

## **COSCO SHIPPING INTERNATIONAL (SINGAPORE) CO., LTD.**

(Incorporated in the Republic of Singapore)  
(Company Registration Number: 196100159G)

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### **RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON:**

- 1. PROPOSED ACQUISITION OF SHARES OF GUPER INTEGRATED LOGISTICS SDN. BHD., GEMS LOGISTICS SDN. BHD. AND DOLPHIN SHIPPING AGENCY SDN. BHD.**
  - 2. PROPOSED ACQUISITION OF SHARES OF EAST WEST FREIGHT SERVICES SDN BHD**
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The Board of Directors (the “**Board**”) of COSCO SHIPPING International (Singapore) Co., Ltd. (the “**Company**”, and together with its subsidiaries, collectively the “**Group**”) refer to the announcement dated 13 August 2019 (the “**Announcement**”).

*Unless otherwise defined, all terms and references used herein shall bear the same meaning ascribed to them in the Announcement.*

The Board would like to provide the Company’s responses to queries raised by the SGX-ST on 20 August 2019 and 22 August 2019 in respect of the Announcement (the “**Company’s response**”).

#### **Query 1:**

- (a) We refer to the announcement issued by the Company on 13 August 2019 entitled "Proposed transactions to create consolidated logistics platform & one-stop integrated services".

It is disclosed in the announcement that in connection with the acquisition of shares in Guper Integrated Logistics Sdn. Bhd. (GIL) and Dolphin Shipping Agency Sdn. Bhd. (DSA), five pieces of vacant freehold land shall be disposed of by GIL to Guper Bonded Warehouse Sdn Bhd and two pieces of land are to be acquired by DSA from Guper Resources Sdn Bhd respectively. Please clarify whether (i) these transactions are conditional on the acquisition of Complete Logistic Services Berhad (CLS) Sale Shares; and (ii) the consideration to be paid has included the impact of these transactions.

#### **Company’s Response**

The acquisition of the CLS Sale Shares is conditional upon the disposal of the five pieces of vacant freehold land by GIL to Guper Bonded Warehouse Sdn Bhd and the acquisition of two pieces of lands by DSA from Guper Resources Sdn Bhd taking place, but not *vice versa*. The consideration for the CLS Sale Shares has taken into account the impact of the land transactions and the sale of the Petro-land (as defined below).

The disposal of the Petro-land and the Excluded Lands, and the acquisition of the Included Lands should not have any material impact on the net book value of the Target Companies.

#### **Query 2:**

- (b) Please disclose information on the party who holds the remaining 20% of CLS shares.

### **Company's Response**

The CLS Seller, being Complete Logistic Services Berhad, will retain holding the remaining 20% of the CLS Sale Shares.

### **Query 3:**

- (c) Please disclose the rationale for the acquisition of lands stated in paragraph 1.1(iii)(a) and (b), and whether it is in the ordinary course of business.

### **Company's Response**

A portion of the Target Companies' assets (buildings) and operations are located on the Included Lands mentioned in paragraph 1.1(iii)(a) and (b). As such the acquisition is in the ordinary course of business. The Company is not acquiring the Excluded Lands as they are not required for the business of the Group.

### **Query 4:**

- (d) In relation to the proposed acquisition of shares of East West Freight Services Sdn Bhd (EWF), please disclose the information required under Listing Rule 1010(3), namely how the consideration will be satisfied, including the terms of the payment.

### **Company's Response**

The consideration will be paid in cash in Malaysian Ringgit to the EWF Vendors on the completion date.

### **Query 5:**

- (e) Please disclose the conditions to be satisfied on or before 31 December 2019 or such later date as mutually agreed upon by the parties in writing for the completion of the sale and purchase of the CLS Sale Shares and EWF Sale Shares.

### **Company's Response**

The conditions precedent in the CLS Share Purchase Agreement are as follows:

- 1) Approval of CLS Seller's members at an extraordinary general meeting having been obtained for the disposal of the CLS Sale Shares upon the terms of the CLS Share Purchase Agreement;
- 2) There is no material adverse change in the Target Companies occurring on or before the date on which the last of the conditions precedent is fulfilled or waived, as the case may be (the "**Unconditional Date**");
- 3) The written consents of the State Authority of Malaysia for the transfer of the Included Lands to DSA having been obtained;
- 4) Such consents or approvals as may be necessary from any third party, ministry, governmental authority or regulatory body in and outside Malaysia for the Company's acquisition of the CLS Sale Shares and ownership up to 100% of the equity of each of the Target Companies having been obtained; and

- 5) The completion of each of the following transactions in accordance with the terms of the respective following agreements:
- The acquisition by DSA of each of the Included Lands in accordance with the respective terms of the Included Lands sale and purchase agreement; and
  - The disposal by GIL of the Excluded Lands in accordance with the terms of the Excluded Lands sale and purchase agreement.

The conditions precedent in the EWF Share Purchase Agreement are as follows:

- 1) The Company notifying the EWF Vendors of the Company's satisfaction of the performance by CLS Seller of its obligations to deliver documents for the completion of the CLS Share Purchase Agreement; and
- 2) There is no material adverse change in EWF occurring on or before the Unconditional Date.

**Query 6:**

- (f) Please disclose the salient terms of the following:-
- (i) Shareholders' agreements between SH Cogent and the CLS Seller;
  - (ii) Shareholders' agreement among SH Cogent, Dolphin Assets Sdn. Bhd. and Chandra Sekaran A/L Subrayan;
  - (iii) CLS Share Purchase Agreement; and
  - (iv) EWF Share Purchase Agreement.

**Company's Response**

- (I) The salient terms of the shareholders' agreements are as follows:

(1) Business of the Target Companies

The Target Companies shall be any one or all of the following business:

- (a) freight forwarding;
- (b) haulage (limited to container haulage); and
- (c) warehousing,

(hereinafter referred to as "**Business**")

(2) Directors

The board of directors ("**Board**") of each Target Company shall consist of a maximum of five (5) directors (including the chairman). The Board shall consist of up to four (4) directors nominated by SH Cogent and Law Hee Ling, a director nominated by the CLS Seller.

The chairman shall be a director nominated by SH Cogent. The chairman shall have the right to vote as a director on all matters submitted to the Board for a vote.

(3) Shareholders' Reserved Matter

For so long as the CLS Seller holds not less than 20% of the total issued shares in any of the Target Company, the said Target Company shall not, pass any resolution with respect to any shareholders' reserved matters:

- (a) reconstruction, consolidating, restructuring or reorganisation of the Target Company, and
- (b) any issuance of new shares in the Target Company,

unless such resolution has received the affirmative vote from the CLS Seller.

(4) Moratorium on the CLS Seller

From the completion date of the sale and purchase agreement until the date falling 36 months thereafter ("**Lock-Up Period**"), the CLS Seller shall not be entitled to create or permit to subsist any mortgage, charge, pledge or lien over, or grant any option or other right over, sell, transfer or otherwise encumber or dispose of a legal or beneficial interest of the shares in the Target Companies which it holds.

SH Cogent shall purchase, or procure its lawful nominee to purchase, all the ordinary shares of the Target Company held by the CLS Seller ("**Exit Shares**") at the Exit Price (as defined hereinafter), on the 20th business day or such other day as may be mutually agreed between the parties, after the expiry of the Lock-up Period or if approvals of government, regulatory body or any other third parties (collectively "**Approval**") are required for such purchase, on the 20th business day after the last of such Approvals have been obtained or such other day as may be mutually agreed between the parties.

"**Exit Price**" means an amount equal to:

- (a) 25% of the purchase consideration paid by SH Cogent under the sale and purchase agreement for its acquisition of 80% of the issued and paid-up capital of the Target Companies;
- (b) add: the price paid for any additional capital contributed by the CLS Seller through capital contributions (if any);
- (c) as applicable,
  - (i) add: the cumulative net profit after tax attributable to the Exit Shares as reflected in the latest financial statements of the Target Companies; or
  - (ii) less: the cumulative net loss after tax attributable to the Exit Shares as reflected in the latest financial statements of the Target Companies,

in each case, for the period commencing on 1 April 2019 up to and including the day occurring immediately after the expiry of the Lock-up Period;

- (d) less: the amount of any dividends declared by the Target Companies in respect of the Exit Shares during the period commencing on 1 April 2019 up to and including the day occurring immediately after the expiry of the Lock-up Period;

For the avoidance of doubt, in the calculation for the Exit Price of GIL's Exit Shares, the net gains arising from the sale of Petro-land<sup>1</sup> (the "**Petro-land**") and the sale of the Excluded Lands shall be excluded from the calculation under clause (4)(c) above, whilst the dividends declared by the CLS Seller during the period commencing on 1 April 2019 up to and including the Relevant Date pursuant to clause (4)(d) above shall exclude the net gains arising from the sale of Petro-land and the sale of the Excluded Lands which shall be distributed by GIL as dividend to the CLS Seller in the manner contemplated in the sale and purchase agreement.

(5) Change in Control of the CLS Seller

If a change in control of the CLS Seller (i.e. the current controlling shareholder and his related persons cease to control more than 50% voting shares) occurs during the Lock-up Period, SH Cogent may at any time thereafter require the CLS Seller to sell to SH Cogent or its lawful nominee, all the ordinary shares in the Target Company then held by the CLS Seller at the Exit Price, free and clear from all claims or encumbrances and Target to the Approvals.

(6) First Right to Purchase Vacant Land

During the Lock-up Period, if a company within the CLS Seller and/or its subsidiaries (the "**CLS Group**") wishes to sell or dispose of its interest in any vacant land ("**Land Seller**"), the CLS Seller shall procure the Land Seller to first issue a written offer to SH Cogent ("**Written Offer**") not later than two (2) business days after the day the Land Seller receives an offer from a third party to buy the said land. If SH Cogent does not accept the Written Offer, the Land Seller shall be entitled to proceed to sell the said land to a third party at a price not lower than the Written Offer.

(7) Non-competition

The CLS Seller undertakes that it shall not, and it shall procure that no company within the CLS Group shall, for so long as the CLS Seller is a shareholder in any of the Target Company and thereafter for a period of six (6) years after the CLS Seller ceases to be a shareholder, either on its own account or in conjunction with, or on behalf of, any person, firm or company, have any Interest in any firm, company or partnership which conducts the Business in Malaysia.

In the event where Law Hee Ling and/or persons connected with him no longer have the right to exercise or control the exercise of voting shares or voting rights of more than thirty-three per cent (33%) in aggregate of the CLS Seller, the above non-competition undertaking shall cease.

(II) The salient terms of the CLS Share Purchase Agreement and EWF Share Purchase Agreement are set out in the Announcement.

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<sup>1</sup> The Petro-land pertains to 2 adjoining parcels of a vacant freehold petrol station land which the CLS Seller had on 13 November 2017 entered into a sale and purchase agreement with a third party to dispose the said lands at an agreed cash consideration. The lands are not required for the Target Companies' business operations, and their disposal is still in progress.

**Query 7:**

- (g) Please clarify whether the Company has commissioned an independent valuation over the assets to be acquired. If yes, please disclose the information required under Listing Rule 1010(5) namely the latest available valuation, the value placed on the assets, the party who commissioned the valuation and the basis and date of such valuation.

**Company's Response**

No independent valuation has been commissioned by the Company over the CLS Sale Shares.

By Order of the Board  
**COSCO SHIPPING INTERNATIONAL (SINGAPORE) CO., LTD.**

Gu Jing Song  
Executive Chairman and President  
3 September 2019