



Company Registration No.: 196200046K

UPDATE ANNOUNCEMENT

The Board of Directors (the “**Board**”) of Chemical Industries (Far East) Limited (the “**Company**”, and collectively with its subsidiaries, the “**Group**”) refers to the announcement released by the Company on 1 October 2021 (the “**1 October Announcement**”) in relation to, *inter alia*, the concerns raised by Mr Cecil Lim about petty cash claims which were paid to certain individuals in 2018 without any supporting documents (the “**Complaint**”), in response to certain queries raised by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”).

The Board wishes to update that the investigations into the matters pertaining to the Complaint (the “**Investigation**”) have been concluded, particulars of which are as follows:

- (i) as stated in the 1 October Announcement, Quahe Woo & Palmer LLC (“**QWP**”) was appointed to advise the audit committee (“**AC**”) on matters pertaining to the Complaint and assist the AC in carrying out the Investigation, and BDO Advisory Pte Ltd (“**BDO**”) was appointed by QWP on behalf of the AC to conduct an independent review and investigation;
- (ii) BDO had carried out and completed its investigation, and has issued a report to the AC on their findings (the “**BDO Report**”). In summary, BDO made the following findings:
 - (a) BDO had reviewed certain petty cash claims which were made by an employee of the Group (who was not a member of the Board or key management personnel of the Group) in the period from April 2017 to October 2018 (the “**Review Period**”). The practice had ceased since November 2018;
 - (b) the employee had submitted petty cash claims for cartage outwards, packaging and entertainment with no supporting documents attached (the “**Claims**”). In the absence of such supporting documents, BDO was unable to verify or confirm the legitimacy and veracity of the Claims. BDO however noted that the payments that were made by the Company for the Claims were authorised, and that there was no evidence to suggest that the authorisations were forged or that there was any fraud or misappropriation;
 - (c) it appeared that there were weaknesses in respect of the Company’s petty cash processes and internal controls during the Review Period, but BDO also noted that no further Claims were sighted after October 2018.

In this regard, the AC took note that certain internal controls (including those around petty cash disbursements) should be further enhanced and have pro-actively addressed this. Please see paragraph (iii)(d) below for details; and

- (iii) the AC reviewed the BDO Report and convened a meeting to consider and discuss the findings of the BDO Report and recommendations to be made by the AC to the Board. QWP was invited to attend the meeting. Following the AC's deliberations and discussions with QWP, the AC made, amongst others, the following recommendations to the Board:
- (a) that a police report need not be made in respect of the Claims as there was no reportable matter, without evidence of forgery, fraud, cheating, wrongful taking of monies or misappropriation;
 - (b) that the Investigation be concluded as further investigation would not benefit the Company for the following reasons:
 - (I) the amount of the Claims during the Review Period would not impair the financial statements of the relevant financial years;
 - (II) no benefit could be derived by the Company and its shareholders to institute further investigations at considerably more cost especially where the Investigation did not suggest that further investigation would result in a different conclusion; and
 - (III) it would detract the Company and the directors from the strategic process of transforming and growing the Company;
 - (c) that the BDO Report be provided to the Company's auditors for the purpose of audit; and
 - (d) that an enterprise risk management framework be implemented for the Group to ensure adequate risk management and internal control policies and procedures are in place for all operations and processes. The framework will include risk assessment and review of internal controls for the Group and control self-assessments by staff, and reassessment of the design and operational effectiveness of key controls.

The AC also noted that the employee who had made the Claims was a long serving employee of the Group, the unsubstantiated petty cash claims had ceased since November 2018, and that the employee's contract of employment with the Group will in any event be ending on 31 March 2022.

The Board then met with the AC, QWP and BDO to consider the BDO Report and the findings and recommendations of the AC. The Board accepted the findings of the AC and resolved unanimously to adopt the AC's recommendations. Mr Cecil Lim and Mr Lim Soo Peng abstained from voting on the resolution of the Board.

By Order of the Board

Foo Soon Soo
Company Secretary

4 January 2022