Associated company</td>
<td>112,819</td>
<td>86,290</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Related parties</td>
<td>-</td>
<td>16,003</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Trade bills payables due to:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Outside parties</td>
<td>136,457</td>
<td>238,156</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Associated company</td>
<td>51,669</td>
<td>76,772</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Related parties</td>
<td>210,881</td>
<td>88,587</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Bills payables to bank</td>
<td>43,000</td>
<td>58,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total trade payables</td>
<td>596,289</td>
<td>606,827</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Advances from customers</td>
<td>12,648</td>
<td>14,013</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Advances from related parties</td>
<td>159,746</td>
<td>174,639</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Payable for property, plant and equipment</td>
<td>18,080</td>
<td>24,196</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Accrued operating expenses</td>
<td>3,193</td>
<td>8,535</td>
<td>1,096</td>
<td>1,022</td>
</tr>
<tr>
<td>Security deposits received</td>
<td>1,403</td>
<td>921</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Value added tax payables</td>
<td>153</td>
<td>257</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Rental payable to associated company</td>
<td>7,975</td>
<td>7,431</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Staff related costs</td>
<td>2,290</td>
<td>1,367</td>
<td>317</td>
<td>-</td>
</tr>
<tr>
<td>Others</td>
<td>3,538</td>
<td>932</td>
<td>128</td>
<td>-</td>
</tr>
<tr>
<td>Total trade and other payables</td>
<td>209,026</td>
<td>232,291</td>
<td>1,541</td>
<td>1,022</td>
</tr>
</tbody>
</table>

The average credit period on purchases of goods is 120 days (2012: 120 days).

The Group’s trade bills payables represent trade bills receivables that have been endorsed as payments made to the suppliers. These trade bills receivables have yet to mature at the end of the reporting period (Note 13).

Advances from related parties are unsecured, interest-free and payable on demand.

Bills payables to bank are secured by certain fixed deposits held by the banks as disclosed in Note 12.

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:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RMB’000</td>
<td>RMB’000</td>
<td>RMB’000</td>
<td>RMB’000</td>
</tr>
<tr>
<td>Singapore dollars</td>
<td>1,541</td>
<td>1,022</td>
<td>1,541</td>
<td>1,022</td>
</tr>
</tbody>
</table>
NOTES TO FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

21 Deferred income

<table>
<thead>
<tr>
<th></th>
<th>Group 2013</th>
<th>Group 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RMB’000</td>
<td>RMB’000</td>
</tr>
<tr>
<td>At beginning of the year</td>
<td>518</td>
<td>582</td>
</tr>
<tr>
<td>Credit to profit or loss (Note 5)</td>
<td>(65)</td>
<td>(64)</td>
</tr>
<tr>
<td>At end of the year</td>
<td>453</td>
<td>518</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Group and Company 2013</th>
<th>Group and Company 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RMB’000</td>
<td>RMB’000</td>
</tr>
<tr>
<td>Number of ordinary shares ‘000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issued and paid up capital:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issuance of ordinary shares</td>
<td>163,000</td>
<td>–</td>
</tr>
<tr>
<td>At end of the year</td>
<td>1,818,444</td>
<td>1,655,444</td>
</tr>
</tbody>
</table>

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

The Company issued 163,000,000 new ordinary shares at S$0.0638 per ordinary share for cash on 22 February 2013 to provide funds for the expansion of the Group’s operations. The newly issued shares rank pari passu in all aspects with the previously issued shares.

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 Statelogry Investments Ltd (former shareholder) in the Company. As at 31 December 2013, Anyang Longyu holds 496,715,000 (2012: 474,750,000) ordinary shares through its nominee, DMG & Partners Securities Pte. Ltd., representing approximately 27.32% (2012: 28.68%) of the issued share capital of the Company. 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.

Anyang Longyu is a wholly-owned subsidiary company of Anhua. Anhua is in turn a subsidiary company of Henan Energy and Chemical Industry Group Co., Ltd (“HNEC”). HNEC is one of the PRC’s most significant coal mining company and a significant manufacturer in the chemical industry.

Transactions with HNEC and its subsidiary companies are considered as related party transactions.
23 Related party transactions (cont’d)

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

In March 2013, an agreement was signed by Anyang Jiutian with Anhua where it was agreed that Anhua would not demand for the payments of the trade payables owing to Anhua amounting to RMB15.48 million as at 31 December 2012 till Anyang Jiutian is able to settle its other liabilities.

In March 2014, agreements were signed by Anyang Jiutian with Anhua and Anyang Jiulong where it was agreed that Anhua and Anyang Jiulong would not demand for the payments of the trade and other payables owing to them totalling RMB272.57 million as at 31 December 2013 till Anyang Jiutian is able to settle its other liabilities.

Significant transactions with related parties

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

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RMB’000</td>
<td>RMB’000</td>
</tr>
<tr>
<td>With associated companies (subsidiary company of HNEC)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advances given</td>
<td>13,627</td>
<td>–</td>
</tr>
<tr>
<td>Sales of goods</td>
<td>9,769</td>
<td>1,886</td>
</tr>
<tr>
<td>Purchases of electricity</td>
<td>29,919</td>
<td>35,980</td>
</tr>
<tr>
<td>Purchases of industrial steam</td>
<td>71,538</td>
<td>84,980</td>
</tr>
<tr>
<td>Purchases of spare parts</td>
<td>–</td>
<td>184</td>
</tr>
<tr>
<td>Rental expense</td>
<td>503</td>
<td>520</td>
</tr>
<tr>
<td>Payment on behalf</td>
<td>616</td>
<td>65</td>
</tr>
<tr>
<td>Receipt on behalf</td>
<td>–</td>
<td>20</td>
</tr>
<tr>
<td>With other subsidiary companies of HNEC</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales of goods</td>
<td>1,987</td>
<td>2,850</td>
</tr>
<tr>
<td>Rental income</td>
<td>1,898</td>
<td>1,999</td>
</tr>
<tr>
<td>Purchases of goods and industrial steam</td>
<td>217,370</td>
<td>216,012</td>
</tr>
<tr>
<td>Rental expense</td>
<td>249</td>
<td>249</td>
</tr>
<tr>
<td>Payment/settlement on behalf</td>
<td>14,893</td>
<td>9</td>
</tr>
<tr>
<td>Service fee</td>
<td>1,132</td>
<td>–</td>
</tr>
</tbody>
</table>

Outstanding balances with related parties at the end of the reporting period are disclosed in Note 13 and Note 20 respectively.
NOTES TO FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

24 Financial instruments

(a) Categories of financial instruments

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

<table>
<thead>
<tr>
<th></th>
<th>Group 2013</th>
<th>Company 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RMB’000</td>
<td>RMB’000</td>
</tr>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans and receivables</td>
<td>148,359</td>
<td>11,512</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Group 2012</th>
<th>Company 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RMB’000</td>
<td>RMB’000</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortised cost</td>
<td>123,645</td>
<td>9,332</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Group 2013</th>
<th>Company 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RMB’000</td>
<td>RMB’000</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>393,660</td>
<td>1,541</td>
</tr>
</tbody>
</table>

(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, liquidity and cash flow risk.

Foreign currency risk

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

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RMB’000</td>
<td>RMB’000</td>
<td>RMB’000</td>
<td>RMB’000</td>
</tr>
<tr>
<td>SGD</td>
<td>1,541</td>
<td>1,022</td>
<td>11,430</td>
<td>9,244</td>
</tr>
<tr>
<td>USD</td>
<td>-</td>
<td>-</td>
<td>82</td>
<td>88</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Company Liabilities 2013</th>
<th>Company Assets 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RMB’000</td>
<td>RMB’000</td>
</tr>
<tr>
<td>SGD</td>
<td>1,541</td>
<td>1,022</td>
</tr>
<tr>
<td>USD</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
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:

<table>
<thead>
<tr>
<th>Increase/(decrease) in profit after tax</th>
<th>Group</th>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2012</td>
</tr>
<tr>
<td></td>
<td>RMB’000</td>
<td>RMB’000</td>
</tr>
<tr>
<td></td>
<td>RMB’000</td>
<td>RMB’000</td>
</tr>
<tr>
<td>SGD against RMB</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Strengthened</td>
<td>494</td>
<td>411</td>
</tr>
<tr>
<td>- Weakened</td>
<td>(494)</td>
<td>(411)</td>
</tr>
</tbody>
</table>

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

The Group’s income and operating cash flows are substantially independent of changes in market interest rates except for changes in interest rate of its fixed deposits. The sensitivity analysis for interest rate is not disclosed as the effect on the profit or loss is considered not significant.

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. Other receivables mainly consist of value-added tax recoverable, advance payments to suppliers and advances to associated company.

Further details of credit risks on trade receivables are disclosed in Note 13.

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 amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Group’s maximum exposure to credit risk without taking account of the value of any collateral obtained.
24 Financial instruments (cont’d)

(b) Financial risk management (cont’d)

Liquidity and cash flow risk

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

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

- liquidity forecasts are produced on a weekly basis to ensure utilisation of current forecast is optimised.

- Management continually assesses the balance of capital and debt funding of the Group.

With the above approach, and after considering the measures to preserve cash and secure additional financing as described in Note 2(a), management has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

The financial liabilities of the Group and the Company as presented in the statements of financial position are due within twelve months from the end of the reporting period and approximate the contractual undiscounted repayment obligations.

(c) Fair value

The carrying amounts of the financial assets and financial liabilities recorded in the consolidated financial statements of the Group and the statement of financial position of the Company approximate their fair values due to the relatively short-term maturity of these financial instruments.

The Group and the Company have no other financial instruments.

(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 2012.
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:

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2012</td>
</tr>
<tr>
<td></td>
<td>RMB’000</td>
<td>RMB’000</td>
</tr>
<tr>
<td>Not later than one</td>
<td></td>
<td></td>
</tr>
<tr>
<td>financial year</td>
<td>799</td>
<td>969</td>
</tr>
<tr>
<td>Later than one</td>
<td></td>
<td></td>
</tr>
<tr>
<td>financial year but</td>
<td>995</td>
<td>1,255</td>
</tr>
<tr>
<td>not later than five</td>
<td></td>
<td></td>
</tr>
<tr>
<td>financial years</td>
<td>389</td>
<td>596</td>
</tr>
<tr>
<td></td>
<td><strong>2,183</strong></td>
<td><strong>2,820</strong></td>
</tr>
</tbody>
</table>

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 14 - 20 years and rentals are fixed for an average of 14 - 20 years. Operating lease payments of the Company represent rental payable for its office premises 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.

Total rental income earned for the financial year was RMB2.13 million (2012: RMB2.29 million). The machinery and property have committed lessees for the next two years.

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

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
</tr>
<tr>
<td></td>
<td>RMB’000</td>
</tr>
<tr>
<td>Not later than one</td>
<td>1,664</td>
</tr>
<tr>
<td>financial year</td>
<td>1,422</td>
</tr>
<tr>
<td>Later than one</td>
<td></td>
</tr>
<tr>
<td>financial year but</td>
<td>72</td>
</tr>
<tr>
<td>not later than five</td>
<td>276</td>
</tr>
<tr>
<td>financial years</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>1,736</strong></td>
</tr>
<tr>
<td></td>
<td><strong>1,698</strong></td>
</tr>
</tbody>
</table>
NOTES TO FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

26 Capital commitments

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital commitments for the acquisition of property plant and equipment</td>
<td>432 RMB’000</td>
<td>2,780 RMB’000</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Group 2013</th>
<th>Group 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital commitments for the acquisition of property, plant and equipment</td>
<td>34,265 RMB’000</td>
<td>30,944 RMB’000</td>
</tr>
</tbody>
</table>

27 Segment information

The Group has only one major reportable segment, which is manufacturing and selling of chemical-based products, i.e. methylamine and DMF. All the Group’s sales and major assets are in the People’s Republic of China. Accordingly, no segment information is presented.

28 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 2013 were authorised for issue in accordance with a resolution of the directors dated 21 March 2014.
SHAREHOLDING STATISTICS

At at 21 March 2014

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

The Company does not have any Treasury Share.

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

<table>
<thead>
<tr>
<th>Size of Shareholdings</th>
<th>No. of Shareholders</th>
<th>% of Holders</th>
<th>No. of Shares</th>
<th>% of Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 999</td>
<td>4</td>
<td>0.07</td>
<td>2,701</td>
<td>–</td>
</tr>
<tr>
<td>1,000 – 10,000</td>
<td>1,601</td>
<td>28.03</td>
<td>12,418,000</td>
<td>0.68</td>
</tr>
<tr>
<td>10,001 – 1,000,000</td>
<td>4,000</td>
<td>70.03</td>
<td>370,208,299</td>
<td>20.36</td>
</tr>
<tr>
<td>1,000,001 and above</td>
<td>107</td>
<td>1.87</td>
<td>1,435,815,000</td>
<td>78.96</td>
</tr>
<tr>
<td></td>
<td>5,712</td>
<td>100.00</td>
<td>1,818,444,000</td>
<td>100.00</td>
</tr>
</tbody>
</table>

LIST OF 20 LARGEST SHAREHOLDERS

<table>
<thead>
<tr>
<th>SHAREHOLDER’S NAME</th>
<th>NO. OF SHARES</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 DMG &amp; PARTNERS SECURITIES PTE LTD</td>
<td>495,465,000</td>
<td>27.25</td>
</tr>
<tr>
<td>2 OCBC SECURITIES PRIVATE LTD</td>
<td>270,948,000</td>
<td>14.90</td>
</tr>
<tr>
<td>3 HSBC (SINGAPORE) NOMINEES PTE LTD</td>
<td>61,971,000</td>
<td>3.41</td>
</tr>
<tr>
<td>4 MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD</td>
<td>60,712,000</td>
<td>3.34</td>
</tr>
<tr>
<td>5 RAFFLES NOMINEES (PTE) LTD</td>
<td>40,470,000</td>
<td>2.23</td>
</tr>
<tr>
<td>6 UOB KAY HIAN PTE LTD</td>
<td>35,412,000</td>
<td>1.95</td>
</tr>
<tr>
<td>7 CHEW KENG KEONG</td>
<td>33,686,000</td>
<td>1.85</td>
</tr>
<tr>
<td>8 CITIBANK NOMINEES SINGAPORE PTE LTD</td>
<td>31,069,000</td>
<td>1.71</td>
</tr>
<tr>
<td>9 PHILLIP SECURITIES PTE LTD</td>
<td>29,481,000</td>
<td>1.62</td>
</tr>
<tr>
<td>10 PEK KOK SAM</td>
<td>25,836,000</td>
<td>1.42</td>
</tr>
<tr>
<td>11 DBS NOMINEES PTE LTD</td>
<td>19,974,000</td>
<td>0.88</td>
</tr>
<tr>
<td>12 MAYBANK KIM ENG SECURITIES PTE LTD</td>
<td>14,210,000</td>
<td>0.78</td>
</tr>
<tr>
<td>13 GOH UK TUAN</td>
<td>14,000,000</td>
<td>0.77</td>
</tr>
<tr>
<td>14 MOE KHONG KIOEN</td>
<td>12,445,000</td>
<td>0.68</td>
</tr>
<tr>
<td>15 UNITED OVERSEAS BANK NOMINEES PTE LTD</td>
<td>12,145,000</td>
<td>0.67</td>
</tr>
<tr>
<td>16 DB NOMINEES (S) PTE LTD</td>
<td>11,209,000</td>
<td>0.62</td>
</tr>
<tr>
<td>17 LEE CHEE SENG</td>
<td>10,250,000</td>
<td>0.56</td>
</tr>
<tr>
<td>18 OCBC NOMINEES SINGAPORE PTE LTD</td>
<td>10,197,000</td>
<td>0.56</td>
</tr>
<tr>
<td>19 LEE SEE KEE</td>
<td>10,000,000</td>
<td>0.55</td>
</tr>
<tr>
<td>20 SEAH LIP HONG CHRISTOPHER</td>
<td>9,783,000</td>
<td>0.54</td>
</tr>
</tbody>
</table>

TOTAL: 1,205,263,000 66.29
SHAREHOLDING STATISTICS
At 21 March 2014

SUBSTANTIAL SHAREHOLDERS

<table>
<thead>
<tr>
<th>No.</th>
<th>Name</th>
<th>Direct Interest</th>
<th>Deemed Interests</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Anyang Longyu (HK) Development Co, Ltd</td>
<td>-</td>
<td>482,450,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-</td>
<td>26.53</td>
</tr>
</tbody>
</table>

COMPLIANCE WITH RULE 723 OF THE SGX-ST LISTING MANUAL

Based on information available and to the best knowledge of the Directors, as at 21 March 2014, approximately 70.42% 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.
APPENDIX I

APPENDIX I DATED 14 APRIL 2014

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 2013 (the “Annual Report”). Its purpose is to provide shareholders of the Company with information relating to (i) the proposed renewal of the shareholders’ general mandate for interested person transactions and (ii) the proposed amendment to the shareholders’ general mandate for interested person transactions to be tabled at the Annual General Meeting of the Company to be held on 29 April 2014 at M Hotel Singapore, Shenton Room, Basement 1, 81 Anson Road, Singapore 079908 at 9.30 a.m.

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

If you have sold 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 to the stockbroker or the bank or the agent through whom you effected the sale for onward transmission to the purchaser.

The Ordinary Resolutions proposed to be passed in respect of the above matters are set out in the Notice of Annual General Meeting. The Notice of Annual General Meeting and the Proxy Form are enclosed with the Annual Report.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Appendix I.

JIUTIAN CHEMICAL GROUP LIMITED

APPENDIX IN RELATION TO

(I) THE PROPOSED RENEWAL OF THE SHAREHOLDERS’ GENERAL MANDATE FOR INTERESTED
PERSON TRANSACTIONS; AND

(II) THE PROPOSED AMENDMENT TO THE SHAREHOLDERS’ GENERAL MANDATE FOR INTERESTED
PERSON TRANSACTIONS

Independent Financial Adviser to the Independent Directors
in respect of the proposed Amendment to the Shareholders’ General Mandate for Interested Person Transactions

nra capital

NRA Capital Pte. Ltd.
(Company Registration Number 199904258C)
(Incorporated in the Republic of Singapore)
APPENDIX I

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DEFINITIONS

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

Companies, Organisations and Agencies

“Anhua” : Anyang Chemical Industry Group Co., Ltd, a subsidiary of HNEC

“Anhua Group” : HNEC, Anhua and their respective subsidiaries(1) and associates

“Anyang Jiulong” : Anyang Jiulong Chemical Co., Ltd, a subsidiary of Anhua and an associated company of Jiutian

“Anyang Jiutian” : Anyang Jiutian Fine Chemical Co., Ltd., a wholly-owned subsidiary of Jiutian

“Anyang Longyu” : Anyang Longyu (HK) Development Co., Ltd, a wholly-owned subsidiary of Anhua

“CDP” : The Central Depository (Pte) Limited

“Company” or “Jiutian” : Jiutian Chemical Group Limited

“Henan Electric” : Henan Electric Power Corporation, a state-owned electricity utility company

“HNEC” : Henan Energy and Chemical Industry Group Co., Limited (formerly known as Henan Coal and Chemical Group Limited)

“Jiutian Group” : The Company, its subsidiaries and its associated companies(1)

“NRA Capital” : NRA Capital Pte. Ltd., the independent financial adviser to the Independent Directors in respect of the proposed amendment to the IPT Mandate

“SGX-ST” : Singapore Exchange Securities Trading Limited

“Stateglory” : Stateglory Investments Ltd

“Wuhuan Engineering” : Wuhuan Engineering Co., Ltd., an independent technical consultant engaged by the Jiutian Group to formulate the Technical Cost Conversion Formulae

General

“Act” : The Companies Act (Chapter 50) of Singapore, as amended or modified or supplemented from time to time

“AGM” : The annual general meeting of the Company to be held on 29 April 2014 at 9.30 a.m. at M Hotel Singapore, Shenton Room, Basement 1, 81 Anson Road, Singapore 079908

“Annual Report” : The annual report of the Company for FY2013

“Appendix I” : This Appendix I dated 14 April 2014

“associate” : In the case of a company,

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

(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

“associated company” : In the context of this Appendix I, a company in which at least 20% but not
    more than 50% of its shares are held by the Company or the Jiutian Group
    and that it is not listed on the SGX-ST or an approved exchange, provided that
    the Jiutian Group, or the Jiutian Group and its Interested Persons, has control
    over the said company

“Audit Committee” : The audit committee of the Company, comprising Mr Chan Kam Loon, Mr Foo
    Meng Kee and Mr Wu Yu Liang

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

“Board” : Board of Directors of the Company for the time being

“controlling shareholder” : A person who:-

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

(b) in fact exercises control over a company

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

“Directors” : The directors of the Company for the time being

“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

“IFA Letter” : NRA Capital’s letter to the Independent Directors, as set out in Annex A to this
    Appendix I

“Independent Directors” : In the context of this Appendix I, this means the Directors who are deemed
    to be independent in respect of and for the purpose of the IPT Mandate,
    namely, Mr Sun Zhiqiang, Mr Lee Chee Seng, Mr Wu Yu Liang, Mr Chan Kam
    Loon, Mr Foo Meng Kee and Mr Gao Guoan

“Interested Persons” : The interested persons of the Company who fall within the IPT Mandate, as
    set out in section 4.2 of this Appendix I, namely, each of the entities within the
    Anhua Group and Anyang Jiulong
“IPT Mandate” : The general mandate that was approved by Shareholders at the extraordinary
general meeting of the Company held on 16 November 2012 and renewed
at the last annual general meeting of the Company held on 26 April 2013,
permitting the Entities at Risk to enter into the Recurrent IPTs with the Interested
Persons

“Latest Practicable Date” : 31 March 2014, being the latest practicable date prior to the printing of this
Appendix I

“Listing Manual” : The listing manual of the SGX-ST

“New Recurrent IPT” : Sale of Dimethylamine by the Entities at Risk to the Interested Persons

“Notice of AGM” : The notice of the AGM dated 14 April 2014

“NTA” : Net tangible assets

“PRC” : People’s Republic of China

“Production Cost Method” : Shall have the meaning ascribed to it in section 4.3.1(b) of this Appendix I
and further information in connection therewith is set out in section 4.5 of this
Appendix I

“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

“Repair Materials” : Shall have the meaning ascribed to it in section 4.3.3 of this Appendix I

“Shareholders” : Registered holders of Shares, except that where the registered holder is CDP,
the term “Shareholders” shall, in relation to such Shares and where the context
so admits, mean the persons whose direct securities account maintained with
the CDP are credited with the Shares

“Shares” : Ordinary shares in the capital of the Company

“subsidiary” : Shall have the meaning ascribed to it in the Act

“substantial shareholder” : A person who holds directly or indirectly 5% or more of the total voting shares
in a company

“Technical Cost Conversion Formulae” : The various technical cost conversion formulae as formulated by Wuhuan
Engineering for the purpose of arriving at the prices of certain raw materials

Currencies, Units and Others

“RMB” : Renminbi, the lawful currency of the PRC

“SS” : Singapore dollars, the lawful currency of the Republic of Singapore

“%” : Per centum or percentage
APPENDIX I

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” and “Transaction G” 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 130A of the Act or any statutory modification thereof, as the case may be.

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

Words importing persons shall, where applicable, include corporations.

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

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

Any reference to the value of transactions entered by the Entities at Risk with the Interested Persons shall exclude such transactions of an equivalent value of less than S$100,000 unless otherwise stated.
APPENDIX I

JIUTIAN CHEMICAL GROUP LIMITED

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

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

14 April 2014

To: The Shareholders of Jiutian Chemical Group Limited

Dear Sir/Madam

(I) THE PROPOSED RENEWAL OF THE SHAREHOLDERS’ GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS; AND

(II) THE PROPOSED AMENDMENT TO 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 29 April 2014 for the proposed renewal of the IPT Mandate and the proposed amendment to the IPT Mandate.

The Company refers to the Notice of AGM accompanying the Annual Report for FY2013 and Resolutions 10 and 11 in relation to the proposed renewal of the IPT Mandate and the proposed amendment to the IPT Mandate respectively, both 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 and the proposed amendment to the IPT Mandate.

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

General information relating to Chapter 9 of the Listing Manual is set out in section 3 of this Appendix I.

2. PROPOSED RENEWAL AND AMENDMENT TO THE IPT MANDATE

Under Chapter 9 of the Listing Manual, a general mandate for transactions with interested persons is subject to annual renewal. The IPT Mandate was previously approved and adopted at the extraordinary general meeting of the Company held on 16 November 2012 and renewed at the last annual general meeting of the Company held on 26 April 2013. The renewed 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.
APPENDIX I

The Company is also seeking to amend the IPT Mandate by including the New Recurrent IPT as part of the IPT Mandate. Further information in relation thereto is set out in section 5 of this Appendix I.

Save for the proposed inclusion of the New Recurrent IPT as part of the IPT Mandate, the nature of the Recurrent IPTs and the classes of Interested Persons in respect of which the IPT Mandate is sought to be renewed remain unchanged.

3. THE LISTING MANUAL

3.1 Chapter 9 of the Listing Manual

Chapter 9 of the Listing Manual governs transactions in which a listed company or any of its subsidiaries or associated companies (known as an “entity at risk”) enters into or proposes to enter into with a party who is an interested person of the listed company. The purpose is to guard against the risk that an interested person could influence the listed company, its subsidiaries or associated companies to enter into transactions with it that may adversely affect the interests of the listed company or its shareholders.

For the purposes of Chapter 9 of the Listing Manual:-

3.1.1 an “entity at risk” means:-

(a) the listed company;

(b) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or

(c) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed group, or the listed group and its interested person(s), has control over the associated company;

3.1.2 an “interested person” means a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder;

3.1.3 in the case of a company, 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 Listing Manual; and

3.1.5 an “interested person transaction” means a transaction between an entity at risk and an interested person, and includes the provision or receipt of financial assistance, the acquisition, disposal or leasing of assets, the provision or receipt of services, the issuance or subscription of securities, the granting of or being granted options, and the establishment of joint ventures or joint investments, whether or not in the ordinary course of business, and whether or not entered into directly or indirectly.
3.2 Financial Thresholds

An immediate announcement and/or shareholders’ approval is required in respect of transactions with interested persons if the value of the transaction is equal to or exceeds certain financial thresholds.

In particular, an immediate announcement is required where:-

(a) the transaction is of a value equal to, or more than, 3% of the group’s latest audited NTA; or

(b) the aggregate value of all transactions entered into with the same interested person during the same financial year amounts to 3% or more of the group’s latest audited NTA.

Further, shareholders’ approval (in addition to an immediate announcement) is required where:-

(a) the transaction is of a value equal to, or more than, 5% of the group’s latest audited NTA; or

(b) the transaction, when aggregated with other transactions entered into with the same interested person during the same financial year, is of a value equal to, or more than, 5% of the group’s latest audited NTA.

The above requirements for immediate announcement and/or for shareholders’ approval do not apply to any transaction below S$100,000, and certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested person and hence excluded from the ambit of Chapter 9 of the Listing Manual.

Pursuant to Rule 909 of the Listing Manual, the value of a transaction is the amount at risk to the listed company. This is illustrated by the following examples:-

(a) in the case of a partly-owned subsidiary or associated company, the value of the transaction is the listed company’s effective interest in that transaction;

(b) in the case of a joint venture, the value of the transaction includes the equity participation, shareholders’ loans and guarantees given by the entity at risk; and

(c) in the case of borrowing of funds from an interested person, the value of the transaction is the interest payable on the borrowing. In the case of lending of funds to an interested person, the value of the transaction is the interest payable on the loan and the value of the loan.

3.3 Illustration

For illustration purposes, based on the Jiutian Group’s latest Audited Accounts for FY2013, the Jiutian Group’s latest audited NTA as at 31 December 2013 was approximately RMB438.9 million. Accordingly, in relation to the Jiutian Group, for the purposes of Chapter 9 of the Listing Manual in the current financial year, Shareholders’ approval is required where:-

(a) the transaction is of a value equal to, or more than, RMB21.9 million, being 5% of the Jiutian Group’s latest audited NTA as at 31 December 2013; 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, RMB21.9 million. The aggregation will exclude any transaction that has been approved by Shareholders previously or is the subject of aggregation with another transaction that has been approved by Shareholders.

3.4 General Mandate

Part VIII of Chapter 9 of the Listing Manual allows a listed company to seek a general mandate from its shareholders for recurrent transactions with interested persons where such transactions are of a revenue or trading nature or necessary for its day-to-day operations such as the purchase and sale of supplies and materials, but not in respect of the purchase or sale of assets, undertakings or businesses. A general mandate granted by shareholders is subject to annual renewal.
4. PROPOSED RENEWAL OF THE IPT MANDATE

4.1 Scope of the IPT Mandate

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

Given that the Recurrent IPTs are of a trading nature and are expected to recur and occur at any time, and due to the time-sensitive nature of these transactions, in order that the Jiutian Group and Anyang Jiulong may undertake such transactions in a more expeditious manner, the Company is seeking the approval of its Shareholders for the 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:

![Diagram of corporate structure]

Note:

(1) Anyang Jiulong is a joint venture between Jiutian and the Anhua Group pursuant to which the Anhua Group holds 51% (that is, 15.9% is held by Anhua and the balance 35.1% is held by HNEC) and Jiutian holds 49% of the registered capital of Anyang Jiulong. Accordingly, Anyang Jiulong is a subsidiary of the Anhua Group and an associated company of Jiutian. Therefore, in certain circumstances, Anyang Jiulong would be deemed to be an Entity at Risk when it enters into transactions with the Interested Persons as part of the Jiutian Group. It would also be deemed to be an Interested Person as being part of the Anhua Group when it enters into transactions with the Jiutian Group.

Pursuant to Chapter 9 of the Listing Manual:

(a) the Entities at Risk under the IPT Mandate consist of the Company, its subsidiaries and its associated companies, including Anyang Jiulong;

(b) the Interested Persons under the IPT Mandate consist of HNEC, Anhua and their respective subsidiaries and associates, including Anyang Jiulong; and

(c) the interested person transactions under the IPT Mandate include primarily:

(i) transactions entered by the Jiutian Group and Anyang Jiulong (as an associated company of the Jiutian Group) as the customer with the Anhua Group as the supplier;
(ii) transactions entered by the Anhua Group as the customer and the Jiutian Group and Anyang Jiulong (as an associated company of the Jiutian Group) as the supplier; and

(iii) transactions entered by the Jiutian Group as the customer and Anyang Jiulong (as a subsidiary of the Anhua Group) as the supplier.

Please refer to sections 4.2.2(b) and 4.3 of this Appendix I for further information relating to the Recurrent IPTs.

4.2.2 Classes of the Entities at Risk and the Interested Persons

(a) Background

On 3 November 2011, Anyang Longyu became a controlling shareholder of the Company when it acquired 470,625,000 Shares from Stateglory. The said number of Shares represents the entire shareholding of Stateglory in the Company. As at the Latest Practicable Date, Anyang Longyu holds 482,450,000 Shares through its nominee, DMG & Partners Securities Pte. Ltd., representing approximately 26.53% of the issued share capital of the Company.

Anyang Longyu is a wholly-owned subsidiary of Anhua, a state-owned enterprise incorporated in Anyang, Henan Province, PRC. Anhua is in turn a subsidiary of HNEC. HNEC is one of the PRC’s most significant coal mining companies and a significant manufacturer in the chemical industry.

Upon Anyang Longyu becoming a controlling shareholder of the Company on 3 November 2011, all transactions entered into by the Anhua Group and Anyang Jiulong (as Interested Persons) with the Jiutian Group and Anyang Jiulong (as Entities at Risk) became interested person transactions under Chapter 9 of the Listing Manual.

The Anhua Group has been a key supplier of raw materials to the Jiutian Group since 2005. It was also disclosed in the Company’s prospectus dated 24 April 2006 that Anhua is a key supplier of the Jiutian Group and that a 20-year supply agreement was entered into between Anyang Jiutian and Anhua on 1 January 2005 (the “Supply Agreement”).

Pursuant to the Supply Agreement, Anhua has been supplying (a) liquid coal gas, liquid ammonia, water, electricity, meter running gas, industrial steam and nitrogen to the Jiutian Group’s dimethylformamide and methylamine workshops, (b) liquid coal gas, water, electricity, industrial steam, meter gas and nitrogen to the Jiutian Group’s methanol workshop and (c) carbon dioxide, oxygen, production water, electricity and industrial steam to the Jiutian Group’s gas workshop.

The term of the Supply Agreement is for 20 years commencing on 1 January 2005 and expiring on 31 December 2024. The prices for all the raw materials and services to be supplied by Anhua under the Supply Agreement are not fixed and are subject to negotiations between the Jiutian Group and Anhua. Anyang Jiutian also has the right, under the Supply Agreement, to purchase raw materials directly from other third parties.

The term of the Supply Agreement is renewable on the 18th year for a further period of 20 years through negotiations between the Jiutian Group and Anhua. With the Supply Agreement, the Jiutian Group can be assured of a stable supply of its essential raw materials in accordance with its standards and specifications. Another advantage of the Supply Agreement is that the Jiutian Group will not be charged by Anhua for any transportation costs for the raw materials supplied due to the close proximity of the factories of Anhua and the Jiutian Group.
Save for the adoption by the Jiutian Group and Anyang Jiulong of the Technical Cost Conversion Formulae in March 2012, there have not been any changes to the manner in which transactions were being conducted with the Interested Persons after Anyang Longyu became a controlling shareholder of the Company. The Technical Cost Conversion Formulae was adopted by the Jiutian Group and Anyang Jiulong in March 2012 for the purpose of determining the prices of certain raw materials. The Technical Cost Conversion Formulae seeks to ensure that the purchase prices of certain raw materials as provided by the Interested Persons are reasonable. Please refer to section 4.4 of this Appendix I for further information relating to the Technical Cost Conversion Formulae.

(b) List of Entities at Risk and Interested Persons

The list of the Entities at Risk and the Interested Persons and the types of transactions which are covered under the IPT Mandate are as follows:-

<table>
<thead>
<tr>
<th>Entities At Risk</th>
<th>Interested Persons</th>
<th>Type of transaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jiutian Group and Anyang Jiulong as the customer</td>
<td>Anhua Group as the supplier</td>
<td>(a) Purchase of Raw Materials Type I and Raw Materials Type II from the Anhua Group</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(b) Purchase of Repair Materials from the Anhua Group</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(the above transactions are collectively referred to as “Transactions A”)</td>
</tr>
<tr>
<td>Jiutian Group and Anyang Jiulong as the lessee</td>
<td>Anhua Group as the lessor</td>
<td>Leasing of equipment to the Anhua Group (the said transaction is referred to as “Transaction B”)</td>
</tr>
<tr>
<td>Jiutian Group and Anyang Jiulong as the lessee</td>
<td>Anhua Group as the lessor</td>
<td>Renting of equipment from the Anhua Group (the said transaction is referred to as “Transaction C”)</td>
</tr>
<tr>
<td>Jiutian Group and Anyang Jiulong as the supplier</td>
<td>Anhua Group as the customer</td>
<td>Sale of Repair Materials to the Anhua Group (the said transaction is referred to as “Transaction D”)</td>
</tr>
<tr>
<td>Jiutian Group as the customer</td>
<td>Anhua Group as the supplier</td>
<td>Purchase of electricity and industrial steam from the Anhua Group (the said transaction is referred to as “Transaction E”)</td>
</tr>
<tr>
<td>Jiutian Group as the customer</td>
<td>Anyang Jiulong as the supplier</td>
<td>Purchase of electricity and industrial steam from Anyang Jiulong (the said transaction is referred to as “Transaction F”)</td>
</tr>
<tr>
<td>Anyang Jiulong as the supplier</td>
<td>Anhua Group as the customer</td>
<td>Sale of electricity and industrial steam to the Anhua Group (the said transaction is referred to as “Transaction G”)</td>
</tr>
</tbody>
</table>

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 G.

Transactions A to G 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 will be 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, it purchases some of the raw materials such as liquid coal gas, liquid ammonia, recycled water, clean water, desalinated water, nitrogen, carbon dioxide, instrument air, methanol, oxygen and other gases from the Anhua Group. Due to the close proximity of the factories of the Jiutian Group, Anyang Jiulong and the Anhua Group, these raw materials are being delivered to the factories of the Jiutian Group and/or Anyang Jiulong via pipelines without any transportation costs being incurred by the Jiutian Group and/or Anyang Jiulong. The Jiutian Group and Anyang Jiulong will incur transportation costs if they purchase such raw materials from other unrelated third parties.

The types of raw materials which the Jiutian Group and Anyang Jiulong are able to purchase from unrelated third parties comprise mainly of raw materials under Raw Materials Type I, that is, liquid ammonia, methanol, nitrogen and carbon dioxide. However, the costs of purchasing such raw materials will be much higher if it is purchased from unrelated third parties as transportation costs will be incurred. Liquid ammonia, methanol, nitrogen and carbon dioxide when they are purchased from unrelated third parties will be stored in either storage bottles or storage tanks and transported to the factories of the Jiutian Group and/or Anyang Jiulong via trucks. On the other hand, the Jiutian Group and Anyang Jiulong is able to purchase such raw materials from the Anhua Group at a lower cost as the same are delivered to the factories of the Jiutian Group and/or Anyang Jiulong via pipelines without any transportation costs being incurred.

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

The percentage of the raw materials under Raw Materials Type I purchased by the Jiutian Group and Anyang Jiulong against the total purchases of raw materials from the Interested Persons for the calendar month immediately preceding the Latest Practicable Date was as follows:

<table>
<thead>
<tr>
<th>Raw Materials Type I</th>
<th>As a percentage of total raw materials purchased from the Interested Persons (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquid ammonia</td>
<td>16.0</td>
</tr>
<tr>
<td>Methanol</td>
<td>4.9</td>
</tr>
<tr>
<td>Nitrogen and carbon dioxide</td>
<td>1.8</td>
</tr>
</tbody>
</table>
APPENDIX I

(b) Transactions A – Purchase of Raw Materials Type II

The raw materials which the Jiutian Group is unable to obtain quotes from unrelated third parties or where purchases from unrelated third parties are not available comprise mainly of the raw materials under Raw Materials Type II, that is, liquid coal gas, oxygen, clean water, desalinated water, recycled water and instrument air. The Jiutian Group has been purchasing such raw materials from the Anhua Group since 2005. Anyang Jiulong has been purchasing clean water and desalinated water from the Anhua Group since September 2010.

The Jiutian Group uses the relevant Technical Cost Conversion Formula in arriving at the purchase price of liquid coal gas, oxygen and instrument air. The Jiutian Group shall proceed to purchase liquid coal gas, oxygen and instrument air from the Anhua Group based on the prices as computed by the Jiutian Group using the Technical Cost Conversion 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 those factories from neighbouring towns as the said raw materials would be transported to the factories of the Jiutian Group and/or Anyang Jiulong through pipelines without any transportation costs being incurred. There are also no other factories which are in the vicinity of the factories of the Jiutian Group and/or Anyang Jiulong for such raw materials to be supplied via pipelines. The Jiutian Group and/or Anyang Jiulong will incur transportation costs for purchasing the same from unrelated third parties.

None of the raw materials under Raw Materials Type II represented a significant portion of the purchases from the Interested Persons. The percentage of the raw materials under Raw Materials Type II purchased by the Jiutian Group and Anyang Jiulong against the total purchases of raw materials from the Interested Persons for the calendar month immediately preceding the Latest Practicable Date was as follows:

<table>
<thead>
<tr>
<th>Raw Material Type II</th>
<th>As a percentage of total raw materials purchased from the Interested Persons (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquid coal gas</td>
<td>Nil</td>
</tr>
<tr>
<td>Oxygen</td>
<td>Nil</td>
</tr>
<tr>
<td>Instrument air</td>
<td>0.1</td>
</tr>
<tr>
<td>Recycled water</td>
<td>2.0</td>
</tr>
<tr>
<td>Clean water and desalinated water</td>
<td>1.3</td>
</tr>
</tbody>
</table>

(c) Transactions E and F – Purchase of electricity and industrial steam from the Anhua Group and/or Anyang Jiulong

The Jiutian Group purchases from the Anhua Group and/or Anyang Jiulong electricity which is delivered to the Jiutian Group’s factories via power lines without incurring delivery costs. The only other vendor which supplies electricity is Henan Electric, a state-owned electricity utility company which supplies electricity to the public in the Henan province of the PRC.
The unit price of electricity when purchases are made by the Jiutian Group from the Anhua Group and/or Anyang Jiulong will not be higher than the unit price of electricity as quoted by Henan Electric and the same unit price of electricity will apply to the sale of electricity by Anyang Jiulong to the Anhua Group. Please refer to section 4.3.2 of this Appendix I for further information relating to the sale of electricity by Anyang Jiulong to the Anhua Group.

In addition, the purchase of electricity from the Anhua Group and/or Anyang Jiulong is deemed by the Jiutian Group to be more cost effective than to incur costs for building an electricity substation and to install new power lines so as to receive electricity from Henan Electric. Based on the existing power lines installed at the factories of the Jiutian Group, the Anhua Group and/or Anyang Jiulong is able to transmit electricity through such power lines and the Jiutian Group does not incur any delivery costs in connection therewith. This results in cost savings to the Jiutian Group.

The Jiutian Group also purchases industrial steam from the Anhua Group and/or Anyang Jiulong which is delivered to the Jiutian Group’s factories via pipelines without incurring transportation costs. The Jiutian Group uses the relevant Technical Cost Conversion Formula in arriving at the purchase price of industrial steam. The Jiutian Group shall proceed to purchase industrial steam from the Anhua Group and/or Anyang Jiulong based on the prices as computed by the Jiutian Group using the Technical Cost Conversion Formula.

It is cost efficient for the Jiutian Group to purchase industrial steam from the Anhua Group and/or Anyang Jiulong as opposed to those factories from neighbouring towns as industrial steam would be transported to the Jiutian Group’s factories through pipelines without incurring transportation costs. There is also no other factories which are in the vicinity of the Jiutian Group’s factories for industrial steam to be supplied via pipelines and the Jiutian Group will incur transportation costs for purchasing the same from unrelated third parties.

It is also not practicable for the Jiutian Group to obtain quotations from unrelated third parties for the purchase of industrial steam as typically, chemical companies would have their own steam boilers to produce their own steam. This is because it is not practicable for industrial steam to be transported via trucks or long distance pipes. However, due to the close proximity of the factories of the Jiutian Group and the Anhua Group and/or Anyang Jiulong, the Jiutian Group is able to purchase industrial steam from the Anhua Group and/or Anyang Jiulong which is delivered via pipelines and without incurring transportation costs. Such purchase of industrial steam from the Anhua Group and/or Anyang Jiulong is deemed by the Jiutian Group to be more cost effective than to invest into heavy capital expenditure for the building of steam boilers to produce industrial steam internally.

The percentage of electricity and industrial steam purchased by the Jiutian Group against the total purchases of raw materials from the Interested Persons for the calendar month immediately preceding the Latest Practicable Date was as follows:-

<table>
<thead>
<tr>
<th>Type of raw material</th>
<th>As a percentage of total raw materials purchased from the Interested Persons (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity</td>
<td>4.4</td>
</tr>
<tr>
<td>Industrial steam</td>
<td>20.9</td>
</tr>
</tbody>
</table>

4.3.2 Transaction G - Sale of electricity and industrial steam by Anyang Jiulong to the Anhua Group

Anyang Jiulong has been selling electricity and industrial steam to the Anhua Group since September 2010.
The unit price of electricity when purchases are made by the Anhua Group from Anyang Jiulong will not be higher than the unit price of electricity as quoted by Henan Electric and the same unit price of electricity will apply to the sale of electricity by Anyang Jiulong and/or the Anhua Group to the Jiutian Group. Please refer to section 4.3.1(c) of this Appendix I for further information relating to the sale of electricity by the Anhua Group and/or Anyang Jiulong to the Jiutian Group.

For FY2013, the following amounts were respectively received and paid or to be received and paid by the Jiutian Group in connection with the sale and purchase of electricity:-

(a) an aggregate amount of RMB31,269,000 was received or to be received from the Anhua Group for electricity sold by Anyang Jiulong (as part of the Jiutian Group) to the Anhua Group; and

(b) an aggregate amount of RMB29,919,000 was paid or to be paid by the Jiutian Group to Anyang Jiulong (as part of the Anhua Group) for electricity sold by Anyang Jiulong to the Jiutian Group.

The selling price for the industrial steam is determined by Anyang Jiulong using the Technical Cost Conversion 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 Materials, 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 have been leased and/or rented by and from the Anhua Group include compressors and storage tanks which are necessary and critical in the chemical industry. Each of the Jiutian Group, the Anhua Group and Anyang Jiulong have their own compressors and storage tanks and whenever there is a shortage of capacity due to higher production requirements or maintenance issues, the Jiutian Group, Anyang Jiulong and the Anhua Group will lease and/or rent such equipment from each other.

The equipment for rental is usually bulky in size, customised for the production of chemicals and there is no market for the rental of such equipment. The rental rate shall be the depreciation rate of the equipment with a 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.
For FY2013, the following amounts were respectively received and paid or to be paid by the Jiutian Group in connection with the leasing and rental of equipment:-

(a) an aggregate amount of RMB1,898,000 was received from Anhua for equipment leased by the Jiutian Group (including Anyang Jiulong) to the Anhua Group; and

(b) an aggregate amount of RMB752,000 was paid or to be paid by the Jiutian Group to the Anhua Group for equipment rented by the Jiutian Group.

4.4 The Technical Cost Conversion Formulae

The Jiutian Group and Anyang Jiulong had, from March 2012, adopted the Technical Cost Conversion Formulae for the purposes of determining the prices of certain raw materials.

The Technical Cost Conversion Formulae seek to ensure that the purchase prices of liquid coal gas, oxygen and instrument air as purchased by the Jiutian Group and/or Anyang Jiulong from the Anhua Group are reasonable.

The Jiutian Group also uses the Technical Cost Conversion Formula to arrive at the purchase price of industrial steam when it purchases industrial steam from the Anhua Group and/or Anyang Jiulong. Similarly, the same Technical Cost Conversion Formula is also being used to arrive at the selling price of industrial steam when Anyang Jiulong sells industrial steam to the Anhua Group.

Each of the Technical Cost Conversion Formulae was formulated by Wuhuan Engineering, an independent technical consultant in the PRC. The Technical Cost Conversion Formulae take into account factors such as the component cost of the raw materials and the quantity of each component that is required to produce every unit of the raw material. Please refer to section 6 of this Appendix I for further information relating to Wuhuan Engineering.

The Directors of Jiutian are of the view that the Technical Cost Conversion Formulae will ensure that the purchase price of the aforesaid raw materials are reasonable and are not prejudicial to the interests of the Company and its minority Shareholders as the Technical Cost Conversion Formulae do not favour the Jiutian Group, the Anhua Group or Anyang Jiulong. The purchase of raw materials from the Interested Persons also results in cost savings to the Entities at Risk as no transportation costs is incurred by the Entities at Risk when it purchases raw materials from the Interested Persons.

4.5 The Production Cost Method

The Jiutian Group and Anyang Jiulong uses the Production Cost Method in arriving at the prices of clean water, desalinated water and recycled water.

The Production Cost Method uses the unit production cost of the Anhua Group for the said raw materials with a mark up of 5%. The Anhua Group pays approximately 5% tax on the sale of raw materials to the Jiutian Group and/or Anyang Jiulong and the 5% mark up is to cover the tax that is payable by the Anhua Group to the PRC authorities.

In order to ensure that the prices of the raw materials, whereby the Production Cost Method is used, are reasonable, the local finance team (which includes the Vice-Head of Finance) of the Jiutian Group and/or Anyang Jiulong will request for the costing report of such raw materials from the Anhua Group and reviews the key component costs of the raw materials. As all of the Jiutian Group, Anyang Jiulong and the Anhua Group are in related businesses, the Jiutian Group and/or Anyang Jiulong is able to review and determine whether the production costs of the Anhua Group for the aforesaid raw materials are reasonable.

The Jiutian Group and Anyang Jiulong have and will continue to use the Production Cost Method in arriving at the prices of clean water, desalinated water and recycled water as Wuhuan Engineering does not have the requisite expertise to formulate the technical formulae for arriving at the prices of such materials.
The Directors of Jiutian are of the view that the Production Cost Method will continue to ensure that the purchase price of the aforesaid raw materials are reasonable and are not prejudicial to the interests of the Company and its minority Shareholders as the Jiutian Group and Anyang Jiulong are able to, on their own, determine the unit production cost of the aforesaid raw materials thereby ensuring that the prices quoted by the Anhua Group are reasonable. Moreover, when the Jiutian Group and/or Anyang Jiulong purchase such raw materials from the Anhua Group, it does not incur any transportation costs and that results in savings to the Jiutian Group and/or Anyang Jiulong.

Any inefficiencies in the production of the aforesaid raw materials by the Anhua Group will invariably add to the cost of production for which the Jiutian Group and/or Anyang Jiulong will have to bear. Notwithstanding such cost increase, the Jiutian Group and/or Anyang Jiulong still have to purchase the aforesaid raw materials from the Anhua Group because it is not possible for the Jiutian Group and/or Anyang Jiulong to purchase them from unrelated third parties that are in the vicinity of their factories. To purchase the aforesaid raw materials from the nearest neighbouring town will require the Jiutian Group and/or Anyang Jiulong to install 3 waterlines to receive the aforesaid raw materials. As stated in section 4.3.1(b) of this Appendix I, the value of the aforesaid raw materials for the calendar month immediately preceding the Latest Practicable Date account for only 4.96% of the total value of raw materials purchased from Interested Persons; an insignificant amount. It therefore does not justify the cost of installing 3 waterlines to receive the aforesaid raw materials.

The management of the Company will constantly monitor the volume of purchases of the aforesaid raw materials from the Anhua Group. If the volume of purchases increases significantly in the future to the extent that it adversely affects the financial performance of the Jiutian Group, it will report to the Audit Committee and make recommendations on whether to continue purchasing the aforesaid raw materials from the Anhua Group or to purchase the same from unrelated third parties. For this purpose, the Company will consider an increase in the volume of purchases to be significant when the value of such raw materials exceed 10% of the total value of the Recurrent IPTs for 3 calendar months or 5% of the Jiutian Group’s latest audited NTA.

4.6 Rationale for and benefits of the IPT Mandate

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

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

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

(c) timely delivery is an essential element in the businesses of the Jiutian Group and Anyang Jiulong. If the Company is required to seek Shareholders’ approval on each occasion it deals with the Interested Persons, it would not be commercially viable for the Interested Persons to transact with the Jiutian Group and Anyang Jiulong. The IPT Mandate would facilitate such transactions with the Interested Persons being carried out in a timely manner; and

(d) the Recurrent IPTs will occur from time to time at differing intervals. The IPT Mandate and the subsequent renewals on an annual basis will eliminate the need to prepare and make announcements and/or convene separate general meetings on a continual basis to seek prior approval for entering into these transactions. This will reduce the time and expenses which would otherwise be incurred to convene general meetings on an ad hoc basis, and allow such resources and time to be channelled towards the Company’s other objectives.
4.7 Guidelines and Review Procedures for the Recurrent IPTs under the IPT Mandate

4.7.1 The Company has established the following procedures to ensure that the Recurrent IPTs are undertaken on an arm’s length basis and on normal commercial terms. In general, these are procedures established by the Company to ensure that the Recurrent IPTs are undertaken on an arm’s length basis and on normal commercial terms consistent with the usual business practices and policies of the Jiutian Group (including Anyang Jiulong), which are generally no more favourable to the Interested Persons than those extended to or by unrelated third parties.

The guidelines and review procedures for each type of the Recurrent IPTs are as follows:-

(a) Transactions D and G - Sale of Repair Materials and/or electricity and industrial steam to the Anhua Group

(i) Sale of Repair Materials by the Jiutian Group and/or Anyang Jiulong to the Anhua Group

When selling the Repair Materials which are in excess of the needs of the Jiutian Group and/or Anyang Jiulong to the Anhua Group, the sale price and terms of the sale will be comparable and not less favourable to prevailing market prices between unrelated third parties.

For the sale of Repair Materials to the Anhua Group, the Jiutian Group and/or Anyang Jiulong will obtain quotations from at least two unrelated third parties selling such materials for comparison to ensure that such Recurrent IPTs are conducted on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders. The selling price and terms of the sale will not be lower or more favourable than that quoted by unrelated third parties.

(ii) Sale of electricity and industrial steam by Anyang Jiulong to the Anhua Group

When selling electricity to the Anhua Group, Anyang Jiulong will compare its unit selling price of electricity against the unit price of electricity as quoted by Henan Electric to ensure that such Recurrent IPTs are conducted on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders. The unit price of electricity when purchases are made by the Anhua Group from Anyang Jiulong shall not be higher than the unit price of electricity offered by Henan Electric and the same unit price of electricity will apply to the sale of electricity by the Anhua Group and/or Anyang Jiulong to the Jiutian Group.

When selling industrial steam to the Anhua Group, the price of the industrial steam shall be determined by Anyang Jiulong using the Technical Cost Conversion Formula.

(b) Transactions A, E and F - Purchase of raw materials and/or Repair Materials from the Anhua Group and/or Anyang Jiulong, as the case may be

(i) Purchase of electricity and industrial steam from the Anhua Group and/or Anyang Jiulong

When purchasing electricity from the Anhua Group and/or Anyang Jiulong, the Jiutian Group will compare the unit price of electricity as quoted by the Anhua Group and/or Anyang Jiulong against the unit price of electricity as quoted by Henan Electric to ensure that such Recurrent IPTs are conducted on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders. The unit price of electricity when purchases are made by the Jiutian Group shall not be higher than the unit price of electricity offered by Henan Electric and the same unit price of electricity will apply to the sale of electricity by Anyang Jiulong to the Anhua Group. In addition, the credit terms obtained from the Anhua Group and/or Anyang Jiulong for the purchase of electricity shall not be less favourable than those obtained from Henan Electric.

When purchasing industrial steam from the Anhua Group and/or Anyang Jiulong, the Jiutian Group uses the Technical Cost Conversion Formula in arriving at the price of industrial steam.
APPENDIX I

(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 mark up 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% mark up is to cover the tax that is payable by the Anhua Group to the PRC authorities.

Monthly reports are prepared by (i) the local team of each of the subsidiaries of the Company and (ii) the local team of Anyang Jiulong and the group financial controller of the Company will review the costing and the setting of the prices for such raw materials. Thereafter, a report containing details of the transaction and the prices of the raw materials is provided to the Audit Committee for its approval.

(c) **Transactions B and C - Rental and/or lease of equipment**

When renting and/or leasing of equipment to the Anhua Group, the rental rate of the equipment shall be based on the depreciation rate of the equipment with a mark up of 10% consisting of maintenance related administrative expenses (7.5%) and taxes (2.5%) to be borne by the lessor in connection therewith. The depreciation policy of (i) the subsidiaries of the Jiutian Group in the PRC, (ii) Anyang Jiulong and (iii) the Anhua Group are similar as tax allowance for capital assets are unified in the PRC.
There is currently no market for the rental of such equipment and the Company is of the view that the formula for computing the rate for rental or lease of equipment to and from the Anhua Group is fair and reasonable.

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

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

(a) any single transaction of a value less than RMB500,000 will be reviewed and approved by the group finance manager of the Company and/or a general manager of the Company (who shall not be interested in respect of the particular transaction) as designated by the Audit Committee prior to entering into the transaction;

(b) any single transaction of a value between RMB500,000 and RMB20 million will be reviewed and approved jointly by the Chief Executive Officer and the group finance manager of the Company prior to entering into the transaction. In the event that any of the said persons is not available, an appropriate senior executive approved by the Audit Committee will be appointed in the interim;

(c) where any single transaction or the aggregate value of all transactions entered into with the same Interested Person in the same financial year is equal to or more than RMB20 million, such transactions will be reviewed by the Audit Committee to ensure that they are carried out on normal commercial terms and in accordance with the procedures of the IPT Mandate;

(d) in the event that a person is interested in any transaction to be entered into with an Interested Person, he shall abstain from participating in the review and/or approval of that particular transaction;

(e) the Company maintains a register for all transactions entered into with the Interested Persons (the "Register") recording the basis, including, if applicable, the quotations obtained to support such basis, on which they were entered into and the person who has approved the transaction;

(f) the Company shall, on a quarterly basis, report and forward the Register to the Audit Committee on all transactions entered into with the Interested Persons during the preceding quarter. The Audit Committee shall review such Recurrent IPTs at its quarterly meeting, 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 incorporates 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.
APPENDIX I

4.7.3 Most of the Recurrent IPTs with the Interested Persons are expected to be in the range of RMB500,000 and RMB20 million. As such, it is prudent that the Recurrent IPTs within the said range are reviewed and approved jointly by the Chief Executive Officer and the group finance manager of the Company. As a further control element, the Recurrent IPTs are subject to further review by the Audit Committee in the event that the value of a transaction or a few transactions when aggregated exceeds RMB20 million. In such a situation, the group finance manager of the Company shall forward the list of the Recurrent IPTs and the basis of the transactions to the Audit Committee for its review. The Company believes that with the guidelines and review procedures set out in this section, it will be able to ensure that the Recurrent IPTs are and will be conducted on normal commercial terms and are not or will not be prejudicial to the interests of the Company and its minority Shareholders.

4.7.4 The Audit Committee believes that the above guidelines and review procedures are sufficient to ensure that the Recurrent IPTs 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.

4.7.5 In the event that the Audit Committee is of the view that a new general mandate shall be sought from the Shareholders, all transactions to be entered into with the Interested Persons during the interim shall be subject to the review and approval of the Audit Committee.

4.8 Statement of the Audit Committee

Pursuant to Rule 920(1)(c) of the Listing Manual, the Audit Committee confirms that:

(a) the methods and review procedures for determining the transaction prices of the Recurrent IPTs have not changed since Shareholders approved the IPT Mandate at the extraordinary general meeting held on 16 November 2012; 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 period which the Company is required to report on pursuant to the Listing Manual and within the time required for the announcement of such report.

Disclosure will also be made in the Company’s annual report of the aggregate value of transactions conducted with the Interested Persons pursuant to the IPT Mandate during the financial year, and in the annual reports for subsequent financial years that the IPT Mandate continues to be in force, in accordance with the requirements of Chapter 9 of the Listing Manual.
The names of each Interested Person and the corresponding aggregate value of the transactions entered with them will be presented in the following format:

<table>
<thead>
<tr>
<th>Name of interested person</th>
<th>Aggregate value of all interested person transactions entered during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under the shareholders’ mandate pursuant to Rule 920 of the Listing Manual)</th>
<th>Aggregate value of all interested person transactions conducted under the shareholders’ mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than $100,000)</th>
</tr>
</thead>
</table>

5. **PROPOSED AMENDMENT TO THE IPT MANDATE**

5.1 **Inclusion of a New Recurrent IPT as part of the IPT Mandate**

The Company is proposing to include the New Recurrent IPT as part of the IPT Mandate.

The nature of the New Recurrent IPT and the persons involved in the New Recurrent IPT are set out below:

<table>
<thead>
<tr>
<th>Entities At Risk</th>
<th>Interested Persons</th>
<th>Type of transaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jiutian Group as the supplier</td>
<td>Anhua Group and/or Anyang Jiulong as the customers</td>
<td>Sale of Dimethylamine to the Anhua Group and/or Anyang Jiulong</td>
</tr>
</tbody>
</table>

The New Recurrent IPT is a transaction entered in the normal course of business of the Jiutian Group. Such a transaction is a recurrent transaction of a revenue or trading nature.

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 had begun to sell Dimethylamine to Anyang Jiulong, being part of the Anhua Group, since 28 February 2013. The total value of the New Recurrent IPT, since the day that the Jiutian Group had begun to sell Dimethylamine to Anyang Jiulong to 31 December 2013, amounted to approximately RMB9.1 million, representing approximately 2.5% of the audited NTA of the Jiutian Group of approximately RMB365.7 million as at 31 December 2012. From 1 January 2014 to 28 February 2014, being the last day of the calendar month immediately preceding the Latest Practicable Date, the total value of the New Recurrent IPT amounted to RMB1,013,000, representing approximately 0.2% of the audited NTA of the Jiutian Group of approximately RMB438.9 million as at 31 December 2013.

It is envisaged that in the future, the frequency and/or the volume of the sale of Dimethylamine by the Jiutian Group to the Anhua Group and/or Anyang Jiulong may increase to such a level which would require the Company to seek the approval of the Shareholders for the New Recurrent IPT as required under Chapter 9 of the Listing Manual.

Accordingly, the Company is seeking the approval of its Shareholders at the AGM for the proposed amendment to the IPT Mandate by including the New Recurrent IPT as part of the IPT Mandate.

Shareholders should note that Resolution 11 relating to the proposed amendment to the IPT Mandate, as per the Notice of AGM, shall be conditional upon the passing of Resolution 10 relating to the proposed renewal of the IPT Mandate and not vice versa.

If approved at the AGM, the New Recurrent IPT will become part of the IPT Mandate which will take effect from the date of the passing of the Resolutions 10 and 11 at the AGM 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.
5.2 Guidelines and Review Procedures for the New Recurrent IPT

When selling Dimethylamine to the Anhua Group and/or Anyang Jülulong (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 Jülulong, the Jiutian Group will compare the sale price and terms of the sale of Dimethylamine to the Anhua Group and/or Anyang Jülulong 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 Jülulong 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 Jülulong will not be lower or more favourable than that transacted with unrelated third parties.

Additional guidelines and review procedures, as set out in section 4.7.2 of this Appendix I, will also be undertaken by the Jiutian Group.

5.3 Opinion of NRA Capital in respect of the proposed Amendment to the IPT Mandate

NRA Capital has been appointed as the independent financial adviser to the Independent Directors to provide an opinion on whether the guidelines and review procedures for the New Recurrent IPT, set out in section 5.2 of this Appendix I, for determining the pricing of the New Recurrent IPT is sufficient to ensure that the New Recurrent IPT will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

Taking into consideration the factors set out in its letter and subject to the qualifications and assumptions made in its letter, NRA Capital is of the opinion that the current guidelines and review procedures for determining the pricing of the New Recurrent IPT, if adhered to and applied properly at all times, are sufficient to ensure that the New Recurrent IPT will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

The IFA Letter dated 14 April 2014 is reproduced and appended to this Appendix I as Annex A. Shareholders are advised to read the IFA Letter in full and consider it in the context of this Appendix I relating to the proposed amendment to the IPT Mandate by including the New Recurrent IPT as part of the IPT Mandate.

5.4 Statement of the Audit Committee

The Audit Committee, having reviewed the terms of the New Recurrent IPT, is satisfied that the guidelines and review procedures of the New Recurrent IPT for determining the pricing of the New Recurrent IPT, if adhered to and applied properly at all times, are sufficient to ensure that the New Recurrent IPT will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

6. INFORMATION ON WUHUAN ENGINEERING

Wuhuan Engineering is an engineering consulting, design and contracting enterprise of chemical, petro-chemical and medical industries with all class A certificates in the PRC.

Wuhuan Engineering was founded in 1958 and was the former (i) design institute of the Ministry of Chemical Industry of PRC and (ii) the consulting agency of chemical industries of central government of PRC. It currently has over 800 staff members with more than 100 professional senior engineers and 300 senior engineers. With 45 years of experience, Wuhuan Engineering is the first engineering company in the PRC to be accredited with DIN EN ISO 9001-2000 by TUV Rheinland, Germany, and carries out quality controls and management of engineering projects under GB/T 19000 standard.

Wuhuan Engineering has been involved in all kinds of chemical, petrochemical and medicine plants and associated facilities. Its business includes consultation, design, project management, supervision, turn key contracting and assessment of environment impact etc. of civil work, power, municipal construction and environment projects. Wuhuan Engineering has also taken the lead in the PRC in adopting the advanced international-accepted design and engineering procedures, as well as, carrying out the design as principal and project management in turn-key projects.
Wuhuan Engineering is not related in any way to the Jiutian Group, the Anhua Group and Anyang Jiulong.

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

7. 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 and amendment to the IPT Mandate.

8. SHAREHOLDING INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

The interests of the Directors and substantial shareholders 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:-

<table>
<thead>
<tr>
<th>Directors</th>
<th>Direct Interest</th>
<th>Deemed Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of Shares</td>
<td>%</td>
</tr>
<tr>
<td>Gao Heng</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sun Zhiqiang</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lee Chee Seng</td>
<td>10,250,000</td>
<td>0.56</td>
</tr>
<tr>
<td>Wu Yu Liang</td>
<td>300,000</td>
<td>0.02</td>
</tr>
<tr>
<td>Chan Kam Loon</td>
<td>100,000</td>
<td>0.01</td>
</tr>
<tr>
<td>Foo Meng Kee</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gao Guoan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Su Jing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Huo Xiaofan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Substantial Shareholder</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Anyang Longyu(2)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes:­
(1) Based on the issued share capital of 1,818,444,000 Shares as at the Latest Practicable Date.
(2) Anyang Longyu is deemed interested in 482,450,000 Shares held through its nominee, DMG & Partners Securities Pte. Ltd.

9. ANNUAL GENERAL MEETING

The AGM, notice of which is set out in the Annual Report of the Company, will be held on 29 April 2014 at M Hotel Singapore, Shenton Room, Basement 1, 81 Anson Road, Singapore 079908 at 9.30 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the respective Resolutions 10 and 11 relating to the proposed renewal of the IPT Mandate and the proposed amendment to the IPT Mandate.

10. INDEPENDENT DIRECTORS’ RECOMMENDATIONS

As Mr Gao Heng, Mr Su Jing and Mr Huo Xiaofan are nominee directors of HNEC, each of them will abstain from making any recommendation to the Shareholders on the Ordinary Resolutions relating to the proposed renewal and amendment to the IPT Mandate. Accordingly, the Independent Directors (who are considered to be independent for the purposes of making a recommendation to the Shareholders in respect of the proposed renewal and amendment to the IPT Mandate) are Mr Sun Zhiqiang, Mr Lee Chee Seng, Mr Wu Yu Liang, Mr Chan Kam Loon, Mr Foo Meng Kee and Mr Gao Guoan. Save as disclosed herein, none of the Directors has any interest, direct or indirect, in the proposed renewal and amendment to the IPT Mandate.
APPENDIX I

Having fully considered, among others, the terms of the IPT Mandate, the rationale for the IPT Mandate and the benefits of the IPT Mandate to the Jiutian Group and Anyang Jiulong as set out in section 4.6 of this Appendix I, the Independent Directors are of the view that the proposed renewal of the IPT Mandate is in the interests of the Company and, accordingly, recommend that Shareholders vote in favour of Resolution 10 relating to the proposed renewal of the IPT Mandate as set out in the Notice of AGM.

Having fully considered, among others, the terms of the New Recurrent IPT, the rationale for amending the IPT Mandate and the opinion of NRA Capital, the Independent Directors are of the view that the proposed amendment to the IPT Mandate is in the interests of the Company and, accordingly, recommend that Shareholders vote in favour of Resolution 11 relating to the proposed amendment to the IPT Mandate as set out in the Notice of AGM.

11. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the AGM and who wish to appoint a proxy to attend on their behalf are requested to complete, sign and return the proxy form enclosed with the Annual Report in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Company at 80 Robinson Road, #02-00, Singapore 068898 not less than 48 hours before the time appointed for holding the AGM. The completion and lodgment of the proxy form by a Shareholder will not prevent him from attending and voting at the AGM in person if he so wishes.

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 48 hours before the time appointed for holding the AGM.

12. ABSTENTION FROM VOTING IN CONNECTION WITH THE PROPOSED RENEWAL OF THE IPT MANDATE AND THE PROPOSED AMENDMENT TO THE IPT MANDATE

Rule 919 of the Listing Manual provides that interested persons and their associates must not vote on any shareholders’ resolution approving any mandate in respect of any interested person transactions nor accept appointments as proxies unless specific instructions as to voting are given.

Accordingly, Anyang Longyu will abstain from voting its shareholding, and undertakes to ensure that its associates will abstain from voting, in respect of Resolution 10 relating to the proposed renewal of the IPT Mandate and Resolution 11 relating to the proposed amendment to the IPT Mandate, at the forthcoming 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 the said Resolutions 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 addition, Mr Gao Heng, Mr Su Jing and Mr Huo Xiaofan have also undertaken to decline to accept appointment as proxies to vote in respect of the said Resolutions unless specific instructions as to voting are given.

13. 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 proposed amendment to 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 the 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 the Appendix I in its proper form and context.
APPENDIX I

14. CONSENTS

14.1 NRA Capital has given and has not withdrawn its written consent to the issue of this Appendix I with the inclusion of its name and the IFA Letter set out in Annex A to this Appendix I and all references thereto in the form and context in which they appear in this Appendix I.

14.2 Wuhuan Engineering has given and has not withdrawn its written consent to the issue of this Appendix I with the inclusion of its name and all references thereto in the form and context in which it appears in this Appendix I.

15. 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 Memorandum and Articles of Association of the Company;
(b) the IFA Letter;
(c) the letter of consent from NRA Capital as referred to in section 14.1 of this Appendix I; and
(d) the letter of consent from Wuhuan Engineering as referred to in section 14.2 of this Appendix I.

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

Sun Zhiqiang
Acting Chief Executive Officer
LETTER FROM NRA CAPITAL PTE. LTD. TO THE INDEPENDENT DIRECTORS OF JIUTIAN CHEMICAL GROUP LIMITED IN RESPECT OF THE PROPOSED AMENDMENT TO THE SHAREHOLDERS’ GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS

14 April 2014

The Independent Directors
Jiutian Chemical Group Limited
80 Robinson Road
#02-00
Singapore 068898

Dear Sirs

THE PROPOSED AMENDMENT TO THE SHAREHOLDERS’ GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS

1. INTRODUCTION

This letter has been prepared for the use of the Independent Directors of Jiutian Chemical Group Limited (the "Company") and is to be incorporated into Appendix I as Annex A to Shareholders of the Company dated 14 April 2014 which provides, inter alia, details of the proposed amendment to the Shareholders’ general mandate and the recommendation to the Independent Directors of the Company thereon. Unless otherwise defined herein, all capitalised terms in this letter not otherwise defined shall have the same meanings as defined in Appendix I.

On 3 November 2011, Anyang Longyu became a controlling shareholder of the Company when it acquired from Stateglory 470,625,000 Shares. The acquired Shares represents the entire shareholding of Stateglory in the Company. As at the Latest Practicable Date, Anyang Longyu holds 482,450,000 Shares through its nominee, DMG & Partners Securities Pte. Ltd., representing approximately 26.53% of the issued share capital of the Company.

Anyang Longyu is a wholly owned subsidiary of Anhua, a state-owned enterprise incorporated in Anyang, Henan Province, the People’s Republic of China (the “PRC”). Anhua is in turn a subsidiary of Henan Energy and Chemical Industry Group Co., Limited (“HNEC”). HNEC is one of the PRC’s most significant coal mining companies and a significant manufacturer in the chemical industry.

Upon Anyang Longyu becoming a controlling shareholder of the Company on 3 November 2011, all transactions entered into by HNEC, Anhua and their respective subsidiaries and associates (collectively the “Anhua Group”) and Anyang Jiulong1 with the Company and its subsidiaries and associated companies (collectively the “Jiutian Group”) and Anyang Jiulong became Interested Person Transactions under Chapter 9 of the listing manual of the SGX-ST (the “Listing Manual”).

Note:

(1) Anyang Jiulong is a subsidiary of the Anhua Group and an associated company of the Company. 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.
The shareholders of the Company had previously on 16 November 2012 approved a general mandate (the “IPT Mandate”) permitting the Jiutian Group and Anyang Jiulong to enter into interested person transactions with the Anhua Group and Anyang Jiulong (“Recurrent IPTs” as defined in Appendix I). The IPT Mandate was subsequently renewed at the last annual general meeting of the Company held on 26 April 2013.

The Company have proposed to seek the approval of its Shareholders at the annual general meeting to be held on 29 April 2014 (the “AGM”) for the proposed renewal of the IPT Mandate; in addition, the Company is proposing to include the following interested person transaction (“New Recurrent IPT”) as part of the IPT Mandate:

<table>
<thead>
<tr>
<th>Entities At Risk</th>
<th>Interested Persons</th>
<th>Type of transaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jiutian Group as the supplier</td>
<td>Anhua Group and/or Anyang Jiulong as the customers</td>
<td>Sale of Dimethylamine to the Anhua Group and/or Anyang Jiulong</td>
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</tbody>
</table>

The Jiutian Group had begun to sell Dimethylamine to Anyang Jiulong, being part of the Anhua Group, since 28 February 2013. It is envisaged that in the future, the frequency and/or the volume of the sale of Dimethylamine by the Jiutian Group to the Anhua Group and/or Anyang Jiulong may increase to such a level which would require the Company to seek the approval of the Shareholders for the New Recurrent IPT as required under Chapter 9 of the Listing Manual. Accordingly, the Company is seeking the approval of Shareholders at the AGM for the inclusion of the New Recurrent IPT as part of the IPT Mandate. The inclusion of the New Recurrent IPT as part of the IPT Mandate will be conditional upon the renewal of the IPT Mandate at the AGM and not vice versa.

In compliance with the requirements of Chapter 9 of the Listing Manual, NRA Capital Pte. Ltd. (“NRA Capital”) has been appointed by the Independent Directors of the Company as the independent financial adviser to provide an opinion on whether the review procedures for determining the transaction prices of the New Recurrent IPT are sufficient to ensure that the New Recurrent IPT will be carried out on normal commercial terms and will not be prejudicial to the interest of the Company and its minority Shareholders.

2. TERMS OF REFERENCE

The objective of this letter is to provide an independent opinion, for the purposes of Chapter 9 of the Listing Manual, on whether the New Recurrent IPT had been carried out on normal commercial terms and were not prejudicial to the interests of the Company and its minority Shareholders and whether the guidelines and review procedures set out for the New Recurrent IPT for determining the pricing of the New Recurrent IPT are sufficient to ensure that the New Recurrent IPT will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

We were neither a party to the negotiations entered into by the Company in relation to the New Recurrent IPT nor were we involved in the deliberations leading to the decision of the Company to enter into the New Recurrent IPT and/or to seek approval for the inclusion of New Recurrent IPT as part of the IPT Mandate. We do not, by this letter, warrant the merits of the New Recurrent IPT other than to form an opinion for the purposes of Chapter 9 of the Listing Manual.

We have not been involved, whether directly or indirectly, in any aspect of the discussions on the scope of the IPT Mandate and the categories of the New Recurrent IPT. We have also not been involved in the deliberations leading up to the decision by the Directors to include the New Recurrent IPT as part of the IPT Mandate or the guidelines and review procedures to be adopted by the Jiutian Group to ensure that the New Recurrent IPT will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

It is not within our terms of reference, nor have we been requested to evaluate or comment on the merits and/or associated risks, whether legal, commercial, strategic, financial or otherwise, of the New
ANNEX A

Recurrent IPT and/or the IPT Mandate and as such, we do not express an opinion thereon. We have not conducted an independent and comprehensive review of the business operations or financial condition of the Company or the Jiutian Group. The scope of our appointment does not require us to express, and we do not express, a view on the future growth prospects or earnings potential of the Company or the Jiutian Group. Such evaluation or comments are and remain the sole responsibility of the Directors although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary and appropriate by us) in arriving at our opinion as set out in this letter.

In respect of the New Recurrent IPT, we were not required or authorised to verify, and we have not verified, the availability of other alternatives or if any third party could have provided such services similar to those which are covered by the New Recurrent IPT, and therefore are not able to compare the New Recurrent IPT with similar transactions with third parties.

In the course of our review, we have relied on, and assumed without independent verification, the accuracy and completeness of published information relating to the Company. We have also relied on information provided and representations made by the Directors and the Company’s management. We have not independently verified such information or any representation or assurance made by them, whether written or verbal, and accordingly cannot and do not accept any responsibility for, the accuracy, completeness or adequacy of such information, representation and assurance. Nevertheless, the Directors and Company’s management have confirmed to us that, to the best of their knowledge and belief, the information provided to us (whether written or verbal) as well as the information contained in the Appendix I constitutes full and true disclosure in all material respects, of all material facts relating to the New Recurrent IPT and the IPT Mandate, and there is no other material information or fact, the omission of which would cause any of the information contained herein or in the Appendix I to be inaccurate, incomplete or misleading in any material respect. We have nevertheless made reasonable enquiries and exercised our judgment on the reasonable use of such information and have found no reason to doubt the accuracy or reliability of the information.

Our view as set forth in this letter is based on prevailing market, industry, monetary, regulatory, economic and other applicable conditions subsisting on, and the information made available to us as of the Latest Practicable Date 31 March 2014. Such conditions may change significantly over a relatively short period of time. We assume no responsibility to update, revise or reaffirm our opinion in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein.

Our opinion is solely for the use and benefit of the Independent Directors in their deliberation on the inclusion of the New Recurrent IPT as part of the IPT Mandate. The recommendation made by the Independent Directors shall remain the responsibility of the Independent Directors. In preparing this opinion, we have not had regard to specific investment objectives, financial situation, tax position or unique needs and constraints of any Shareholder. As each Shareholder may have different investment objectives and consideration, we would advise the Independent Directors to recommend that any individual Shareholder who may require specific advice in relation to his Shares should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional advisers.

Our opinion in relation to the inclusion of the New Recurrent IPT as part of the IPT Mandate should be considered in the context of the entirety of this letter and Appendix I.

3. RATIONALE FOR AND BENEFITS OF THE IPT MANDATE

The full text of the rationale and benefits of the IPT Mandate can be found in section 4.6 of Appendix I. The Directors are of the view that it remains beneficial to the Jiutian Group and Anyang Jiulong to continue to transact with the Anhua Group if the Company is required to seek Shareholders’ approval on each occasion it deals with the Interested Persons, it would not be commercially viable for the Interested Persons to transact with the Jiutian Group and Anyang Jiulong. The IPT Mandate would facilitate such transactions with the Interested Persons being carried out in a timely manner.

4. THE SHAREHOLDERS’ GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS

4.1 Scope of the IPT Mandate

The IPT Mandate will be amended to include the coverage of the New Recurrent IPT. As at the Latest Practicable Date, the IPT Mandate is covering the Recurrent IPTs, further details relating to the Recurrent IPTs are found under sections 4.2.2(b) and 4.3 in Appendix I of the Company’s audited annual report for its financial year ended 31 December 2013 the “Annual Report”).

Transactions with interested person (including Interested Persons, as defined in paragraph 4.2 of this letter) which do not come within the ambit of the IPT Mandate will be subject to applicable provisions of Chapter 9 of the Listing Manual and/or other applicable provisions of the Listing Manual.

4.2 Classes of Interested Persons

The IPT Mandate will be amended to include the New Recurrent IPT (as described in paragraph 4.3 of this letter) which are carried out between Jiutian Group and the following classes of interested person:

(a) The Anhua Group; and/or
(b) Anyang Jiulong.

4.3 Categories of the Interested Person Transactions

The types of transaction with Interested Persons (as described in paragraph 4.2 above) to which the IPT Mandate are amended to apply to are set out below:

(a) Sale of Dimethylamine to the Anhua Group and/or Anyang Jiulong

The Jiutian Group had begun to sell Dimethylamine to Anyang Jiulong, being part of the Anhua Group, since 28 February 2013. The total value of the New Recurrent IPT, since the day that the Jiutian Group had begun to sell Dimethylamine to Anyang Jiulong to 31 December 2013, amounted to approximately RMB9.1 million, representing approximately 2.5% of the audited NTA of the Jiutian Group of approximately RMB365.7 million as at 31 December 2012. From 1 January 2014 to 28 February 2014, being the last day of the calendar month immediately preceding the Latest Practicable Date, the total value of the New Recurrent IPT amounted to RMB1,013,000, representing approximately 0.2% of the audited NTA of the Jiutian Group of approximately RMB438.9 million as at 31 December 2013.

These Interested Person Transactions comprise recurrent transactions of a revenue or trading nature or those necessary for the Jiutian Group’s day-to-day operations, but not in respect of the purchase and sale of assets, undertakings or businesses.

5. VALIDITY PERIOD OF THE IPT MANDATE

Shareholders should note that the proposed amendment of the IPT Mandate to include the coverage of the New Recurrent IPT will be conditional upon the renewal of the IPT Mandate at the AGM and not vice versa.

If 1) Ordinary Resolution 10 in relation to the proposed renewal of the IPT Mandate and 2) Ordinary Resolution 11 in relation to the proposed amendment of the IPT Mandate to include the New Recurrent IPT, are passed and approved by Shareholders at the AGM, to be held on 29 April 2014, the New Recurrent IPT will be included as part of the amended IPT Mandate; further, the amended IPT Mandate will take effect from the date of the passing of the Ordinary Resolutions 10 and 11, and will (unless revoked or varied by the Company in a general meeting) continue in force until the next annual general meeting of the Company. Thereafter, approval from the Shareholders for the renewal of the amended IPT Mandate at each subsequent annual general meeting of the Company will be subject to the satisfactory review by the audit committee of the Company (the “Audit Committee”) of its continued application to the transactions with the interested persons covered under the amended IPT Mandate.
6. REVIEW PROCEDURES FOR NEW RECURRENT IPT

We note that the Jiutian Group has undertaken the following review procedures to ensure that the New Recurrent IPT is undertaken at arm’s length, on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders:

6.1 Procedure for determining the transaction prices of the New Recurrent IPT

Sale of Dimethylamine to the Anhua Group and/or Anyang Jiulong

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, 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.

Additional guidelines and review procedures are set out in section 4.7 of Appendix I and shareholders are advised to refer to the full text.

6.1.1 Approval Thresholds

The following approval procedures will be implemented by the Jiutian Group:

(a) any single transaction of a value less than RMB500,000 will be reviewed and approved by the group finance manager of the Company and/or a general manager of the Company (who shall not be interested in respect of the particular transaction) as designated by the Audit Committee prior to entering into the transaction;

(b) any single transaction of a value between RMB500,000 and RMB20 million will be reviewed and approved jointly by the Chief Executive Officer and the group finance manager of the Company prior to entering into the transaction. In the event that any of the said persons is not available, an appropriate senior executive approved by the Audit Committee will be appointed in the interim;

(c) where any single transaction or the aggregate value of all transactions entered into with the same Interested Person in the same financial year is equal to or more than RMB20 million, such transactions will be reviewed by the Audit Committee to ensure that they are carried out on normal commercial terms and in accordance with the procedures of the IPT Mandate; and

(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.

6.1.2 Register of New Recurrent IPT

In addition to the review procedures and approval limits, the following procedures will also be implemented:

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.
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 New Recurrent IPT at its quarterly meetings, save for those transactions which have been previously approved by the Audit Committee, to ensure that the New Recurrent IPT 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.

The Company’s annual internal audit plan shall incorporate a review of all New Recurrent IPT including the established review procedures for the monitoring of such transactions entered into during the same financial year pursuant to the IPT Mandate.

6.1.3 Reviews by Audit Committee

The Audit Committee will review on a quarterly basis the Register as mentioned in section 6.1.2 of this letter.

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 New Recurrent IPT have been complied with and whether the established guidelines and review procedures continue to be adequate and/or commercially practicable in ensuring that the New Recurrent IPT are conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

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 New Recurrent IPT will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

The Audit Committee has reviewed the terms of the New Recurrent IPT and is satisfied that the guidelines and review procedures of the New Recurrent IPT for determining the pricing of the New Recurrent IPT, if adhered to and applied properly at all times, are sufficient to ensure that the New Recurrent IPT will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

6.2 Evaluation of the Review Procedures in relation to the New Recurrent IPT

In arriving at our opinion as to whether the guidelines and review procedures for determining the pricing of the New Recurrent IPT under the IPT Mandate are sufficient to ensure that the New Recurrent IPT will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, we have given due consideration to, inter alia, the following key factors:

(a) The Directors’ rationale for, and benefits accruing to the Jiutian Group arising from the inclusion of the New Recurrent IPT as part of the IPT Mandate;

(b) The scope of the IPT Mandate, the classes of Interested Persons and the categories of the Interested Person Transactions; and

(c) The guidelines and review procedures for the New Recurrent IPT, including the role of the Audit Committee in enforcing the IPT Mandate.
7. CONCLUSION

Having regard to the considerations set out in this letter and the information available to us as at the Latest Practicable Date, we are of the opinion that the review procedures set up by the Jiutian Group for determining the transaction prices of the New Recurrent IPT as set out in Appendix I, if adhered to and applied properly at all times, are sufficient to ensure that the New Recurrent IPT will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

We have prepared this letter for the use of the Independent Directors in connection with and for the purposes of their consideration of the inclusion of the New Recurrent IPT as part of the IPT Mandate and for inclusion in Appendix I. Our opinion should not be relied on as an indication of the merits of the New Recurrent IPT, the Company or the Shares to any potential investor of the Company nor a recommendation to any future Shareholders as to how such Shareholders should vote on the approval for the inclusion of the New Recurrent IPT as part of the IPT Mandate, if any.

Whilst a copy of this letter may be reproduced in Appendix I, neither the Company nor the Directors may reproduce, disseminate or quote this letter (or any part thereof) the purpose of any matter which does not relate to the New Recurrent IPT at any time and in any manner without the prior written consent of NRA Capital in each specific case. This opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully

Kevin Scully     Raymond Lee
Executive Chairman    Director
NRA Capital Pte. Ltd.    NRA Capital Pte. Ltd.
APPENDIX II DATED 14 APRIL 2014

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 2013 (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 29 April 2014 at M Hotel Singapore, Shenton Room, Basement 1, 81 Anson Road, Singapore 079908 at 9.30 a.m.

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

If you have sold 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 to the stockbroker or the bank or the agent through whom you effected the sale for onward transmission to the purchaser.

The Ordinary Resolution proposed to be passed in respect of the above matter is set out in the Notice of Annual General Meeting. The Notice of Annual General Meeting and the Proxy Form are enclosed with the Annual Report.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Appendix II.
# APPENDIX II

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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 29 April 2014 at 9.30 a.m. at M Hotel Singapore, Shenton Room, Basement 1, 81 Anson Road, Singapore 079908

“Annual Report” : The annual report of the Company for FY2013

“Appendix II” : This Appendix II dated 14 April 2014

“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 Jiuju Chemical Technology Co., Ltd in which the Group holds 74% of its registered capital (direct interest of 49% and indirect interest of 25%) but over which the Company has no control

“Board” : Board of Directors of the Company for the time being

“CDP” : The Central Depository (Pte) Limited

“Companies Act” : The Companies Act (Chapter 50) of Singapore, as amended or modified or supplemented from time to time

“Company” : Jiutian Chemical Group Limited

“Directors” : The directors of the Company for the time being

“EPS” : Earnings per Share

“FY” : Financial year ended 31 December

“Group” : The Company, its subsidiaries and its associated companies

“Latest Practicable Date” : 31 March 2014, being the latest practicable date prior to the printing of this Appendix II

“Listing Manual” : The listing manual of the SGX-ST

“Market Day” : A day on which the SGX-ST is open for trading in securities

“Notice of AGM” : The notice of the AGM dated 14 April 2014

“NTA” : Net tangible assets

“Relevant Period” : The period commencing from the date of the AGM and thereafter, expiring on the date on which the next annual general meeting of the Company is held or required by law to be held, whichever is earlier, after the date on which the Ordinary Resolution relating to the proposed renewal of the Share Buyback Mandate is passed

“SGX-ST” : Singapore Exchange Securities Trading Limited

“Share Buyback” : The purchase or acquisition of issued Shares by the Company pursuant to the Share Buyback Mandate
APPENDIX II

"Share Buyback Mandate" : The general and unconditional mandate given by the Shareholders to authorise the Directors to purchase or otherwise acquire, on behalf of the Company, issued Shares in accordance with the terms of the Share Buyback Mandate set out in this Appendix II as well as the rules and regulations set forth in the Companies Act and the Listing Manual.

"Shareholders" : Registered holders of Shares, except that where the registered holder is CDP, the term "Shareholders" shall, in relation to such Shares and where the context so admits, mean the persons whose direct securities account maintained with the CDP are credited with the Shares.

"Shares" : Ordinary shares in the capital of the Company.

"subsidiary" : A company which is for the time being a subsidiary of the Company, as defined in Section 5 of the Companies Act.

"Take-over Code" : The Singapore Code on Take-overs and Mergers as may be amended or modified from time to time.

"treasury shares" : Issued Shares of the Company which were (or are treated as having been) purchased by the Company in circumstances which Section 76H of the Companies Act applies and have since purchase been continuously held by the Company.

"RMB" and "RMB cents" : Renminbi dollars and cents, respectively.

"S$" and "cents" : Singapore dollars and cents, respectively.

“%” or “per cent.” : Per centum.

The terms “Depositor”, “Depository Agent” and “Depository Register” shall have the meanings ascribed to them respectively in Section 130A of the Companies Act or any statutory modification thereof, as the case may be.

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

Words importing persons shall, where applicable, include corporations.

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

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

All discrepancies in the 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 RMB4.8923 has been used to convert Singapore dollars to Renminbi dollars and vice versa.
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 29 April 2014 for the proposed renewal of the Share Buyback Mandate.

The Company refers to the Notice of AGM accompanying the Annual Report for FY2013 and Resolution 12 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 (the “2014 EGM”). The Share Buyback Mandate approved at the 2014 EGM will expire on 29 April 2014, being the date of the forthcoming AGM.

Shareholders’ approval is being sought at the AGM to be held for the renewal of the general and unconditional Share Buyback Mandate for the purchase or acquisition by the Company of its issued Shares. If approved, the Share Buyback Mandate will take effect from the date of the AGM at which the renewal of the Share Buyback Mandate is approved by the Shareholders and continue in force until the date of the next annual general meeting of the Company or such date as the next annual general meeting is required by law to be held, whichever is earlier, unless prior thereto, Share Buybacks are carried out to the full extent mandated or the Share Buyback Mandate is revoked or varied by the Company in general meeting.

Any purchase of Shares by the Company will have to be made in accordance with, and in the manner prescribed by, the Companies Act, the Memorandum and Articles of Association of the Company, the rules of the Listing Manual, and such other laws and regulations as may for the time being be applicable.
APPENDIX II

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 Share Buybacks may help to mitigate short-term market volatility, offset the effects of short-term speculation and bolster Shareholders’ confidence and employees’ morale. Share Buybacks will also allow the Directors greater flexibility over the Company’s share capital structure with a view to enhancing the EPS and/or NTA per Share.

Whilst the Share Buyback Mandate would authorise Share Buybacks up to the said ten per cent. (10%) limit during the duration referred to in paragraph 2.3.2 below, Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Buyback Mandate may not be carried out to the full ten per cent. (10%) limit as authorised and the purchases or acquisitions of Shares pursuant to the Share Buyback Mandate would be made only as and when the Directors consider it to be in the best interest of the Company and/or Shareholders and in circumstances which they believe will not result in any material adverse effect to the financial position of the Company or the Group, or result in the Company being delisted from the SGX-ST. The Directors will use their best efforts to ensure that after a Share Buyback pursuant to the Share Buyback Mandate, the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or adversely affect the orderly trading and listing status of the Shares on the SGX-ST.

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 2014 EGM. The authority and limitations placed on purchases or acquisitions of Shares by the Company under the Share Buyback Mandate are summarised below:-

2.3.1 Maximum Number of Shares

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. The total number of Shares that may be purchased or acquired by the Company pursuant to the Share Buyback Mandate is limited to that number of Shares representing not more than ten per cent. (10%) of the total number of issued Shares of the Company as at the date of the AGM at which the renewal of the Share Buyback Mandate is approved, unless the Company has, at any time during the Relevant Period, effected a reduction of its share capital in accordance with the applicable provisions of the Companies Act, in which event the total number of issued Shares of the Company shall be taken to be the total number of issued Shares of the Company as altered. Any Shares which are held as treasury shares will be disregarded for purposes of computing the ten per cent. (10%) limit.

Purely for illustrative purposes only, on the basis of 1,818,444,000 Shares in issue as at the Latest Practicable Date, and assuming that between the Latest Practicable Date and the date of the AGM (i) no new Shares are issued and (ii) no Shares are repurchased by the Company and cancelled or held as treasury shares, not more than 181,844,400 Shares (representing 10% of the total number of issued Shares as at that date) may be purchased or acquired by the Company pursuant to the Share Buyback Mandate.

2.3.2 Duration of Authority

Purchases or acquisitions of Shares may be made, at any time and from time to time, by the Company on and from the date of the AGM at which the renewal of the Share Buyback Mandate is approved, up to the earliest of:-

(a) the date on which the next annual general meeting of the Company is held or required by law to be held;

(b) the date on which the Share Buybacks are carried out to the full extent mandated; and
(c) the date on which the authority conferred by the Share Buyback Mandate is revoked or varied by the Company in general meeting.

2.3.3 Manner of Purchase or Acquisition of Shares

Purchases or acquisitions of Shares by the Company may be effected by way of:-

(a) on-market purchases transacted on the SGX-ST through the SGX-ST’s trading system, through one or more duly licensed stockbrokers appointed by the Company for the purpose of Share Buyback ("Market Purchases"); and/or

(b) off-market purchases (if effected otherwise than on the SGX-ST) in accordance with an "equal access scheme" as defined in Section 76C of the Companies Act ("Off-Market Purchases").

In an Off-Market Purchase, the Directors may impose such terms and conditions which are consistent with the Share Buyback Mandate, the Listing Manual, the Companies Act, the Articles of Association of the Company and other applicable laws and regulations, as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes.

Under the Companies Act, an equal access scheme must satisfy all the following conditions:-

(a) 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;

(b) all of those persons shall be given a reasonable opportunity to accept the offers made to them; and

(c) the terms of all the offers shall be the same, except that there shall be disregarded, where applicable:-

(i) differences in consideration attributable to the fact that the offers relate to shares with different accrued dividend entitlements;

(ii) differences in consideration attributable to the fact that the offers relate to shares with different amounts remaining unpaid; and

(iii) differences in the offers introduced solely to ensure that each person is left with a whole number of shares.

Pursuant to the Listing Manual, if the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, it must issue an offer document to all Shareholders containing at least the following information:-

(a) the terms and conditions of the offer;

(b) the period and procedures for acceptances;

(c) the reasons for the proposed purchase or acquisition of Shares;

(d) 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;

(e) whether the purchase or acquisition of Shares, if made, would have any effect on the listing of the Shares on the SGX-ST;
APPENDIX II

(f) 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

(g) whether the Shares purchased by the Company will be cancelled or kept as treasury
shares.

2.3.4 Maximum Purchase Price

The purchase price (excluding brokerage, commission, applicable goods and services tax and
other related expenses) to be paid for the Shares purchased or acquired pursuant to the Share
Buyback Mandate will be determined by the Directors. However, the purchase price to be paid
for the Shares pursuant to any Share Buyback must not exceed:-

(a) in the case of a Market Purchase, one hundred and five per cent. (105%) of the Average
Closing Price (as defined hereinafter); and

(b) in the case of an Off-Market Purchase pursuant to an equal access scheme, one hundred
and twenty per cent. (120%) of the Average Closing Price,

(the “Maximum Price”) in either case, excluding related expenses of the Share Buyback.

For the above purposes of determining the Maximum Price:-

“Average Closing Price” means the average of the closing market prices of the Shares over the
last five (5) Market Days on which transactions in the Shares were recorded before the date of
the Market Purchase by the Company or, as the case may be, the date of the making of the
offer (as 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 Day period.

“date of the making of the offer” means the date on which the Company announces its
intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which
shall not be more than the Maximum Price for an Off-Market Purchase calculated on the
foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting
the Off-Market Purchase.

2.4 Status of purchased or acquired Shares

Any Share purchased or acquired by the Company is deemed cancelled immediately on purchase or
acquisition (and all rights and privileges attached to that Share will expire on such cancellation) unless
such Share is held by the Company as treasury share. Accordingly, the total number of issued Shares
will be diminished by the number of Shares purchased or acquired by the Company and which are not
held as treasury shares.

All Shares purchased or acquired by the Company (other than treasury shares held by the Company
to the extent permitted under the Companies Act) will be automatically delisted by the SGX-ST, and
(where applicable) all certificates in respect thereof will be cancelled and destroyed by the Company
as soon as reasonably practicable following settlement of any such purchase or acquisition.

The Company may decide to cancel Shares which have been purchased by the Company or hold
such Shares as treasury shares, depending on whether it is in the interests of the Company to do so.
2.5 Treasury Shares

Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below:-

2.5.1 Maximum Holdings

The number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares.

2.5.2 Voting and Other Rights

The Company cannot exercise any rights in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid and no other distribution (whether in cash or otherwise) of the Company’s assets (including any distribution of assets to members on a winding up) may be made to the Company in respect of treasury shares. However, the allotment of Shares as fully paid bonus shares in respect of treasury shares is allowed. The treasury shares may be sub-divided or consolidated, so long as the total value of the treasury shares after such sub-division or consolidation is the same as the total value of the treasury shares before the sub-division or consolidation, as the case may be.

2.5.3 Disposal and Cancellation

Where Shares are held as treasury shares, the Company may at any time:-

(a) sell the treasury shares (or any of them) for cash;

(b) transfer the treasury shares (or any of them) for the purposes of or pursuant to an employees’ share scheme;

(c) transfer the treasury shares (or any of them) as consideration for the acquisition of shares in or assets of another company or assets of a person;

(d) cancel the treasury shares (or any of them); or

(e) sell, transfer or otherwise use the treasury shares for such purposes as may be prescribed by the Minister of Finance.

Under the Listing Manual, an immediate announcement must be made of any sale, transfer, cancellation and/or use of treasury shares (in each case, the “usage”). Such announcement must include details such as the date of the usage, the purpose of the usage, the number of treasury shares comprised in the usage, the number of treasury shares before and after the usage and the percentage of the number of treasury shares comprised in the usage against the total number of issued shares (of the same class as the treasury shares) which are listed on the SGX-ST before and after the usage and the value of the treasury shares comprised in the usage.

2.6 Reporting Requirements

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

The Company shall notify ACRA in the prescribed form within thirty (30) days of a purchase or acquisition of Shares on the SGX-ST or otherwise. Such notification shall include details such as the date 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 of Shares.
APPENDIX II

The Listing Manual specifies that a listed company shall notify the SGX-ST of all purchases or acquisitions of its shares not later than 9.00 a.m.:-

(a) in the case of a Market Purchase, on the Market Day following the day on which the Market Purchase was made;

(b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptances 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 the Company in a timely fashion the necessary information which will enable the Company to make the notification to the SGX-ST.

2.7 Source of Funds

The Company may only apply funds for the purchase or acquisition of Shares in accordance with the applicable laws in Singapore. The Company may not purchase or acquire its Shares for a consideration other than in cash or, in the case of a Market Purchase, for settlement otherwise than in accordance with the trading rules of the SGX-ST.

Pursuant to the Companies Act, any payment made by the Company in consideration of the purchase or acquisition of Shares by the Company may be made out of the Company’s capital or profits, so long as the Company is solvent. It is an offence for a Director or an officer of the Company to approve or authorise the purchase or acquisition of Shares, knowing that the Company is not solvent. For this purpose, pursuant to the Companies Act, a company is solvent if:-

(a) the company is able to pay its debts in full at the time of the payment of the purchase or acquisition of its shares and will be able to pay its debts as they fall due in the normal course of business during the period of twelve (12) months immediately following the date of payment of the purchase or acquisition of its shares; and

(b) the value of the company’s assets exceeds its liabilities (including contingent liabilities) and will not, after the proposed purchase or acquisition of shares, become less than the value of its liabilities (including contingent liabilities).

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.

Where the Company chooses to cancel immediately any of the Shares it repurchased (as opposed to being held as treasury shares to the extent permitted under the Companies Act), the Company shall:-

(a) reduce the amount of its share capital where the Shares were purchased or acquired out of the capital of the Company;

(b) reduce the amount of its profits where the Shares were purchased or acquired out of the profits of the Company; or

(c) reduce the amount of its share capital and profits proportionately where the Shares were purchased or acquired out of both the capital and the profits of the Company,

by the total amount of the purchase price paid by the Company for the Shares cancelled.
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 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 is made out of capital or profits, the purchase price paid for such Shares, the amount (if any) borrowed by the Company to fund such purchases or acquisitions 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 (excluding brokerage, commission, applicable goods and services tax and other related expenses) will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount available for the 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. 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 Share Buybacks on the Group, based on the audited financial statements of the Group for the financial year ended 31 December 2013, are based on the assumptions as set out in the table below:

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Out Of Capital or Profits</th>
<th>Type</th>
<th>Whether held as treasury shares or cancelled</th>
<th>Maximum Price per Share ($/RMB) ⑴</th>
<th>Maximum Number of Shares to be Purchased</th>
<th>Equivalent Percentage of issued Shares ⑵</th>
</tr>
</thead>
<tbody>
<tr>
<td>1(A)</td>
<td>Capital</td>
<td>Market Purchase</td>
<td>Held as treasury shares</td>
<td>S$0.075 / RMB0.367</td>
<td>181,844,400</td>
<td>10.0%</td>
</tr>
<tr>
<td>1(B)</td>
<td>Capital</td>
<td>Market Purchase</td>
<td>Cancelled</td>
<td>S$0.075 / RMB0.367</td>
<td>181,844,400</td>
<td>10.0%</td>
</tr>
<tr>
<td>1(C)</td>
<td>Capital</td>
<td>Off-Market Purchase</td>
<td>Held as treasury shares</td>
<td>S$0.085 / RMB0.416</td>
<td>181,844,400</td>
<td>10.0%</td>
</tr>
<tr>
<td>1(D)</td>
<td>Capital</td>
<td>Off-Market Purchase</td>
<td>Cancelled</td>
<td>S$0.085 / RMB0.416</td>
<td>181,844,400</td>
<td>10.0%</td>
</tr>
<tr>
<td>2(A)</td>
<td>Profits</td>
<td>Market Purchase</td>
<td>Held as treasury shares</td>
<td>S$0.075 / RMB0.367</td>
<td>181,844,400</td>
<td>10.0%</td>
</tr>
<tr>
<td>2(B)</td>
<td>Profits</td>
<td>Market Purchase</td>
<td>Cancelled</td>
<td>S$0.075 / RMB0.367</td>
<td>181,844,400</td>
<td>10.0%</td>
</tr>
<tr>
<td>2(C)</td>
<td>Profits</td>
<td>Off-Market Purchase</td>
<td>Held as treasury shares</td>
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<tr>
<td>2(D)</td>
<td>Profits</td>
<td>Off-Market Purchase</td>
<td>Cancelled</td>
<td>S$0.085 / RMB0.416</td>
<td>181,844,400</td>
<td>10.0%</td>
</tr>
</tbody>
</table>
Notes:

(1) The Maximum Price per Share for a Market Purchase or an Off-Market Purchase is computed based on respectively 105% and 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.

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

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

<table>
<thead>
<tr>
<th>As at 31 December 2013 (RMB'000)</th>
<th>As per the audited consolidated financial statements of the Company</th>
<th>Pro-forma financial effects as at 31 December 2013 for Scenario as per the table set out above</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1(A)</td>
<td>1(B)</td>
</tr>
</tbody>
</table>

Share capital 661,153 661,153 594,416 661,153 585,506
Revenue reserve (222,282) (222,282) (222,282) (222,282) (222,282)
Treasury shares – (66,737) – (75,647) –
Total Shareholders’ equity 438,871 372,134 372,134 363,224 363,224
Net asset value 438,871 372,134 372,134 363,224 363,224
Current assets 593,567 593,567 593,567 593,567 593,567
Current liabilities 805,315 805,315 805,315 805,315 805,315
External borrowings – 66,737 66,737 75,647 75,647
Cash and cash equivalents 70,888 70,888 70,888 70,888 70,888
Number of Shares(1) ('000) 1,818,444 1,636,600 1,636,600 1,636,600 1,636,600

Financial Ratios

<table>
<thead>
<tr>
<th></th>
<th>As per the audited consolidated financial statements of the Company</th>
<th>Pro-forma financial effects as at 31 December 2013 for Scenario as per the table set out above</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1(A)</td>
<td>1(B)</td>
</tr>
</tbody>
</table>

Net asset value per Share (RMB cents) 24.13 22.74 22.74 22.19 22.19
Basic earnings per Share(2) (RMB cents) 1.17 1.30 1.30 1.30 1.30
Gearing ratio (times) – 0.18 0.18 0.21 0.21
Current ratio (times) 0.74 0.74 0.74 0.74 0.74

Notes:

(1) Excludes treasury shares, where applicable.

(2) For purposes of calculating the basic earnings per Share, it was assumed that 163,000,000 new Shares, allotted and issued pursuant to a private placement of Shares undertaken by the Company during FY2013, have been allotted and issued at the beginning of FY2013.
**APPENDIX II**

**B) Pro-forma financial effects on the Group for scenarios of Share Buybacks by the Company out of profit**

<table>
<thead>
<tr>
<th>As at 31 December 2013 (RMB’000)</th>
<th>As per the audited consolidated financial statements of the Company</th>
<th>Pro-forma financial effects as at 31 December 2013 for Scenario as per the table set out above</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2(A)</td>
<td>2(B)</td>
</tr>
<tr>
<td>Share capital</td>
<td>661,153</td>
<td>661,153</td>
</tr>
<tr>
<td>Revenue reserve</td>
<td>(222,282)</td>
<td>(222,282)</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>–</td>
<td>(66,737)</td>
</tr>
<tr>
<td>Total Shareholders’ equity</td>
<td>438,871</td>
<td>372,134</td>
</tr>
<tr>
<td>Net asset value</td>
<td>438,871</td>
<td>372,134</td>
</tr>
<tr>
<td>Current assets</td>
<td>593,567</td>
<td>593,567</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>805,315</td>
<td>805,315</td>
</tr>
<tr>
<td>External borrowings</td>
<td>–</td>
<td>66,737</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>70,888</td>
<td>70,888</td>
</tr>
<tr>
<td>Number of Shares(1) (’000)</td>
<td>1,818,444</td>
<td>1,636,600</td>
</tr>
</tbody>
</table>

**Financial Ratios**

<table>
<thead>
<tr>
<th></th>
<th>24.13</th>
<th>22.74</th>
<th>22.74</th>
<th>22.19</th>
<th>22.19</th>
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<tbody>
<tr>
<td>Net asset value per Share (RMB cents)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic earnings per Share(2) (RMB cents)</td>
<td>1.17</td>
<td>1.30</td>
<td>1.30</td>
<td>1.30</td>
<td>1.30</td>
</tr>
<tr>
<td>Gearing ratio (times)</td>
<td>–</td>
<td>0.18</td>
<td>0.18</td>
<td>0.21</td>
<td>0.21</td>
</tr>
<tr>
<td>Current ratio (times)</td>
<td>0.74</td>
<td>0.74</td>
<td>0.74</td>
<td>0.74</td>
<td>0.74</td>
</tr>
</tbody>
</table>

**Notes:**

1. Excludes treasury shares, where applicable.
2. For purposes of calculating the basic earnings per Share, it was assumed that 163,000,000 new Shares, allotted and issued pursuant to a private placement of Shares undertaken by the Company during FY2013, have been allotted and issued at the beginning of FY2013.

Shareholders should note that the financial effects illustrated above are based on certain assumptions and purely for illustrative purposes only. In particular, it is important to note that the above analysis is based on the audited financial statements of the Group for the financial year ended 31 December 2013 and is not necessarily representative of the future financial performance of the Company or the Group.

The Company will take into account both financial and non-financial factors (for example, stock market conditions and the performance of the Shares) in assessing the relative impact of the Share Buyback before execution. Although the Share Buyback Mandate would authorise the Company to purchase or acquire up to 10% of the total number of issued Shares, the Company may not necessarily purchase or be able to purchase the entire 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 Taxation**

Shareholders who are in doubt as to their tax position or any tax implications arising from Share Buybacks in their respective jurisdictions should consult their own professional advisers.
2.10 Take-over implications arising from Share Buybacks

Appendix 2 of the Take-over Code contains the Share Buy-Back Guidance Note. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below.

2.10.1 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. 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 of the Take-over Code.

2.10.2 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:-

(a) a company with its parent company, its subsidiaries, its fellow subsidiaries, any associated companies of the foregoing companies, any company whose associated companies include any of the foregoing companies, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing for the purchase of voting rights;

(b) 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;

(c) a company with any of its pension funds and employee share schemes;

(d) 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;

(e) a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of the adviser and 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 10% or more of the client’s equity share capital;

(f) 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 the directors have reason to believe a bona fide offer for their company may be imminent;

(g) partners; and,

(h) 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 20% but not more than 50% of the voting rights of a company will be regarded as the test of associated company status.
The circumstances under which Shareholders, including Directors and persons acting in concert with them respectively, will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

2.10.3 Effect of Rule 14 and Appendix 2

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or in the event that such Directors and their concert parties hold between 30% and 50% of the Company’s voting rights, if the voting rights of such Directors and their concert parties would increase by more than 1% in any period of 6 months. In calculating the percentages of voting rights of such Directors and their concert parties, treasury shares shall be excluded.

Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company’s voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of 6 months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Buyback Mandate.

2.10.4 Application of the Take-over Code

As at the Latest Practicable Date, none of the Directors or substantial shareholders of the Company will become obliged to make a mandatory take-over offer for the Company by reason only of Share Buybacks under the Share Buyback Mandate even if the Company purchases the maximum ten per cent. (10%) of its issued Shares as permitted under the Share Buyback Mandate. Further details of the interests of the Directors and substantial shareholders in the Shares as at the Latest Practicable Date are set out in paragraph 3 of this Appendix II.

The Directors are not aware of any other Shareholder who may become obliged to make a mandatory take-over offer in the event that the Company purchases the maximum number of Shares as permitted under the Share Buyback Mandate.

Shareholders who are in doubt as to their obligations, if any, to make a mandatory take-over offer under the Take-over Code as a result of any purchase or acquisition of Shares by the Company should consult the Securities Industry Council and/or their professional advisers at the earliest opportunity.

2.11 Listing Manual

While the Listing Manual does not expressly prohibit any purchase or acquisition 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 after a price-sensitive development has occurred or has been the subject of a consideration and/or a decision of the Board until such time as the price-sensitive information has been publicly announced. In particular, in line with the Company’s internal guide on securities dealings, the Company will not purchase or acquire any Shares through Market Purchases during the period of:

(a) two (2) weeks immediately preceding the announcement of the Company’s results for each of the first three quarters of the financial year; and

(b) one (1) month immediately preceding the announcement of the Company’s full year results.
APPENDIX II

The Company is required under Rule 723 of the Listing Manual to ensure that at least ten per cent. (10%) of its issued Shares (excluding treasury shares, preference shares and convertible equity securities) are in the hands of the public. The term “public”, as defined under the Listing Manual, are persons other than the directors, chief executive officer, substantial shareholders or controlling shareholders of the listed company or its subsidiary companies, as well as the associates of such persons.

As at the Latest Practicable Date, 1,280,665,000 Shares, representing approximately 70.42% of the issued share capital of the Company, are in the hands of the public. Assuming that the Company purchases or acquires its issued Shares through Market Purchases up to the full ten per cent. (10%) limit pursuant to the Share Buyback Mandate from the public, the number of Shares in the hands of the public would be reduced to 1,098,720,600 Shares, representing approximately 67.13% of the reduced issued share capital of the Company. Accordingly, the Company is of the view that there is a sufficient number of issued Shares held in the hands of the public which would permit the Company to undertake purchases or acquisitions of its issued Shares up to the full ten per cent. (10%) limit pursuant to the Share Buyback Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity.

In undertaking any purchases or acquisitions of Shares pursuant to the Share Buyback Mandate, the Directors will use their best efforts to ensure that, notwithstanding such purchases or acquisitions, a sufficient float in the hands of the public will be maintained so that the purchases or acquisitions of Shares will not adversely affect the listing status of the Shares on the SGX-ST, cause market illiquidity or adversely affect the orderly trading of the Shares.

2.12 Share Buybacks in the previous 12 months

The Company has not purchased or acquired any Shares during the 12-month period immediately preceding the Latest Practicable Date.

3. DIRECTORS’ AND SUBSTANTIAL SHAREHOLDERS’ INTERESTS

Based on the Register of Director’s Shareholdings and the Register of Substantial Shareholders, as at the Latest Practicable Date, the shareholdings of the Directors and the substantial shareholders before and after Share Buyback, assuming (a) the Company purchases the maximum limit of ten per cent. (10%) of the issued share capital of the Company and (b) there is no change in the number of Shares held by the Directors and the substantial shareholders or which they are deemed interested in, will be as follows:-

<table>
<thead>
<tr>
<th></th>
<th>Before Share Buyback (Number of Shares)</th>
<th>Before Share Buyback</th>
<th>After Share Buyback</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Direct Interest</td>
<td>Deemed Interest</td>
<td>Total Interest</td>
</tr>
<tr>
<td>Directors</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gao Heng</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sun Zhiqiang</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lee Chee Seng</td>
<td>10,250,000</td>
<td>44,419,000</td>
<td>54,669,000</td>
</tr>
<tr>
<td>Wu Yu Liang</td>
<td>300,000</td>
<td></td>
<td>300,000</td>
</tr>
<tr>
<td>Chan Kam Loon</td>
<td>100,000</td>
<td>360,000</td>
<td>460,000</td>
</tr>
<tr>
<td>Foo Meng Kee</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gao Guoan</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Su Jing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Huo Xiaofan</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Substantial Shareholder</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Anyang Longyu (HK) Development Co., Ltd(3)</td>
<td>- 482,450,000</td>
<td>482,450,000</td>
<td>26.53</td>
</tr>
</tbody>
</table>

Notes:-

(1) As a percentage of the issued share capital of the Company comprising 1,818,444,000 Shares as at the Latest Practicable Date.
(2) As a percentage of the issued share capital of the Company comprising 1,636,599,600 Shares (assuming that the Company purchases the maximum number of 181,844,400 Shares under the Share Buyback Mandate).

(3) Anyang Longyu (HK) Development Co., Ltd holds 482,450,000 Shares through its nominee, DMG & Partners Securities Pte Ltd.

4. ANNUAL GENERAL MEETING

The AGM, notice of which is set out in the Annual Report of the Company, will be held on 29 April 2014 at M Hotel Singapore, Shenton Room, Basement 1, 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 12 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 to attend on their behalf are requested to complete, sign and return the proxy form enclosed with the Annual Report in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Company at 80 Robinson Road, #02-00, Singapore 068898 not less than 48 hours before the time appointed for holding the AGM. The completion and lodgment of the proxy form by a Shareholder will not prevent him from attending and voting at the AGM in person if he so wishes.

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 48 hours before the time appointed for holding the AGM.

6. DIRECTORS’ RECOMMENDATION

Having fully considered the rationale and benefit of the Share Buyback Mandate, the Directors 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 12 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.

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

Sun Zhiqiang
Acting Chief Executive Officer
NOTICE OF THE NINTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Ninth Annual General Meeting of Jiutian Chemical Group Limited (the “Company”) will be held at M Hotel Singapore, Shenton Room, Basement 1, 81 Anson Road, Singapore 079908 on Tuesday, 29 April 2014 at 09:30 a.m. for the purpose of transacting the following businesses:

Ordinary Business

1. To receive and adopt the Directors’ Report and the Audited Financial Statements for the financial year ended 31 December 2013 together with the Auditors’ Report thereon. (Resolution 1)

2. To approve the payment of Directors’ fees of S$15,000.00 to Mr Gao Guoan who was appointed on 26 April 2013 for the financial year ended 31 December 2013. (Resolution 2)

3. To approve the payment of Directors’ fees of S$170,000.00 for the financial year ending 31 December 2014, to be paid quarterly in arrears. (Resolution 3)

4. To re-elect the following directors who are retiring in accordance with the provisions of the Articles of Association of the Company and have offered themselves for re-election:
   a. Mr Gao Heng pursuant to Article 91 of the Articles of Association of the Company (See Explanatory Note 1)
      Mr Gao Heng, upon re-election as a director of the Company, will remain as the Chairman of the Board and a member of Nominating Committees. (See Explanatory Note 1) (Resolution 4)
   b. Mr Wu Yu Liang pursuant to Article 91 of the Articles of Association of the Company (Resolution 5)
      Mr Wu Yu Liang, upon re-election as a director of the Company, will remain as the Lead Independent Director, Chairman of Remuneration Committee and a member of the Audit Committee; and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST. (See Explanatory Note 1)
   c. Mr Huo Xiaofan pursuant to Article 91 of the Articles of Association of the Company (Resolution 6)
   d. Mr Gao Guoan pursuant to Section 153(6) of the Companies Act Cap. 50 (See Explanatory Note 1) (Resolution 7)

5. To re-appoint Messrs Baker Tilly TFW LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. (Resolution 8)

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 9)

"That, pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806(2) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to:-

(a) (i) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any instrument made or granted by the Directors while this Resolution was in force,

provided that:

(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent. (50%) of the Company’s total number of issued shares excluding treasury shares (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to existing shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty per cent. (20%) of the Company’s total number of issued shares excluding treasury shares (as calculated in accordance with sub-paragraph (2) below). Unless prior shareholder approval is required under the Listing Manual of the SGX-ST, an issue of treasury shares will not require further shareholder approval, and will not be included in the aforementioned limits.

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares excluding treasury shares is based on the Company’s total number of issued shares excluding treasury shares at the time this Resolution is passed, after adjusting for:

(i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(ii) any subsequent bonus issue, consolidation or subdivision of shares;
NOTICE OF THE NINTH ANNUAL GENERAL MEETING

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.”  (See Explanatory Note 2)

8. Proposed Renewal of the Shareholders’ General Mandate for Interested Person Transactions

That:

(a) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”), for the Entities at Risk (as defined in Appendix I to the Company’s Annual Report for its financial year ended 31 December 2013 dated 14 April 2014 (the “Appendix I”)), or any of them, to enter into any of the transactions falling within the types of Recurrent IPTs (as defined in Appendix I) with any Interested Person (as defined in Appendix I), provided that such transactions are made on normal commercial terms, will not be prejudicial to the interests of the Company and its minority shareholders and are in accordance with the guidelines and review procedures for such Recurrent IPTs (the “IPT Mandate”);

(b) the IPT Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company;

(c) the Audit Committee of the Company be and is hereby authorised to take such action as it deems proper in respect of the procedures and/or to modify or implement such procedures as may be necessary to take into consideration any amendment to Chapter 9 of the Listing Manual which may be prescribed by the SGX-ST from time to time; and

(d) the Directors or any one of them be and are hereby authorised to complete and do all such acts and things as they or he may consider necessary or expedient for the purposes of or in connection with and to give effect to the transactions contemplated and/or authorised by the IPT Mandate and/or this Resolution (including but not limited to the execution of other ancillary documents, procurement of third party consents and making of amendments to the Recurrent IPTs) as they or he shall think fit and in the interests of the Company.  (See Explanatory Note 3)

9. Proposed Amendment to the Shareholders’ General Mandate for Interested Person Transactions

That subject to and contingent upon the passing of Resolution 10, the IPT Mandate, referred to in Resolution 10, be and is hereby amended by the inclusion of the New Recurrent IPT (as defined in Appendix I to the Company’s Annual Report for its financial year ended 31 December 2013 dated 14 April 2014) as part of the IPT Mandate.  (See Explanatory Note 4)
10. Proposed Renewal of the Share Buyback Mandate

That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore (the “Companies Act”), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares fully paid in the capital of the Company (the “Shares”) not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price or prices as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) market purchase(s) (each a “Market Purchase”) on the Singapore Exchange Securities Trading Limited (“SGX-ST”); and/or

(ii) off-market purchase(s) (each an “Off-Market Purchase”) effected otherwise than on the SGX-ST in accordance with any equal access scheme(s) as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all conditions prescribed by the Companies Act, and otherwise in accordance with all other laws and regulations, including but not limited to, the provisions of the Companies Act and the listing rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the “Share Buyback Mandate”);

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buyback Mandate may be exercised by the Directors of the Company 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; and

(ii) the date on which purchases or acquisitions of Shares by the Company pursuant to the Share Buyback Mandate are carried out in full to the Prescribed Limit 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 hereinafter defined), in which event the total number of issued Shares shall be taken to be the total number of issued Shares as altered. Any Shares which are held as treasury shares will be disregarded for purposes of computing the ten per cent (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 required by law to be held, whichever is earlier, after the date of this Resolution; and
NOTICE OF THE NINTH ANNUAL GENERAL MEETING

“Maximum Price”, in relation to a Share to be purchased or acquired, means an amount (excluding brokerage, commission, applicable goods and services tax and other related expenses) not exceeding:

(i) in the case of a Market Purchase, one hundred and five per cent. (105%) of the Average Closing Price (as hereinafter defined); and

(ii) in the case of an Off-Market Purchase, one hundred and twenty per cent. (120%) of the Average Closing Price (as hereinafter defined),

where:

“Average Closing Price” means the average of the closing market prices of a Share over the last five (5) market days on which transactions in the Shares were recorded before the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer (as hereinafter defined) pursuant to the 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 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 determined on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

(d) the Directors of the Company and/or any of them be and are hereby authorised to deal with the Shares purchased or acquired by the Company pursuant to the Share Buyback Mandate in any manner as they think fit, which is permissible under the Companies Act; and

(e) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient and necessary to give effect to the transactions contemplated and/or authorised by this Resolution. (See Explanatory Note 5)

BY ORDER OF THE BOARD

Low Siew Tian
Lee Wei Hsiung
Company Secretaries

Singapore, 14 April 2014
NOTICE OF THE NINTH ANNUAL GENERAL MEETING

Explanatory Notes:

1. The detailed information of Mr Gao Heng, Mr Wu Yu Liang, Mr Huo Xiaofan and Mr Gao Guoan can be found under the section entitled ‘Board of Directors’ and page 26 and 27 of the Annual Report.

2. Resolution 9 in item 7 above, if passed, will authorise and empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares and/or convertible securities in the Company up to an amount not exceeding in aggregate 50% of the total number of issued shares excluding treasury shares of which the total number of shares and convertible securities issued other than on a pro-rata basis to existing shareholders shall not exceed 20% of the total number of issued shares excluding treasury shares of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

3. Resolution 10 in item 8 above, if passed, will renew the IPT Mandate approved by shareholders on 16 November 2012 to allow the Entities at Risk (as defined in Appendix I to the Company’s Annual Report for its financial year ended 31 December 2013 dated 14 April 2014 (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.

4. Resolution 11 in item 9 above, if passed, will amend the IPT Mandate by including the New Recurrent IPT (as defined in Appendix I) as part of the IPT Mandate. Please refer to Appendix I for details relating to the New Recurrent IPT.

5. Resolution 12 in item 10 above, if passed, will empower the Directors of the Company to buyback issued ordinary shares of the Company (the “Shares”) from time to time (whether by way of market purchases or off-market purchases on an equal access scheme) of up to ten per cent. (10%) of the total number of issued Shares of the Company (excluding treasury shares) at the prices of up to but not exceeding the Maximum Price (as defined in Appendix II to the Company’s Annual Report for its financial year ended 31 December 2013 dated 14 April 2014 (the “Appendix II”)) and in accordance with the terms and subject to the conditions of the Share Buyback Mandate (as defined in Appendix II), the Companies Act, Chapter 50 of Singapore, and the Listing Manual of the Singapore Exchange Securities Trading Limited. This authority will, unless revoked or varied at general meeting, continue in force until the earlier of (a) the date that the next annual general meeting of the Company is held or required by law to be held and (b) the date on which purchases or acquisitions of Shares pursuant to the Share Buyback Mandate are carried out in full to the prescribed limit mandated.

The Company intends to use internal sources of funds or external borrowings or a combination of both to finance the purchase or acquisition of its Shares pursuant to the Share Buyback Mandate. The amount of financing required for the Company to purchase or acquire its Shares, and the impact on the Company’s financial position, cannot be ascertained as at the date of this Notice as these will depend on the number of Shares purchased or acquired, the price at which such Shares were purchased or acquired and whether the Shares purchased or acquired are cancelled or held as treasury shares.

The financial effects of the purchase or acquisition of Shares by the Company pursuant to the proposed Share Buyback Mandate on the audited financial statements of the Company and its subsidiaries and associated companies for the financial year ended 31 December 2013, based on certain assumptions, are set out in paragraph 2.8 of Appendix II.

Notes:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote in his stead.

2. Where a member appoints more than one proxy, he should specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy and if no percentage is specified, the first named proxy shall be deemed to represent 100 per cent of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.

3. A proxy need not be a member of the Company.

4. If the appointer is a corporation, the instrument appointing a proxy or proxies must be executed under its common seal or the hand of its duly authorised officer or attorney.

5. The instrument appointing a proxy or proxies must be deposited at the office of the Company’s Share Registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.), at 80 Robinson Road, #02-00, Singapore 068898 not less than 48 hours before the time appointed for the Meeting.
PROXY FORM

I/We __________________________ (Name)
of ______________________________ (Address)
being a member/members of Jiutian Chemical Group Limited (the “Company”) hereby appoint:

<table>
<thead>
<tr>
<th>Name</th>
<th>Address</th>
<th>NRIC/Passport No.</th>
<th>Proportion of Shareholding (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(b)</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

or failing “him/her, the Chairman of the Ninth Annual General Meeting (“9th AGM”) of the Company as *my/our “proxy/proxies to attend and vote for *me/us on *my/our behalf and, if necessary, to demand a poll at the 9th AGM of the Company, to be held at M Hotel Singapore, Shenton Room, Basement 1, 81 Anson Road, Singapore 079908 on Tuesday, 29 April 2014 at 09:30 a.m. and at any adjournment thereof.

*I/We direct *my/our “proxy/proxies to vote for or against the Resolutions to be proposed at the 9th AGM as indicated hereunder. If no specific direction as to voting is given, the “proxy/proxies will vote or abstain from voting at *his/their discretion, as *he/they will on any other matter arising at the 9th AGM.

<table>
<thead>
<tr>
<th>No.</th>
<th>Resolutions</th>
<th>To be used on a show of hands</th>
<th>To be used in the event of a poll</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>To receive and adopt the Directors’ Report and the Audited Financial Statements for the financial year ended 31 December 2013 together with the Auditors’ Report thereon.</td>
<td>For*</td>
<td>Against*</td>
</tr>
<tr>
<td>2</td>
<td>To approve the payment of Directors’ fees of S$15,000.00 to Mr. Gao Guoan who was appointed on 26 April 2013 for the financial year ended 31 December 2013.</td>
<td>No. of Votes for**</td>
<td>No. of Votes Against**</td>
</tr>
<tr>
<td>3</td>
<td>To approve the payment of Directors’ fees of S$170,000.00 for the financial year ending 31 December 2014, to be paid quarterly in arrears.</td>
<td>For*</td>
<td>Against*</td>
</tr>
<tr>
<td>4</td>
<td>To re-elect Mr Gao Heng as a Director.</td>
<td>No. of Votes for**</td>
<td>No. of Votes Against**</td>
</tr>
<tr>
<td>5</td>
<td>To re-elect Mr Wu Yu Liang as a Director.</td>
<td>For*</td>
<td>Against*</td>
</tr>
<tr>
<td>6</td>
<td>To re-elect Mr Huo Xiaofan as a Director.</td>
<td>No. of Votes for**</td>
<td>No. of Votes Against**</td>
</tr>
<tr>
<td>7</td>
<td>To re-elect Mr Gao Guoan as a Director</td>
<td>For*</td>
<td>Against*</td>
</tr>
<tr>
<td>8</td>
<td>To re-appoint Messrs Baker Tilly TFW LLP as Auditors of the Company and authorise the Directors to fix their remuneration.</td>
<td>No. of Votes for**</td>
<td>No. of Votes Against**</td>
</tr>
</tbody>
</table>

Important:
1. For investors who have used their CPF monies to buy the Company’s shares, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely for their Information Only.
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.
3. CPF Investors who wish to vote should contact their CPF Approved Nominees.

Signature(s) of Member(s) or Common Seal

IMPORTANT: Please Read Notes for This Proxy Form.
Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company.

2. Where a member appoints more than one proxy, he should specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy and if no percentage is specified, the first named proxy shall be deemed to represent 100 per cent of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.

3. A member should insert the total number of shares held in this Instrument of proxy. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, the instrument appointing a proxy or proxies will be deemed to relate to all shares held by the member.

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 (a division of Tricor Singapore Pte. Ltd.), at 80 Robinson Road, #02-00, Singapore 068898 not less than 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, in accordance with Section 179 of the Companies Act, Cap. 50 of Singapore, authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting.

8. The Company shall be entitled to reject the instrument appointing a proxy or proxies, if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.
CORPORATE INFORMATION

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

AUDIT COMMITTEE
Chan Kam Loon (Chairman)
Foo Meng Kee
Wu Yu Liang

NOMINATING COMMITTEE
Foo Meng Kee (Chairman)
Chan Kam Loon
Gao Heng

REMNUNERATION COMMITTEE
Wu Yu Liang (Chairman)
Chan Kam Loon
Foo Meng Kee

COMPANY SECRETARIES
Low Siew Tin, ACIS
Lee Wei Hsiung, ACIS

REGISTERED OFFICE
80 Robinson Road #02-00
Singapore 068898

COMPANY REGISTRATION NUMBER
200415416H

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

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

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

INDEPENDENT AUDITOR
Baker Tilly TFW LLP
Public Accountants and Chartered Accountants
15 Beach Road
#03-10 Beach Centre
Singapore 189677
Partner-in-charge: Joshua Ong Kian Guan
Appointed in the financial year ended 31 December 2012