



CHEMICAL INDUSTRIES (FAR EAST) LIMITED.
化学工业(远东)有限公司

Company Registration No.: 196200046K

RESPONSES TO QUESTIONS RAISED BY SHAREHOLDERS IN RESPECT OF THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024

The Board of Directors of Chemical Industries (Far East) Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) would like to respond to the following questions raised by shareholders in respect of its Annual Report for the financial year ended 31 March 2024 (the “**Annual Report**”) as follows:

Q1. Is the electricity price fixed or pegged to that of SP Group? Are prices of our products and electricity not moving in tandem to provide reasonable margins?

The Company's response

The electricity price is not fixed or pegged to that of the SP Group. Our electricity contract with the Genco includes both fixed and variable components. Electricity cost is a major component of our production costs, and any surge in electricity rates could significantly erode our profit margins.

Q2. Page 16 of the sustainability report states that energy intensity decreased from 434 kwh/mt in FY23 to 358kwh/mt in FY24. As electrolysis produces chlorine and sodium hydroxide, which is the reference product?

The Company's response

The reported energy intensity includes all products produced at our plants at Sakra, Samulun, and in Myanmar.

Q3. Is the saving of 76kwh/mt within your expectations?

The Company's response

The savings are within our expectations since we initiated energy savings projects in 2022.

Q4. Lots 96675X and 96674N of 19 Carpenter Street are freehold. What proportion of the floor area of 23,286 sq ft is on the freehold plots?

The Company's response

We have no formal apportionment on record and will require the services of a building surveyor for an accurate measurement of the GFA. However, based on the recommendations of our real estate advisor, we estimate that the freehold portion constitutes 68%, or approximately 15,800 sq. ft. of the total floor area, assuming that the total area of each floor is uniformly and evenly distributed.

Q5. Was the \$0.3m revenue increase the result of rental revisions for the investment properties? Will the current tenant mix be reviewed?

The Company's response

We benefitted from higher rental rates which resulted in an increase in revenue. We monitor our investment properties, including tenant mix and our focus remains on maintaining strong tenant relationships.

Q6. A statement "17 Circular Road's ground floor is still serving a very niche clientele" has appeared in Chemical Industries (Far East) Limited (valuebuddies.com). Who is this "niche client"?

The Company's response

As the statement originates from an external source, we are unable to provide commentary on interpretations or references made by others.

Q7. Page 68 of AR - The group's CAPEX for FY 2023 and FY 2024 were \$5,839,000.00 and \$11,861,000 respectively.

Given the dim prospect of the chemical related business and poor future outlook, why did the Group doubled its CAPEX? The Chairman's statement alluded to the poor prospects of the chemical related business.

The Company's response

The company has invested on energy saving projects as well as plant and machinery upgrades mainly for regulatory compliance, and for EHS enhancements. Included in the capex are replacements, maintenance and upgrades of critical plant infrastructure for improving the overall efficiency of our production facilities.

Q8. Has the Board considered temporarily closing the chemical related operations to save some costs.

Also, if the prospects for the chemical business as painted in the Chairman's statement is poor, why not consider exit this business for good, instead of continuing and incurred millions of dollar losses. Without the fair value gain from property, the Group would have incurred losses.

The value of the property would fluctuate in line with economic conditions. In a downturn, the Group may have to write down the property value and suffer double whammy - losses in chemicals business plus fair value write down!

Lastly, I note many resignations of key staff during the year. Normally when such things happen too often it may be a signal for a sinking ship. I hope this is not the case.

The Company's response

The Board acknowledges the current challenges in the chemicals-related sphere of the business. While we recognize the concerns about short-term challenges, we are focussed on improving performance and achieving long-term growth with the right initiatives. The company continually explores avenues to enhance this segment and remains committed to revitalizing the business and creating sustained value for our shareholders.

BY ORDER OF THE BOARD

FOO SOON SOO
Company Secretary

24 July 2024