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Issuer: Jiutian Chemical Group Limited

Stock code: C8R

Meeting details:

Date: 25 Apr 2024

Time: 10.30 a.m.

Venue: Royal Plaza on Scotts, Balmoral Hall, Level 5, 25 Scotts Road, Singapore 228220

Q1. As noted in the section titled “Review of operations” (page 12), the capacity utilisation of the group’s Dimethylformamide (DMF) plant decreased from 67% to 32% while the capacity utilisation rate of the Methylamine (MA) plant decreased from full capacity to 64%.

In 2023, the average selling prices of DMF and MA declined by 54% and 58% to RMB5,153 per tonne and RMB6,497 per tonne, respectively. Sales volumes also decreased by 55% and 36% respectively. As a result, for the financial year ended 31 December 2023, total revenue decreased by 75% to RMB598.6 million and the group suffered gross and net losses of RMB(260.2) million and RMB(346.7) million, respectively.

- (i) **Can the company highlight any positive outcomes or silver lining during a particularly challenging year? What technical innovations and advancements were achieved despite the adversities in the operating environment?**
- (ii) **Does the group’s new main competitor, Jiangxi Xinlianxin Chemical Industry Co., Ltd., with a total DMF capacity of 200,000 tonnes per year, hold a cost advantage over the group? How well funded is Jiangxi Xinlianxin and does management expect an aggressive and prolonged price war with the newcomer?**
- (iii) **Is the group competing with Jiangxi Xinlianxin (and other DMF producers) purely on a price basis?**

The group has initiated a diversification strategy to expand its core business to include the manufacturing, production and sale of synthetic ammonia and urea.

- (iv) **What was the level of due diligence carried out by the board/management? What risks are associated with the ammonia and urea markets, particularly concerning overcapacity from new production facilities or declining demand?**

Q2. In the sustainability report, the board reaffirmed its commitment to meet and exceeding the evolving regulatory standards¹. China has set a national target of reaching net-zero emissions by 2060 and the board recognises that, as one of the leading global producers of DMF and MA, it has a critical role to play in spearheading a significant reduction in carbon emissions.

The group is currently engaged in the manufacturing and production of dimethylformamide (DMF), Methylamine (MA), sodium hydrosulfate and dimethylacetamide (DMAC). The group is also involved in the processing and sale of consumable carbon dioxide. The group has also taken initial steps to go into the manufacturing, production and sale of synthetic ammonia and urea.

- (i) **Can the company provide shareholders with an overview of the environmental impact of DMF and MA manufacturing processes? Are there significant carbon emissions or greenhouse gases emitted, and does production result in excessive wastewater or require substantial water usage?**
- (ii) **Similarly, could management provide clarification on whether the use of coal-based raw material in the manufacturing processes is considered environmentally pollutive or associated with a high carbon footprint?**
- (iii) **Which products in the group’s portfolio may face potential phase-out due to environmental concerns, particularly those categorised as environmentally “dirty”?**
- (iv) **Also, is the production process for synthetic ammonia and urea considered environmentally intensive or associated with significant environmental pollutants, particularly in terms of emissions, waste generation, and resource consumption?**

¹ <https://links.sgx.com/FileOpen/Jiutian%20-%20SR%20Report%202023.ashx?App=Announcement&FileID=795624>

Q3. On 9 April 2024, the company announced that four independent directors (IDs), namely Mr Chan Kam Loon, Mr Wu Yu Liang, Mr Gao Guoan and Mr Chen Mingjin, would be stepping down from the board at the conclusion of the annual general meeting (AGM).

Apart from Mr Chen Mingjin who was appointed on 1 February 2018, the other three directors are long-tenured directors, having been first appointed between 19 April 2006 and 26 April 2013. Following the cessation of these directors, the only remaining independent director on the board will be Mr Koh Eng Kheng Victor.

- (i) **Did the nominating committee (NC) prioritise the gradual refreshment of the board? What challenges did the NC face in trying to do so?**
- (ii) **With four out of the five independent directors stepping down at the conclusion of the AGM, will the newly constituted board face a steep learning curve?**
- (iii) **Is there a risk of losing valuable institutional knowledge within the board, and if so, how does the board actively mitigate this risk?**
- (iv) **Can the board provide updates on the efforts made in shortlisting and evaluating potential candidates for new independent director positions?**

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

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