



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

(Incorporated in the Republic of Singapore)  
Registration No. 196200046K

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**RESPONSE TO QUESTIONS RAISED BY THE SHAREHOLDERS IN RESPECT OF THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021**

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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 2021 ("Annual Report") as follows:

We note in page 65, Note 7 "Trade and Other Receivables" that there is an amount owing to the Company by a Director of S\$514,000 which has since been repaid after the year end. The amount is a refund of variable bonus that has been paid and recoverable in the event that performance targets are not met.

1. Why is bonus paid out in advance to a director when the performance targets for the variable bonus has not been achieved?
2. Is the above a sound management practice?
3. Previously in 2016, the issue of paying variable bonus to the Managing Director was raised to the attention of the Board (see our letter dated 24 June 2016) to the Independent Directors of the Remuneration Committee). At that time, the bonus was based on an old formula which was not reviewed and was not fit for proposal for the Company's changed circumstances. When and how often has the remuneration and bonus terms for the Managing Director been reviewed and changed?
4. We note that as recent as 2020, the Managing Director's bonus formed as high as 46% of his total remuneration. Would the Board be prepared to review again the Managing Director's salary and bonus compensation, with the help of an external remuneration consultant, to arrive at a more realistic and equitable compensation system?

[Response to Questions 1 to 4:](#)

[The bonus payout and the Managing Director's package will be reviewed by the Remuneration Committee.](#)

5. Does the payment of variable bonus in advance of performance targets being met also practiced for other employees?

[Response:](#)

[No advance payment of variable bonus is made for any other employees.](#)

6. Do the Independent Directors consider that Mr Lim's re-election and thus his continuance as the Managing Director is in the best interest of the Company, given his advanced age and the resulting frailties of physical and mental capabilities arising from age?

7. Does the Board consider that there is no better alternative than continuing to re-appoint Mr Lim as the Managing Director?

Response to Questions 6 and 7:

The Nominating Committee, or NC, has met with Mr Lim and reviewed various reports provided by Mr Lim relating to his well-being. The NC is satisfied that Mr Lim is able to continue in his present capacity and supports the re-election of Mr Lim as a Director.

8. If no internal replacement candidates are available, as seems the case, has the Board conducted an external search for a candidate? Does the Board intend to engage any advisors (eg. Search firms) for this exercise?

Response:

Amongst other options available, the NC intends to work with executive search firms for senior management roles.

9. Has the Board put in place a succession plan? Succession plan is a good corporate governance practice.

Response:

Board and management succession planning is regularly reviewed by the NC and discussed with the Chairman and the Board.

10. I humbly propose that the age of the directors or management be limited to 80 years old lest the shareholders values be compromised.

Response:

Whilst the age of the director will be taken into consideration, directors are principally appointed based on their ability to contribute to the company.

11. I note with surprise the resignation of Mr. Sng Peng Chye. He was appointed last year as an Independent Director and under SGX rules he has to be re-appointed at this AGM. Can the Board explain this highly unusual situation, that is, Mr. Sng did not wish to be re-appointed.

Response:

Mr. Sng's wish not to be re-appointed is due to his personal health which we are not in a position to share or discuss.

12. Will the Board consider reviewing the Company's dividend payout policy (if one exists) or implement a dividend payout policy with the view to increase the current low dividend payout and which currently has little relation to the Company's profitability.

13. Given the Group has more than S\$41 million in cash and little borrowings, can the company declare a bigger dividend in future. The relocation of Jalan Samulan facility can be easily financed via borrowing. Hence the justification of keeping cash for the relocation seems to be ultra conservative. Long loyal shareholders have been asking for bigger dividend.

Response to Questions 12 and 13:

The Board considers numerous factors, such as the Group's profit growth, projected capital requirements and other factors the Board may deem appropriate in determining the amount of dividends to be declared. The need for a dividend payment policy will be reviewed.

14. As the company has substantial cash (S\$41 million and no borrowing), why the need for this resolution to enable the Board to issue new shares?

Response:

This will enable the company to increase its flexibility of financing options by issuance of new shares in the event new investment opportunities are identified.

15. The 2 properties have only about 20 years of lease left. Its book value is S\$54 million. Given the relatively short lease, what is the Board's plan for these 2 properties to preserve and enhance their value?

Response:

The Group will continue to look for opportunities to increase its rental yield as well as commission a study at an appropriate time to review our options.

16. The lease on the Admin Office and blending plant at Jalan Samulun expires in 4.5 years. What alternative sites for relocation are the company considering? Will the site likely be on Jurong Island? What budget has the company set aside for the relocation?

Response:

We are still sourcing for a suitable site for the relocation. The site will not be located in Jurong Island. Budget numbers are still being finalized.

17. Did Chemical Industries Myanmar make a loss in FY 21?

Response:

Operationally, we made a profit. A loss was however recorded mainly due to impairment losses on property, plant and equipment of S\$3.8 million recognised during this financial year.

18. The company benefits from cheaper energy prices. Are the cheaper prices locked in for the current financial year?

Response:

We do not lock in energy prices with our energy retailers.

19. What is the capacity utilization of the Jurong Island plant?

Response:

The information is commercially sensitive in nature.

**BY ORDER OF THE BOARD**

FOO SOON SOO  
Company Secretary

19<sup>th</sup> July 2021