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**Issuer:** Jiutian Chemical Group Limited

**Security:** Jiutian Chemical Group Limited

**Meeting details:**

Date: 25 April 2019

Time: 9.30 a.m.

Venue: M Hotel Singapore, J Collyer, Level 9, 81 Anson Road, Singapore 079908

**Company Description**

Jiutian Chemical Group Limited is an investment holding company. The Company is engaged in the manufacture and production of dimethylformamide (DMF) and methylamine. It is involved in the processing and sale of consumable carbon dioxide and oxygen. It operates through two business divisions: DMF division, which is engaged in producing DMF as its main product and methylamine as its secondary product, and Gas division, which is engaged in producing consumable carbon dioxide and oxygen. Its facilities have a total annual manufacturing capacity of over 150,000 tons of DMF and methylamine. It has a storage and distribution facility in Changzhou City, which handles approximately 40,000 tons of DMF annually. Its subsidiaries include Changzhou Jiutian Xiean Chemical Co., Ltd., which sells methylamine, polyurethane and downstream products, and Henan Herunsheng Isotope Technology Co., Ltd., which develops isotope technology, and manufactures and trades Oxygen 18 and deuterium depleted water.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=C8R](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=C8R))

1. As mentioned in the chairman's statement, Mr Han Lianguo is the newly appointed non-executive chairman upon the resignation of Mr Wang Yiming with effect from 22 March 2019. Mr Wang has taken up senior positions within Henan Energy and Chemical Industry Group Co., Limited ("HNEC").

In addition, on 22 November 2018, the executive director and chief executive officer ("CEO") also resigned.

The company appointed Mr Wei Hongguang, the Group General Manager of the subsidiaries, as acting CEO.

- (i) Would the board help shareholders understand the group's leadership bench strength (across different functions and verticals, such as management, manufacturing, sales, technical and operations)?**
- (ii) Are the group's operations affected by the departure of the CEO in 22 November 2018?**

One of the responsibilities of the nominating committee (NC) is to put in place succession plans for the chairman of the board and the chief executive officer.

- (iii) Can the NC elaborate further on the succession plans it had for the CEO?**
- (iv) What is the search and selection process for the CEO? How soon will the company appoint a CEO?**

2. Would the board/management provide shareholders with better clarity on the following operational matters? Specifically:

- (i) Dimethylformamide (DMF) Plant:** Management has detailed the uses of DMF which includes PU leather, shoe sole, and the use as universal solvents for the petrochemical, acrylic fibre, pharmaceutical and electronics industries. **Can management elaborate further on the market opportunities in Henan province/around the DMF plant that would benefit the group in the next 1-2 years?**
- (ii) Methylamine plant:** The group continued to operate the Methylamine plant at 100% capacity utilisation. **Would the group be looking to expand its capacity or to build a new Methylamine plant? What would be the level of capital expenditure for a new plant?**
- (iii) Sodium hydrosulfite facility:** The group's 74% associated company, Anyang Jiujiu Chemical Technology Co., Ltd., has commenced commercial production of sodium hydrosulfite at the 140,000 tons new production facility. **What was the utilisation rate of the plant?** The products are used for water treatment, gas purification, cleaning, stripping, and the industrial processing of textiles, leather, foods, polymers, photography and others. **How is the group going to acquire**

**new customers? Which industries/end-use will likely be the biggest driver of demand for sodium hydrosulfite?**

3. As disclosed in the Corporate Governance report, the internal audit functions are outsourced to Crowe Horwath First Trust Risk Advisory Pte Ltd. ("Crowe Horwath"). The internal auditors' carrying out of their function is in accordance to the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

In addition, the company has disclosed the following:

*The Company had engaged Crowe Horwath First Trust Risk Advisory Pte Ltd to perform a review on its internal controls and enterprise risk management (the "Reviews"). During the financial year, the AC had reviewed and based on the internal auditors' reports of the Reviews, internal controls and risk management system established and maintained by the Group, work performed by independent auditors and reviews performed by Management, the Board with the concurrence of the AC is of the opinion that the Company's internal controls (including financial, operational, compliance, information technology) and risk management are adequate and effective for FY2018.*

- (i) Can the AC confirm that Crowe Horwath has been tasked to (a) perform a review on the group's internal controls and enterprise risk management system and to (b) conduct the internal audit as the company's outsourced internal auditor?**
- (ii) Did the AC consider if there would be any threat of self review?**
- (iii) Is the internal auditor complying with the IIA standards about independence of IA services?**