



# Singapore Shipping Corporation Limited

Company registration no. 198801332G

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## RESPONSES TO SHAREHOLDERS ON SUBSTANTIAL AND RELEVANT QUESTIONS RAISED FOR SINGAPORE SHIPPING CORPORATION LIMITED'S 32<sup>nd</sup> ANNUAL GENERAL MEETING

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The Board of Directors of Singapore Shipping Corporation Limited (the "**Company**") would like to thank shareholders for submitting questions ahead of the Company's 32<sup>nd</sup> Annual General Meeting ("**AGM**") to be held by electronic means on Tuesday, 28 July 2020 at 10.00 a.m. (Singapore Time).

The Appendix annexed herein sets out the Company's responses to the substantial questions from shareholders that are relevant to the resolutions to be tabled at the AGM and the business of the Company.

By Order of the Board

**Lee Li Huang**

Chief Financial Officer and Company Secretary

28 July 2020

## Appendix

<b>1.</b>	<b>Looking at the cash built up, which management has done a great job in accumulating, what is the plan for the cash? Any new fleet acquisition in near future?</b>
	<p><b><u>Company's Response</u></b></p> <p>a) We are prudently selective in our continued pursuits of investment opportunities which must meet our investment criteria and yield suitable level of returns at minimal risk. The returns should ensure that cash flows are not compromised, and profits are sustainable.</p> <p>b) Our cash reserves are strategically held to allow us to react swiftly in the event of any opportunities manifesting.</p>
<b>2.</b>	<b>Are we taking advantage of the low interest rate environment to refinance and reprice our existing loans to achieve a lower effective interest rate?</b>
	<p><b><u>Company's Response</u></b></p> <p>a) We entered into interest rate swaps to convert floating interest rates on bank loans to fixed interest rates since the inception of the loan agreements.</p> <p>b) This enables us to limit our exposure to volatility in interest rates and allows the Group to better manage its cash flows.</p> <p>c) In addition, our charter contracts allow us to match stable stream of charter income with loan repayments.</p>
<b>3.</b>	<b>How badly affected are our Principals by COVID-19 and any impact on their ability to pay for our ship leases and services?</b>
	<p><b><u>Company's Response</u></b></p> <p>a) While we are dealing with blue chip operators, the nature and speed of economic recovery remains highly uncertain.</p> <p>b) As of now, there is no credit issue.</p>
<b>4.</b>	<b>How long are the Principals leasing our ships and when will the leasing contracts expire?</b>
	<p><b><u>Company's Response</u></b></p> <p>a) All the vessels are on long term charter to blue chip operators.</p> <p>b) Generally, the charter agreements run for initial periods of more than 10 years.</p>

5.	<p><b>Instead of doing share buy-backs, can we increase the dividend?</b></p>
	<p><b><u>Company's Response</u></b></p> <p>a) A comparison of Singapore Shipping Corporation Limited's ("SSC") dividend yield against the Straits Times Index ("STI") is shown in Appendix A. The average dividend yield of SSC for the past 20 years is 11.4%, compared to STI of 3.6%.</p> <p>b) Historically, SSC has been one of the more consistent and higher paying dividend counters within the sector. Shareholders should be more than contented given the past track record of generous dividend payouts. This is especially so when few shipping companies, if any, are profitable.</p> <p>c) For FY2020, our dividend is 1.0 Singapore cent per share, which represents a dividend yield of 4.5%.</p> <p>d) Any more than the current proposed dividend is in the Company's view unsustainable taking into consideration the following:</p> <ul style="list-style-type: none"> <li>• the potential earnings forecast of the Company taking into consideration its future projects and investments;</li> <li>• the sustainability of the current dividend over the course of the next few years; and</li> <li>• the resources required for the Company to undertake any projects in the coming year.</li> </ul> <p>e) Share buy-back allows the Company an avenue to return surplus funds to its shareholders. Shareholders who do not wish to stay invested in the Company will get the opportunity to cash out their investments.</p> <p>f) For those investors who wish to stay invested, their earnings per share increases partly due to the reduction in the number of shares in issue. Shareholder value will therefore be enhanced without any effort on the part of the shareholders who stay invested.</p> <p>g) With dividend at 1.0 Singapore cent per share, the return of cash by way of share buy-back will be the only other alternative for the Company to have the flexibility to return cash to shareholders, without affecting the sustainability of the dividends declared.</p>

<p>6.</p>	<p><b>Nominating Committee (“NC”) and Audit and Risk Management Committee (“ARMC”)</b></p> <p>It seems that with the departure of the Lead Independent Director in January 2020, the requirement that 50% of directors are independent rule is not in compliance for more than 6 months (Jan-July). As the Lead Independent Director has many and important roles which includes periodic review, checks and appraisal function (internal audit, external audit, quarterly results, whistle blowers etc), however their role in NC and ARMC will be difficult to fulfil unless these 2 committee members agree on all issues at times (as there are only 2 members to vote on issues, either a 100% agreement or 50%:50% object and agree). As there were only 3 meetings in the year for ARMC verses the usual 4 meetings in previous years, how can the work be done adequately?</p> <p><b>Board as a whole</b></p> <p>As for the Board, the number of Non-Independent Directors exceeds the Independent Directors, any issues put to vote will be won by the Non-Independent Directors instantly. As shareholders are concern on the lack of independence for more than 6 months, would such issues be made known to shareholders or public for their assessment or knowledge at least? Or will SIAS be able to help to ensure independence during the gap period of 6 months or more? Concerned shareholder.</p>
	<p><b><u>Company’s Response</u></b></p> <p>a) The cessation of the Lead Independent Director was due to the sudden passing away of late Lt-Gen (retired) Ng Jui Ping on 1 January 2020. The Board is of the view that it will be disrespectful to the late Lt-Gen (retired) Ng if the Company replaces the Lead Independent Director immediately after his sudden demise.</p> <p>b) Finding the right candidate to fill the vacant seat on the Board is important and cannot be rushed into. The Nominating Committee commenced the search for a replacement Independent Non-Executive Director in the first quarter of this year and the search is currently ongoing. The process was however delayed due to the COVID-19 pandemic.</p> <p>c) One or more candidates have been, and continue to be, reviewed by the Nominating Committee, of which the skill, knowledge and experience of each candidate is assessed against the skill, knowledge and experience of the other Directors on the Board, so as to ensure an appropriate balance and mix to the composition of the Board, which is in accordance with the 2018 Code of Corporate Governance.</p> <p>d) The Board used to meet at least 4 times a year to review and approve the quarterly financial results of the Group before their release on SGXNet. On 9 January 2020, the Singapore Exchange Regulation (SGX RegCo) announced that quarterly reporting requirement will only apply for companies associated with higher risks with effect from 7 February 2020. With this change, the Company is no longer required to release quarterly results and the meeting in February 2020 was not necessary.</p> <p>e) Since January 2020 to-date, all matters put forth for the Board’s consideration received unanimous votes from the Directors.</p>

