

**CHEMICAL INDUSTRIES (FAR EAST)
LIMITED**
(Incorporated in the Republic of Singapore)
Registration No. 196200046K

RESPONSE TO QUERIES FROM SIAS AND SHAREHOLDERS

The board of directors (the “**Board**”) of Chemical Industries (Far East) Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the queries raised by the Securities Investors Association (Singapore) (“**SIAS**”) on 14 February 2024, as reported by the Business Times on 14 February 2024.

This announcement should be read together with the Company’s announcement dated 18 February 2024 in relation to its responses to certain queries raised by the Singapore Exchange Regulation (the “**Responses to SGX RegCo**”).

The Board sets out below the Company’s response to the queries raised by SIAS, and its response to certain other questions raised by shareholders of the Company.

QUERIES RAISED BY SIAS

Query 1

“Will the board, especially the nominating committee (NC), conduct a thorough review to understand the reasons behind the high attrition rate among senior management and assess the corporate culture contributing to this trend?”

Company’s Response

Both the outgoing chairman and the incoming chairman of the Nominating Committee (“**NC**”) will be conducting exit interviews with the departing senior management staff together and the Board will thereafter undertake an objective assessment of the management turnover within the Group.

Query 2

“Could the board elaborate on the extent of the emeritus chairman’s involvement in daily operations? What is the working relationship between the emeritus chairman and the CEO and COO and how has the emeritus chairman facilitated the CEO and COO in their respective roles?”

Company’s response

As explained in the Responses to SGX RegCo, as Emeritus Chairman, Mr. Lim’s role is to mentor and guide the Board with his extensive and deep experience and knowledge of the Group and the chemical industry. Mr. Lim was very much involved in the selection process for the recruitment of

the Company's CEO and COO in September 2022. As Emeritus Chairman, Mr. Lim has played and continues to play an important role as advisor and mentor to the Board.

The Board in turn exercises oversight over the CEO and COO in running the operations of the Group. The CEO is responsible for the overall operations of the Group and the execution of strategic plans, and the COO is responsible for the production and operations of the manufacturing facilities and supports the CEO in implementing strategic plans. The COO reports to the CEO who reports to the Board.

The Emeritus Chairman is a Non-Executive Director and has no executive functions.

Query 3

“How is the board/NC carrying out the search for a new CEO and COO? What criteria is the NC using for the CEO and COO roles and what progress has been made?”

Company's response

As explained in the Responses to SGX RegCo, the Board is currently in the process of seeking a suitable candidate to fill the CEO vacancy, and does not intend to fill the COO vacancy. The new CEO would be tasked to assess the COO functions and integrate them with other functions within the Group for efficiency in operations and optimization of manpower resources.

The NC has put as its top priority the engagement of a new CEO. The Company is currently conducting the following process to find the new CEO:

- (i) the Company has hired an international professional executive search firm shortly after the CEO tendered his resignation, to assist in identifying potential candidates to replace the CEO;
- (ii) the professional executive search firm, after a period of search, had submitted a list of CEO candidates to the Company at the end of December 2023; and
- (iii) since the beginning of 2024, the chairman of the NC interviewed the candidates proposed by the professional executive search firm and shortlisted candidates to be interviewed by the full NC. The full NC has, as at 7 February 2024, completed its interviews with these shortlisted candidates.

The NC has been seeking to identify a suitable candidate with the requisite experience and expertise to assume the CEO role in a manner as expeditious as possible, while ensuring that the Company does not make an appointment in haste.

Query 4

“With the CEO and COO serving their notices until 31 March 2024 and 11 April 2024, how will the board ensure the continuity of the group's operations? Please provide an update to shareholders on the group's operations and its business continuity plans.”

Company's response

As explained in the Responses to SGX RegCo, the CEO and COO will continue to perform their roles and duties until their cessations on 31 March 2024 and 11 April 2024 respectively. During the interim period pending the engagement of the new CEO, the Board will continue to be in constant communication with and exercising oversight over the CEO, COO and managerial staff of the various functions of the Group and in close supervision over the Group's operations. The Chairman of the Board will continue to hold regular sessions with the management.

The Company is currently in its budgeting and workplan cycles for the financial year ending 31 March ("FY") 2025, which is being led by the Existing CEO and COO, and which should be completed by the third week of March 2024. In the event a new CEO is not appointed by the end of March, the Company plans to appoint an interim CEO. The choice of the interim CEO will depend on the needs of the Company and its FY 2025 budget and workplan priorities and potential candidates include the Company's existing key management personnel, who are experienced professionals in the chemicals industry, or if necessary, an external candidate. The Board will release an announcement on the Company's interim executive leadership as well as the progress of filling the CEO vacancy in the event that a new CEO is not appointed by 31 March 2024.

The Company will continue to pursue its long-term growth strategies and the current CEO will continue to work with an experienced senior management team particularly in Operations and Finance to execute its business planning and budgeting cycle in March this year. The Company is also working on measures to retain key talent beyond the CEO position. This includes identifying other senior executives who can step up and assume additional responsibilities as necessary, thereby ensuring continuity and stability in the Company's leadership transition process.

The Company has an existing business strategy, and the management team will continue its business planning and budgeting cycle in March this year. As explained in the Company's response to Query 1 above, in the event that a new CEO is not appointed by 31 March 2024, the Board will release an announcement on the Company's interim executive leadership. The Company's strategy remains unchanged despite recent departures, with a continued focus on long-term growth to enhance shareholder value.

Query 5

"In the event of new managerial hires, what measures are being taken to ensure the stability and continuity of leadership within the company, particularly in light of the high attrition rate of senior management personnel?"

Company's response

As explained in the Company's response to Query 1 above, both the outgoing chairman and the incoming chairman of the NC will be conducting exit interviews with the departing senior management staff together and the Board will thereafter undertake an objective assessment of the management turnover within the Group.

The process for the engagement of a new CEO is currently well in progress. As explained in the Company's response to Query 4 above, in the event that a new CEO is not appointed by 31 March

2024, the Board will release an announcement on the Company's interim executive leadership as well as the progress of filling the CEO vacancy.

Query 6

Can the board provide clarity on the company's strategic direction amidst the current leadership void and operational challenges? How does the board intend to help the group navigate these challenges and steer the group towards sustainable growth and profitability?

Company's Response

Please refer to the Company's response to Query 4 above.

Query 7

"Management has also started to re-evaluate the use of the group's properties at Upper Circular Road and at Carpenter Street. Has this initiative been completed or will this be delayed due to the cessation of the senior management team?"

Company's Response

The re-evaluation of the Group's properties to revise and improve rental yields, monitor capital values of the properties and evaluate alternative uses for the properties is an ongoing process and is subject to prevailing market conditions. The Company will release an announcement at the appropriate juncture should there be any development in the re-evaluation process.

RESPONSE TO SHAREHOLDERS' QUERIES

Query 1

"No communications from the board on resignations

(a) In the past two months, there has been a spate of resignations of senior management executives, including the CEO, COO and Head of Commercial. The recent resignation of independent director Dr Tay adds further worry. We would like to express our grave disappointment at the lack of guidance from the board regarding this issue."

Company's Response

Please refer to the Company's response to Query 3 of the responses to SIAS above.

"(b) The resignations of all these key personnel suggest a failure of the project to "professionalise the management of the company".

Under the previous management, the company turned a profit but after the new management team came on board about two years ago, the company started to incur losses. We feel that perhaps the previous successful management should be reappointed in the interest of all the shareholders."

Company's Response

The CEO and COO joined the Company in September 2022. For the record, the Group made profits for the past two financial years, FY 2022 and FY 2023.

While the first-half results for FY 2024 reflected a loss, it is crucial to understand the context behind these figures. External factors beyond the Group's control, such as lower demand for chemical products, declining commodity prices, and higher energy costs, significantly impacted the Group's operations during this period.

In particular, the Group's current 2-year electricity contract with its power generation company was renewed in June 2022, and effective from July 2022. Unfortunately, the contract renewal coincided with rising prices and uncertainty with capacity issues amongst energy retailers. The confluence of a spike in global fuel prices and disruptions in gas supply have resulted in extreme volatility in the electricity market, causing electricity prices to spike. The Group was caught in a squeeze between uncertainties of rising prices and supply issues. At that point in time, securing a continuous supply of electricity was the top priority in the Group's business continuity strategy.

The Board recognizes the challenges posed by these market conditions and is actively taking steps to improve the Group's performance and resilience, including:

- (i) continuing to secure new sales contracts with both existing and new customers;
- (ii) building alternate sources of key raw materials to achieve cost savings in a sustainable manner as part of the Group's overarching business continuity plan;
- (iii) conducting several operations excellence projects which the Group has embarked on to improve energy efficiencies and progress towards the Group's cost optimizations and sustainability index goals; and
- (iv) focusing on growth with the Group's top tier customers via active participation in their investments and expansion plans and offering them the Group's value-add services.

While the Company understands the concerns regarding management performance, it is essential to refrain from prejudging the current management team's effectiveness solely based on short-term interim results.

The unaudited financial results for FY2024 will be finalised and announced in May 2024. The audited financial results will be reported in the 2024 Annual Report and tabled at the forthcoming annual general meeting ("**AGM**") in July 2024. Shareholders should not make any assumptions of the financial results or performance of the Group for the current financial year prior to the release of the FY2024 results. The AGM has always been the principal forum for shareholders to discuss the year end financial results tabled at the AGM. The forthcoming AGM in July 2024 serves as the primary platform for shareholders to engage with the Board and management regarding performance, strategies, and future initiatives.

Query 2

“Cost reduction

We feel that since the company is suffering from losses, cost reduction measures ought to be considered and superfluous expenditures should be eliminated.

We have requested that the company disclose the amount of money spent on the chairman emeritus for his post-retirement perks (such as commercially viable space used for his personal office, salaries of his personal support staff, personal medical expenses incurred by the company, etc).

However, the company has not provided us with this information. In the interest of professionalisation, we request that this amount be obtained and reported to the minority shareholders, whose interests the independent directors are meant to serve.”

Company’s response

As explained in the Responses to SGX RegCo, the S\$150,000 amount is in respect of FY 2023 and comprises director’s fees to Mr. Lim for his role as Emeritus Chairman and non-executive director.

The Group’s premises at 17 Upper Circular Road (the “**Premises**”) are leased out, save that one floor of the premises is being utilised as the administrative office of the Group. The administrative office includes an office room for Mr. Lim to perform his role as Emeritus Chairman and non-executive director. In addition, there is a meeting room that is used generally to conduct Board and board committee meetings and meetings of other management and staff. Mr. Lim utilizes the office room within the Premises solely for official Company matters and does not use the Premises as his ‘personal office’.

Mr. Lim does not have any dedicated personal administrative staff. The Company has an office manager, who provides ad hoc assistance to Mr. Lim as and when required. The primary role of the office manager is, however, to assist the CEO in managing the Group’s properties segment business in both commercial and operational aspects. In addition, a subsidiary of the Company has an employee who works as a driver and chauffeurs Mr. Lim in his personal car. The driver supports Mr. Lim in the discharge of his duties as Emeritus Chairman, such as attending to official Company functions, business meetings and going to and fro from the Premises.

The Company does not pay for medical or other personal expenses incurred by Mr. Lim in his personal capacity. Mr. Lim was covered under the Group’s hospital and surgical insurance policy up until 31 March 2023, and is no longer covered by such insurance policy.

Query 3

“Share activity

We note that the volume of shares traded at lower prices has increased. As minority shareholders, we request that the identity of these buyers be disclosed. There has been a recent article in the Business Times about majority shareholders buying shares to take advantage of the price for themselves and we are concerned about this happening in the case of this company.

As independent directors charged with looking after the interests of minority shareholders, we request that the information about who has been buying these low-price shares from the registrar and to disclose this information publicly.”

Company’s Response

The Board has no knowledge of shareholders’ trading activities on the Singapore Exchange.

Query 4

“Reason for appointment of Deputy Chair

We note that the nomination committee has appointed non-management independent director Eugene Lim to the position of Deputy Chair. This move was made without any reasons given to us and we would like the board to shed light on why they made this decision. We are concerned that Mr Lim's elevation to Deputy Chair will come with an increase in directors' fees. In light of the previous years' losses and the possibility of yet another year of operating losses we feel that there should be a reduction in directors' fees instead.”

Company’s Response

As explained in the Responses to SGX RegCo, the NC, with Mr. Lim Yew Nghee (“**YN Lim**”) recusing himself, deliberated and resolved to recommend to the Board, the appointment of YN Lim as deputy chairman. The NC considered that it would be appropriate that YN Lim be appointed as deputy chairman with the portfolio to assist the Board and the Chairman of the Board to set up investment goals and strategies, and to review investment opportunities to bring forth to the Board. Eugene’s appointment with an investment portfolio facilitates the Board in its oversight of investments in the Company, allowing the Board to supervise and monitor the professional executive management and ensure their focus on running the operations of the Group.

In addition, the remuneration committee will conduct an annual review of directors’ fees and recommend directors’ fees for each financial year commensurate with the responsibilities and time and effort spent by the directors on the Board’s and Group’s affairs. Every year, the Directors’ fees are submitted to the shareholders for approval.

For the record, the directors’ fees of all the directors for FY2023 had been approved by the shareholders carrying 99.06% of the total votes cast at the Company’s annual general meeting on 27 July 2023.

By Order of the Board
Foo Soon Soo (Ms)
Secretary
18 February 2024