



Securities Investors Association (Singapore)

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GST Reg No: M90367530Y

Issuer: Chemical Industries (Far East) Limited

Security: Chemical Industries (Far East) Limited

Meeting details:

Date: 28 Jun 2019

Time: 10.30 a.m.

Venue: 3 Jalan Samulun, Singapore 629127

Company Description

Chemical Industries (Far East) Limited is an investment holding company. The Company is engaged in the manufacture and sale of chemicals. The Company is a manufacturer of chlorine, caustic soda and other chlor-alkaline products, such as hydrochloric acid, sodium hypochlorite and hydrogen. The Company operates through two segments: Industrial Chemicals and Properties. Its Industrial Chemicals segment is involved in the manufacture and sale of chemicals. The Company's Properties segment is involved in the business of managing and renting of commercial properties. The Company offers chemicals to the petro-chemical, pharmaceutical, electronics, polycarbonate and water-treatment industries. The Company has a manufacturing plant in Singapore. Its subsidiaries include Chem Transport Pte Ltd, Kimia Trading Pte. Ltd., Juta Properties Private Limited and JPI Investments Pte Ltd. (Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=C05)

Q1. On 29 May 2019, the company announced it has ceased negotiations on the proposed joint venture with May Chemical and that the non-binding memorandum of Understanding with May Chemical has lapsed. The group will not be proceeding with the establishment of the proposed joint venture company in Malaysia.

On the other hand, the group is still studying the potential tie-up with Topan on the proposed establishment of a chlor-alkali manufacturing facility in Akatu City, Kazakhstan.

In addition, the group has established Chemical Industries (Myanmar) Limited and will commenced the construction of a chemical process plant in Myanmar.

- (i) Given that the group's operations have been Singapore-centric in recent years, how well equipped is management in dealing with the complexities and intricacies of operating a chemical process plant in a foreign country?**
- (ii) Is there sufficient management depth and experience to allow the group to execute successfully in the new markets?**
- (iii) What is the level of due diligence carried out by the company and by the independent directors before the group's decision to invest in Myanmar?**
- (iv) What is the total capital expenditure earmarked for the Myanmar market? What is the projected return on investment? Has the board identified the key risk factors for its expansion to Myanmar? If so, can the board help shareholders understand the key risks and update shareholders on how it is monitoring and managing the key risks?**
- (v) In addition, has the board assessed the risks associated with any potential investments in Kazakhstan? What is the group's competitive advantage in Kazakhstan? Would the group be venturing outside of its circle of competence and alter its risk profile if it makes a big investment in Kazakhstan?**
- (vi) Has the board evaluated the group's track record in foreign investments?**

Q2. At the annual general meeting scheduled to be held on 28 June 2019, the company is seeking shareholders' approval to re-elect Mr Lim Soo Peng who is retiring pursuant to Article 95(2) of the Constitution of the company.

The company has provided details of Mr Lim on page 93 of the annual report. An extract is reproduced below for reference:

Date of appointment	16 March 1962
Date of last re-appointment	30 June 2016
Age	90
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	Please refer to the Corporate Governance section in the Company's 2019 Annual Report
Whether appointment is executive, if so, the area of responsibility	Yes, responsible for operations of the Group
Job Title	Executive Chairman and Managing Director

(Source: Company annual report; full table can be found on page 93 of the annual report)

In the Corporate Governance Report, the nominating committee (NC) has stated it recommended the re-election of Mr Lim Soo Peng following a review of the director's competencies, commitment, contribution and performance in effectively discharging his responsibilities.

- (i) In recommending the re-election of Mr Lim Soo Peng, what were the deliberations by the NC on the board succession plans, in particular the chairman and managing director?**
- (ii) Would the board help shareholders understand the group's leadership bench strength (e.g. technical, operation, business development, sales etc)? Has the group been able to hire, train and retain the talent it needs to ensure the group's long term success?**

In addition, the company's lead independent director, Mr Tay Kah Chye, has indicated that he will not be standing for re-election at the forthcoming AGM.

The board currently comprises six directors, three of whom are independent directors. The other independent directors are Dr Wan Soon Bee (first appointed on 3 July 2000) and Mrs. Elaine Lim (first appointed on 15 September 2016).

- (iii) With the retirement of Mr Tay Kah Chye, the board will not have a majority of independent directors. What are the plans by the board to refresh the board composition to meet the recommendations of the Code of Corporate Governance?**

Q3. The attendance of directors at board and board committee meetings is shown in the following table:

The attendance of the directors at meetings of the Board and Board Committees during the year, as well as the frequency of such meetings, is disclosed below:

	Board	AC	RC	NC
Number of meetings held	2	2	1	1
Name of Directors				
Lim Soo Peng ⁽¹⁾	2	2*	1	1*
Lim Yew Khang Cecil	2	2*	-	1*
Lim Yew Tee Collin	2	2*	-	1*
Tay Kah Chye ⁽²⁾	2	2	1	1
Dr Wan Soon Bee	2	2	1	1
Lee Kia Jong Elaine (Mrs Elaine Lim)	2	2	1	1

⁽¹⁾ Mr Lim Soo Peng stepped down as RC member on 22 May 2019

⁽²⁾ Mr Tay Kah Chye will retire on 28 June 2019 after the conclusion of the AGM

*attended as invitee

(Source: Company annual report)

As can be seen from the table above, the executive directors were invited to attend all the audit committee and nominating committee meetings. Mr Lim Soo Peng has direct and deemed interest of over 47% of the company's shares. Mr Lim is the executive chairman and managing director and was first appointed to the board on 1962. He is also the father of Mr Lim Yew Khang Cecil (executive director) and the uncle of Mr Lim Yew Tee Collin (executive director).

- (i) Can the board help shareholders understand if it is the usual practice for non-board committee members (i.e. the executive directors) to attend board committee meetings?**
- (ii) Were there specific agenda items or reasons to invite the executive directors to all the board committee meetings?**

- (iii) What is the dynamics of the board committee meetings when the board committee members may be reviewing and discussing matters that are related to or affect the executive directors? Such AC/NC meetings would have included agenda items on performance assessment of the executive directors and on the audit/financial reporting/internal controls of the group.**
- (iv) Do the invited directors also actively participate in the discussions during the board committee meetings? If so, how are board committee meetings different from the board meeting?**

A copy of the questions for the Annual Report for the financial year ended 31 March 2018 and 31 December 2017 and could be found here:

[https://sias.org.sg/qa-on-annual-reports/?company=Chemical%20Industries%20\(Far%20East\)%20Ltd&cid=6795,4668,4320](https://sias.org.sg/qa-on-annual-reports/?company=Chemical%20Industries%20(Far%20East)%20Ltd&cid=6795,4668,4320)

The company's response could be found here:

2018:

<https://sias.org.sg/media/qareport/180629%20CIL%20FY18%20SIAS%20QA%20Responses.pdf>

2017:
