九天化工集团有限公司

JIUTIAN CHEMICAL GROUP LIMITED

REACHING NEW HEIGHTS

2007 Annual Report

OUR

MISSION STATEMENT

To be one of the World's Largest DMF Producers & a Key Player in China's Coal-Based Fine Chemical Industry

Contents

2 Corporate Profile
4 Our Products
8 Corporate Milestones
9 Chairman's Statement
11 Review of Operations
16 Financial Highlights
17 Board of Directors
20 Senior Management
21 Corporate Governance
29 Report of the Directors
32 Independent Auditors' Report
33 Balance Sheets
34 Consolidated Profit and Loss Statement
35 Statements of Changes in Equity
37 Consolidated Cash Flow Statement
38 Notes to Financial Statements
69 Statement of Directors
70 Shareholding Statistics
73 Notice of Annual General Meeting
Proxy Form
Corporate Information

A STRONG FOUNDATION FOR THE FUTURE

The completion of our state-of-the-art 120,000-tonne DMF plant in FY2007 cements our position as one of the top DMF producers in the world.

CORPORATE Profile

A Specialist In Fine Chemical Industry

Jiutian Chemical Group Limited ("Jiutian" 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 methanol, dimethylformamide ("DMF") and methylamine. We are also involved in the processing and sale of consumable carbon dioxide and oxygen. The business is divided into three main business divisions:

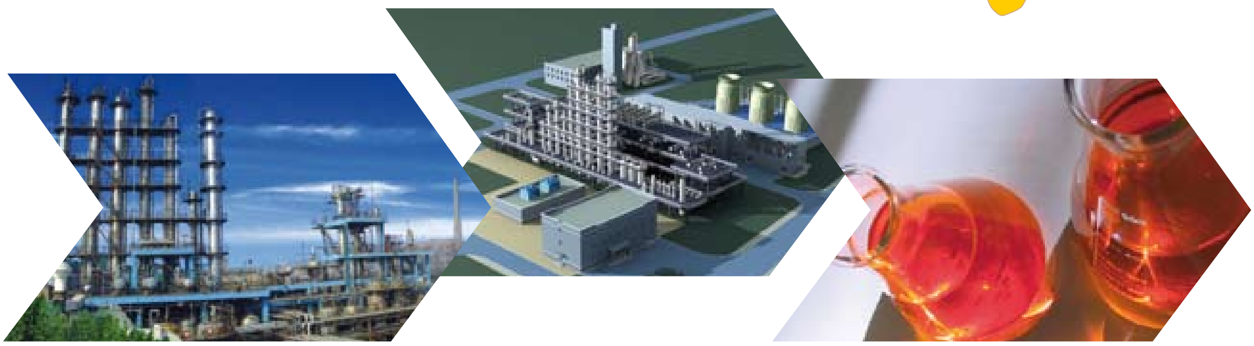
1) Methanol division producing methanol,
2) DMF division producing DMF as its main product and methylamine as our secondary product
3) Gas division producing consumable carbon dioxide and oxygen

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 industrialization 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, industrialization and urbanization 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 further transformed us into the global cost leader in the manufacture of DMF.

Geographical Advantage - Strategic Location in Henan, China's most populous province and heart of the Coal Belt

Railways and Roads



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 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 methanol, 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 new 120,000 tonne DMF/methylamine facility completed in September 2007 and commissioned in 4th quarter, 2007, we have emerged as one of the world's largest manufacturers of DMF and part of our production capacity will be channeled to export our products overseas, where DMF produced via natural gas have become less cost-competitive compared to DMF produced with coal-based raw materials.

To further marketing reach in the Yangtze Delta region, we have completed the construction of a storage and distribution facility in December 2007 that can hold up to 40,000 metric tonnes of DMF annually in Changzhou City, Jiangsu Province. With a direct link to the national rail network via a dedicated railway line to the Group's production facilities, this will enable us to pass on our transport and distribution cost savings to our customers.

The construction of our 250,000 tonne methanol production facility targeted for completion in the latter part of 2008 is yet another strategic move by the Group. The investment will not only strengthen the integration of our operations, as it will ensure a steady and cost effective feedstock supply to our DMF/methylamine operations but also give the Group the opportunity to benefit from the growing demand of methanol which has seen prices increased steeply in 2007.

Our products include dimethylformamide (“DMF”), methylamine, methanol and consumable carbon dioxide.

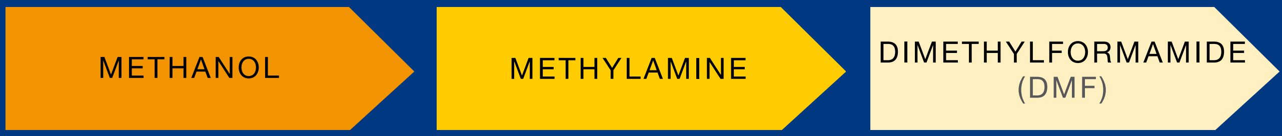
OUR Products

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 where methanol produced is sold independently as well as used as feedstock in methylamine production and 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.



In 2007, China’s domestic DMF consumption was estimated to be 860,000 tonnes, most of which were met by domestic producers. Imports of DMF have declined significantly due to relatively high oil prices that have led to weakened competitiveness among overseas producers of DMF, who use natural gas-based raw materials, as compared to Chinese producers who use coal-based raw materials. With global downstream manufacturing facilities shifting increasingly to China, as well as a booming 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 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. According to government statistics, China currently produces about 8 billion pairs of shoes a year, translating into 6 pairs of shoes for every person in China, or more than a pair for every person globally.

PU Leather

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

DMF As Universal Solvents

Petrochemical

DMF can be used as an industrial solvent to produce petrochemical products, including butadiene. When combined with other chemicals, end products include synthetic rubber, nylon and automobile tyres. With the surging consumer and industrial demand for petrochemical products in China, large-scale increases in production capacity of petrochemical products 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 record an annual growth rate of 8.2% till 2011 to reach USD 967 billion, 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 epoxylaminated 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 currently the world's largest producer of PCB boards and is expected to maintain this position till 2010, thus demand for DMF in China is expected to increase significantly as well.

DMF As Other Chemical Feedstock

Agrochemical

DMF and methylamines, 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.

METHANOL

Methanol is a popular organic intermediate in the production of medicine and pharmaceutical products, fuel, pesticides, fertilisers, dyestuffs, coatings, plastics, synthetic rubbers and many other varieties of chemicals. With the rising crude oil prices, methanol is also fast becoming a growing source of alternative fuel. When our 250,000 tonne methanol production facility is completed in the later part of 2008, the Group will have a total capacity of 315,000 tonnes of methanol of which 215,000 tonnes will be used as feedstock for producing DMF/methylamine and the balance 100,000 tonnes will be sold externally.

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.

2008

January 2008: Group announced increase in equity interests of Anyang Jiulong Chemical Co., Ltd from 51% to 75.5%.

CORPORATE Milestones

2007

December 2007: Completion of storage and distribution facility in Changzhou City, Jiangsu Province.

September 2007: Completion of 120,000 tonne DMF production capacity.

March 2007: Group announced investment of 51% equity interests in Anyang Jiulong Chemical Co.,Ltd to construct a 250,000 tonne methanol production facility and high pressure steam and power generation facilities.

February 2007: Establishment of R&D centre within the Production and Technical Department to focus on progress improvement and research on other coal-based fine chemicals.

February 2007: S$47.0 million raised in second share placement exercise.

2006

November 2006: $18.9 million raised in first share placement exercise.

October 2006: Group announced expansion of capacity of new DMF plant under construction from 60,000 tonnes to 120,000 tonnes.

May 2006: Our Group was admitted to SGX-ST and trading began.

May 2006: 30,000 tonne consumable carbon dioxide production facility began production.

January 2006: Construction of a new 60,000 tonne DMF facility began.

2005

September 2005: Construction of a new 30,000 tonne consumable carbon dioxide production facility began.

July 2005: 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 2005: Completion of an upgrading programme which increased methylamine/DMF production capacity from 20,000 tonnes to 30,000 tonnes.

2004

December 2004: Jiutian Chemical Group Limited acquired Anyang Jiutian.

December 2004: Anyang Jiutian acquired methanol and gas divisions of Anhua.

November 2004: Jiutian Chemical Group Limited incorporated in Singapore.

Methanol output increased to 63,000 tonnes.

2003

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

Continuous improvement increased output in methanol business from 30,000 tonnes to 56,000 tonnes.

2001

Formation of Anyang Jiutian Fine Chemical Co. Ltd. Construction of methylamine/DMF plant began. Methanol and gas businesses certified ISO 9001:2000.

1997

Improvements made to the carbon monoxide converter catalyst which reduced the consumption of high pressured steam resulting in significant cost savings.

1996

Methanol workshop successfully produced a "NC501-1" type of low temperature methanol synthesis catalyst.

1994

Led by our Executive Chairman, Mr Wang Xianjin, our methanol business began as a workshop of Anyang Fertiliser Factory (later known as Anhua).

The gas workshop within Anyang Fertiliser Factory commenced business as a workshop.

“The Group has made tremendous progress over the past year – a year in which we built for the future and broadened our opportunities with the completion of the largest single DMF plant in the world which expanded our capacity five folds from 30,000 tonnes per annum to 150,000 tonnes per annum.”

CHAIRMAN'S Statement

Dear Shareholders,

FY 2007 was a year of significance for the Group. We completed the construction of the world's largest single DMF plant, a state-of-the-art 120,000 tonne DMF plant in September 2007, which put Jiutian Group amongst the top three DMF producers in the world. The new plant, which was commissioned in 4th quarter, 2007, helped record a strong 27.4 % increase in our sales to RMB301.7 million over the previous year. Despite continuing improvements in cost efficiency in the current plant which saw gross margin improved from 36.1% to 40.2%, several factors drove the Group's net profit attributable to shareholders to be 9.4% below last year at RMB61.3 million. These included:

- Our operating subsidiary, Anyang Jiutian Fine Chemical Co., Ltd which had enjoyed tax free years in 2005 and 2006 had started to pay tax at a concessionary rate of 15% from 2007 for three years. The additional tax in 2007 was RMB14.5 million which if added back would have resulted in the Group's net earnings on a comparable basis to grow 12% over last year.

- The new 120,000 tonne DMF plant, which commenced operations in 4th quarter, 2007, encountered high prices and unstable supply of methanol during the ramping up of production. Methanol is a key feedstock and cost component in DMF production which we had to purchase from the market prior to the completion of our own 250,000 tonne methanol plant targeted for completion in September 2008. As a result, the new DMF plant operated at 30% capacity and pushed up unit production costs which eventually incurred a loss of RMB7.1 million in that quarter.

Notwithstanding the small set-back in our earnings for reasons explained above, our foundation for growth remains strong. The fine chemical industry in China continues to expand driven by growth in global demand and its own domestic market arising from growing affluence of the economy. DMF is and will continue to be a key feedstock used by downstream industries for the manufacturer of leather products and shoes, pharmaceutical products and as an industrial solvent in the electronics industry. The Group's dependence on externally sourced methanol will cease with the completion of its own 250,000 tonne methanol plant which when ready, will make its operations fully integrated and allow the Group to be in a better position to manage its costs and to enhance its margins.

Moving Ahead - the future holds promise

The Group has made tremendous progress over the past year – a year in which we built for the future and broadened our opportunities with the completion of the largest single DMF plant in the world which expanded our capacity five folds from 30,000 tonnes per annum to 150,000 tonnes per annum. In 2007, we have seen prices of methanol which is a key feedstock in the production of DMF, rise to unprecedented levels driven by shortages arising from plant shut downs and the increasing use of methanol as an alternative fuel driven by the escalating crude oil prices. Whilst price of methanol has fallen from its record high seen in 4th quarter of 2007, it is our view that it will continue to stay firm in at least the medium term, well above the annual average in recent years. The construction of our new 250,000 tonne methanol plant to date is progressing well and barring any unforeseen circumstances the methanol plant is projected to fully complete by September 2008. When ready, it will not only be able to cushion any volatility in methanol price movements, but also allow the Group to take full advantage of opportunities arising from the excess methanol of around 100,000 tonnes per year net of our own feedstock requirements. To maximize our returns from this plant, we are pleased that we have in January 2008 secured a further equity stake in the new methanol plant from 51% to 75.5% with relevant approvals obtained from the various authorities in Anyang, Henan Province, People's Republic of China. We are also pleased to announce that the storage and distribution facility (designed to handle up to 40,000 tonnes of DMF annually) in Changzhou City, Jiangsu Province has been completed. This facility will help us extend our marketing network and allow us to sell our products more competitively with shorter delivery time and lower transport and distribution costs, and will put us closer to our customers who are largely polyurethane producers located in the south and the coastal regions.

The snow storm that hit southern china, the worst in half a century, affected many of the Groups' customers who are located in the south. The extreme cold which caused the government to free more coal for the generation of electricity and heat for the masses at the expense of the industries, together with the badly affected transportation links, forced many of these factories to halt production in January and February of 2008. As a result, our new DMF plant had to halt its production during this period but had since resumed production on 26 February 2008. This is expected to have an adverse impact on the Group's performance for the first quarter of 2008 as plant utilization will be inefficient due to the curtailed production volumes and rising methanol prices seen in March 2008, repeating very much the same difficult environment in the 4th quarter of 2007. We expect 2008 to remain challenging as the Group continues to face uncertain price movements of DMF and methanol. Better management of production costs will be achieved in the latter part of 2008 when the Group achieves full integration of its operations when the planned methanol production facility is completed. From beginning of 2009, the full benefits of the integration will be realized.

Dividends

To continue to reward our shareholders, a first and final dividend, tax-exempt dividend of 0.177 Singapore cents per share has been recommended for approval at the forthcoming Annual General Meeting.

Acknowledgements

We thank our employees whose energy, sacrifices and dedication helped us through this challenging period. Our gratitude is also extended to our business associates, clients, fellow directors and shareholders who have supported us and maintained their confidence in the Group's future. With exciting challenges and developments for the Group in the coming year, we look forward to your continued support as we strive to build a stronger foundation and broaden our opportunities.

Mr Wang Xianjin
Chairman

"The completion of the 120,000 tonne DMF plant in September 2007 has increased the Group's DMF and methylamine production capacities five folds from 30,000 tonnes to 150,000 tonnes per annum. This has placed Jiutian Chemical Group to be one of the largest DMF producers in China and in the world in terms of capacity."

REVIEW of Operations

Operations Overview

The Group's business is divided into three main business divisions:

(1) The methanol producing division, with some of the methanol used as feedstock to produce methylamine and dimethylformamide (DMF);

(2) The DMF producing division, with DMF as the main product and methylamine as the secondary product; and

(3) The gas division, producing consumable carbon dioxide and oxygen.

Division	Production Capacity as at 31 December 2007	Anticipated Production Capacity as at 31 December 2008
Methanol	65,000 tonnes	315,000 tonnes
DMF	150,000 tonnes of DMF 150,000 tonnes of methylamine	150,000 tonnes of DMF 150,000 tonnes of methylamine
Gas	30,000 tonnes of carbon dioxide 800 km^3 of oxygen	30,000 tonnes of carbon dioxide 800 km^3 of oxygen

Reliable and Stable Supply of Raw Material

The Group has a 20-years raw material supply agreement with our key supplier, Anhua, which helps ensure long-term reliability and stability of our main sources of raw material supply. Price increments are capped for the first three years from 2006 to 2008 within the agreement. The Group is not charged for transportation costs for the new raw material supplied due to close proximity with Anhua.

High Level of Quality and Safety Assurance

Rigorous in-process testing division ensures products meet internal quality standards, international standards and the quality management system certified by ISO 9001:2000.

Strong Manufacturing Operations

Flow-through production process provides operational flexibility. For example, methanol is used as feedstock for methylamine, most of which is in turn feedstock for DMF. Our highly trained workforce equipped with proven ability to upgrade, expand and fine-tune production processes enables an actual output higher than original production capacity.

Research & Development

An R&D centre has been established within the Production & Technical Department to centralise and formalise research efforts. Dedicated, highly qualified professionals in this R&D centre will explore various ways to improve existing technological processes to increase yield and conduct research on other coal-based fine chemical opportunities for the Group.

Marketing, Sales & Distribution Capabilities

The Group's sales operation is supported by an experienced and highly-skilled sales and marketing team which plays an important role in cultivating long term relationships with customers through their knowledge and excellent after-sales service. The Group will continue its efforts to extend its customer reach in China including stepping up efforts to sell to the coastal regions with our new capacity in FY2007.

We have established a storage and distribution facility in Changzhou City, Jiangsu Province, to further our marketing reach in the Yangtze Delta region. Through direct link to the national rail network via a dedicated railway line to the Group's production facilities, products will be transported to this satellite facility which acts as a tank farm for the storage and distribution of products to direct enduser customers in the Yangtze Delta region. The establishment of this storage facility will enable the Group to sell its products at the optimal price and time, and also reduce transport and distribution costs. The Group's direct presence in Changzhou will also provide a staging post for export opportunities that the Group can better take advantage with added production capacity.

The Year in Review

Completion of expansion of DMF and Methylamine production capacities

The completion of the 120,000 tonne DMF plant in September 2007 has increased the Group's DMF and methylamine production capacities five folds from 30,000 tonnes to 150,000 tonnes per annum. This has placed Jiutian Chemical Group to be one of the largest DMF producers in China and in the world in terms of capacity.

Completion of the storage and distribution facility in Changzhou.

The storage and distribution facility (40,000 tonne storage capacity per annum) in Changzhou City, Jiangsu Province has been completed at the end of 2007. This has broadened our marketing reach into the Yangtze Delta region and allow us to sell our products more competitively with shorter delivery time and lower transport and distribution costs.

Financial Review

Higher tax and slower than expected ramped up of new plant impacted on profit growth

Financial Highlights (RMB '000)	FY2007	FY2006	%Change
Revenue	301,668	236,772	27.4
Gross Profit	101,464	85,424	18.8
Gross Profit Margin	33.6%	36.1%	-
Profit before Tax	75,490	67,325	12.1
Profit after Tax Attributable to Shareholders	61,294	67,646	(9.4)

Group revenue rose by 27.4% to RMB301.7 million due mainly to the following factors:

(a) The commencement of the new 120,000 tonnes per annum DMF factory ("Anyang Jiuyang") in October 2007. In the 4th quarter, 2007, 8,500 tonnes of DMF and 1,700 tonnes of methylamine sold were manufactured by our new factory, representing a contribution of RMB52.7 million in revenue or 22% out of the 27% growth in 2007 revenue.

(b) Excluding the contribution of the new plant, sales increase 5.2% from the existing factory ("Anyang Jiutian"). This is driven by higher plant efficiency which drove higher production output and revenue.

Whilst gross profit increased 18.8% to RMB101.5 million in FY2007, gross profit margin dropped from 36.1% in FY2006 to 33.6% in FY2007 due to the slower than expected ramping up of Anyang Jiuyang plant which adversely affected operating efficiency. Anyang Jiuyang experienced high and volatile price movements and unstable supply of methanol, a key feedstock in the production of DMF which the plant had to purchase from the market prior to the completion of the Group's new 250,000 tonnes per annum methanol plant targeted for completion in September 2008. As a result, Anyang Jiuyang plant operated at 30% capacity in 4th quarter of 2007 and pushed up unit cost of production. Excluding Anyang Jiuyang contribution, Anyang Jiutian plant gross margin have improved from 36.1% in FY2006 to 40.2% in FY2007 largely from improved sales volume, higher prices of methylamine and methanol and overall lower cost of production from continuous improvement in the existing plant.

Group net profit after income tax attributable to shareholders fell by 9.4% to RMB61.2 million. The drop in net profit after tax was due mainly to the following factors:

(a) Anyang Jiutian is paying income tax at 15% amounting to RMB14.5 million for the first time in FY2007. Anyang Jiutian enjoyed two tax-free years starting from 2005 and from 2007 will enjoy a concessionary tax rate of 15% for three years. If Anyang Jiutian had continued to enjoy full tax-exemption in FY2007, net profit after tax for the Group would have been RMB75.8 million, an increase of 12% over FY2006.

(b) Higher administrative and operating costs in line with the increased business activities of the Group from the commissioning of the new DMF plant.

(c) Pre-operating expenses incurred for the construction of the newly completed Anyang Jiuyang's DMF plant, the new 250,000 tonne methanol plant under construction and the distribution and storage facility in Changzhou totaling RMB5 million.

(d) Higher finance costs arising from increase in bank loans and interest rates to finance the Group's expansion plans and working capital.

Strong Balance Sheet

Current assets as at year end 2007 increased by RMB126.0 million from RMB232.1 million in 2006 to RMB358.1 million in 2007. The net increase was largely due to an increase in trade and notes receivables of RMB74.2 million; an increase of other receivables and prepayments of RMB24.6 million; and an increase in inventories of RMB17.0 million from the additional contribution of Jiuyang's new DMF plant which commenced operations in 4th quarter, 2007. There was also an increase in land-use rights (current portion) of RMB3.0 million arising from the investment in the newly completed 120,000 tonnes DMF plant in Anyang Jiuyang and the new 250,000 tonnes methanol plant in Anyang Jiulong (currently under construction). Cash and bank balance increased RMB7.2 million from RMB146.9 million to RMB154.1 million, largely from the proceeds of the share placement completed in March 2007 in which RMB238.6 million was raised. Part of the proceeds was used in the construction of the 120,000 tonne DMF and 250,000 tonne methanol production facilities.

Non-current assets as at year end 2007 increased by RMB560.7 million, largely due to investment into property, plant and equipment (RMB507.4 million) and land use rights (RMB53.3 million) for the construction of the 120,000 tonnes DMF plant in Anyang Jiuyang and to a lesser extent the construction in progress of the 250,000 tonnes methanol plant in Anyang Jiulong scheduled for completion in 3rd quarter, 2008, and the Changzhou storage and distribution facility that was completed at the end of 2007.

Current liabilities increased RMB273.6 million from RMB67.6 million to RMB341.2 million in 2007. Trade payables increased by RMB64.6 million mainly due to the commencement of operations of Anyang Jiuyang new DMF plant. Other payables increased by RMB134.2 million as a result of payables relating to the construction of the new DMF and methanol plants.

Total bank loans (both current and long term) increased by RMB106.0 million to RMB143.0 million mostly due to new loans taken to finance the expansion of plant capacities and working capital.

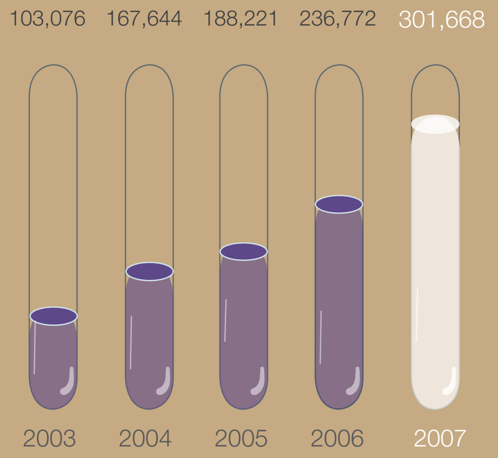
Net tangible asset value as at year end 2007 was RMB591.0 million, significantly higher than the net tangible asset value in the previous year of RMB309.7 million. This was due to profits generated from operations and proceeds from the placement completed in March 2007 after netting out dividends paid to shareholders during the year.

Outlook

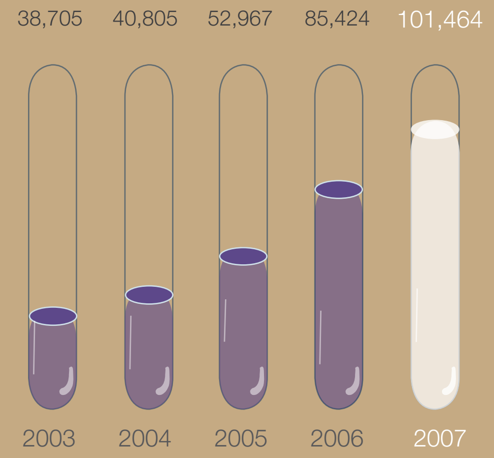
Looking ahead, FY2008 will be a challenging year for the Group as we continue to have to purchase methanol as our key raw material and be subject to its firm price trend. We therefore look forward to the completion of our new 250,000 tonne methanol plant scheduled for September 2008. When ready, the Group will be able to achieve full integration of its operation as a key producer and marketer of methanol, methylamine and DMF, and be in a better position to manage costs and enhance margins.

FINANCIAL Highlights

Revenue (RMB'000)

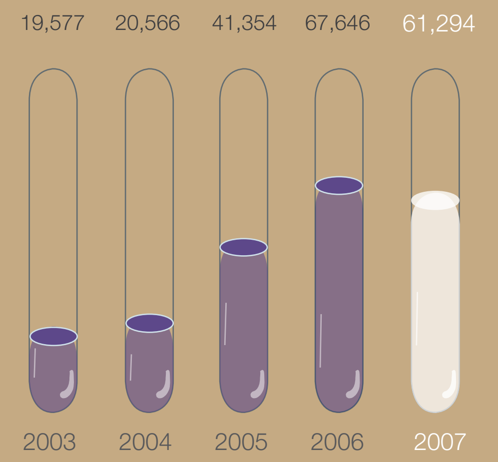


Gross Profit (RMB'000)



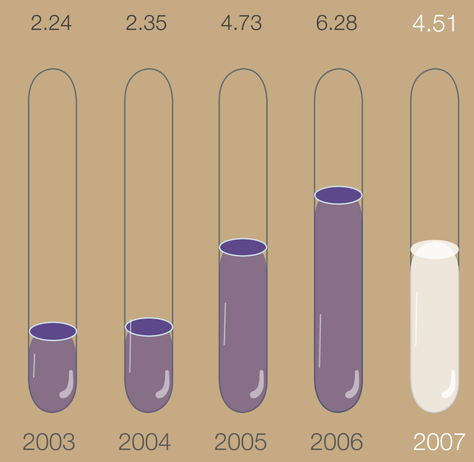
Profit Attributable to Shareholders

(RMB'000)

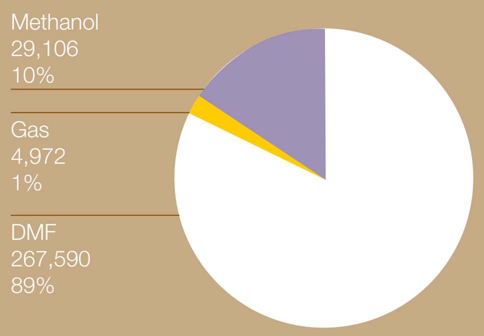


Earnings Per Share

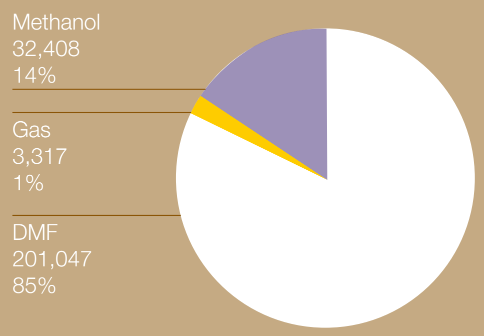
(RMB cents)



Sales by Segment FY2007 (RMB'000)



Sales by Segment FY2006 (RMB'000)



BOARD

of Directors

1 Mr Wang Xianjin
Executive Chairman and
Group Chief Executive Officer

2 Mr Zhang Aiping
Executive Director and
Group Chief Operating Officer

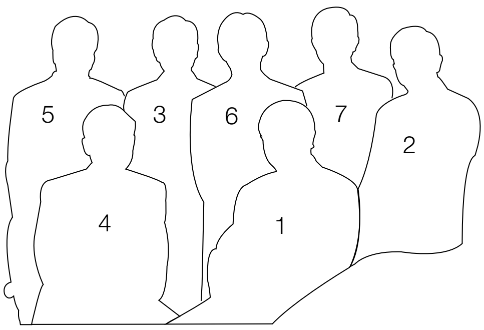
3 Mr Sun Zhiqiang
Executive Director

4 Mr Lee Chee Seng
Executive Director

5 Mr Wu Yu Liang
Lead Independent Director

6 Mr Chan Kam Loon
Independent Director

7 Mr Foo Meng Kee
Independent Director



MR WANG XIANJIN

Executive Chairman and Group Chief Executive Officer

Mr Wang Xianjin, Executive Chairman and CEO, is responsible for the overall management and strategic planning for the development of the Group. Mr Wang started his career in Anhua in 1969 and he has more than 30 years of technical experience and management experience. In 1994, Mr Wang was appointed as Head of Anhua's methanol business and was responsible for the business set up. He was selected by the PRC Ministry of Chemical Industry and the PRC Petrochemical Bureau to provide expertise to Vietnam's Beijiang Nitrogen Fertiliser Chemical Co. Ltd during its technical reformation from 1999 to 2002. For his efforts, he received special commendation by Vietnamese Prime Minister Phan Van Khai. Upon his return from Vietnam, he was appointed as Anyang Jiutian's Deputy General Manager and was in charge of the set up of DMF and methylamine plant together with Mr Zhang Aiping and Mr Sun Zhiqiang.

MR ZHANG AIPING

Executive Director and Group Chief Operating Officer

Mr Zhang Aiping, Executive Director and Chief Operating Officer, has 18 years of experience in the fertilizer and steel industries. He was responsible for the re-organisation and restructuring exercise of Anyang Jiutian. Mr Zhang graduated from Henan Province Finance and Economics College with a diploma in statistics. He is qualified as an economist and holds professional managerial qualifications. Mr Zhang started working in Anyang Steel Factory in 1972 before joining Anhua in 1980. In 1986, he was appointed as Deputy Head of Production and Technical Department of Anhua. He was promoted to the position of the Head of Anhua's Production and Technical Department in 1992. In 2001, he was appointed as Head of Enterprise Management Department.

MR SUN ZHIQIANG

Executive Director

Mr Sun Zhiqiang, Executive Director and General Manager of Anyang Jiutian, is responsible for implementing management decisions and is in charge of our production operations. 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 assisted Mr Wang 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 subsidianes.

MR WU YU LIANG

Lead Independent Director

Mr Wu Yu Liang is one of our Independent Directors. 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 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 and the High Court of Malaya in 1991. Mr Wu is currently the sole proprietor of the law firm Messrs Y L Wu & Co. which he established in Singapore in May 2000 and the principal partner of the law firm Messrs Y L Wu & Co. in Malaysia. His main areas of practice are corporate and commercial laws as well as litigation. Mr Wu commenced legal practice with the law firm Messrs Lee & Lee as a legal assistant in 1986. He joined Messrs Arthur Loke & Partners as a senior associate in 1989 and was made a partner in 1991. In 1993, he set up the law firm of Messrs Yeo Wu & Thian with two other partners.

MR CHAN KAM LOON

Independent Director

Mr Chan Kam Loon is one of our Independent Directors. 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

Independent Director

Mr Foo Meng Kee is one of our Independent Directors. 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 M K 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.

SENIOR Management

MR GOH KOON SENG

Chief Financial Officer

Mr Goh Koon Seng joined the Group as the Group's Chief Financial Officer in December 2007. He graduated with a Bachelor of Accountancy degree (Honours) from the National University of Singapore in 1988. Mr. Goh qualified as a Certified Public Accountant and a member of the Institute of Certified Public Accountants of Singapore. From 2006 to 2007, Mr Goh was the Chief Financial Officer and Joint Company Secretary of See Hup Seng Ltd ("SHS"), a company listed on the Singapore Exchange Securities Trading Ltd – Catalists that specializes in providing corrosion prevention services for the marine and offshore oil and gas sectors and a distributor of refined petroleum products for the asia pacific region. Prior to joining SHS, Mr Goh was the General Manager (Singapore, Indonesia, Philippines and Brunei) of Cerebos Pacific Ltd, a company listed on the Singapore Exchange Securities Trading Ltd, where he had held a number of senior finance and management positions spanning over 16 years.

MR HAN LIANGGUO

Head of Production and Technical Department (including Research & Development Centre)

Mr Han Lianguo, Head of Production and Technical Department, is responsible for the management and deployment of our production personnel, setting of the Company's technical targets, ensuring stable production and energy conservation. Mr Han graduated with a chemical engineering degree from Zhengzhou Industrial University Chemical Industry College in 1996. Mr Han also heads the Research & Development Centre.

MR FU MINGFANG

Head of Marketing Department

Mr Fu Mingfang, Head of Marketing Department, 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 Fu graduated with a diploma in Electric Automation from Anyang University in 1989 and pursued a degree in wireless electronics technology from Zhengzhou University from 1993 to 1996.

MR JIANG JINLONG

Head of Administrative Support Department

Mr Jiang Jinlong, Head of Administrative Support Department, is responsible for formulating and implementing policies for planning statistics, formulating and implementing human resource policies, planning and organizing conferences, meetings and activities. Mr Jiang graduated with a degree in Industrial Business Management from Henan Finance and Economics College in 2000.

MR GUO YONG JUN

Financial Controller

Mr Guo Yong Jun was appointed as Financial Controller in December 2006. After graduating from the Anyang School of Finance and Accountancy majoring in accountancy in 1991, he joined the finance department in Anhua and was primarily responsible for capital management and project financial management. In 2001, Mr Guo was appointed the deputy head of finance in Anhua. In July 2005, Mr Guo joined Anyang Jiutian where he was involved in matters relating to the Group's initial public offering. Mr Guo also obtained a bachelor's degree in Business Management from the Henan Finance and Economics College in 2004. In December 2006, Mr Guo was conferred Senior Accountant certification after passing national professional examinations and obtaining approval from the Henan Professional Vetting Committee.

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. This Corporate Governance Statement reports the manner in which the Group has applied the principles and the extent of compliance with the guidelines as set out in the Code of Corporate Governance 2005 ("Code 2005").

BOARD MATTERS

Principle 1 – Board's Conduct of its 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 Wang Xianjin	Chairman and Chief Executive Officer
Mr Zhang Aiping	Executive Director
Mr Sun Zhiqiang	Executive Director
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

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; and

f) formulate and put in place corporate governance framework of the Company.

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 Board also meets to consider, but not limited to, the following corporate matters which are reserved for the Board's approval:

a) Approval of quarterly results announcements;

b) Approval of the Annual Reports and audited financial statements;

c) Convening of shareholders' meetings; and

d) Approval of corporate strategies and corporate budgets.

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:

Name	Board	Audit Committee	Nominating Committee	Remuneration Committee
	Number of Meetings held: 4	Number of Meetings held: 4	Number of Meetings held: 1	Number of Meetings held: 1
	Number of Meetings Attended	Number of Meetings Attended	Number of Meetings Attended	Number of Meetings Attended
Wang Xianjin	4	n.a.	n.a.	n.a.
Zhang Aiping	4	n.a.	0	n.a.
Sun Zhiqiang	4	n.a.	n.a.	n.a.
Lee Chee Seng	4	n.a.	n.a.	n.a.
Wu Yu Liang	4	4	n.a.	1
Chan Kam Loon	3	3	1	1
Foo Meng Kee	4	4	1	1

n.a.: not applicable

The Directors are responsible for their own training needs and report to the Company. 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.

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.

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 Balance

The Board comprises seven directors of whom three are non-executive independent directors. The profiles of the Directors are set out on pages 18 and 19 of this Annual Report.

The current size of the Board is appropriate for the facilitation of decision making. The Board will continue to review the size of the Board on an ongoing basis. As a team, the Board collectively provides core competencies in the areas of accounting, finance, legal, business and management, as well as industry knowledge.

Principle 3 - Executive Chairman and Chief Executive Officer

The roles of Chairman and the Chief Executive Officer ("CEO") are undertaken by Mr Wang Xianjin. The Company recognises that in accordance with the Code 2005, the two roles should be kept separate. However, as Mr Wang Xianjin was the most senior member of the founding managers of the Company, he was unanimously chosen and appointed by the Board to act as the Company's Executive Chairman as well as CEO. The Board recognises the importance of corporate governance and believe in offering high standards of accountability to the shareholders and will follow closely the guidelines set out in the Code 2005. Accordingly, the Board has, on 28 February 2008, appointed Mr. Wu Yu Liang as the Lead Independent Director of the Company who shall be available to shareholders where they have concerns which contact through the normal channels of the Chairman, CEO or CFO has failed to resolve or for which such contact is inappropriate.

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.

Principle 4 – Board Membership

Nominating Committee

The Nominating Committee ("NC") comprises three 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)
Zhang Aiping	(Executive)

The principal functions of the NC are to:

a) identify, review and recommend candidates for appointment as Directors of the Company and appointment to the Board committee as well as to senior management positions in the Company;

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

c) determine annually whether or not a Director is independent; and

d) make recommendations to the Board on reappointment of Board and Board committee members.

The Company has set a formal and transparent process for the selection and appointment of new directors to the Board.

During the year, the NC met and determined the independence of the Directors is in line with the requirements of the Code 2005.

In accordance with the provisions of the Company's Articles of Association, one-third of our Directors retires by rotation and submits themselves to re-election at every Annual General Meeting. The CEO who is a member of the Board must also subject himself to retirement by rotation and re-election by shareholders.

The Directors who have submitted themselves for re-election at the forthcoming Annual General Meeting of the Company are Mr Chan Kam Loon, Mr Wu Yu Liang and Mr Sun Zhiqiang. Their profiles are shown on pages 18 and 19 of the Annual Report.

Principle 5 – Board Performance

The Nominating Committee uses objective and appropriate quantitative and qualitative criteria to assess the performance of individual directors, and the Board as a whole. Assessment parameters include the attendance records of the directors at Board or Committee meetings, the level of participation at such meetings, the quality of Board processes and the business performance of the Group.

The NC is of the opinion that the Board is able to exercise objective judgement on corporate affairs independently and no individual or small group of individuals dominates the Board's decision making process.

Principle 6 – Access to Information

Board members are provided with management information pertaining to such areas e.g. budget, forecast, the funding positions and cashflow 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 directors as and when they arise.

All Board members have separate and independent access to the advice and services of the Company Secretary, 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 all board meetings of the Company. The appointment and removal of the Company Secretary 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.

Principle 7 – Procedures for Developing Remuneration Policies

Remuneration Committee

The Remuneration Committee ("RC") comprises three 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 principal functions of the RC are to:

a) review and recommend to the Board a framework of remuneration for the Directors and key executives;

b) determine the specific remuneration packages for each Executive Director and senior group management personnel; and

c) recommend the fees of the Non-executive Directors.

In its review, the Remuneration Committee's objective is to establish and maintain a level of remuneration that would be appropriate to attract, retain and motivate the directors and key executives to run the Company successfully. 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 senior management 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 executive officers, 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 Committees is compensated for his additional responsibilities. Such fees are approved by the shareholders of the Company as a lump sum payment at the annual general meeting of the Company.

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

	Fees	Salary	Bonus	Other Benefits	Total
DIRECTORS					
S$250,000 – S$500,000					
Lee Chee Seng	–	62%	32%	6%	100%
Below S$250,000					
Wang Xiangjin	–	93%	6%	1%	100%
Zhang Aiping	–	93%	6%	1%	100%
Sun Zhiqiang	–	93%	6%	1%	100%
Wu Yu Liang	100%	–	–	–	100%
Chan Kam Loon	100%	–	–	–	100%
Foo Meng Kee	100%	–	–	–	100%
KEY MANAGEMENT					
Below S$250,000					
Tan Wee Cheng	–	68%	26%	6%	100%
Han Lianguo	–	70%	–	30%	100%
Fu Mingfang	–	67%	–	33%	100%
Jiang Jinlong	–	69%	–	31%	100%
Guo Yongjun	–	68%	–	32%	100%

None of the employees whose remuneration exceeds S$150,000 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. Management provides all members of the Board with a balanced and understandable management accounts of the Company's performance, position and prospects on a regular basis. The Board provides the shareholders with a balanced and understandable assessment of the Company's performance, position and prospects on a quarterly basis. Such responsibility is extended to the other price-sensitive public reports and reports to regulators (if required).

Principle 11 – Audit Committee

The Audit Committee ("AC") comprises the following:

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

The AC meets periodically to perform the following main functions:

a) to review with the external auditors the audit plan and the results of our external auditors' examination and evaluation of the adequacy and effectiveness of our systems of internal controls annually;

b) to review the independence of the external auditors annually;

c) to review the appointment and re-appointment of the external auditors;

d) to review the consolidated financial statements and balance sheets and profit and loss accounts and the external auditors' report on those financial statement, before submission to the Board of Directors for approval;

e) to review the co-operation given by our management to our external auditors;

f) to review and approve interested person transactions;

g) to review potential conflict of interests; if any;

h) to undertake such other reviews and projects as may be requested by the Board, and will report to our Board its findings from time to time on matters arising and requiring the attention of the AC;

i) to generally undertake such other functions and duties as may be required by the statute or the SGX-ST Listing Manual, and by such amendments made thereto from time to time; and

j) to review the Whistle Blowing Policy.

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

The AC meets with the external auditors, without the presence of the management at least once a year.

The AC, having reviewed the non-audit services provided by the external auditors to the Group, is satisfied with the independence and objectivity of the external auditors and recommends to the Board of Directors, the nomination of the external auditors for re-appointment.

Principle 12 – 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.

The AC assisted the Board to review the effectiveness of the internal audit function annually and is satisfied with the current state of internal controls system of the Company.

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.

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 Horwath First Trust are the existing internal auditors of the Group.

COMMUNICATIONS WITH SHAREHOLDERS

Principle 14 – Regular, Effective and Fair Communication with Shareholders

The Group strives for timeliness and transparency in its disclosures to the shareholders and the public. 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 always released through SGXNET.

The Board may from time to time review the provisions of the existing Articles of Association of the Company to ensure they are in line with the good corporate governance practices as recommended by the Code. If the Board deems fit, it may propose any necessary amendment to the same to the shareholders for approval.

Principle 15 – Encourages Greater Shareholder Participation

The Annual General Meeting ("AGM") 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. The Chairpersons of the Board Committees, external auditors and key management staff are invited to attend the annual general meetings of the Company.

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 whilst 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 to remind them of the requirement to report their dealings in shares of the Company. The Directors and employees are also prohibited from dealing in the securities of the Company during the period commencing two weeks before the announcement of the Company's first three quarter results and one month before the announcement of the Company's full year results and ending on the date of the particular announcement.

Interested Party Transactions ("IPT")

The Audit Committee 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.

There was no IPT in the Group during the financial year.

Material Contracts

There are no material contracts of the Company or its subsidiaries involving the interests of the Executive Chairman, Chief Executive Officer or any other Directors or controlling shareholders at the end of the financial year.

Use of Proceeds from Placement of New Shares

(A) Pursuant to separate placement agreements dated 30 October 2006 entered between the Company and Merrill Lynch International, DBS Vickers Securities (Singapore) Pte Ltd and SBI-E2 Asia Securities Pte Ltd, the Company has allotted and issued 23,000,000 new ordinary shares in the capital of the Company at an issue price of S$0.827 per share.

The total net proceeds of approximately S$18.9 million was raised and was fully disbursed during 2007 (in accordance with the announcements made on 23 February 2007, 8 March 2007, 26 June 2007, 13 July 2007 and 4 September 2007) for the construction of Anyang Jiuyang's 120,000 tonne DMF production facility.

(B) Pursuant to separate placement agreements dated 15 February 2007 entered between the Company and Legg Mason International Equities (Singapore) Pte Ltd, DBS Vickers Securities (Singapore) Pte Ltd and SBI-E2 Capital Asia Securities Pte Ltd, the Company has allotted and issued 22,980,000 new ordinary shares in the capital of the Company at an issue price of S$2.07 per share.

The Company intends to utilise the total net proceeds of approximately S$47.0 million raised from placement for the investments relating to the Company's area of core competence, that is, coal-based fine chemical products and any balance as working capital of the Company.

As at 31 March 2008, the Company had utilised approximately S$40.2 million (in accordance with the announcements made on 16 May 2007 and 29 February 2008) for the construction of Anyang Jiulong's 250,000 tonne methanol production facility. The remaining balance of the net proceeds from the placement has been placed in fixed deposits pending disbursement.

The directors present their report together with the audited consolidated financial statements of the Group and the audited balance sheet and statement of changes in equity of the Company for the financial year ended December 31, 2007.

1 DIRECTORS

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

Wang Xianjin
Zhang Aiping
Sun Zhiqiang
Lee Chee Seng
Foo Meng Kee
Chan Kam Loon
Wu Yu Liang

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors holding office at the end of the financial year had no interest in the share capital of the Company and shares and debentures of related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

Name of directors and companies in which interest are held	Holdings at January 1, 2007	Holdings at December 31, 2007	Holdings at January 21, 2008
Interest in the Company ordinary shares			
Wang Xianjin (deemed interest)	540,225,000#	466,725,000	466,725,000
Zhang Aiping (deemed interest)	540,225,000#	466,725,000	466,725,000
Sun Zhiqiang (deemed interest)	540,225,000#	466,725,000	466,725,000
Lee Chee Seng	2,500,000#	8,250,000	9,250,000
Lee Chee Seng (deemed interest)	74,419,000#	75,419,000	75,419,000
Chan Kam Loon	–	–	200,000
Chan Kam Loon (deemed interest)	–	–	57,000
Interest in the Company warrants			
Wang Xianjin (deemed interest)	–	93,045,000	93,045,000
Zhang Aiping (deemed interest)	–	93,045,000	93,045,000
Sun Zhiqiang (deemed interest)	–	93,045,000	93,045,000
Lee Chee Seng	–	1,650,000	1,650,000
Lee Chee Seng (deemed interest)	–	14,883,800	14,883,800

 # Adjusted for subdivision of every one ordinary share of the Company into five ordinary shares.

4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest except as disclosed in the accompanying financial statements and that certain directors have received remuneration from related corporations in their capacity as directors and or executives of those related corporations.

5 SHARE OPTIONS

(a) Options to take up unissued shares

During the financial year, no options to take up unissued shares of the Company and its subsidiaries were issued.

(b) Option exercised

During the financial year, there were no shares of the Company and its subsidiaries issued by virtue of the exercise of an option to take up unissued shares.

(c) Unissued shares under option

At the end of the financial year, there were no unissued shares of the Company and its subsidiaries under option.

6 AUDIT COMMITTEE

The Audit Committee of the Company is chaired by Mr Chan Kam Loon and includes Mr Foo Meng Kee and Mr Wu Yu Liang. All of them are independent directors of the Company. The Audit Committee has met periodically since the last Annual General Meeting ("AGM") and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the Company:

a) the audit plans and results of the internal auditors' examination and evaluation of the Group's systems of internal accounting controls;

b) the Group's financial and operating results and accounting policies;

c) the financial statements of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company and external auditors' report on those financial statements;

d) the quarterly, half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;

e) the co-operation and assistance given by the management to the Group's external auditors; and

f) the re-appointment of the external auditors of the Group.

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche for re-appointment as external auditors of the Group at the forthcoming AGM of the Company.

7 AUDITORS

The auditors, Deloitte & Touche, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

....
Wang Xianjin

....
Zhang Aiping

March 28, 2008

Independent Auditors' Report

TO THE MEMBERS OF JIUTIAN CHEMICAL GROUP LIMITED

We have audited the accompanying financial statements of the Jiutian Chemical Group Limited ("the Company") and its subsidiaries ("the Group") which comprise the balance sheets of the Group and the Company as at December 31, 2007, the profit and loss statement, statement of changes in equity and cash flow statement of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 33 to 68.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes: 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 an loss account and balance sheet and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 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 the internal control relevant to the entity's preparation and fair presentation of the financial statements 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,

(a) the consolidated financial statements of the Group and the the balance sheet 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 December 31, 2007 and of 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; and

(b) 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.

Deloitte & Touche
Public Accountants and
Certified Public Accountants
Singapore

Aric Loh Siang Khee
Partner
Appointed on March 8, 2005

March 28, 2008

Balance Sheets

As at December 31, 2007

(Expressed in Renminbi)

	Note	Group 2007	Group 2006	Company 2007	Company 2006
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Current assets:					
Cash and bank balances	5	154,099	146,939	129,044	95,775
Trade receivables	6	155,467	81,259	–	–
Other receivables and prepayments	7	27,232	2,774	472	423
Inventories	8	18,045	1,017	–	–
Land use rights	9	3,245	129	–	–
Total current assets		358,088	232,118	129,516	96,198
Non-current assets:					
Land use rights	9	58,840	5,552	–	–
Property, plant and equipment	10	683,972	176,531	515	657
Investment in subsidiaries	11	–	–	253,237	107,861
Loan receivable from subsidiaries	12	–	–	72,463	15,122
Deferred tax assets	13	1,037	1,053	–	–
Goodwill on consolidation	14	523	523	–	–
Total non-current assets		744,372	183,659	326,215	123,640
Total assets		1,102,460	415,777	455,731	219,838
LIABILITIES AND EQUITY					
Current liabilities:					
Trade payables	15	118,982	54,369	–	–
Other payables	16	147,480	13,245	6,834	6,765
Bank loans	17	73,000	–	–	–
Income tax payable		1,727	–	–	–
Total current liabilities		341,189	67,614	6,834	6,765
Non-current liabilities:					
Bank loans	17	70,000	37,000	–	–
Deferred income	18	841	906	–	–
Total non-current liabilities		70,841	37,906	–	–
Capital and reserves:					
Share capital	19	439,291	200,662	439,291	200,662
Reserve fund	20	20,521	12,388	–	–
Currency translation reserve		(3,232)	595	(1,747)	595
Accumulated profits		134,895	96,612	11,353	11,816
Equity attributable to equity holders of the Company		591,475	310,257	448,897	213,073
Minority interest		98,955	–	–	–
Total equity		690,430	310,257	448,897	213,073
Total liabilities and equity		1,102,460	415,777	455,731	219,838

See accompanying notes to financial statements.

Consolidated Profit and Loss Statement

Financial year ended December 31, 2007

(Expressed in Renminbi)

	Note	Group 2007	Group 2006
		RMB'000	RMB'000
Revenue	21	301,668	236,772
Cost of sales		(200,204)	(151,348)
Gross profit		101,464	85,424
Other operating income	22	4,766	1,447
Administrative expenses		(23,349)	(16,155)
Selling and distribution expenses		(2,310)	(448)
Finance costs	23	(5,081)	(2,943)
Profit before income tax	24	75,490	67,325
Income tax credit (expense)	25	(15,241)	321
Profit for the year		60,249	67,646
Attributable:			
Equity holders of the Company		61,294	67,646
Minority interest		(1,045)	–
		60,249	67,646
Earnings per share (RMB cents)			
- Basic	26	4.51	6.28
- Diluted	26	4.51	6.28

See accompanying notes to financial statements.

Statements of Changes in Equity

Financial year ended December 31, 2007

	Share capital	Reserve fund	Currency translation (deficit) reserve	Accumulated profits	Equity attributable to equity holders of the Company	Minority interest	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group							
Balance at January 1, 2006	56	4,798	2,218	36,556	43,628	–	43,628
Currency translation representing recognition directly in equity	–	–	(1,623)	–	(1,623)	–	(1,623)
Profit for the year	–	–	–	67,646	67,646	–	67,646
Total recognised income and expense for the year	–	–	(1,623)	67,646	66,023	–	66,023
Issue of shares:							
– Conversion of loans	36,362	–	–	–	36,362	–	36,362
– Initial public offering, net of expenses	68,749	–	–	–	68,749	–	68,749
– Share placement, net of expenses	95,495	–	–	–	95,495	–	95,495
Transfer	–	7,590	–	(7,590)	–	–	–
Balance at December 31, 2006	200,662	12,388	595	96,612	310,257	–	310,257
Currency translation representing recognition directly in equity	–	–	(3,827)	–	(3,827)	–	(3,827)
Profit for the year	–	–	–	61,294	61,294	(1,045)	60,249
Total recognised income and expense for the year	–	–	(3,827)	61,294	57,467	(1,045)	56,422
Issue of shares:							
– Share placement, net of expenses	238,629	–	–	–	238,629	–	238,629
Contribution from minority shareholders	–	–	–	–	–	100,000	100,000
Dividend paid (Note 31)	–	–	–	(14,878)	(14,878)	–	(14,878)
Transfer	–	8,133	–	(8,133)	–	–	–
Balance at December 31, 2007	439,291	20,521	(3,232)	134,895	591,475	98,955	690,430

Statements of Changes in Equity

Financial year ended December 31, 2007

	Share capital	Currency translation (deficit) reserve	Accumulated profits (losses)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Company				
Balance at January 1, 2006	56	2,218	(3,626)	(1,352)
Currency translation representing recognition directly in equity	–	(1,623)	–	(1,623)
Profit for the year	–	–	15,442	15,442
Total recognised income and expenses for the year	–	(1,623)	15,442	13,819
Issue of shares:				
– Conversion of loans	36,362	–	–	36,362
– Initial public offering, net of expenses	68,749	–	–	68,749
– Share placement, net of expenses	95,495	–	–	95,495
Balance at December 31, 2006	200,662	595	11,816	213,073
Currency translation representing recognition directly in equity	–	(2,342)	–	(2,342)
Profit for the year	–	–	14,415	14,415
Total recognised income and expenses for the year	–	(2,342)	14,415	12,073
Issue of shares:				
– Share placement, net of expenses	238,629	–	–	238,629
Dividend paid (Note 31)	–	–	(14,878)	(14,878)
Balance at December 31, 2007	439,291	(1,747)	11,353	448,897

See accompanying notes to financial statements.

Consolidated Cash Flow Statement

Financial year ended December 31, 2007

(Expressed in Renminbi)

	Group 2007	Group 2006
	RMB'000	RMB'000
Cash flows from operating activities:		
Profit before income tax	75,490	67,325
Adjustments for:		
Depreciation expense	16,124	9,193
Loss on disposal of property, plant and equipment	9	169
Exchange differences arising on foreign currency translation	(2,997)	(1,674)
Amortisation of land use rights	349	129
Amortisation of deferred income	(65)	(64)
Impairment allowance on trade receivables	14	21
Interest income	(4,385)	(889)
Interest expense	5,081	2,943
Operating profit before working capital changes	89,620	77,153
Trade receivables	(74,222)	(56,995)
Other receivables and prepayments	(24,413)	4,594
Inventories	(17,028)	216
Trade payables	64,613	36,453
Other payables	4,813	8,471
Cash generated from operations	43,383	69,892
Interest paid	(4,519)	(3,476)
Interest received	4,340	695
Income tax paid	(13,498)	–
Net cash from operating activities	29,706	67,111
Cash flows used in investing activities:		
Purchase of property, plant and equipment (Note A)	(394,714)	(84,559)
Acquisition of long term prepayment – land use rights	(56,753)	(3,367)
Net cash used in investing activities	(451,467)	(87,926)
Cash flows from financing activities:		
Proceeds from placement of shares, net of expenses	238,629	95,495
Proceeds from bank loans	143,000	–
Pledged bank deposits	(8,587)	–
Contribution from minority shareholders of subsidiaries	100,000	–
Repayment of bank loans	(37,000)	–
Dividends paid	(14,878)	–
Proceeds from IPO, net of expenses	–	68,749
Repayment of convertible loans	–	(19,413)
Net cash from financing activities	421,164	144,831
Net (decrease) increase in cash and cash equivalents	(597)	124,016
Cash and cash equivalents at beginning of year	146,939	22,872
Effect of foreign exchange rate changes	(830)	51
Cash and cash equivalents at end of year (Note 5)	145,512	146,939

Note:

(A) During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RMB523,574,000 (2006 : RMB84,559,000) of which RMB128,860,000 is still outstanding as at year end (2006: RMB nil) and is shown as other payables in Note 16.

See accompanying notes to financial statements.

1 GENERAL

The Company (Registration No. 200415416H) is incorporated in Singapore with its registered office at 8 Cross Street, #11-00 PWC Building, Singapore 048424 and its principal place of business at 3 Raffles Place, #05-01 Bharat Building, Singapore 048617. The Company is listed on the Singapore Exchange Securities Trading Limited. The financial statements are expressed in Renminbi ("RMB").

The principal activity of the Company is that of investment holdings. The principal activities of the subsidiaries are disclosed in Note 11 to the financial statements.

The consolidated financial statements of the Group and balance sheet and statement of changes in equity of the Company for year ended December 31, 2007 were authorised for issue by the Board of Directors on March 28, 2008.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) BASIS OF ACCOUNTING – The financial statements have been prepared in accordance with the historical cost convention except for the revaluation of financial instruments and have been drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

ADOPTION OF NEW AND REVISED FINANCIAL REPORTING STANDARDS - In the current financial year, the Group has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after January 1, 2007. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years except as disclosed below and in the notes to the financial statements.

FRS 107 - *Financial Instruments: Disclosures and amendments to FRS 1 Presentation of Financial Statements relating to capital disclosures*

The Group has adopted FRS 107 with effect from annual periods beginning on or after January 1, 2007. The new standard has resulted in an expansion of the disclosures in these financial statements regarding the Group's financial instruments. The Group has also presented information regarding its objectives, policies and processes for managing capital (see Note 4) as required by the amendments to FRS 1 which are effective from annual periods beginning on or after January 1, 2007.

At the date of authorisation of these financial statements, the directors have considered and anticipated that the adoption of the FRSs, INT FRSs and amendments to FRS that were in issue, but not yet effective until future periods, will not have a material impact on the financial statements of the Group and the Company in the period of their initial adoption.

b) BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover its share of those losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

In the Company's financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in the profit and loss statement.

c) BUSINESS COMBINATIONS - The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under *FRS 103 Business Combinations* are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with *FRS 105 Non-Current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the consolidated profit and loss statement.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

d) FINANCIAL INSTRUMENTS - Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period. Income is recognised on an effective interest basis for debt instruments other than those financial instruments "at fair value through profit and loss statement".

Trade receivables and other receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "Trade receivables" and "Other receivables" respectively. These are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial.

Cash and cash equivalents

Cash and bank balances comprise cash on hand and demand deposits, bank overdrafts, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Impairment of financial assets

Financial assets, other than those at fair value through profit and loss statement, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade or other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit and loss statement. Changes in the carrying amount of the allowance account are recognised in profit and loss statement.

If, in a subsequent period, the amount of 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 and loss statement to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method, with interest expense recognised on an effective yield basis.

Interest-bearing bank loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs (see below).

e) LEASES - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such as incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

f) INVENTORIES - Inventories are measured at the lower of cost (weighted average method) and net realisable value. Costs comprise direct material costs and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

g) PROPERTY, PLANT AND EQUIPMENT - Property, plant and equipment are carried at cost, less accumulated depreciation and any impairment loss where the recoverable amount of the asset is estimated to be lower than its carrying amount.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost of the assets over their estimated useful lives, using the straight-line method, as follows:

Buildings	–	15 to 40 years
Machinery and equipment	–	5 to 28 years
Motor vehicles	–	8 years

No depreciation is provided on construction-in-progress.

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

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in the profit and loss statement.

h) GOODWILL - Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

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

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit and loss statement on disposal.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

i) INTANGIBLE ASSETS

Intangible assets acquired separately

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are not amortised. Each period, the useful lives of such assets are reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy below.

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit and loss statement in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

j) LAND USE RIGHTS – The prepayment made on acquiring a land use right in the PRC represents prepaid lease payments and it is accounted for as an operating lease. The prepaid lease payment is released in the profit and loss statement over 14 to 50 years.

k) IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL - At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. 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.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit and loss statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit and loss statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

l) PROVISIONS - Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

m) GOVERNMENT GRANTS - Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the balance sheet and transferred to profit and loss statement on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit and loss statement in the period in which they become receivable.

n) REVENUE RECOGNITION - Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowance.

Revenue from the 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.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Rental income is recognised on a straight-line basis over the term of the relevant lease.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

o) BORROWING COSTS - Borrowing costs directly attributable to the acquisitions, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the profit and loss statement in the period in which they are incurred.

p) RETIREMENT BENEFIT COSTS - Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

q) EMPLOYEE LEAVE ENTITLEMENT – Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

r) INCOME TAX - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit and loss statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted in countries where the subsidiaries operate by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to profit and loss statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit and loss statement, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

s) FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION - The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The functional currency of the Company is Singapore dollars. The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are presented in Renminbi, which is the functional currency of the subsidiaries in the People's Republic of China, and the presentation currency for the financial statements and the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit and loss statement for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit and loss statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements of the Group and the balance sheet of the Company, the assets and liabilities are expressed in Renminbi using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit and loss statement in the period in which the foreign operation is disposed of.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

t) RESERVE FUND - Pursuant to relevant laws and regulations in the PRC applicable to foreign investments enterprises and the Articles of Association of the PRC subsidiary, the subsidiary is 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 reserve fund may be used to make up losses incurred and, subject to the approval from the relevant government authority, to increase capital of the subsidiary for expansion of operations.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

i) Critical judgements in applying the Group's accounting policies

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these 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.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

ii) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, 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.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual value. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimate, such difference may impact the depreciation in the year the estimate is changed and the future period.

Impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have any indication of impairment in accordance with the accounting policy. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations. These calculations require the use of judgement and estimates.

Impairment in investment in subsidiaries

Determining whether investments in subsidiaries are impaired requires an estimation of the value in use of those investments. The value-in-use calculation requires the Group to estimate the future cash-flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash-flows. Management has evaluated the recoverability of the investment based on such estimates and is confident that the allowance for impairment, where necessary, is adequate.

Allowances for bad and doubtful debts

The Group makes allowances for bad and doubtful debts based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade and other receivables and doubtful debts expenses in the period in which such estimate has been changed.

Fair value of loans to subsidiaries

As described in Note 12, the loan to a subsidiary is initially measured at fair value, net of transaction cost. Subsequently, the loan is measured at amortised cost using the effective interest method, with interest income recognised on an effective yield basis. To evaluate the fair value of the interest free loan, management made their best estimation under the current circumstance for the effective interest rate of 6.48% to 7.38% (2006 : 6.48%) and repayment schedule within 5 years.

Impairment of goodwill on consolidation

Determining whether goodwill on consolidation is impaired requires an estimation of the value in use of the cash-generating units to which such goodwill has been allocated. The value-in-use calculation requires the Group to estimate the future cash-flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash-flows. Management has evaluated the recoverability of the goodwill on consolidation based on such estimates and is confident that the carrying amount of such goodwill will be recovered in full. The carrying amount of goodwill on consolidation at December 31, 2007 was RMB523,000 (2006 : RMB523,000).

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) Categories of financial instruments

The following table sets out the financial instruments as at the balance sheet date:

	Group		Company	
	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	336,798	230,972	201,979	111,320
Financial liabilities				
Amortised cost:				
Trade and other payables	266,462	67,614	6,834	6,765
Bank loans	143,000	37,000	–	–

(b) Financial risk management policies and objectives

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

(i) Foreign exchange risk management

The Group does not face significant financial risks of changes in foreign currency rates as the Company and its subsidiaries transact mainly in their respective functional currencies. At the reporting date, the monetary assets and monetary liabilities denominated in currencies other than the respective entities' functional currencies are insignificant.

The Company has a number of investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. The Group does not currently designate its foreign currency denominated debt as a hedging instrument for the purpose of hedging the translation of its foreign operations.

Foreign currency sensitivity

The following table details the sensitivity to a 5% increase in the Renminbi ("RMB") against the relevant foreign currency of the entity. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis shown below only includes the cost of investment of the Company and loans to foreign operations within the Group where they gave rise to an impact of the Company's and Group's equity respectively.

	RMB impact	
Group	2007	2006
	RMB'000	RMB'000
Credit to other equity	3,623	756 (i)

	RMB impact	
Company	2007	2006
	RMB'000	RMB'000
Credit to other equity	12,661	5,393 (ii)

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Cont'd)

***(b) Financial risk management policies and objectives* (Cont'd)**

(i) Foreign exchange risk management (Cont'd)

(i) This mainly attributable to the exposure to outstanding Singapore dollars loans given by the Company to its PRC subsidiaries.

(ii) This is attributable to the exposure of the cost of investment in subsidiaries of the Company.

(ii) Interest rate risk management

The Group is exposed to interest rate risks due to the fluctuation of the prevailing market interest rate on bank deposits and bank borrowings which carry at prevailing market interest rates.

The Group's interest rate risks relates primarily to its variable rate bank borrowings which are subject to negotiation on an annual basis (see Note 17). The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management set out below.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date. For variable-rate bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

If interest rate had been 100 basis points higher/lower and all other variables were held constant. The Group's profit for the year ended December 31, 2007 would decrease/increase by RMB1,430,000 (2006 : RMB370,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

The Group's sensitivity to interest rates has increased during the current year mainly due to the increase in variable rate bank loans.

(iii) Credit risk management

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 and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by the counterparty limits that are reviewed and approved by the risk management committee annually.

Trade receivables consist of a large number of customers, spread across and diverse industries. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Cont'd)

(b) *Financial risk management policies and objectives* (Cont'd)

(iii) Credit risk management (Cont'd)

The carrying amount of financial assets recorded in the financial statements, net off any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Further details of credit risks on trade and other receivables are disclosed in Note 6 and 7 respectively.

(iv) Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

Undrawn facilities are disclosed in Note 17 to the financial statements.

Liquidity and interest risk analyses

Non-derivative financial assets

The following table details the expected maturity for non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group and the Company anticipates that the cash flow will occur in a different period.

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	Total
	%	RMB'000	RMB'000	RMB'000
Group				
2007				
Non-interest bearing	N/A	200,083	–	200,083
Fixed interest rate	2.19 to 2.29	136,715	–	136,715
2006				
Non-interest bearing	N/A	139,371	–	139,371
Fixed interest rate	3.22 to 3.35	91,601	–	91,601
Company				
2007				
Non-interest bearing	N/A	1,388	72,463	73,851
Fixed interest rate	2.19 to 2.29	128,128	–	128,128
2006				
Non-interest bearing	N/A	4,597	15,122	19,719
Fixed interest rate	3.22 to 3.35	91,601	–	91,601

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Cont'd)

(b) *Financial risk management policies and objectives* (Cont'd)

(iv) Liquidity risk management (Cont'd)

Non-derivative financial liabilities

The following table details the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	Total
	%	RMB'000	RMB'000	RMB'000
Group				
2007				
Non-interest bearing	N/A	266,462	–	266,462
Variable interest rate	6.57 to 7.47	73,000	70,000	143,000
2006				
Non-interest bearing	N/A	67,614	–	67,614
Variable interest rate	5.75	–	37,000	37,000
Company				
2007				
Non-interest bearing	N/A	6,834	–	6,834
2006				
Non-interest bearing	N/A	6,765	–	6,765

(v) Fair Value of Financial Assets and Financial Liabilities

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables, provisions and other liabilities approximate their respective fair values due to the relatively short–term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

(c) *Capital risk management policies and objectives*

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 debt, which includes the borrowings, cash and cash equivalents and equity attributable to equity holders of the Company, comprising paid up capital, reserves and accumulated profits.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Cont'd)

(c) *Capital risk management policies and objectives* (Cont'd)

The Group's management reviews the capital structure on an on-going basis. As a part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the 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 2006.

5 CASH AND BANK BALANCES

	Group		Company	
	2007	**2006**	**2007**	**2006**
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank	17,384	55,338	916	4,174
Fixed deposits	128,128	91,601	128,128	91,601
Cash and cash equivalents	145,512	146,939	129,044	95,775
Pledged bank deposits	8,587	–	–	–
Total	154,099	146,939	129,044	95,775

Fixed deposits placed with financial institutions earn effective interest ranging between 2.19% to 2.29% (2006 : 3.22% to 3.35%) per annum with maturity dates of three months or less. The carrying amount of these assets approximates to their fair value.

Bank deposits amounting to RMB8,587,000 were pledged to certain banks to for the Group to issue trade bills payable (Note 15) for payments to its suppliers. The pledged banks deposits carry fixed interest rate at 3.42% per annum and will be released upon the settlement of the trade bills payable.

The cash and bank balances that are denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2007	**2006**	**2007**	**2006**
	RMB'000	RMB'000	RMB'000	RMB'000
United States dollars	102	8	102	8

6 TRADE RECEIVABLES

	Group		Company	
	2007	**2006**	**2007**	**2006**
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables - outside parties	42,830	2,684	–	–
Trade bills receivable	112,782	78,706	–	–
Total	155,612	81,390	–	–
Less: Impairment allowance	(145)	(131)	–	–
Net	155,467	81,259	–	–

6 TRADE RECEIVABLES (Cont'd)

	Group 2007	Group 2006	Company 2007	Company 2006
	RMB'000	RMB'000	RMB'000	RMB'000
Movement in the above impairment allowance:				
At beginning of year	131	110	–	–
Charge to profit and loss (Note 24)	14	21	–	–
At end of year	145	131	–	–

All the trade receivables are denominated in the functional currencies of the respective entities.

The average credit period on sales of goods is 60 days (2006 : 60 days). No interest is charged on the overdue trade receivables.

Included in the Group's trade receivables balance are debtors with a carrying amount of RMB2,801,000 (2006 : RMB48,000) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables are 90 days. (2006 : 90 days).

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 reporting date. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

The table below is an analysis of trade receivables as at balance sheet date:

	Group 2007	Group 2006
	RMB'000	RMB'000
Not past due and not impaired	152,666	81,211
Past due but not impaired (i)	2,801	48
	155,467	81,259
Impaired receivables - collectively assessed (ii)	145	131
Less: Provision for impairment	(145)	(131)
	–	–
Net	155,467	81,259
(i) Ageing of receivables that are past due but not impaired:		
– 60 days to 90 days	2,767	–
– 90 days to 120 days	–	–
– >120 days	34	48
	2,801	48

(ii) These amounts are stated before any deduction for impairment losses.

7 OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Advance payments to suppliers				
– outside parties	15,284	–	–	–
– a former related party (Note 30)	6,534	1,157	–	–
Value–added tax recoverable	2,951	–	–	–
Deposits and prepayments	529	498	128	128
Interest receivable	239	194	239	194
Others	1,695	925	105	101
Total	27,232	2,774	472	423

8 INVENTORIES

	Group		Company	
	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
At cost:				
Raw materials	10,440	–	–	–
Finished goods	7,605	1,017	–	–
Total	18,045	1,017	–	–

9 LAND USE RIGHTS

	Group		Company	
	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying value as at January 1	5,681	2,443	–	–
Addition	56,753	3,367	–	–
Charge	(349)	(129)	–	–
Carrying value as at December 31	62,085	5,681	–	–
Presentation in balance sheet:				
Current assets	3,245	129	–	–
Non-current assets	58,840	5,552	–	–
Total	62,085	5,681	–	–

The amount represents the prepayment of leases for land situated in the PRC, which is amortised over the shorter of remaining operation period or leasing period ranging from 14 to 50 years, using the straight-line method.

10 PROPERTY, PLANT AND EQUIPMENT

Group	Buildings	Machinery and equipment	Motor vehicles	Construction–in–progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:					
At January 1, 2006	18,374	89,377	1,883	3,809	113,443
Additions	–	1,763	1,799	80,997	84,559
Disposals	–	(257)	–	–	(257)
Reclassification	1,500	13,357	–	(14,857)	–
At January 1, 2007	19,874	104,240	3,682	69,949	197,745
Additions	–	1,877	106	521,591	523,574
Disposals	–	(12)	–	–	(12)
Reclassification	80,824	343,209	–	(424,033)	–
At December 31, 2007	100,698	449,314	3,788	167,507	721,307
Accumulated depreciation:					
At January 1, 2006	1,467	10,212	430	–	12,109
Depreciation	758	8,162	273	–	9,193
Disposal	–	(88)	–	–	(88)
At January 1, 2007	2,225	18,286	703	–	21,214
Depreciation	1,386	14,290	448	–	16,124
Disposal	–	(3)	–	–	(3)
At December 31, 2007	3,611	32,573	1,151	–	37,335
Carrying value:					
At December 31, 2006	17,649	85,954	2,979	69,949	176,531
At December 31, 2007	97,087	416,741	2,637	167,507	683,972

At balance sheet date, machinery and equipment with carrying value of RMB89,375,000 (2006 : Nil) are pledged to secure banking facilities and loans granted to the Group.

During 2007, borrowing costs of RMB2,464,000 (2006 : RMB262,500) has been included in the cost of qualifying assets.

10 PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Company	Machinery and equipment
	RMB'000
Cost:	
At January 1, 2006	19
Additions	742
At December 31, 2006	761
Additions	16
At December 31, 2007	777
Accumulated depreciation:	
At January 1, 2006	3
Depreciation charge	101
At December 31, 2006	104
Depreciation	158
At December 31, 2007	262
Carrying value:	
At December 31, 2006	657
At December 31, 2007	515

11 INVESTMENT IN SUBSIDIARIES

	Company 2007	Company 2006
	RMB'000	RMB'000
Unquoted share capital, at cost	228,097	102,439
Loan receivable – deemed capital contribution (Note 12)	25,140	5,422
Total	253,237	107,861

Details of the subsidiaries are as follows:

Subsidiary	Cost of investment 2007	Cost of investment 2006	Effective equity interest and voting power held 2007	Effective equity interest and voting power held 2006	Principal activities (Place of establishment/ operation)
	RMB'000	RMB'000	%	%	
Anyang Jiutian Fine Chemical Co., Ltd	54,684	54,684	100	100	Production, sale and service of industrial methanol, methylamine, dimethylformamide (DMF) and gas (People's Republic of China)
Anyang Jiuyang Chemical Co., Ltd	69,638	47,755	100	100	Research and development, manufacturing and sales of methylamine, DMF, polyurethane and downstream products (People's Republic of China)

11 INVESTMENT IN SUBSIDIARIES (Cont'd)

Subsidiary	Cost of investment 2007	Cost of investment 2006	Effective equity interest and voting power held 2007	Effective equity interest and voting power held 2006	Principal activities (Place of establishment/ operation)
	RMB'000	RMB'000	%	%	
Anyang Jiulong Chemical Co., Ltd*	100,787	–	51	–	Production and sale of methanol in PRC (People's Republic of China)
Changzhou Jiutian Xiean Chemical Co., Ltd	2,988	–	60	–	Sale of methylamine, DMF, polyurethane and downstream products. (People's Republic of China)
	228,097	102,439			

The subsidiaries are audited by Deloitte Touche Tohmatsu Certified Public Accountants Ltd – Beijing Branch, which is located at 8/F Office Tower W2, The Towers, Oriental Plaza, 1 East Chang An Avenue, Beijing 100738, PRC for consolidation purpose.

* Production facilities still under construction as at December 31, 2007

12 LOANS RECEIVABLE FROM SUBSIDIARIES

As at the end of the financial year, the Company provided interest free loans totalling S$18,590,000 (2006 : S$4,000,000) to certain subsidiaries. These loans are discounted at the prevailing interest rates ranging from 6.48% to 7.38% (2006: 6.48%) at inception and based on the expected repayment within the next 5 years to derive the fair value of these loans. The difference of S$3,918,000, equivalent to RMB19,718,000 (2006: S$1,081,000, equivalent to RMB5,422,000) between the fair value of the loans granted during the year and the principal amount of the loans has been recognised as a deemed capital contribution in the subsidiary (Note 11).

Company	In original currency 2007	In original currency 2006	RMB equivalent 2007	RMB equivalent 2006
	S$'000	S$'000	RMB'000	RMB'000
Original loan amount	18,590	4,000	93,511	20,069
Fair value at inception				
At January 1	2,919	–	14,647	–
Additions	10,672	2,919	53,924	14,647
Effect of translation	–	–	(200)	–
At December 31	13,591	2,919	68,371	14,647
Accumulated interest income recognised				
At January 1	95	–	475	–
Credit to profit and loss	718	95	3,627	475
Effect of translation	–	–	(10)	–
At December 31	813	95	4,092	475
Amortised Cost				
At December 31 (shown as non–current)	14,404	3,014	72,463	15,122

13 DEFERRED TAX ASSETS

	Group		Company	
	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets	1,037	1,053	–	–

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

Group	Accelerated Accounting depreciation	Pre-operating expenses	Deferred income	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2006	369	99	264	732
Credit to profit and loss (Note 25)	321	–	–	321
At January 1, 2007	690	99	264	1,053
Credit to profit and loss (Note 25)	267	(49)	(10)	208
Effect of change in tax rate	(167)	–	(57)	(224)
At December 31, 2007	790	50	197	1,037

14 GOODWILL ON CONSOLIDATION

This represents goodwill on consolidation on the acquisition of Anyang Jiutian Fine Chemical Co., Ltd in 2004.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the cash generating units are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash generating units. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial forecasts approved by the management for the next five years using an average discount rate of 9.0% and no rate of growth.

15 TRADE PAYABLES

	Group		Company	
	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Outside parties	84,470	17,688	–	–
Bills discounted to bank with recourse	–	34,055	–	–
Trade bills payable	8,587	–	–	–
Customer advances	7,898	2,626	–	–
Due to a former related party (Note 30)	18,027	–	–	–
Total	118,982	54,369	–	–

In 2006, the bills discounted to banks at a rate ranging from 0.27% to 0.33% per month.

The average credit period on purchases of goods is 120 days (2006 : 120 days). No interest is charged on the outstanding trade payables balances.

All the trade payables are denominated in the functional currencies of respective entities.

16 OTHER PAYABLES

	Group 2007	Group 2006	Company 2007	Company 2006
	RMB'000	RMB'000	RMB'000	RMB'000
Accruals	14,975	9,920	3,613	3,397
Payable for property, plant and equipment	128,860	–	–	–
Security deposits received	–	2,640	–	–
Value added tax payables	2,665	644	–	–
Interest payable	562	–	–	–
Due to a former related party (Note 30)	418	41	–	–
Subsidiary (Note 11)	–	–	3,221	3,368
Total	147,480	13,245	6,834	6,765

The amount due to subsidiary is non-trade in nature, unsecured, interest free and repayable on demand.

17 BANK LOANS

	Group 2007	Group 2006
	RMB'000	RMB'000
Loan A (secured)	44,100	–
Loan B (unsecured)	28,900	–
Loan C (unsecured)	70,000	–
Loan D (unsecured)	–	37,000
Total	143,000	37,000
Presentation in balance sheet:		
Current liability	73,000	–
Non–current liability	70,000	37,000
Total	143,000	37,000

a) Loans A and B bear interest ranging from 6.57% to 7.47%. Loan A is secured on certain property, plant and equipment and bills receivables of two subsidiaries. Loan B is guaranteed by a former related party (Note 30) and a third party.

b) Loan C is a four-year term loan and is repayable in 3 tranches from 2010 to 2011. It is jointly guaranteed by a former related party (Note 30), another subsidiary and 2 directors of a subsidiary. The bank loan bears interest of 7.02%, subject to negotiation on annual basis.

c) Loan D was an entrusted loan obtained from Anyang Construction Investment Co., Ltd in September 2005. Pursuant to the agreement, the Agricultural Bank of China has advanced to the subsidiary a term loan of RMB37,000,000 repayable three years from date of initial drawndown of the loan. The loan carried a fixed interest rate of 5.75% per annum for three years from the date of the initial drawdown of the term loan. The loan was fully repaid during the year.

d) The directors consider the carrying amount of the bank loans to approximate its fair value.

e) At December 31, 2007 and 2006, there were no undrawn committed borrowing facilities.

18 DEFERRED INCOME

	Group 2007	Group 2006
	RMB'000	RMB'000
At beginning of year	906	970
Amount utilised	(65)	(64)
At end of year	841	906

The amount represents a government subsidy received for financing a technology improvement project from the local municipal government. The subsidy will be credited to the profit and loss statement on a straight line basis over the expected useful lives of the related assets.

19 SHARE CAPITAL

	Group and Company 2007	Group and Company 2006	Group and Company 2007	Group and Company 2006
	Number of ordinary shares '000	'000	RMB'000	RMB'000
Issued and paid up capital:				
At beginning of year	252,929	11	200,662	56
Increase during the year:				
- Conversion of loans	–	54,942	–	36,362
- Initial public offering	–	54,938	–	68,749
- Share placement	22,980	23,000	238,629	95,495
Increase arising from subdivision	1,103,635	120,038	–	–
At end of year	1,379,544	252,929	439,291	200,662

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividend.

In March 2006, the Company subdivided every two ordinary shares into 21,609 ordinary shares, thereby increasing the numbers of issued shares from 11,111 to 120,048,800 ordinary shares. Subsequent to that, the Company:

i) issued 54,942,000 ordinary shares to the Pre-IPO Investors in accordance with the terms of the Convertible Loan Agreement.

ii) issued 54,938,000 new ordinary shares at S$0.29 per share pursuant to the Initial Public Offering; and

iii) made a private placement of 23,000,000 new ordinary shares at S$0.827 pursuant to the Placement Agreements.

In March 2007, pursuant to placement agreements, the Company issued 22,980,000 new ordinary shares at S$ 2.07 per share.

In September 2007, the Company subdivided every one ordinary share into five ordinary shares, thereby increasing the numbers of issued shares from 275,908,800 to 1,379,544,000.

20 RESERVE FUND

	Group
	RMB'000
Cost:	
At January 1, 2006	4,798
Appropriation	7,590
At December 31, 2006	12,388
Appropriation	8,133
At December 31, 2007	20,521

Pursuant to relevant laws and regulations in the PRC and the Articles of Association of the Company, the Company is 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. In the current year, the Company transfers 10% (2006: 10%) of profit after taxation calculated in accordance with PRC accounting standards and regulations which amounts to RMB8,132,984 (2006 : RMB7,590,014) to the reserve fund.

The reserve fund may be used to make up losses incurred and, subject to the approval from the relevant government authority, to increase capital of the Company for expansion of operation.

21 REVENUE

This represents the amount received or receivable from the sales of goods, net of sales return and sales tax.

22 OTHER OPERATING INCOME

	Group	
	2007	2006
	RMB'000	RMB'000
Interest income	4,385	889
Rental income	254	230
Insurance claim	62	210
Government grant	65	64
Exchange gain	–	54
Total	4,766	1,447

Rental income is shown net of its associated expenses of RMB356,000 (2006 : RMB240,000).

23 FINANCE COSTS

This relates to interest expense on bank loans.

24 PROFIT BEFORE INCOME TAX

(a) This item includes the following charges:

	Group	
	2007	2006
	RMB'000	RMB'000
Cost of inventories sold	200,204	151,348
Depreciation	16,124	9,193
Directors' remuneration	4,690	2,489
Loss on disposal of property, plant and equipment	–	169
Amortisation of land use rights	349	129
Impairment allowance on trade receivables	14	21
Non-audit fees paid to auditors	–	–

(b) The breakdown of staff costs is as follows:

	2007	2006
	RMB'000	RMB'000
Employee benefits expense (excluding directors' remuneration):		
Salaries and wages	13,645	10,621
Cost of defined contribution plans	1,164	669
Staff welfare and benefits	1,296	499
Total employee benefits expense	16,105	11,789

(c) The remuneration of directors and other members of key management during the year was as follows:

	Group	
	2007	2006
	RMB'000	RMB'000
Short-term benefits	5,740	3,966
Post-employment benefits	214	117
Other benefits	37	81
Total	5,991	4,164

25 INCOME TAX EXPENSE/(CREDIT)

	Group	
	2007	2006
	RMB'000	RMB'000
Current tax	15,225	–
Deferred tax credit (Note 13)	(208)	(321)
Effect of change in tax rate	224	–
	15,241	(321)

25 INCOME TAX EXPENSE/(CREDIT) (Cont'd)

The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 18% (2006: 20%) to profit before income tax as a result of the following differences:

	Group	
	2007	2006
	RMB'000	RMB'000
Profit before income tax	75,490	67,325
Income tax expense at statutory rate of 18% (2006: 20%)	13,588	13,465
Effect of different tax rate of subsidiaries	12,080	9,848
Effect of tax concession of subsidiary	(16,121)	(25,449)
Effect of change in tax rate	224	–
Deferred tax assets not recognised	3,847	73
Non - allowable items	1,623	1,742
Income tax expense (credit)	15,241	(321)

The Group has tax losses carryforwards available for offsetting against future taxable income as follows:

	2007	2006
	RMB'000	RMB'000
Amount at beginning of year	220	--
Arising during the year	11,658	220
Amount at year end	11,878	220
Deferred tax benefit on above not recorded	3,920	73

Anyang Jiutian Fine Chemical Co., Ltd and Anyang Jiuyang Chemical Co., Ltd are wholly foreign-owned enterprise ("WFOE") whereas Anyang Jiulong Chemical Co., Ltd is a Sino-foreign Invested Enterprise. These three subsidiaries are governed by the Income Tax Law of the PRC Enterprises with Foreign Investment and Foreign Enterprises and various local income tax laws (the "FIE Income Tax Laws"). Under the FIE Income Tax Laws, foreign investment enterprises ("FIE") are generally subjected to income tax at a combined rate of 33% (30% state income taxes plus 3% local income taxes) on income as reported in their statutory financial statements after appropriate tax adjustments unless the enterprise is located in specially designated regions or cities for which more favorable effective rates apply. In addition, as a manufacturing-oriented FIE, the subsidiaries are also eligible to be exempted from PRC income tax for two years commencing from its first profit-making year of operations, after offsetting all unexpired tax losses brought forward from the previous years, and thereafter, entitled to a 50% relief from PRC income tax for the next three years. The preferential tax rate is subjected to written approval from the governing tax bureau.

For Anyang Jiutian Fine Chemical Co., Ltd, pursuant to the approval issued by Anyang, Long An State Tax Bureau, the subsidiary as a FIE is approved to be exempted from income tax for 2006 and 2005 and entitled to a 50% relief from income tax from 2007 to 2009.

For Anyang Jiuyang Chemical Co., Ltd, as it is in loss-making position for 2007, pursuant to the approval issued by Anyang, Long An State Tax Bureau, the income tax exemption period as a FIE will only take effect from the subsidiary's first profit making year.

For Anyang Jiulong Chemical Co., Ltd, as its production facilities are still under construction as at balance sheet date, pursuant to the approval issued by Anyang, Long An State Tax Bureau, the income tax exemption period as a FIE will only take effect from the subsidiary's first profit making year.

25 INCOME TAX EXPENSE/(CREDIT) (Cont'd)

Changzhou Jiutian Xiean Chemical Co., Ltd is a Sino-foreign cooperative enterprise and it is government by Income Tax Law of the PRC Enterprises with Foreign Investment and Foreign Enterprises and various local income tax laws (the "FIE Income Tax Laws"). Under the FIE Income Tax Laws, foreign investment enterprises ("FIE") are generally subjected to income tax at a combined rate of 33% (30% state income taxes plus 3% local income taxes) on income as reported in their statutory financial statements after appropriate tax adjustments unless the enterprise is located in specially designated regions or cities for which more favorable effective rates apply. However, as it is not a manufacturing-oriented FIE, it is not eligible to enjoy the same tax exemption status as the other three subsidiaries mentioned above.

In March 2007, the PRC government announced for a unified tax rate arrangements among different type of PRC entities which results in a reduction of income tax rate from 33% to 25% which effect from January 1, 2008. The subsidiaries, except for Changzhou Jiutian Xiean Chemical Co., Ltd, will continue to enjoy the tax exemption period until the expiration of the said period.

26 EARNINGS PER SHARE

	Group	
	2007	**2006**
Earnings:		
Profit attributable to shareholders (RMB'000)	61,294	67,646
Number of shares:		
Weighted average number of ordinary shares ('000)	1,360,394	1,077,245
Earning per share (RMB cents)	4.51	6.28

There is no dilution as the Company does not have any share options. The number of shares for 2006 has been adjusted for the effect of subdivision of each ordinary share into five ordinary shares in 2007.

27 OPERATING LEASE COMMITMENTS

	Group	
	2007	**2006**
	RMB'000	RMB'000
As Lessee		
Minimum lease payments under operating leases for rental of land and buildings	249	249

At the balance sheet date, commitments in respect of non-cancellable operating leases were as follows:

	Group	
	2007	**2006**
	RMB'000	RMB'000
Within one year	249	638
In the second to fifth year inclusive	995	1,125
After five years	1,881	2,130
Total	3,125	3,893

Operating lease payments represent rental payable by the Group for certain land and buildings rented from Anyang Chemical Industry Group Co., Ltd. Leases are negotiated for an average term of 14 years and rentals are fixed for an average of 14 years.

27 OPERATING LEASE COMMITMENTS (Cont'd)

As Lessor

For the financial year ended December 31, 2007, the Group rented out some of its machinery with a carrying value of RMB2,214,000 (2006 : RMB2,521,000) under operating leases to an unrelated individual. Rental income earned for the year was RMB610,000 (2006 : RMB470,000). All of the machinery held has a committed tenant for the next one year (2006 : one year).

At the balance sheet date, the Group has contracted with tenants for the following future minimum lease payments as follows:

	Group	
	2007	2006
	RMB'000	RMB'000
Within one year	138	418
In the second to fifth year inclusive	–	–
Total	138	418

28 CAPITAL EXPENDITURE COMMITMENTS

	Group		Company	
	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
a) Investment				
Capital injection into subsidiaries	–	–	102,000	23,608
b) Property, plant and equipment				
Contracted but not provided for	156,768	163,045	–	–

29 BUSINESS AND GEOGRAPHICAL SEGMENTS

a) ***Business segments***

The Group's operations are organised into the following operating divisions namely:

(1) Dimethylformamide ("DMF");
(2) Methanol; and
(3) Gas.

Segment revenue and expense: Segment revenue and expense are the operating revenue and expense reported in the Group's profit and loss statement that are directly attributable to a segment and the relevant portion of such revenue and expense that can be allocated on a reasonable basis to a segment.

Segment assets and liabilities: Segment assets include all operating assets used by a segment and consist principally of operating receivables, inventories and property, plant and equipment, net of allowances and provisions. Capital additions include the total cost incurred to acquire property, plant and equipment, and intangible assets directly attributable to the segment. Segment liabilities include all operating liabilities and consist principally of trade payables and other payables.

Inter-segment transfers: Segment revenue and expenses include transfers between business segments. Inter-segment sales are charged at prevailing market prices. These transfers are eliminated on consolidation.

29 BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

a) *Business segments (Cont'd)*

These divisions are the basis on which the Group reports its primary business segments information.

	DMF	Methanol	Gas	Total
	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2007				
REVENUE	267,590	29,106	4,972	301,668
RESULT				
Segment result	73,864	10,982	(395)	84,451
Unallocated expenses				(8,265)
Interest income				4,385
Finance cost				(5,081)
Profit before income tax				75,490
Income tax expense				(15,241)
Profit after income tax				60,249
Statement of Net Assets				
Assets:				
Segment assets	841,937	94,434	9,443	945,814
Unallocated assets				156,646
Consolidated total assets				1,102,460
Liabilities:				
Segment liabilities	234,871	26,224	2,623	263,718
Unallocated liabilities				148,312
Consolidated total liabilities				412,030

	DMF	Methanol	Gas	Other	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2007					
OTHER INFORMATION					
Capital expenditure	360,864	162,102	597	11	523,574
Depreciation expense	11,883	2,690	1,398	153	16,124
Amortisation of land use rights	331	15	3	–	349
Impairment allowance on trade receivables	–	14	–	–	14

29 BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

a) *Business segments (Cont'd)*

	DMF	Methanol	Gas	Total
	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2006				
REVENUE	201,047	32,408	3,317	236,772
RESULT				
Segment result	67,946	11,774	(266)	79,454
Unallocated expenses				(10,075)
Interest income				889
Finance costs				(2,943)
Profit before income tax				67,325
Income tax credit				321
Profit after income tax				67,646
Statement of Net Assets				
Assets:				
Segment assets	226,614	37,325	2,666	266,605
Unallocated assets				149,172
Consolidated total assets				415,777
Liabilities:				
Segment liabilities	55,253	9,101	650	65,004
Unallocated liabilities				40,516
Consolidated total liabilities				105,520

	DMF	Methanol	Gas	Other	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2006					
OTHER INFORMATION					
Capital expenditure	74,695	110	9,012	742	84,559
Depreciation expense	5,696	2,679	717	101	9,193
Amortisation of land use rights	109	18	2	–	129
Impairment allowance on trade receivables	–	21	–	–	21

b) *Geographical segment*

Analysis of the Group's revenue and results and the Group's carrying amount of segment assets and additions to property, plant and equipment by geographical area in which the assets are located has not been presented as the Group's operations are mainly situated in the PRC in which its assets and customers are located and revenue was derived principally therefrom. Accordingly, no geographical segments were presented.

30 FORMER RELATED PARTY

a) According to management of the company, Anyang Chemical Industry Group Co., Ltd ("Anhua") ceased to be a related party with effect from December 24, 2004 pursuant to the Restructuring Exercise which was undertaken for the IPO of the Company.

b) On January 1, 2005, a subsidiary, Anyang Jiutian Fine Chemical Co., Ltd ("Anyang Jiutian") signed a 20-year raw materials and spare parts purchase agreement with Anhua. The transaction price is mutually agreed by both parties and updated according to market price every three years. According to the supplementary agreement dated July 30, 2005, between Anyang Jiutian and Anhua, the transaction price will be reviewed every half year and revised when necessary.

c) In 2007, the Company and Anhua incorporated a subsidiary, Anyang Jiulong Chemical Co., Ltd whose principal activities are production and sales of methanol. The Company owned 51% interest in this subsidiary while Anhua owns the remaining 49%. Subsequent to the year end, the Company increased its equity interest in this subsidiary to 75.5% (Note 32).

d) Significant transactions with Anhua are as follows:

	Group	
	2007	**2006**
	RMB'000	RMB'000
Sales of goods	(7,787)	(27)
Purchases of goods	103,953	108,101
Purchase of power supplies	20,679	19,185
Purchase of fixed assets	118,119	–
Rental expense	249	249

e) Balances with Anhua as at balance sheet date are as follows:

	Group	
	2007	**2006**
	RMB'000	RMB'000
Due from:		
Anyang Chemical Industry Group Co., Ltd and its subsidiaries (Note 7)	6,534	1,157
Due to:		
Anyang Chemical Industry Group Co., Ltd and its subsidiaries		
– trade (Note 15)	18,027	–
– non–trade (Note 16)	418	41

The balances above are unsecured, interest free and repayable on demand. The directors consider the carrying amount of these balances approximates to their fair value.

31 DIVIDENDS

During the financial year, the tax exempt (1-tier) 1.07 Singapore cents per share amounting to S$2,952,244 (equivalent to RMB14,878,000) of dividend paid is for previous year's proposed final dividend on 275,909,000 ordinary shares.

In respect of the current year, the directors propose that a dividend of 0.177 Singapore cents per share tax exempt (1-tier) will be paid to shareholders on a certain date. This dividend is subjected to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The proposed dividend is payable to all shareholders on the Register of Members on a certain date. The total estimated dividend to be paid is S$2,442,000, equivalent to RMB12,286,000.

32 EVENT AFTER THE BALANCE SHEET DATE

On January 14, 2008, the Company announced that it had obtained approval from the relevant authority to increase its equity stake in Anyang Jiulong Chemical Co., Ltd from 51% to 75.5% by injecting additional capital amounting to RMB98 million.

Statement of Directors

In the opinion of the directors, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company set out on pages 33 to 68 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2007 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

ON BEHALF OF THE DIRECTORS

Wang Xianjin

Zhang Aiping

Singapore
March 28, 2008

Shareholding Statistics

As at 14 March 2008

Issued and Fully Paid-up Capital	-	S$89,895,485.00 comprising 1,379,554,000 ordinary shares
Class of Shares	-	Ordinary shares
Voting Rights	-	One Vote per share

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

Size of Holdings	No. of Ordinary Shareholders	% of Holders	No. of Shares	% of Shares
1 – 999	1	0.01	652	0.00
1,000 – 10,000	2,587	33.13	20,723,499	1.50
10,001 – 1,000,000	5,178	66.32	305,941,200	22.18
1,000,001 and above	42	0.54	1,052,878,649	76.32
	7,808	100.00	1,379,544,000	100.00

DISTRIBUTION OF WARRANTHOLDERS BY SIZE OF WARRANTHOLDINGS

Size of Holdings	No. of Warrantholders	% of Holders	No. of Warrants	% of Warrants
1 – 999	92	3.29	45,140	0.02
1,000 – 10,000	2,109	75.40	7,289,400	2.64
10,001 – 1,000,000	580	20.74	40,620,860	14.72
1,000,001 and above	16	0.57	227,953,400	82.62
	2,797	100.00	275,908,800	100.00

LIST OF 20 LARGEST SHAREHOLDERS

	SHAREHOLDER'S NAME	NO. OF SHARES	%
1	HSBC (SINGAPORE) NOMINEES PTE LTD	636,211,000	46.12
2	CITIBANK NOMINEES SINGAPORE PTE LTD	105,358,700	7.64
3	UNITED OVERSEAS BANK NOMINEES PTE LTD	104,965,000	7.61
4	OCBC SECURITIES PRIVATE LTD	28,174,000	2.04
5	WANG YU HUEI	20,325,000	1.47
6	DBS NOMINEES PTE LTD	18,343,949	1.33
7	UOB KAY HIAN PTE LTD	16,500,000	1.20
8	KIM ENG SECURITIES PTE. LTD.	14,432,000	1.05
9	DBS VICKERS SECURITIES (S) PTE LTD	9,662,000	0.70
10	LEE CHEE SENG	8,500,000	0.62
11	HONG LEONG FINANCE NOMINEES PTE LTD	7,561,000	0.55
12	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	6,475,000	0.47
13	PHILLIP SECURITIES PTE LTD	5,889,000	0.43
14	CIMB-GK SECURITIES PTE. LTD.	5,521,000	0.40
15	CITIBANK CONSUMER NOMINEES PTE LTD	5,400,000	0.39
16	ISHAKBHAI EBRAHIM MOHAMEDALI TAIBJI	5,000,000	0.36
17	ROYAL BANK OF CANADA (ASIA) LTD	4,108,000	0.30
18	OCBC NOMINEES SINGAPORE PTE LTD	3,925,000	0.28
19	ANG CHWEE LIAN	3,500,000	0.25
20	GOH TIOW GUAN	3,400,000	0.25
	TOTAL:	1,013,250,649	73.46

LIST OF 20 LARGEST WARRANTHOLDERS

	WARRANTHOLDER'S NAME	NO. OF WARRANTS	%
1	HSBC (SINGAPORE) NOMINEES PTE LTD	114,830,800	41.62
2	MERRILL LYNCH (SINGAPORE) PTE LTD	37,566,000	13.62
3	CITIBANK NOMINEES SINGAPORE PTE LTD	26,557,700	9.63
4	UNITED OVERSEAS BANK NOMINEES PTE LTD	21,391,400	7.75
5	DBS NOMINEES PTE LTD	6,275,100	2.27
6	OCBC SECURITIES PRIVATE LTD	5,584,600	2.02
7	WANG YU HUEI	3,285,000	1.19
8	UOB KAY HIAN PTE LTD	1,774,200	0.64
9	WONG SIK ERN	1,710,000	0.62
10	MAYBAN NOMINEES (S) PTE LTD	1,660,000	0.60
11	LEE CHEE SENG	1,500,000	0.54
12	TAN YEW KIANG	1,334,000	0.48
13	GOH LAI PENG	1,260,000	0.46
14	ANG AH CHIAH	1,127,000	0.41
15	DBS VICKERS SECURITIES (S) PTE LTD	1,067,600	0.39
16	TAN CHIN HOCK	1,030,000	0.37
17	ISHAKBHAI EBRAHIM MOHAMEDALI TAIBJI	1,000,000	0.36
18	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	903,000	0.33
19	PHILLIP SECURITIES PTE LTD	872,600	0.32
20	WONG SU YONG	705,000	0.26
	TOTAL:	231,434,000	83.88

SUBSTANTIAL SHAREHOLDERS

		Direct Interest		Deemed Interests	
No.	**Name**	**No. of shares held**	**%**	**No. of shares held**	**%**
1.	Stateglory Investments Limited	467,725,000	33.90	–	–
2.	Wang Xianjin (1)	–	–	467,725,000	33.90
3.	Zhang Aiping (1)	–	–	467,725,000	33.90
4.	Sun Zhiqiang (1)	–	–	467,725,000	33.90
5.	UOB Asset Management Ltd (2)	–	–	93,755,000	6.80
6.	United Overseas Bank Limited (2)	–	–	93,755,000	6.80
7.	AIG, Inc	33,200,000	2.40	59,807,000	4.33
8.	Legg Mason (3)	–	–	77,116,000	5.59
9.	Woolston Park Limited	74,419,000	5.39	–	–
10.	Lee Chee Seng (4)	8,500,000	0.62	76,169,000	5.51

Shareholding Statistics

As at 14 March 2008

Notes :-

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

(2) By virtue of discretionary funds managed by UOB Asset Management.

(3) Deemed to have interest in the shares held by United Overseas Bank, The Development Bank of Singapore Limited, HongKong and Shanghai Banking Group Ltd and Standard Chartered.

(4) Lee Chee Seng, an Executive Director holds 100% of the issued share capital of Woolston Park Limited. Accordingly he is deemed to have interest in the shares of 74,419,000 held by Woolston Park Limited. Part of Lee Chee Seng shareholding of 1,750,000 shares are held through a nominee company, SBI-E2 Capital Asia Securities.

COMPLIANCE WITH RULE 723 OF THE SGX-ST LISTING MANUAL

Based on information available and to the best knowledge of the Company as at 14 March 2008, approximately 40.76% 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.

JIUTIAN CHEMICAL GROUP LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No.: 200415416H)

NOTICE IS HEREBY GIVEN THAT the Third Annual General Meeting of the Company will be held at Copthorne King's Hotel Singapore, Prince 2, Level 13, 403 Havelock Road, Singapore 169632 on Tuesday, 29 April 2008 at 10.00 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 2007 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a First and Final Dividend of S$0.00177 per ordinary share (one-tier tax exempt) for the financial year ended 31 December 2007. **(Resolution 2)**

3. To approve Directors' fees of S$150,000.00 for the financial year ended 31 December 2007. **(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 Chan Kam Loon *(See Explanatory Note 1)* **(Resolution 4)**

   b. Mr Wu Yu Liang *(See Explanatory Note 2)* **(Resolution 5)**

   c. Mr Sun Zhiqiang **(Resolution 6)**

5. To re-appoint Messrs Deloitte & Touche as Auditors and to authorise the Directors to fix their remuneration. **(Resolution 7)**

Special Business

To consider and, if thought fit, to pass the following as Ordinary Resolution, with or without modifications:

6. Authority to issue shares **(Resolution 8)**

   "That pursuant to Section 161 of the Companies Act (Cap 50) and the listing rules of the Singapore Exchange Securities Trading Limited ("Listing Rules"), approval be and is hereby given to the Directors to issue:-

   (a) shares in the capital of the Company (whether by way of bonus, rights or otherwise); or

   (b) convertible securities; or

   (c) additional convertible securities arising from adjustments made to the number of convertible securities previously issued in the event of rights, bonus or capitalisation issues; or

   (d) shares arising from the conversion of convertible securities,

   at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that :-

   (i) the aggregate number of shares and convertible securities that may be issued shall not be more than 50% of the total number of issued shares excluding treasury shares in the capital of the Company or such other limit as may be prescribed by the Singapore Exchange Securities Trading Limited as at the date the general mandate is passed;

(ii) the aggregate number of shares and convertible securities to be issued other than on a pro-rata basis to existing shareholders shall not be more than 20% of the total number of issued shares excluding treasury shares in the capital of the Company or such other limit as may be prescribed by the Singapore Exchange Securities Trading Limited as at the date the general mandate is passed;

(iii) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraphs (i) and (ii) above, the total number of issued shares excluding treasury shares shall be calculated based on the total number of issued shares excluding treasury shares in the capital of the Company as at the date the general mandate is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or employee stock options in issue as at the date the general mandate is passed and any subsequent bonus issue, consolidation or subdivision of the Company's shares; and

(iv) unless earlier revoked or varied by the Company in general meeting, such authority shall continue in force until the next Annual General Meeting or the date by which the next Annual General Meeting is required by law to be held, whichever is earlier." (See Explanatory Note 3).

7. To transact any other business which may properly be transacted at an Annual General Meeting.

BY ORDER OF THE BOARD

Lawrence Kwan
Lin Moi Heyang
Company Secretaries

Singapore, 11 April 2008

Explanatory Notes:-

1. Mr Chan Kam Loon, if re-elected, will remain as Chairman of the Audit Committee and members of Nominating Committee and Remuneration Committee; and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

2. Mr Wu Yu Liang, if re-elected, will remain as the Lead Independent Director, Chairman of the Remuneration Committee and member of Audit Committee; and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

3. The Ordinary Resolution No. 8 in item no. 6 above is to authorise the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares in the Company up to an amount not exceeding in aggregate 50 percent of total number of issued shares excluding treasury shares in the capital of the Company of which the total number of shares issued other than on a pro-rata basis to existing shareholders shall not exceed 20 percent of the total number of issued shares excluding treasury shares in the capital of the Company for such purposes as they consider would be in the interests of the Company. Rule 806(3) of the Listing Manual of the Singapore Exchange Securities Trading Limited currently provides for the percentage of total number of issued shares excluding treasury shares in the capital of the Company to be calculated on the basis of the total number of issued shares excluding treasury shares in the capital of the Company at the time that the resolution is passed (taking into account the conversion or exercise of any convertible securities and employee share options on issue at the time that the resolution is passed, which were issued pursuant to previous shareholder approval), adjusted for any subsequent bonus issue, consolidation or subdivision of shares. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

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, the appointments shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.

3. A proxy need not be a member of the Company.

4. If the appointer is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.

5. The instrument appointing a proxy must be deposited at the office of the Share Registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.) at 8 Cross Street, #11-00 PWC Building, Singapore 048424 not later than 48 hours before the time appointed for the Meeting.

NOTICE OF BOOKS CLOSURE

NOTICE IS HEREBY GIVEN that the Transfer of Books and the Register of Members of the Company will be closed on 9 May 2008, for the preparation of dividend warrants for shareholders of ordinary shares registered in the books of the Company. Duly completed transfers received by the Share Registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.) at 8 Cross Street, #11-00, PWC Building, Singapore 048424 up to 5.00 p.m. on 8 May 2008 will be registered before entitlements to the dividend are determined. The dividend, if approved at the Annual General Meeting, will be paid on 23 May 2008.

This page has been intentionally left blank

JIUTIAN CHEMICAL GROUP LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No.: 200415416H)

PROXY FORM

Important :

1. For investors who have used their CPF monies to buy Jiutian Chemical Group Limited shares, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely **For 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.

Total Number of Shares held	

I/We ____ (Name)

of ____ (Address)

being a member/members of Jiutian Chemical Group Limited (the "Company") hereby appoint:

Name	Address	NRIC/ Passport No.	Proportion of Shareholding (%)
(a)			

And/or (delete as appropriate)

(b)			

or failing *him/her, the Chairperson of the Third Annual General Meeting ("3rd AGM") of the Company as my/our proxy/ proxies to vote for me/us on my/our behalf and, if necessary, to demand a poll at the 3rd AGM of the Company, to be held at Copthorne King's Hotel Singapore, Prince 2, Level 13, 403 Havelock Road, Singapore 169632 on Tuesday, 29 April 2008 at 10:00 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 3rd AGM as indicated hereunder. If no specific directions as to voting are given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the 3rd AGM.

No.	Resolutions	To be used on a show of hands		To be used in the event of a poll	
		For*	Against*	No. of Votes for**	No. of Votes Against**
	Ordinary Business				
1	To receive and adopt the Directors' Report and the Audited Financial Statements for the financial year ended 31 December 2007 together with the Auditors' Report thereon.				
2	To declare a First and Final Dividend of S$0.00177 cents per ordinary share (one-tier tax exempt) for the financial year ended 31 December 2007.				
3	To approve Directors' fees of S$150,000.00 for the financial year ended 31 December 2007.				
4	To re-elect Mr Chan Kam Loon as a Director.				
5	To re-elect Mr Wu Yu Liang as a Director.				
6	To re-elect Mr Sun Zhiqiang as a Director.				
7	To re-appoint Messrs Deloitte & Touche as Auditors and authorise the Directors to fix their remuneration.				
	Special Business				
8	To authorise Directors to issue shares pursuant to Section 161 of the Companies Act, Cap. 50.				

* Please indicate your vote "For" or "Against" with an "x" within the box provided.
** If you wish to exercise all your votes "For" or "Against", please indicate with an "x" within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this ____________ day of ____________ 2008

Total No. of Shares in	No. of Shares
CDP Register	
Register of Members	

____
Signature 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. 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/her 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 Share Registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.) at 8 Cross Street, #11-00 PWC Building, Singapore 048424 not less than 48 hours before the time set 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.

This page has been intentionally left blank

This page has been intentionally left blank

CORPORATE Information

BOARD OF DIRECTORS
Wang Xianjin
Zhang Aiping
Sun Zhiqiang
Lee Chee Seng
Wu Yu Liang
Chan Kam Loon
Foo Meng Kee

AUDIT COMMITTEE
Chan Kam Loon (Chairman)
Foo Meng Kee
Wu Yu Liang

NOMINATING COMMITTEE
Foo Meng Kee (Chairman)
Chan Kam Loon
Zhang Aiping

REMUNERATION COMMITTEE
Wu Yu Liang (Chairman)
Chan Kam Loon
Foo Meng Kee

COMPANY SECRETARIES
Lawrence Kwan, FCIS
Lin Moi Heyang, ACIS

REGISTERED OFFICE
8 Cross Street
#11-00 PWC Building
Singapore 048424

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, Henan Province,
People's Republic of China

SHARE REGISTRAR
Tricor Barbinder Share Registration Services
(a business division of Tricor Singapore Pte. Ltd.)
8 Cross Street
#11-00 PWC Building
Singapore 048424

PRINCIPAL BANKERS
Agricultural Bank of China
Shuiye Branch
Fuyan Road, Shuiye Town
Anyang City, Henan Province
People's Republic of China

Industrial and Commerical Bank of China
Shuiye Branch
Fuyan Road, Shuiye Town
Anyang City, Henan Province
People's Republic of China

AUDITORS
Deloitte & Touche
Certified Public Accountants
6 Shenton Way #32-00
DBS Building Tower Two
Singapore 068809
Partner-in-charge: Mr Aric Loh Siang Khee
Appointed on 8 March 2005

九天化工集团有限公司
JIUTIAN CHEMICAL GROUP LIMITED
3 Raffles Place, #05-01 Bharat Building, Singapore 048617
Main Line: (65) 6536 3738 Fax Line: (65) 6536 3898