



## RESPONSES TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ON THE ANNUAL REPORT

The Board of Directors (the “Board”) of Singapore Shipping Corporation Limited (the “Company”, together with its subsidiaries, the “Group”) would like to thank the Securities Investors Association (Singapore) (“SIAS”) for submitting their questions in advance of the Company’s Annual General Meeting to be held on 30 July 2024 at 10.00 am.

Unless otherwise defined, capitalised terms used herein shall have the same meaning as ascribed to such terms in the Company’s annual report for the financial year ended 31 March 2024 (“Annual Report”).

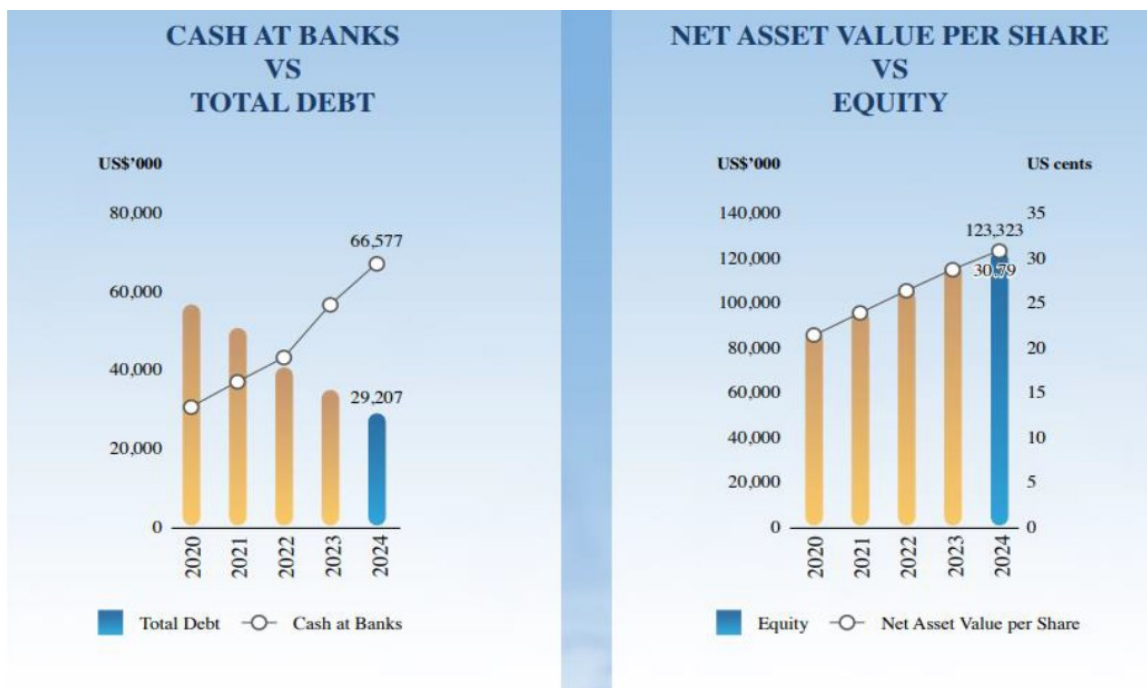
The Company’s responses to the questions received from SIAS are set out below.

### Question 1 from SIAS:

In the annual report, the company highlighted the robustness of its business model of long-term charters and notes its advantageous position with cash holdings amounting to US\$67 million. The group recognised more than 69% of its revenue from ship chartering.

Management anticipates that the shipping industry’s efforts to meet the International Maritime Organization’s 2030 decarbonisation targets will necessitate a shift toward Bio- LNG energy vessels. It is believed that the company’s strong balance sheet will facilitate strategic acquisitions and investments, especially in adapting to industry-wide decarbonisation trends.

From Note 22 (Bank borrowing; page 113), the group has a total of US\$29.2 million in bank borrowings, with \$5.3 million classified as current.



(Source: company annual report; Financial highlights; page 15)



**(i) For the benefit of shareholders, can management elaborate further on the options available with regard to Bio-LNG energy vessels? Would it be more aligned with the group's strategic plans to acquire a Bio-LNG fuelled vessel or initiate a new build?**

**Company's response:**

Choice of fuel used is the prerogative of the charterer, not the shipowner (SSC). In compliance with decarbonisation targets, operators are phasing to bio-fuels which are now used in the running of our vessels.

Such specification vessels tend to be scarce, for the following reasons:

- (a) The technology involved is fairly new; and
- (b) Typically, operators will retain such vessels within their fleet to deepen their understanding of said technology.

SSC does not initiate new build speculatively, especially when LNG is a transitional fuel. Such projects must be carefully considered and linked with a charter from a blue-chip operator.

**(ii) (What are the strategic benefits and risks of pursuing a first-mover advantage in the adoption of Bio-LNG energy vessels? How does this align with the group's overall strategic goals and risk appetite?)**

**Company's response:**

SSC does not initiate new build project speculatively, especially when LNG is a transitional fuel. Such projects must be carefully considered and linked with a charter from a blue-chip operator.

For the adoption of Bio-LNG energy vessels, the strategic benefits include:

- (a) surety of vessel employment;
- (b) early compliance on decarbonisation target;

The risks include:

- (a) operational teething issue of ensuring efficient storage and consumption of LNG throughout transportation;
- (b) given such vessels have a lifespan of 30 years and the needed capital expenditure is steadily increasing. Such investment decision must be made cautiously. SSC is conservative and will only embark on such projects if they are linked with long term charters with our blue chip operators.

**Question 2 from SIAS:**

The group currently owns a fleet of five PCTC with a total capacity of over 32,000 CEU. The group's last acquisitions were made in 2015, of m.v. Centaurus Leader (6,500 CEU) and m.v. Taurus Leader (7,020 CEU). The charterers are Nippon Yusen Kabushiki Kaisha and Wall RO/RO AB.

**(i) Is the group's fleet equipped to handle the transportation of electric vehicles? What are the critical safety requirements and operational standards to ensure the safe transport of electric vehicles, and does the group meet these standards?**

**Company's response:**

EVs are already being carried by SSC's fleet. Transportation of combustion engines vehicles and EVs are the same. However, given the fire hazards associated with the Lithium-ion batteries powering EVs, greater measures relating to fire prevention, early detection and mitigation are required.

Examples include the following:

- (a) Ventilation: Proper ventilation ensures no flammable materials accumulate in cargo spaces.



- (b) Fire Safety Monitoring: Continuous monitoring for fire hazards is crucial.
- (c) Remnant charge: EVs should be charged below 30% to minimise risk during transport.

**(ii) Separately, how does management view the rise of Chinese automotive makers, and how is the group positioned to tap into this trend?**

**Company's response:**

Ship operators will face increasingly aggressive competition from Chinese entrants. Despite this challenge, as ship owner, SSC is taking a two-pronged approach:

- (a) To maintain strong relationships with existing partners, leveraging established collaborations; and
- (b) To actively exploring opportunities to work with incoming Chinese operators through potential partnerships or joint ventures.

**(iii) For the benefit of shareholders, can management provide an overview of the key changes and developments in the group's operations and fleet over the past 5-10 years since the last acquisition? How have these changes positioned the group for future growth?**

**Company's response:**

Previously, SSC was diversified into various types of vessels, e.g., supertankers, chemical tankers, heavy lifters, container vessels, bulk carriers and bunkering vessels. At present, the Group only specialises in PCTC. We have fostered deep partnerships in the PCTC market place, which is matured, well established and has a high entry barrier.

Cleaner fuels like LNG are an interim solution. Long-term options like ammonia, methanol or biofuels are still being explored. This uncertainty surrounding the eventual dominant fuel source creates challenges for investment decisions in new vessels, especially given the year on year increase in capital expenditures for vessels and the 30 year life span of such vessels.

The Group will continue to pursue cautious acquisitions to augment and diversify its income streams.

**(iv) Does management have specific plans for m.v. Boheme which was built in 1999, the oldest vessel in its fleet? What considerations are guiding the decision-making process regarding its future operations or potential phase-out?**

**Company's response:**

The typical useful life of a PCTC vessel is approximately 30 years.

Nevertheless, due to fuel energy transition policies, ship operators may restrict the continued operation of a PCTC beyond 30 years, subject to tonnage capacity in the coming years.



**Question 3 from SIAS:**

As disclosed in the corporate governance report, the internal audit function of the group is outsourced to Mazars LLP (page 48 of the annual report). In the previous financial year, the company had engaged CLA Global TS Risk Advisory Pte. Ltd. (formerly known as Nexia TS Risk Advisory Pte. Ltd.), as the internal auditors of the group.

**(i) Can the audit and risk management committee (ARMC) confirm if the internal audit function has been outsourced to Forvis Mazars LLP?**

**Company's response:**

Yes, we can confirm the internal audit function has been outsourced to Forvis Mazars LLP.

**(ii) What prompted the change in internal auditors from CLA?**

**(iii) What specific selection criteria and evaluation process were used to identify the new internal auditor?**

**Company's response:**

CLA Global TS Risk Advisory Pte. Ltd. (formerly known as Nexia TS Risk Advisory Pte. Ltd.), has been our internal auditors for many years.

Having carried out its evaluation and review of the internal auditors, the Audit and Risk Management Committee ("ARMC") is of the view that it is timely to seek a change in auditors.

The ARMC has considered the following factors in its evaluation (among other factors):

- a) timeliness and manner of communications with the ARMC and management;
- b) experience and competency of the audit team committed;
- c) overall commitment of team members throughout the internal audit engagement; and
- d) audit fees.

To ensure that the Group continues to receive quality audits, the ARMC is of the view that the Group's interest is best served by a proposed change in internal auditor. This also serves as part of good corporate governance as it enables the Group to benefit from fresh perspectives and further enhances the value of future audits.

**(iv) Can the ARMC provide a detailed overview of the scope of the internal audit for FY2024, along with the key findings and specific recommendations made by the internal auditor?**

**Company's response:**

The key businesses of the Group are Ship Owning, Ship Management, Agency and Logistics.

Management regularly reviews the Group's business and operational activities in respect of key risk control areas including financial, operational, compliance and information technology controls and continues to apply appropriate measures to control and mitigate these risks. All significant matters are highlighted to the ARMC and the Board for further discussion. The ARMC and the Board also work with the internal auditors, external auditors and management on their recommendations to institute and execute relevant controls with a view to managing such risks.



**(v) What level of oversight does the ARMC exercise over the actions taken by management to address the recommendations?**

**Company's response:**

The ARMC exercises oversight over actions taken by management to address audit recommendations. The ARMC consults with management on the relevant issues and recommendations, and would follow up regularly with management to discuss and monitor progress made on implementation of the recommendations.

By Order of the Board

Ang Lay Kheng  
Chief Financial Officer and Company Secretary  
30 July 2024