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 AND SIAS IN RESPECT OF THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2025

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 and Securities Investors Association (Singapore) ("SIAS") in respect of its Annual Report for the financial year ended 31 March 2025 (the "**Annual Report**").

Questions raised by shareholders

1.Regarding the advances of $38M to a subsidiary subsequent to the end of the reporting period. To which subsidiary is this amount invested in and what is the purpose for such a large investment?

Company's response

The advances of S$38M were used to subscribe to new ordinary shares in Juta Properties Pte Ltd. There is no impact to the group numbers and business operations.

2.Netting out bills payables to banks, the company has $19M cash on hand. Why is there a need to borrow $4.1M from banks at a rate of 5.78% per annum? What is the purpose for the loan?

Company's response

The Group's CAPEX investment in the past years was paid by cash. The Group anticipates the need to borrow for future maintenance, upgrade, expansion or relocation project, as such the Group uses the existing banking line to ensure availability for future use.

3. In his Chairman's report, the Chairman mentioned that the company recently inked a distribution agreement for speciality chemicals. and later on the Chairman also said signing a long term supply agreement for a key customer's new plant expansion. Would the management share with shareholders if the Chairman meant that our company dealt with the same party or different entities?

Company's response

The Distribution agreement is with an Ultrapure Chemicals Manufacturer for the Semiconductor Industries expanding our product portfolio. The long-term supply agreement is with an existing customer's new plant expansion. We are dealing with different parties here.

4. As mentioned in the Chairman's report, we had to write down some value from the investment properties. Would the management share with shareholders which property was the main cause of the write down or both? Why not just sell the property and return the value to the company and shareholders to preserve the asset value?

Company's response

The impairment loss of S$10.1m is in relation to property, plant and equipment in Singapore and not related to the investment properties.

Investment properties are recognized based on fair value and the valuations were performed by an independent valuer. A fair value loss of S$700,000 was recognized in the carrying value of the investment properties.

5. Is exit from Myanmar on the cards?

Company's response

No, our Myanmar business despite the Military coup 3 years ago, has remained stable and continues to operate in the Special Economic Zone with minimal impact from the political turmoil.

6. What are the onerous contracts for which $6.2m is needed for their fulfilment?

Company's response

The onerous contracts are sales contracts. The detailed information is commercially sensitive in nature.

7. How did the PPE impairment of $10.1 million arise? Are the impaired PPE on the mainland and/or Jurong Island?

Company's response

As at 31 March 2025, the Group considered current business conditions and the financial performance of the Industrial Chemicals segment for the year then ended and identified indicators of impairment of the PPE. The Group then estimated the recoverable amount of the PPE using a value-in-use ("VIU") computation, which led to the recognition of impairment losses amounting to S$10.1 million. The impaired PPE is in relation to PPE located in Singapore.

8. Which subsidiary received $38 million injection, and what is the intended use?

Company's response

Please refer to response to Question 1. The objective was to strengthen the subsidiary's financial position and to support its operational needs.

9. Rentals from investment properties rose to $0.909 million in FY 25 from the preceding FY's $0.848 million. Was the increase due to rent revision or changes in tenant mix? The rental yield was a paltry 1.3% of the $ 76.3m value. Are there plans to increase the yield?

Company's response

Rental increases are due to better tenant mix with higher rental rates. We will continue to enhance rental yield by continuing to improve tenant mix. However, rental market remains generally weak in the current locations.

10. When was the provision for land restoration first made? Was it in FY 24, or earlier?

Company's response

The provision was first made in this financial year (FY 2025).

Questions raised by SIAS

Q1. For the financial year ended 31 March 2025, the group reported revenue of $65.4 million, driven down by a 10.5% decline in the core industrial chemicals segment from $71.0 million to $63.5 million. The group incurred a loss of $(21.5) million for the full year, primarily due to $(10.1) million in impairment losses on property, plant and equipment; a $(6.2) million provision for onerous contracts; and a $(0.7) million fair value loss on its investment properties.

In his statement to shareholders, the chairman announced that the group has entered into a distribution agreement for speciality chemicals, marking a strategic shift in the group's focus.

i. Was this shift into speciality chemical distribution the result of a formal strategic review, and has the board communicated this repositioning to the market? If not, what was the basis for withholding such information given the significant change in risk profile?

Company's response

CIL has always been distributing specialty chemicals to complement our product portfolio towards the traditional water treatment industry which remains our core business.

This new distribution agreement was subjected to strategic review by the Board and added a range of Electronics grade products to enable CIL to move up the value chain. Our target will be our existing customer base in the Semiconductor Industry. These new products can be found on our new website.

In the group's core business, management's decision to enter into a long-term contract resulted in a $(6.2) million provision for onerous contracts, raising questions about management's commercial judgement and the board's decision making.

ii. What assurance can the board and management provide to shareholders that diversifying into distribution of speciality chemicals would be value accretive given the operational missteps in the core business despite decades of experience?

Company's response

Our incumbent CEO came from the world's largest specialty chemicals distributor in a senior leadership role and the Board has confidence in his leadership of CIL towards these new businesses.

In addition, the chairman highlighted the shock caused by tariffs announced by the United States and cited "*uncertainty on a scale never before experienced*". However, major market indices, including the STI, have reached all-time highs while the company's share price remains well below its COVID-19 lows.

iii. Has the board undertaken a detailed assessment of the direct and indirect impact of US tariffs on the group's operations?

Company's response

As CIL core businesses are mainly in the Singapore market with minimal export, we are minimally impacted by US tariffs. That said, in engaging our downstream export driven customers, some have cited concerns about the ongoing US tariffs and the uncertainty for the near future. This may have indirect impact to the Group.

iv. Is the board actively monitoring the company's total shareholder return?

Company's response

The Board is actively monitoring the company's total shareholder return as part of their role.

Q2. A positive development in the annual report is the disclosure that the group is in the final stages of securing a long-term supply agreement, valued at $150 million over 10 years, to support a key customer's new plant expansion.

i Who within the company is leading the negotiation of this contract, and what level of board oversight is in place to review and approve the commercial terms?

Company's response

The CEO is leading the negotiation of this contract with full oversight of the Board to review and approve the commercial terms.

ii What specific risk-allocation terms are embedded in the supply agreement to ensure that the group is not exposed to front-loaded capital investments without matching contractual protections, such as minimum volume commitments, margin floors, and cost pass-through mechanisms?

Company's response

The commercial details are confidential with minimal capex required to fulfil this supply agreement. With Board oversight and external legal support, key risks are mitigated.

iii Given that the top five customers in the industrial chemicals segment contributed $36.4 million or 57 percent of segment revenue, will this new supply agreement generate incremental sales, or is it a replacement or consolidation of existing volumes?

Company's response

This new agreement is to generate incremental sales, not replacement or consolidation.

Q3. The company made a material restatement of the FY2024 financial statements. Specific line items were amended in the statement of financial position, consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and consolidated statement of cash flows, and the related notes to the financial statements.

The restatement arose because the company had failed to recognise provisions for restoration costs on leasehold land since the inception of the leases. Management has now classified this as a prior period error, requiring a retrospective restatement of comparative information in accordance with SFRS(I) *1-8 Accounting Policies, Changes in Accounting Estimates and Errors.*

As a result of this error, the group's financial position has been revised down by as much as $6.4 million. The group's historical earnings and shareholders' equity have all been inflated.

i. Why did management, the audit committee (AC), and the external auditors all fail to identify the obligation to provide for reinstatement costs over several years?

Company's response

The requirement to reinstate was not explicitly stated in the lease agreements dating back to the 1990s. In the past year, during discussions with the lessor, it was confirmed that land restoration has to be carried out upon expiry of the lease. Hence, management felt it is appropriate to recognise the provision for reinstatement.

ii. Does this represent a breakdown in the AC's oversight function, and how does the board assess the AC's level of accountability in this oversight failure?

Company's response

This does not represent a breakdown in the ARC oversight function.

iii Can each AC members, including the chairman, help shareholders better understand their recent and relevant accounting or financial management expertise or experience?

Company's response

Please refer to Board of Directors section of FY 2025 report on the credentials, skills and experiences of each of the AC member.

iv Was the company subjected to a review under ACRA's Financial Reporting Surveillance Programme?

Company's response

In May 2025, we were recently assessed by ACRA's Financial Reporting Surveillance Programme.

v After missing out on an obligation as fundamental as lease restoration costs, how can shareholders be assured that the recently reported $10.1 million impairment of property, plant and equipment and the $6.2 million provision for onerous contracts are sound, accurate, and based on robust judgment?

Company's response

In respect of S$10.1 million impairment of PPE, management has performed the value-in-use computation and estimated the key inputs such as terminal growth rate, discount rate and also considered historical results, current developments and future business plans, with the oversight from the Board. In respect of the S$6.2million provision for onerous contracts, we have considered the unavoidable cost of meeting the obligations under the contract which exceeds the economic benefits expected to be received under it. The calculation is supported by the terms and conditions of the signed contracts, with the oversight from the Board.