



**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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**RESPONSES TO QUESTIONS RAISED BY THE SHAREHOLDERS IN RESPECT OF THE COMPANY'S  
ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022**

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The Board of Directors of Chemical Industries (Far East) Limited (the "**Company**") refers to the annual report of the Company for the financial year ended 31 March 2022 (the "**Annual Report**").

Please refer to Annex A hereto for the list of questions received from the shareholders, and the Management and the Board's responses to these questions.

**BY ORDER OF THE BOARD**

FOO SOON SOO  
Company Secretary

16 July 2022

## ANNEX A

### RESPONSES TO QUESTIONS FROM SHAREHOLDERS

#### Retirement gratuity to former Managing Director

1. Why is the retirement gratuity of S\$2 million not included in the disclosure for Remuneration of Directors and Key Management Personnel for FY2022 in the Statement of Corporate Governance (Page 14)? If the retirement gratuity of S\$2 million is included, the remuneration band would have changed from S\$500,001— S\$750,000 to S\$2,500,001— S\$2,750,000.
2. Was the retirement gratuity of S\$2 million a contractual provision? Please justify if it is not contractual especially in light of previous years payments.
3. I am given to understand that there is an ex-gratia payment of \$2 million to Mr Lim Soo Peng, the founder and a current director of the Company. May I know whether this ex-gratia payment is contractual?
4. (a) If not, why is this matter then not put to the shareholders to vote on? The independent directors of the Company have a duty to ensure that the interests of minority shareholders are protected at all times.  
  
(b) In connection to (1) above, please disclose the total payments to Mr Lim Soo Peng for the past 5 years excluding dividends. Kindly also disclose the total dividends paid to shareholders in the same 5 years.

#### Company's Response:

1. The remuneration committee of the Company (the "RC") and the board of directors had decided to grant at their discretion the retirement gratuity of S\$2 million (the "Retirement Gratuity") paid to Mr Lim Soo Peng in recognition of Mr Lim's past services and invaluable contributions to the Company. The Retirement Gratuity was not a contractual entitlement due to Mr Lim and should not be regarded to be part of Mr Lim's remuneration. Accordingly, the Retirement Gratuity was not disclosed as part of Mr Lim's remuneration in page 14 of the Company's Annual Report for FY2022 (the "Annual Report"). The Retirement Gratuity is however disclosed in page 21 of the Annual Report.
2. Mr Lim was paid the Retirement Gratuity for his invaluable past services spanning a term of 60 years. It is not a contractual entitlement due to Mr Lim. The Independent Directors are committed to ensuring that the interests of minority shareholders are protected. To this end, the RC had engaged a HR advisor to ensure that the sum was supportable by industry benchmarks. The RC and the board of directors of the Company also reviewed Mr Lim's past contributions and satisfied itself that this was a bona fide payment for Mr Lim's past services and invaluable contributions to the Company. The quantum of the Retirement Gratuity falls below the applicable threshold in Rule 906 of Chapter 9 of the SGX-ST Listing Manual, which requires the Company to seek shareholder approval for the Retirement Gratuity. Accordingly, the Company is not required to seek shareholder approval under Chapter 9 of the SGX-ST Listing Manual.

3. Please see above.

4. (a) Please see above.

(b) Mr Lim's past payments from Company were duly disclosed in previous years' financial statements. The dividends paid to shareholders were based on the performance of the Company and its subsidiaries (the "**Group**"), the Group's level of cash and retained earnings and the need for retention for projected capital expenditure and investments.

#### **Non-financial benefits to Emeritus Chairman**

As part of the package to Emeritus Chairman are there any other non financial benefits like support staff and office which have not been disclosed?

##### Company's Response:

The Emeritus Chairman is provided with support staff and an office required for him to discharge his functions.

#### **Directors' fees**

Are there any reasons why the fees of directors have increased? What are the justifications for such an increase?

##### Company's Response:

The increase is due to the following:

- (a) annual allowance for the Emeritus Chairman;
- (b) one-off directors' fees for certain directors to recognise the extensive and intensive amount of work undertaken by them to attend to the many issues confronted by the Company (specifically, the work relating to the investigations into the whistleblowing issue and the irregular petty cash allegations and to bring them to closure);
- (c) the remuneration framework has also been revised to reflect the increased activity level of the Board. The Board is an active Board, guiding the transition of the Company from a family-run company to a professionally run organization. For FY2022, there were nine Board meetings and 24 Board Committee meetings. Various directors have also had to manage the CEO recruitment process (which is ongoing), participate in the Company's strategy meetings, participate in ERM project briefings and workshops with the Company's appointed ERM consultants, etc.
- (d) The Board has to lead by example and inculcate a culture of excellence which should permeate to management in order to attract talent to the Company. The Directors' fees must be adequate to attract candidates with the right qualifications to provide good stewardship of the Company as well as compensate them for their Board commitments and responsibilities.

#### **Interim CEO**

1. Mr Chng Hee Kok was appointed as interim CEO in October 2021 with initial terms of 6 months until 31 March 2022. With the latest announcement, it was extended until 31 March 2023. The reason of further extension? The reason for failing to find a suitable candidate.
2. I note that the Company is still in the process of recruiting a new CEO. However some time has passed and I would like to ask why hasn't a new CEO been found?

Company's Response:

The Company has engaged an international management executive search firm to assist in the search for the new CEO. The nominating committee (the "NC") members have interviewed some candidates identified by the executive search firm and the Company will make the appropriate announcement when the new CEO is hired.

**Interested persons transactions (Page 21)**

1. Please clarify on the definition of interested persons transactions, as it was not previously announced in the full yearly results but disclosed in the annual report. Why is there a discrepancy in disclosure?
2. Can the independent directors state whether they have any past and present relationship with any of the shareholders, Directors or employees of the Company?

Company's Response:

Under Appendix 7.2 of the SGX-ST Listing Manual, if the Company has obtained a general mandate from shareholders for IPTs, it must disclose in its full year results announcement the aggregate value of IPTs conducted under the mandate, and if no IPT mandate has been obtained, a statement to that effect. The Company has complied with the SGX-ST Listing Manual by disclosing in its full year results announcement that it has not obtained a general mandate from the shareholders of the Company for IPTs.

The disclosure of the interested person transactions in the annual report was made in accordance with Rule 907 of the SGX-ST Listing Manual.

The Code of Corporate Governance (the "CG Code") has defined an "independent" director as one who is independent in conduct, character and judgement and has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to the best interests of the Company.

Annually, each Independent Director is required to complete a declaration form of independence based on the guidelines provided in the CG Code. The NC has reviewed the independence of the Independent Directors and is of the view that each of them has none of the relationships or circumstances as stated in the CG Code or the Listing Rules of SGX-ST that would otherwise deem them not to be independent.

**Shareholdings (Page 77 & 78)**

What is the actual shareholding interest of S.P. Lim Holdings Pte Ltd as at 13 June 2022? 34,607,750 or 36,507,750? Please clarify on the discrepancies.

Company's Response:

Page 77 of the Annual Report reflects the registered shareholdings of the top 20 shareholders, i.e shareholdings held in the name of the shareholder. The registered shareholdings of S. P. Lim Holdings Pte Ltd as at 13 June 2022 comprised 34,607,750 shares.

Page 78 of the Annual Report reflects the shareholdings of S.P. Lim Holdings Pte Ltd as a substantial shareholder, comprising its registered and direct holdings of 34,607,750 shares in its name and its

deemed interest in 1,900,000 shares registered in the name of DBS Nominees (S) Pte Ltd, totaling 36,507,750 shares.

The disclosures of S. P. Lim Holdings Pte Ltd as a registered shareholder on page 77 of the Annual Report and as a substantial shareholder on page 78 of the Annual Report are in compliance with the Listing Rules.

### **Investment properties**

1. Please confirm that the Group carried out valuation for the Group's investment properties as at 30 September 2021.

2. Based on the pre-tax profit of S\$5.8 million of the Group, does the valuation gain of S\$2.3 million have significant impact on the Group's performance?

3. If yes, why was there no announcement in accordance to SGX mainboard rules made? (Valuation of real assets likely to require immediate disclosure under Rule 703)

4. If no, what is considered to have a significant impact on the Group's performance as the valuation gain of S\$2.3 million represent approximately 40% of the Group's pre-tax profit?

#### Company's Response:

1. The Company carried out a desktop valuation of the Group's investment properties as at 30 September 2021. The valuation was conducted for internal management purposes of the Company, and the Company did not recognize any financial impact from such valuation in its half yearly results announced on 8 November 2021.

2 – 4. Please refer to the Company's announcement dated 16 July 2022 in respect of the valuation of the Group's investment properties as at 31 March 2022 (the "**Full Year Valuation**"). The Full Year Valuation was not immediately announced following the finalization and the issue of the valuation reports on 20 April 2022 due to an inadvertent oversight. The Company will be taking appropriate steps to ensure that this does not occur again. It should be noted however that the financial impact of the Full Year Valuation was disclosed in the Company's condensed consolidated financial statements for the full year ended 31 March 2022 released on 27 May 2022.

### **Inventories (Page 61)**

Inventories increased by 121.7% with an increase in work-in-progress from S\$109,000 to S\$3.7 million. What is the reason for substantial increase? What are the components of the work-in-progress?

#### Company's Response:

The increase was due to construction of a pipeline and storage tank for our new pipeline customer.

### **Profit margin**

1. As disclosed, profit margin was lower by 5% due to rising energy and raw material cost.

As a manufacturer, I would assume that the rising cost is factored into the pricing goods. Would appreciate clarification on it.

2. Please explain the increase in revenue. Is it more due to price increase than volume increase? Please show year on year comparison.
3. 1HFY22 results announcement referred to a new major pipeline customer in the 2nd quarter of FY 2023. Is Arkema the new customer?

Company's Response:

1. Yes, the rising production costs are being factored into the selling price whenever possible. However, there is a limit as to how much the Group can increase the selling prices due to market conditions and the competitive landscape.
2. The increase is mainly due to price increase in FY2022 for our core products.
3. The identity of the new customer is commercially sensitive information and subject to confidentiality obligations owed by the Company.

### **Operating expenses**

#### **Legal fees**

1. What were the legal matters that necessitated \$0.9m expenses in 2HFY22?
2. Legal expenses had increased significantly year-on-year. Kindly provide a detailed breakdown of legal costs incurred for the year including a detailed explanation on why such expenses were incurred. Were there any other ways that such costs could be reduced/avoided?

Company's Response:

During the year, the Company had to deal with a few matters which have required the Company to engage external legal counsel, including, but not limited to, assistance with dealing with disruption to the Company's website and recovery of the Company's domain name, dealing with termination of staff, investigations into whistleblowing reports and propriety of petty cash disbursements, advice on the Company's Myanmar operations, etc.

The Company takes its compliance and governance obligations very seriously and where necessary, have engaged external legal counsel to ensure that it discharges these obligations and manages any legal risks in an appropriate manner.

#### **Other factors**

1. Electricity - What is the impact on the Group's profitability due to higher energy cost in terms of percentage?
2. Please clarify the statement - "The Group continues to look at ways to increase its sales as long as the price of imported caustic soda remains high"
3. How does the Group mitigate its risks on higher energy cost and higher imported price of caustic soda?
4. Are product prices regularly revised to keep pace with rising electricity and raw material prices?
5. The company said in the results announcement that it is looking at ways to increase sales as long as the price of imported caustic soda remains high. What about when the price is low?

Company's Response:

1,3-5. The increasing energy cost will put stress on the Company's profitability. The Company has embarked on several energy saving projects to pro-actively address this risk and its impact on the Company's profitability. The Company has also recently locked in its electricity costs by signing a 2-year pricing contract with the electricity provider as one of the means to address this risk.

The Company constantly reviews and adjusts where appropriate the selling prices of products in response to changing production costs and market conditions, such as changes to the imported price of caustic soda.

2. The increasing caustic soda prices globally have helped the Company to achieve a higher sales revenue.

**Leasehold Building**

Pg 65 of the annual report reads:

"These comprise factory and office buildings situated at 3 Jalan Samulun, Singapore 629127 and 91 Sakra Avenue, Jurong Island, Singapore 627882. The lease expires in December 2025 and July 2027 respectively. Subsequent to the financial year end, the lessor has given in-principle agreement to extend the lease for another 6 years, expiring in 2031."

1. Does the underlined refers to 3 Jalan Samulun only?
2. Is lease extension for 91 Sakra Avenue not an issue as the factory produces feedstocks to downstream users on the Jurong Island?

Company's Response:

1. The underlined refers to 3 Jalan Samulun only.
2. The lease has 5 years remaining and the Company has not considered the lease extension issue just yet.

**Myanmar operations**

Revenue ('\$000) from Myanmar:

1HFY21.....2,491

2HFY21.....2,501

1HFY22.....1,346

2HFY22.....2,746

1. Was Improvement seen in 2HFY22? Was the business in Myanmar in the black in 2HFY22?
2. Will the Board consider selling our business interest in Myanmar?

Company's Response:

1. There was improvement in 2HFY22 due to higher prices for the continuing securing of the contract. The Myanmar subsidiary of the Company was profitable in 2HFY22.
2. The Company does not have any intention to dispose of the Myanmar business under the current situation. The current plan is to keep the business ongoing without incurring

negative cash flow until the situation in Myanmar becomes clearer. The Company is closely reviewing the situation.

### **Other matters**

Currently there is a huge deficit gap between the market valuation of the company against its actual assets. This valuation gap has persisted over many years. The Company balance sheet is not utilised and geared at all while the Company is sitting on a substantial cash pile. Given the current circumstances, it would seem prudent to return this cash to shareholders as the Company's funding can be tapped through its gearing up its balance sheet.

Kindly provide the Company's view on this and how it plans to address this valuation gap.

### **Company's Response:**

The Company constantly considers how to enhance or unlock shareholders' value and observe good ESG practices.

The Board is actively evaluating and assessing investment opportunities to improve the company's market valuation. The cash in the company could be used if, and when such opportunities arise, and so it would be prudent to keep the reserves available should we need it for investment purposes.