

APPENDIX DATED 10 March 2016

THIS APPENDIX IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY

This Appendix is circulated to the shareholders of Pan Ocean Co., Ltd. Its purpose is to provide shareholders with information relating to, and the reasons for, the proposed adoption of a interested person transactions mandate, and to seek shareholders' approval in relation to the same at the Annual General Meeting to be held on 25 March 2016 at 98, Huam-ro, Jung-gu, Seoul (04637), Republic of Korea.

The Notice of Annual General Meeting and a Proxy Form are enclosed.

If you are in doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

If you have sold or transferred all your shares in the capital of Pan Ocean Co., Ltd., you should at once hand the Notice of Annual General Meeting, Proxy Form and this Appendix to the purchaser or transferee or to the bank, stockbroker or agent through whom you effected the sale or transfer, for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Appendix.



PAN OCEAN CO., LTD.

(A corporation with limited liability established under the law of the Republic of Korea)
(Company Registration No. 110111-0004286)

APPENDIX TO THE NOTICE OF ANNUAL GENERAL MEETING

IN RELATION TO

THE PROPOSED ADOPTION OF THE INTERESTED PERSON TRANSACTIONS MANDATE

*Independent Financial Adviser to the Independent Directors
in relation to the Proposed Adoption of the Interested Person Transactions Mandate*

ERNST & YOUNG CORPORATE FINANCE PTE LTD

(Incorporated in the Republic of Singapore)
(Company Registration No. 199702967E)

Important Dates and Times:

Last date and time for lodgment of Proxy Form	:	23 March 2016 at 10 a.m. (Korean time) or 9 a.m. (Singapore time)
Date and time of Annual General Meeting	:	25 March 2016 at 10 a.m. (Korean time) or 9 a.m. (Singapore time)
Place of Annual General Meeting	:	98, Huam-ro, Jung-gu, Seoul (04637), Republic of Korea

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DEFINITIONS

In this Appendix, the following definitions shall apply throughout unless the context otherwise requires:-

“AGM”	:	The annual general meeting of the Company to be held on 25 March 2016
“Appendix”	:	This appendix to the Notice of AGM dated 10 March 2016
“Associate”	:	(a) in relation to any Director, chief executive officer, substantial shareholder or Controlling Shareholder (being an individual) means:- (i) his immediate family; (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more; and (b) in relation to a substantial shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
“Audit Committee”	:	The audit committee of the Company comprising of its independent directors, Sueng Hwan Choi (Chairman of the Audit Committee), Yoo Whan Chang and Jeong Shik Shin
“CDP”	:	The Central Depository (Pte) Limited
“Chief Financial Officer”	:	Bo Yeon Kim
“Companies Act”	:	The Companies Act, Chapter 50 of Singapore, as may be amended or modified from time to time
“Company”	:	Pan Ocean Co., Ltd.
“Condition”	:	Has the meaning ascribed to it in paragraph 5 of the Appendix
“Controlling Shareholder”	:	A person who: (a) holds directly or indirectly 15% or more of all voting Shares in the Company, unless determined by SGX-ST that such person is not a controlling shareholder; or (b) in fact exercises control over the Company; or

	(c) such other meaning as the SGX-ST may ascribe to this term from time to time
“Directors”	: The directors of the Company as at the date of this Appendix
“Farmsco”	: Farmsco Co., Ltd.
“FY2015”	: The financial year ended 31 December 2015
“Group”	: The Company and its subsidiaries
“Harim”	: Harim Co., Ltd.
“Harim Group”	: A Korean enterprise focusing on the food business, comprising of Jeil Holdings and its subsidiaries
“IFA Letter”	: Has the meaning ascribed to it in paragraph 6 of the Appendix
“IFA”	: Ernst & Young Corporate Finance Pte Ltd, the independent financial adviser
“Interested Persons”	: Has the meaning ascribed to it in paragraph 2.3.2 of the Appendix
“IPT Register”	: Has the meaning ascribed to it in paragraph 4.3.2 of the Appendix
“Jeil Holdings”	: Jeil Holdings Co., Ltd.
“Jeil Feed”	: Jeil Feed Co., Ltd.
“KSD”	: Korea Securities Depository
“Latest Practicable Date”	: The latest practicable date prior to the date of this Appendix, being 10 March 2016
“Listing Manual”	: The Listing Manual of the SGX-ST, as amended, modified or supplemented from time to time
“Mandated IPTs”	: Has the meaning ascribed to it in paragraph 2.3.3 of the Appendix
“Market Day”	: A day on which SGX-ST is open for trading in securities
“NTA”	: Net tangible assets
“President”	: Sung Yob Choo
“Proposed IPT Mandate”	: The proposed Shareholders’ general mandate pursuant to Chapter 9 of the Listing Manual permitting the Company, its subsidiaries and associated companies who are considered to be “entities at risk” under Chapter 9 of the Listing Manual or any of them, to enter into Mandated IPTs with Interested Persons

proposed to be adopted at the AGM

“Securities Account”	:	Securities account maintained by a Depositor with CDP (but does not include a sub-securities account maintained with a Depository Agent)
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Shareholders”	:	Registered holders of Shares, except that (a) where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares and where the context so admits, mean the persons in the Depository Register maintained by CDP as Depositors whose Securities Account are credited with those Shares, and (b) where the registered holder is KSD, the term “Shareholders” shall, in relation to such Shares and where the context so admits, mean the persons named as depositors in the relevant depository register maintained by KSD whose securities accounts are credited with those Shares
“Shares”	:	Ordinary shares in the capital of the Company
“Sunjin”	:	Sunjin Co., Ltd.
“Uninterested Directors”	:	Has the meaning ascribed to it in paragraph 10 of the Appendix
“US\$” and “cents”	:	United States of America dollars and cents respectively
“%”	:	Per centum or percentage

The terms “Depositor”, “Depository Agent” and “Depository Register” shall have the meanings ascribed to them respectively in Section 130A of the Companies Act or any statutory modification thereof, as the case may be.

The terms “subsidiary” and “substantial shareholder” shall have the meanings ascribed to them in Sections 5 and 81 of the Companies Act respectively or any statutory modification thereof, as the case may be.

Words importing the singular shall, where applicable, include the plural and vice versa, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa.

Words importing persons include corporations.

Any reference in this Appendix to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or any statutory modification thereof and used in this Appendix shall, where applicable, have the meaning ascribed to it under the Companies Act or any statutory modification thereof, as the case may be.

Any reference to a time of day in this Appendix shall be a reference to Singapore time.

Any discrepancies in figures in tables included in this Appendix between the amounts listed and the total thereof are due to rounding. Accordingly, figures shown as totals in this Appendix may not be an arithmetic aggregation of the figures that precede them.

LETTER TO SHAREHOLDERS

PAN OCEAN CO., LTD

(A corporation with limited liability established under the law of the Republic of Korea)
(Company Registration No. 110111-0004286)

Board of Directors:

Sung Yob Choo (*Chief Executive Officer/President and Executive Director*)
Hong Kuk Kim (*Executive Director*)
Se Gi Cheon (*Executive Director*)
Jeong Shik Shin (*Independent Director*)
Yoo Whan Chang (*Independent Director*)
Seung Hwan Choi (*Independent Director*)
Christopher Anand Daniel (*Independent Director*)

Registered Office:

98, Huam-ro, Jung-gu,
Seoul (04637),
Republic of Korea

10 March 2016

To: The Shareholders of Pan Ocean Co., Ltd

Dear Sir/Madam,

THE PROPOSED ADOPTION OF THE INTERESTED PERSON TRANSACTIONS MANDATE

1. INTRODUCTION

- 1.1 The Directors have convened the AGM to be held on 25 March 2016 to seek the approval of Shareholders for, *inter alia*, the adoption of the Proposed IPT Mandate as explained in paragraph 2 of this Appendix below.
- 1.2 The purpose of this Appendix is to provide Shareholders with information relating to, and the reasons for, the adoption of the Proposed IPT Mandate.
- 1.3 The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Appendix. If a Shareholder is in any doubt as to the action he/she should take, he should consult his stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

2. THE PROPOSED IPT MANDATE

2.1 Chapter 9 of the Listing Manual

Chapter 9 of the Listing Manual applies to transactions which a corporation listed on the SGX-ST or any of its subsidiaries or associated corporations, which is considered to be an "entity at risk" within the meaning of Rule 904(2) of the Listing Manual, proposes to enter into with a counterparty who is an interested person of the listed corporation within the meaning of Rule 904(2) of the Listing Manual.

2.1.1 Definitions under Chapter 9 of the Listing Manual

The following definitions are contained in the Listing Manual:

An “approved exchange” means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles in Chapter 9 of the Listing Manual.

An “associate” in relation to any director, chief executive officer, substantial shareholder or controlling shareholder means (i) his immediate family (that is, his spouse, child, adopted child, step-child, sibling or parent), (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object, and (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more, and, in relation to a substantial shareholder or a controlling shareholder which is a company, means its subsidiary or holding company or a subsidiary of such holding company or a company in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more.

An “associated company” means a company in which at least 20% but not more than 50% of its shares are held by the listed company or the group.

A “controlling shareholder” means a person who holds (directly or indirectly) 15% or more of the total number of issued shares excluding treasury shares in the company or one who in fact exercises control over the company.

An “entity at risk” means:

- (i) the listed company;
- (ii) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed group, or the listed group and its interested person(s), has or have control over the associated company.

An “interested person” means a director, chief executive officer or controlling shareholder of the listed company or an associate of any such director, chief executive officer or controlling shareholder.

An “interested person transaction” means a transaction between an entity at risk and an interested person.

2.1.2 General requirements

Rule 905 of the Listing Manual states that a listed company must make an immediate announcement of any interested person transaction of a value equal to, or more than, 3% of the group's latest audited net tangible assets, or if the aggregate value of all transactions entered into with the same interested person during the same financial year amounts to 3% or more of the group's latest audited net tangible assets, the listed company must make an immediate announcement of the latest transaction and all future transactions entered into with that same interested person during that financial year.

Rule 906 of the Listing Manual states that a listed company must also obtain shareholder approval for any interested person transaction of a value equal to, or more than (i) 5% of the group's latest audited net tangible assets; or (ii) 5% of the group's latest audited net tangible assets, when aggregated with other transactions entered into with the same interested person during the same financial year. However, a transaction which has been approved by shareholders, or is the subject of aggregation with another transaction that has been approved by shareholders, need not be included in any subsequent aggregation.

Rule 920 of the Listing Manual also permits a listed company to seek a general mandate from its shareholders for recurrent transactions with interested persons of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials, but not in respect of the purchase or sale of assets, undertakings or businesses. Transactions conducted under such a general mandate are not subject to Rules 905 and 906 of the Listing Manual. A general mandate is subject to annual renewal.

2.1.3 Excluded transactions

In line with the rules set out in Chapter 9 of the Listing Manual, a transaction with a value of less than S\$100,000 is not considered material and is not taken into account for the purposes of this Appendix.

2.1.4 Circular requirements

Pursuant to Rule 920(1)(b) of the Listing Manual, this Appendix seeking the approval of the Shareholders in relation to the Proposed IPT Mandate must include:

- (i) the class of interested persons with which the Group will be transacting;
- (ii) the nature of the transactions contemplated under the Proposed IPT Mandate;
- (iii) the rationale for, and benefit to, the Group;
- (iv) the methods or procedures for determining transaction prices;
- (v) the IFA's opinion on whether the methods or procedures in paragraph 4 below are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders;
- (vi) an opinion from the Audit Committee if it takes a different view to the IFA;
- (vii) a statement from the Company that it will obtain a fresh mandate from Shareholders if the methods or procedures in paragraph 4 below become inappropriate; and
- (viii) a statement that the interested person will abstain and has undertaken to ensure that its associates will abstain from voting on the resolution approving the transaction.

2.1.5 Illustration

For illustration purposes, based on the audited consolidated accounts of the Group for FY2015, the audited consolidated NTA of the Group as at 31 December 2015 was approximately US\$2,071,689,269.

Accordingly, in relation to the Group, for the purpose of Chapter 9 of the Listing Manual in the current financial year:

- (i) an immediate announcement would be required where:
 - (a) the transaction is of a value equal to, or more than, approximately US\$62,150,678, being 3% of the latest audited consolidated NTA of the Group; or
 - (b) the transaction, when aggregated with other transactions entered into with the same interested person (in accordance with the definition in Chapter 9 of the Listing Manual) during the same financial year, is of a value equal to, or more than, US\$62,150,678, being 3% of the latest audited consolidated NTA of the Group.
- (ii) Shareholders' approval would be required where:
 - (a) the transaction is of a value equal to, or more than, approximately US\$103,584,463, being 5% of the latest audited consolidated NTA of the Group; or
 - (b) the transaction, when aggregated with other transactions entered into with the same interested person (in accordance with the definition in Chapter 9 of the Listing Manual) during the same financial year, is of a value equal to, or more than, US\$103,584,463, being 5% of the latest audited consolidated NTA of the Group.

2.2 Introduction

Reorganization of the Company

On 30 July 2015, the Seoul Central District Court ruled the rehabilitation procedure that the Company was undergoing was complete. As part of the rehabilitation procedure, the Company had been acquired by Jeil Holdings Co., Ltd ("**Jeil Holdings**"), the holding company of the Harim Group, a Korean agricultural conglomerate. The intention of the Harim Group is to integrate the shipping and logistics expertise of the Company into the larger agricultural focused framework of the Harim Group. By incorporating the Company's expertise, the companies in the Harim Group will be able to expand their vertical integration of their supply chain to begin from the purchase of grain.

In addition to the intentions of the Harim Group, due to the prolonged depression in the shipping market, the Company similarly intends to leverage its new relationship with the Harim Group to enter into the business of grain trading. Accordingly, post the aforementioned rehabilitation process, the Company now includes grain trading as part of its ordinary course of business. The Company highlights that in addition to companies in the Harim Group, it will also be entering into grain contracts with unrelated third parties as well. The goal of the Company is to build its grain trading business not only by supplying to Korea but eventually moving into the Intra-Asia food markets and global distribution markets.

Interested Persons

As at the Latest Practicable Date, Jeil Holdings holds approximately 51.87% of the current total shareholdings of the Company and is a controlling shareholder of the Company. According to Chapter 9 of the Listing Manual, Jeil Holdings and its associates are interested persons. Jeil Holdings is also a controlling shareholder of Harim Co., Ltd. ("**Harim**"); Farmsco Co., Ltd. ("**Farmsco**"); Sunjin Co., Ltd. ("**Sunjin**"); and Jeil Feed Co., Ltd. ("**Jeil Feed**"). Accordingly, Harim, Farmsco, Sunjin and Jeil Feed are all associates of Jeil Holdings and are part of the Harim Group.

Harim Co., Ltd.

Harim was founded in 1990 and is based in Iksan-City, Korea. Harim is in the food business and is the largest chicken company in Korea. It is also the leading company in Korea's vertical broiler integrator business, where it breeds chicken (including manufacturing chicken feed), processes chicken and distributes chicken. Harim is listed on the Korean Stock Exchange.

Farmsco Co., Ltd.

Farmsco was founded in 1967 and is based in Seongnam-City, Korea. It engages in the manufacture and sale of animal feed in Korea. It is also involved in the slaughtering livestock and in the processing and preserving of meat and meat products. Farmsco is listed on the Korean Stock Exchange.

Sunjin Co., Ltd.

Sunjin was founded in 1973 and is based in Seoul, Korea. Sunjin is in the business of manufacturing, including feed for pigs, dairy cows, cattle, poultry and dogs. It also produces meat and processed meat products. Sunjin is the producer of Korea's first pork brand "Sunjin Pork", a top grade pork which is produced through Sunjin's specialised production process which includes the manufacturing of pig feed, pig breeding management, meat processing and sales. Sunjin is listed on the Korean Stock Exchange.

Jeil Feed Co., Ltd.

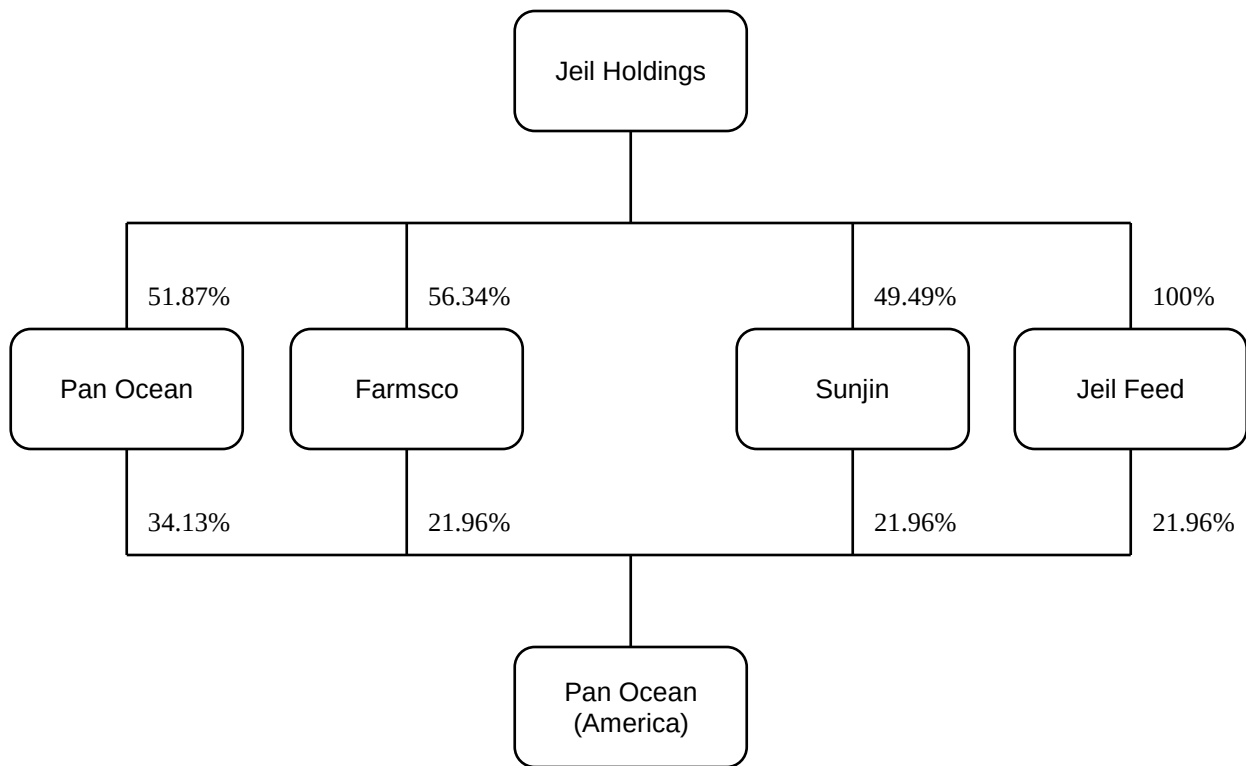
Jeil Feed was founded in 1962 and is based in Daejeon-City, Korea. Jeil Feed is a livestock feed manufacturer.

Pan Ocean (America), Inc.

Pan Ocean (America), Inc. ("**POA**"), is partly owned by various other companies within the Harim Group pursuant to injections of capital and the issuance of POA shares to other associates of JH. Even though POA is a subsidiary of the Company by virtue of the Company appointing the entire board of POA, the Company does not have a majority of the shares of POA. As at the Latest Practicable Date the Company owns approximately 34.13% of the shareholdings of POA while each of Farmsco, Sunjin and Jeil Feed each own approximately 21.96% of the shareholdings of POA.

Notwithstanding that POA is a subsidiary of the Company and part of the Group, as at the Latest Practicable Date, Jeil Holdings has a deemed interest in 65.87% of POA through the shareholdings of Farmsco, Sunjin and Jeil Feed. Accordingly, POA is also an associate of Jeil Holdings and an interested person under Chapter 9 of the Listing Manual when entering into transactions with the Company.

As at the Latest Practicable Date, the shareholding relationship between the Company, Jeil Holdings, Farmsco, Harim, Sunjin, Jeil Feed and POA is represented in the diagram below.



Grain Trading Business

The structure of the Company's grain trading business is as follows:

- (i) POA sources for and purchases grain from grain sellers located in the Americas and other countries producing grain.
- (ii) Market practice for grain contracts is that a performance bond/guarantee be provided to secure the purchase of grain until the seller receives payment for the grain. In order for POA to purchase grain, the Company, as the parent company of POA, will provide corporate guarantees to the respective grain sellers.
- (iii) POA charts vessels from the Company, as its exclusive vendor, to transport the purchased grain to Korea.

- (iv) POA appoints the Company to act as its exclusive sales agent to sell the purchased grain to both associates of JH and other third party buyers of grain.

To carry out the above plans to enter into the grain trading business, the Directors envisage potential transactions between the Company, POA, Harim, Farmsco, Sunjin, Jeil Feed and/or their respective subsidiaries. Such potential transactions will constitute interested person transactions for the purposes of Chapter 9 of the Listing Manual and will accordingly be subject to Chapter 9 of the Listing Manual.

In view of the time-sensitive nature of the above described transactions, and the need for smooth and efficient conduct of business which may include entering into transactions which are recurring in nature or in the ordinary course of business with certain interested persons, it is essential for the Group to obtain a shareholders' general mandate to enter into certain interested person transactions in its normal course of business, provided that all such transactions are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

In connection with the foregoing, the Directors propose to seek the approval of the Shareholders for the adoption of the Proposed IPT Mandate.

2.3 The Proposed IPT Mandate

2.3.1 Entity at risk

- (i) the Company;
- (ii) POA, in respect of transactions between POA and companies in the Harim Group;
- (iii) each of the Group companies; and
- (iv) an associated company of the Company, provided that the Group, or the Group and its interested person(s), has control over the associated company.

2.3.2 Class of interested persons

The Proposed IPT Mandate will apply to the transactions that are proposed to be carried out between an entity at risk and:

- (i) the Harim Group (excluding the Company), including Jeil Holdings; Farmsco; Harim; Sunjin; and Jeil Feed and their respective subsidiaries and associates (as defined under the Listing Manual); and
- (ii) POA, in respect of transactions between the Company and POA,
(together hereinafter, the “**Interested Persons**”).

The Interested Persons will be deemed to be interested persons under Chapter 9 of the Listing Manual, and any transaction between an entity at risk and an Interested Person, subject to the exceptions provided in Chapter 9, will be deemed an interested person transaction.

2.3.3 Categories of interested person transactions

The Proposed IPT Mandate will cover the following categories of interested person transactions:

(i) Vessel Charters

This category relates to the charter of vessels by the Group to the Interested Persons. The purpose of these charters are for the transport of grain and/or other agriculture related commodities and products.

The terms of these vessel charters, as well as the consideration payable in relation thereto, shall be determined according to market practices and prevailing industry norms (including the reasonableness of the terms).

(ii) Corporate Guarantees

This category relates to the granting of guarantees and/or other security that the Company may grant to third parties in relation to the purchase of grain and/or other agriculture related commodities and products from such third parties by POA.

The terms of such corporate guarantees shall be determined according to market practices and prevailing industry norms (including the reasonableness of the terms).

(iii) Agency Agreements

This category relates to the Company acting as the exclusive agent of POA to sell the grain and/or other agriculture related commodities and products that have been transported to Korea in respect of grain sale contracts.

The terms of such agency agreements shall be determined according to market practices and prevailing industry norms (including the reasonableness of the terms).

(iv) Grain Sale Contracts

This category relates to the grain sale contracts whereby POA agrees to sell grain and/or other agriculture related commodities and products to both Interested Persons and unrelated third parties.

The terms of such grain sale contracts shall be determined according to market practices and prevailing industry norms (including the reasonableness of the terms).

(collectively, the “**Mandated IPTs**”).

For the avoidance of doubt, transactions with interested persons that do not fall within the ambit of the Proposed IPT Mandate will be subject to the relevant provisions of Chapter 9 of the Listing Manual.

3. **RATIONALE FOR THE PROPOSED IPT MANDATE AND BENEFITS TO THE GROUP**

The Mandated IPTs as set out in paragraph 2.3.3 are transactions which the Group has entered into or will enter into in the ordinary course of business. They are recurring transactions which are likely to occur with some degree of frequency or arise at any time and from time to time. The Proposed IPT Mandate and any subsequent renewal on an annual basis will eliminate the need

for the Company to convene separate general meetings from time to time to seek Shareholders' approval as and when potential interested person transactions arise, thereby reducing substantially the administrative time and expenses in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to the Group.

The Proposed IPT Mandate is intended to facilitate these transactions, provided that they are carried out on normal commercial terms and are not prejudicial to the Company and its minority Shareholders. The Directors are of the view that the Group will be able to benefit from such transactions with the Interested Persons. The Mandated IPTs are necessary if the Company wishes to be able to leverage on both the Company's expertise in shipping and logistics as well as the Harim Group's demand for grain and achieving its eventual goal of becoming the "No. 1 Korean grain trading company".

4. GUIDELINES AND REVIEW PROCEDURES FOR THE MANDATED IPTS

4.1 Review Procedures

Pursuant to Rule 920(1)(b)(iv) of the Listing Manual, a circular to shareholders seeking a general mandate must include the methods or procedures for determining transaction prices.

To ensure that the Mandated IPTs are carried out at arm's length, on normal commercial terms, and will not be prejudicial to the interests of the Company and its minority Shareholders, the Group has put in place the following methods and procedures for determining transaction prices and the review and approval of interested person transactions under the Proposed IPT Mandate:

4.1.1 The guiding principle is that all Mandated IPTs shall be conducted in accordance with the Group's usual business practices and pricing policies, consistent with the usual profit margins or prices extended to or received by the Group for the same or substantially similar type of transactions between the Group and unrelated third parties, and the terms are not more favourable to the Interested Person compared to those extended to or received from unrelated third parties and/or are in accordance with published or prevailing rates/prices or applicable industry norms. The Company will use its reasonable endeavours to make comparisons with quotes from unrelated third parties, wherever possible, for the same or substantially similar type of transactions.

4.1.2 Vessel Charters

- (i) Subject to and in accordance with paragraph 4.1.1 above, in the case of the chartering of the Company's vessels in the ordinary course of business of the Company, the charter rate of a vessel shall be no more favourable to the Interested Person than the usual commercial terms extended by the Company to unrelated third parties and/or in accordance with industry norms, taking into account, where applicable, preferential rates or discounts accorded to a class of customers or for long-term charters where the giving of such preferential rates or discounts are commonly practiced within the industry and may be extended to unrelated third parties, or otherwise in accordance with industry norms. The Company will source for documented evidence of market prices and quotations, where practicable, for ascertaining the reasonableness of the pricing.
- (ii) In cases of adverse market conditions when the Company considers it necessary to charter its vessels at a rate which will result in a lower profit margin than the

Company's ordinary business practices, such transactions shall be subject to and in accordance with paragraph 4.1.1 above and may only be entered into with the approval of at least one of the executive Directors of the Company with no interest, direct or indirect, in the proposed Mandated Interested Person Transaction. Such executive Director will, subject to the approval thresholds as set out in paragraph 4.3 below, evaluate and weigh the benefits of and rationale for transacting with the Interested Person to ensure that the terms of the transactions are not prejudicial to the Company and its minority Shareholders, taking into account factors such as, but not limited to, charter rate, charter duration, readiness of vessels, potential for future repeat business, and fluctuations in foreign exchange rates.

4.1.3 Corporate Guarantees

- (i) Subject to and in accordance with paragraph 4.1.1 above, in the case of the purchase of grain by POA in the ordinary course of business of the Group, the Company will provide corporate guarantees to such sellers of grain for the benefit of POA. The terms of such corporate guarantees shall be no more onerous to the Company than the usual terms of corporate guarantees granted to such sellers of grain in accordance with industry norms.
- (ii) In cases of adverse market conditions when the Group considers it necessary to accept terms in a corporate guarantee more onerous than is customary under industry norms, such transactions shall be subject to and in accordance with paragraph 4.1.1 above and may only be entered into with the approval of at least one of the executive Directors of the Company with no interest, direct or indirect, in the proposed Mandated Interested Person Transaction. Such executive Director will, subject to the approval thresholds as set out in paragraph 4.3 below, evaluate and weigh the benefits of and rationale for transacting with the Interested Person to ensure that the terms of the transactions are not prejudicial to the Company and its minority Shareholders, taking into account factors such as, but not limited to the price of the grain, the demand for the grain, and potential for future purchases from said grain seller.

4.1.4 Agency Agreements

- (i) Subject to and in accordance with paragraph 4.1.1 above, in the case of the Company acting as an agent of an Interested Person in the sale of grain, the commercial terms offered by the Company to the Interested Person to act as its agent in the sale of grain shall in accordance with industry norms, taking into account, where applicable, preferential rates or discounts accorded to a class of customers or for long-term contracts where the giving of such preferential rates or discounts are commonly practiced within the industry and may be extended to unrelated third parties, or otherwise in accordance with industry norms. The Company will source for documented evidence of market prices and quotations, where practicable, for ascertaining the reasonableness of the pricing.
- (ii) In cases of adverse market conditions when the Company considers it necessary to enter into an agency contract which will result in a lower profit margin than the Company's ordinary business practices, such transactions shall be subject to and in accordance with paragraph 4.1.1 above and may only be entered into with the approval of at least one of the executive directors of the Company with no interest, direct or indirect, in the proposed Mandated Interested Person Transaction. Such

executive director will, subject to the approval thresholds as set out in paragraph 4.3 below, evaluate and weigh the benefits of and rationale for transacting with the Interested Person to ensure that the terms of the transactions are not prejudicial to the Company and its minority Shareholders, taking into account factors such as, but not limited to, commission rate, length of representation, and potential for future repeat business.

4.1.5 Grain Sale Contracts

- (i) Subject to and in accordance with paragraph 4.1.1 above, in the case of the sale of grain by the Group to an Interested Person, the commercial terms offered by the Group to the Interested Person for the purchase of grain shall be no more favourable to the Interested Person than the usual commercial terms extended by the Company to unrelated third parties and/or in accordance with industry norms, taking into account, where applicable, preferential prices or discounts accorded to a class of customers or for long-term contracts where the giving of such preferential prices or discounts are commonly practiced within the industry and may be extended to unrelated third parties, or otherwise in accordance with industry norms. The Company will source for documented evidences of market prices and quotations, where practicable, for ascertaining the reasonableness of the pricing.
- (ii) In cases of adverse market conditions when the Group considers it necessary to enter into a transaction which will result in a lower profit margin than the Group's ordinary business practices, such transactions shall be subject to and in accordance with paragraph 4.1.1 above and may only be entered into with the approval of at least one of the executive Directors of the Company with no interest, direct or indirect, in the proposed Mandated Interested Person Transaction. Such executive Director will, subject to the approval thresholds as set out in paragraph 4.3 below, evaluate and weigh the benefits of and rationale for transacting with the Interested Person to ensure that the terms of the transactions are not prejudicial to the Company and its minority Shareholders, taking into account factors such as, but not limited to, commission rate, length of representation, and potential for future repeat business.

4.2 Approval Threshold

In addition to the review procedures set out in paragraph 4.1 above, the Group will include additional review procedures for Mandated IPTs of the following thresholds:

- 4.2.1 where the aggregate value of any transaction is equal to or more than S\$100,000 but less than 3% of the latest audited consolidated NTA of the Group, such transaction will be reviewed and approved by the heads of the relevant business division of the Group or the Chief Financial Officer;
- 4.2.2 where the aggregate value of any transaction is equal to or more than 3% but less than 5% of the latest audited consolidated NTA of the Group, such transaction will be reviewed and approved by the President or a member of the Audit Committee; and
- 4.2.3 where the aggregate value of any transaction is equal to or more than 5% of the latest audited consolidated NTA of the Group, such transaction will be reviewed and approved by the Audit Committee.

The above approval thresholds are adopted after taking into account, *inter alia*, the nature, volume, recurrent frequency and transaction size as well as the Group's day-to-day operations, administration and business. The approval thresholds act as an additional safeguard to supplement the review procedures to be implemented for the Mandated IPTs.

If any of the persons referred to in paragraph 4.2 is an interested person in respect of that particular Mandated Interested Person Transaction to be reviewed, has an interest, whether direct or indirect, in relation to that particular Mandated Interested Person Transaction, and/or otherwise not considered independent in relation to that particular Mandated Interested Person Transaction, he will, and will undertake that his associates will, abstain from any decision-making in respect of that particular Mandated Interested Person Transaction.

4.3 Other Review Procedures

4.3.1 Interested Persons List

The Chief Financial Officer shall maintain a list of Interested Persons and disclose the list to the relevant personnel to enable identification of interested person transactions. This list is to be updated immediately if there are any changes, and circulated to the Audit Committee and the aforementioned relevant personnel upon the occurrence of any such change. In addition, the list of Interested Persons shall be reviewed on an annual basis by the Audit Committee.

4.3.2 IPT Register

- (i) The Chief Financial Officer (or such other senior executive(s) of the Company designated by the Audit Committee from time to time) shall appoint designated compliance personnel for each of the Group companies. Such designated persons shall identify the Interested Persons and record details of all Interested Person transactions carried out by such Group company, including but not limited to Mandated IPTs. The details to be recorded include the nature and value of the transactions, the basis for the price, rate and other key terms of the transactions and relevant supporting documents to support such basis, such as third party offers/quotations or terms of comparable transactions entered into by the Group with other unrelated third parties, usual business terms of practices of the relevant Group company, and other factors that have been taken into consideration in the evaluation of the terms of the transactions.
- (ii) On a quarterly basis, such designated compliance personnel shall submit the details of all recorded Interested Person transactions to the person appointed by the Chief Financial Officer (or such other senior executive(s) of the Company designated by the Audit Committee from time to time), who shall maintain a register of Interested Person transactions (the "**IPT Register**").

4.3.3 Review by Internal Auditors

- (i) The Company's internal auditors shall review the IPT Register on a quarterly basis, including all Interested Person transactions included in the IPT Register pursuant to paragraph 4.3.2(ii) above, to ascertain that the guidelines and review procedures established pursuant to the Proposed IPT Mandate, have been complied with.
- (ii) The Company's internal auditors shall also, in their annual internal audit plan, conduct a review of all Mandated IPTs entered into by the Group with the

Interested Persons, preparing a report to be submitted to the Audit Committee for its review.

4.3.4 Review by Audit Committee

- (i) The Audit Committee shall review from time to time the guidelines and review the procedures to determine if they are adequate and/or commercially practicable in ensuring that the transactions between the Group and the Interested Persons are conducted on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders. Such review shall include a review of the latest report on the Mandated IPTs submitted by the Company's internal auditors.
- (ii) If the Audit Committee is of the view that the established guidelines and review procedures have become inappropriate or insufficient in view of changes to the nature of, or the manner in which the business activities of the Group are conducted so as to ensure the Mandated IPTs will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders, it will in consultation with the then current Directors, take such actions as it deems appropriate and/or institute additional procedures as necessary to ensure that future transactions of a similar nature are conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders. The Company will seek a fresh mandate from the Shareholders based on the new guidelines and review procedures for transactions with the Interested Persons. All subsequent transactions with the Interested Persons shall be reviewed and approved by at least one member of the Audit Committee prior to its entry while a fresh mandate is being sought from Shareholders.

4.4 **Disclosure**

Disclosure will be made in the Company's annual report of the aggregate value of all interested party transactions conducted with the Interested Persons pursuant to the Proposed IPT Mandate and otherwise during the financial year under review, and in the annual reports for the subsequent financial years during which the Proposed IPT Mandate is renewed and remains in force, in accordance with the requirements of Chapter 9 of the Listing Manual

5 **CONDITIONS OF THE PROPOSED IPT MANDATE**

The validity of the Proposed IPT Mandate is subject to the following conditions (each a "**Condition**"):

- (i) The business of grain trading is part of the Company's ordinary course of business.
- (ii) POA is a subsidiary of the Company.
- (iii) POA's primary business is grain trading.
- (iv) POA charters vessels to transport grain exclusively from the Group.
- (v) The Company or one of its wholly owned subsidiaries is the exclusive sales agent for POA's grain trading business.

If at any time during the validity period of the Proposed IPT Mandate, any of the above conditions are not met, the Proposed IPT Mandate will immediately cease or terminate and the Mandated IPTs will be subject to rules 905 and 906 of the Listing Manual.

6 VALIDITY PERIOD OF THE PROPOSED IPT MANDATE

If approved at the forthcoming AGM, the Proposed IPT Mandate will take effect from the date of the passing of the resolutions in respect of the adoption of the Proposed IPT Mandate and will (unless revoked or varied by the Company in a general meeting) continue to be in force until the subsequent AGM, or the expiration of the period within which the next AGM is required by law to be held, or a breach of a Condition, whichever is the earlier. The Company intends to seek the approval of the Shareholders for the renewal of the Proposed IPT Mandate annually. The renewal of such general mandate shall be subject to the satisfactory review by the Audit Committee of its continued application to any transactions with Interested Persons.

7 OPINION OF THE INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 920(1)(b)(v) of the Listing Manual, an opinion from an independent financial adviser is also required on whether the methods or procedures for determining the transaction prices of the IPTs under the Proposed IPT Mandate, are sufficient to ensure that these transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

Ernst & Young Corporate Finance Pte Ltd has been appointed as the independent financial adviser (the “**IFA**”) to provide an opinion to the Independent Directors on whether the guidelines review procedures for determining the transaction prices of the Mandated IPTs in connection with the Proposed IPT Mandate, are sufficient to ensure that the transaction will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

A copy of the letter from the IFA to the Independent Directors, setting out their advice in full, is set out in Appendix A of this Appendix (the “**IFA Letter**”). **Shareholders are advised to read the IFA Letter carefully.**

Based on the analysis undertaken and subject to the qualifications and assumptions made in the IFA letter, the IFA is of the opinion that the current guidelines and review procedures for determining the transaction prices of the Mandated IPTs, as set out in the section “Guidelines and Review Procedures for the Mandated IPTs” of this Appendix, if adhered to, are sufficient to ensure that the Mandated IPTs will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

The IFA has given and has not withdrawn its written consent to the issue of this Appendix with the inclusion of its name, the IFA Letter dated 10 March 2016 and all references thereto in the form and context in which they appear in the Appendix.

8 INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Based on the Register of Directors’ Shareholdings and the Register of Substantial Shareholders, as at the Latest Practicable Date, the direct and deemed interests and voting rights of the Directors and the substantial Shareholders will be as follows:

Directors	Direct Interests		Deemed Interests		Total Interests	
	No of Shares	%	No of Shares	%	No of Shares	%
Sung Yob Choo	10,273	0.0	-	-	10,273	0.0
Hong Kuk Kim	-	-	272,000,000 ⁽¹⁾	51.87	272,000,000	51.87
Se Gi Cheon	-	-	-	-	-	-
Jeong Shik Shin	-	-	-	-	-	-
Yoo Whan Jang	2,000	0.0	-	-	2,000	0.0
Seung Hwan Choi	-	-	-	-	-	-
Christopher Anand Daniel	-	-	-	-	-	-

Substantial Shareholders

Jeil Holdings Co., Ltd.	272,000,000	51.87	-	-	272,000,000	51.87
Poseidon 2014 LLC	68,000,000	12.97	-	-	68,000,000	12.97

(1) Hong Kuk Kim is deemed to have an interest in the 272,000,000 Shares virtue of his interest in Jeil Holdings Co., Ltd.

9 JEIL HOLDINGS AND ITS ASSOCIATES TO ABSTAIN FROM VOTING IF THEY HOLD ANY SHARES

Rules 919 and 920(1)(b)(viii) of the Listing Manual state that interested persons shall abstain and undertake that their associates shall abstain from voting on the resolution approving the Proposed IPT Mandate. Such interested persons and their associates also shall not act as proxies in relation to such resolutions unless voting instructions have been given by the relevant Shareholder.

As of the Latest Practicable Date, Jeil Holdings holds approximately 51.87% of the currently outstanding share capital of the Company, and would therefore not be entitled to void on the ordinary resolution in the Notice of AGM to approve the Proposed IPT Mandate.

Jeil Holdings shall abstain and shall procure that each of its associates who are Shareholders (if any) abstain, from voting in respect of each of their shareholdings in the Company on the resolution to approve the Proposed IPT Mandate as set out in the Notice of **AGM**.

10 DIRECTORS' RECOMMENDATIONS

Having considered, *inter alia*, the terms, rationale and benefits of the Proposed IPT Mandate and the opinion of the IFA (as set out in **Appendix A** to this Appendix), the Directors excluding Hong Kuk Kim (the “**Uninterested Directors**”) concur with the opinion of the IFA and are of the unanimous opinion that the Proposed IPT Mandate is in the best interests of the Company. Accordingly, the Uninterested Directors recommend that the Shareholders vote in favor of the ordinary resolution in relation to the adoption of the Proposed IPT Mandate as set out in the Notice of **AGM**.

11 ANNUAL GENERAL MEETING

The AGM will be held at 98, Huam-ro, Jung-gu, Seoul (04637), Republic of Korea on 25 March 2016 at 9 a.m. (Korean time) or 10 a.m. (Singapore time), for the purpose of considering and, if thought fit, passing with or without modifications, *inter alia*, the ordinary resolution relating to the adoption of the Proposed IPT Mandate as set out in the Notice of AGM.

12 ACTION TO BE TAKEN BY THE SHAREHOLDERS

The Shareholders who are unable to attend the AGM and who wish to appoint a proxy to attend on their behalf are requested to complete, sign and return the proxy form attached to this Appendix in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Company at 98, Huam-ro, Jung-gu, Seoul (04637), Republic of Korea not less than 48 hours before the time fixed for the AGM. The completion and lodgment of the proxy form by a Shareholder will not prevent him from attending and voting at the AGM in person if he so wishes.

In accordance with Article 354 of the Commercial Act of Korea and Article 16 of the Company's Articles of Association, a Depositor shall not be regarded as a member of the Company entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register by 31 December 2015.

13 DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the adoption of the Proposed IPT Mandate and the Group, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading.

Where information in this Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Appendix in its proper form and context.

14 LETTERS OF CONSENT

The IFA has given and has not withdrawn its written consent to the issue of this Appendix with the inclusion of its name and the IFA Letter (attached to this Appendix as **Appendix A**) and all references thereto, in the form and context in which they appear in this Appendix.

15 DOCUMENTS AVAILABLE FOR INSPECTION

The following documents may be inspected at the registered office of the Company at 98, Huam-ro, Jung-gu, Seoul (04637), Republic of Korea during normal business hours from the date hereof up to and including the date of the AGM:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the independent auditors' report on the combined financial statements of the Group for the year ended 31 December 2015; and
- (c) the letter of consent dated 10 March 2016 from the IFA.

Yours faithfully
For and on behalf of the Board of Directors
PAN OCEAN CO., LTD.

Sung Yob Choo
Executive Director and Chief Executive Officer / President

APPENDIX A

IFA LETTER

**LETTER FROM ERNST & YOUNG CORPORATE FINANCE PTE LTD
TO THE INDEPENDENT DIRECTORS**

10 March 2016

**The Independent Directors of
Pan Ocean Co., Ltd**
98, Huam-ro, Jung-go
Seoul (04637),
Republic of Korea

Dear Sirs

THE PROPOSED ADOPTION OF SHAREHOLDERS' MANDATE FOR RECURRENT INTERESTED PERSON TRANSACTIONS ("THE IPT MANDATE")

1 INTRODUCTION

Pan Ocean Co., Ltd (the "**Company**") is seeking shareholders' approval for the adoption of a new shareholders' mandate for recurrent interested person transactions (the "**Mandated IPTs**") pursuant to Chapter 9 of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual (the "**Listing Manual**"). This letter has been prepared for the use of the directors of the Company who are considered independent for the purposes of the proposed adoption of the IPT Mandate (the "**Independent Directors**") and is to be incorporated into the letter to shareholders of the Company (the "**Shareholders**") dated 10 March 2016 which is an appendix to the Company's Annual Report 2016 (the "**Appendix**") and which provides, *inter alia*, the details of the IPT Mandate and the recommendation of the Independent Directors thereon. Unless otherwise defined, all terms in the Appendix have the same meaning in this letter.

To comply with the requirements of Chapter 9 of the Listing Manual, Ernst & Young Corporate Finance Pte Ltd ("**EYCF**") has been appointed as the independent financial adviser to provide an opinion on whether the guidelines and review procedures for determining the transaction prices of the Mandated IPTs, as set out in the IPT Mandate, are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and the minority shareholders of the Company (the "**Minority Shareholders**").

2 TERMS OF REFERENCE

The objective of this letter is to provide an independent opinion, for the purposes of Chapter 9 of the Listing Manual, on whether the guidelines and review procedures set out in the IPT Mandate for determining the transaction prices of the Mandated IPTs are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and the Minority Shareholders.

EYCF's views as set forth in this letter are based on the prevailing market and economic conditions, and our analysis of the information provided in the Appendix as well as information provided to us by the Company, its subsidiaries and associated companies (the "**Group**"), as of the latest practicable date, being 10 March 2016 (the "**Latest Practicable Date**"). Accordingly, this opinion shall not take into account any event or condition which occurs after the Latest Practicable Date.

EYCF is not and was not involved in any aspect of the discussions on the scope of the IPT Mandate, nor were we involved in the deliberations leading up to the decision by the Directors to obtain the IPT Mandate or the guidelines and review procedures adopted by the Company for determining the transaction prices of the Mandated IPTs. In the course of our evaluation of the guidelines and review procedures proposed in connection with the IPT Mandate, we were provided with information by the management of the Company. We have not independently verified information furnished by the Directors and management of the Company or any representation or assurance made by them,

whether written or verbal, and accordingly cannot and do not warrant or accept responsibility for the accuracy or completeness of such information, representation or assurance. Nevertheless, the Directors have confirmed to us that to the best of their knowledge and belief, the information provided to us (whether written or verbal) as well as the information contained in the Appendix constitutes a full and true disclosure, in all material respects, of all material facts relating to the IPT Mandate and there is no material information the omission of which would make any of the information contained herein or in the Appendix inaccurate, incomplete or misleading in any material respect.

We have also made reasonable enquiries and used our judgement in assessing such information and have found no reason to doubt the reliability of such information. We have further assumed that all statements of fact, belief, opinion and intention made by the Directors in the Appendix have been reasonably made after due and careful enquiry. We have not conducted a comprehensive review of the business, operations and financial condition of the Company or the transactions described on the Appendix.

Our opinion is addressed to the Independent Directors for their benefit and deliberation on the IPT Mandate. The recommendations made to the Shareholders in relation to the IPT Mandate shall remain the responsibility of the Independent Directors. In preparing this letter, we have not had regard to the specific investment objectives, financial situation, tax position or unique needs and constraints of any Shareholder. As different Shareholders would have different investment objectives, we would advise the Independent Directors to recommend that any individual Shareholder who may require specific advice in relation to his Shares should consult his stockbroker, bank manager, solicitor, accountant or other professional advisers.

3 EVALUATION OF THE PROPOSED GUIDELINES AND REVIEW PROCEDURES FOR MANDATED IPTs

3.1 Rationale for and benefits of the IPT Mandate

We reproduce below the rationale for, and the benefits of adopting, the IPT Mandate, as set out in Section 3 of the Appendix:

"The Mandated IPTs as set out in paragraph 2.3.3 are transactions which the Group has entered into or will enter into in the ordinary course of business. They are recurring transactions which are likely to occur with some degree of frequency or arise at any time and from time to time. The Proposed IPT Mandate and any subsequent renewal on an annual basis will eliminate the need for the Company to convene separate general meetings from time to time to seek Shareholders' approval as and when potential interested person transactions arise, thereby reducing substantially the administrative time and expenses in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to the Group.

The Proposed IPT Mandate is intended to facilitate these transactions, provided that they are carried out on normal commercial terms and are not prejudicial to the Company and its minority Shareholders. The Directors are of the view that the Group will be able to benefit from such transactions with the Interested Persons. The Mandated IPTs are necessary if the Company wishes to be able to leverage on both the Company's expertise in shipping and logistics as well as the Harim Group's demand for grain and achieving its eventual goal of becoming the "No. 1 Korean grain trading company"."

3.2 The Mandated IPTs

The classes of Interested Persons and category of Mandated IPTs which will be covered by the IPT Mandate are set out below:

3.2.1 Classes of Interested Persons

As set out in Section 2.3.2 of the Appendix, the IPT Mandate will apply to the transactions that are proposed to be carried out between an entity at risk and:

- (a) the Harim Group (excluding the Company), including Jeil Holdings Co., Ltd., Farmsco Co., Ltd., Harim Co., Ltd., Sunjin Co., Ltd., and Jeil Feed Co., Ltd and their respective subsidiaries and associates (as defined under the Listing Manual); and
 - (b) Pan Ocean (America), Inc. (“POA”), in respect of transactions between the Company and POA,
- (together hereinafter, the “Interested Persons”).

The Interested Persons will be deemed to be interested persons pursuant to Chapter 9 of the Listing Manual, and any transaction between an entity at risk and an Interested Person, subject to exceptions provided in Chapter 9, will be deemed an interested person transaction.

We note that transactions with interested persons which do not fall within the ambit of the proposed IPT Mandate shall be subject to the relevant provisions of Chapter 9 of the Listing Manual.

3.2.2 **Categories of Interested Person Transaction**

As set out in Section 2.3.3 of the Appendix, the Mandated IPTs to be covered under the IPT Mandate are as follows:

- (a) **Provision of vessel chartering services** – relates to the charter of vessels by the Group to the Interested Persons. The purpose of the charters are for the transport of grain and/or other agriculture-related commodities and products.
- (b) **Provision of corporate guarantees** – relates to granting of guarantees and/or other security that the Company may grant to third parties in relation to the purchase of grain and/or other agriculture-related commodities and products from such third parties by POA.
- (c) **Entering into agency agreements** – relates to the Company acting as the exclusive agent of POA to sell the grain and/or other agriculture-related commodities and products that have been transported to Korea in respect of grain sale contracts.
- (d) **Entering into grain sale contracts** – relates to the grain sale whereby POA agrees to sell grain and/or agriculture-related commodities and products to the Interested Persons. The same type of transaction is entered into by the entity at risk with unrelated third parties.

3.3 **Guidelines and Review Procedures for the Mandated IPTs**

The detailed text of the guidelines and review procedures for the Mandated IPTs can be found Section 4 of the Appendix.

We note, *inter alia*, the following guidelines and review procedures established by the Group:

3.3.1 **Guiding principle**

The guiding principle is that all Mandated IPTs shall be conducted in accordance with the Group’s usual business practices and pricing policies, consistent with the usual profit margins or prices extended to or received by the Group for the same or substantially similar type of transactions between the Group and unrelated third parties, and the terms are not more favourable to the Interested Person compared to those extended to or received from unrelated third parties and/or are in accordance with published or prevailing rates/prices or applicable industry norms. The Company will use its reasonable endeavours to make comparisons with quotes from unrelated third parties, wherever possible, for the same or substantially similar type of transactions.

3.3.2 **Specific guidelines and review procedures**

In addition to Section 3.3.1 above, the following are the specific guidelines and review procedures for the Mandated IPTs:

(a) Vessel Charters

- (i) Subject to and in accordance with Section 3.3.1 above and paragraph 4.1.1 of the Appendix, in the case of the chartering of the Company's vessels in the ordinary course of business of the Company, the charter rate of a vessel shall be no more favourable to the Interested Person than the usual commercial terms extended by the Company to unrelated third parties and/or in accordance with industry norms, taking into account, where applicable, preferential rates or discounts accorded to a class of customers or for long-term charters where the giving of such preferential rates or discounts are commonly practiced within the industry and may be extended to unrelated third parties, or otherwise in accordance with industry norms. The Company will source for documented evidence of market prices and quotations, where practicable, for ascertaining the reasonableness of the pricing.
- (ii) In cases of adverse market conditions when the Company considers it necessary to charter its vessels at a rate which will result in a lower profit margin than the Company's ordinary business practices, such transactions shall be subject to and in accordance with Section 3.3.1 above and paragraph 4.1.1 of the Appendix and may only be entered into with the approval of at least one of the executive Directors of the Company with no interest, direct or indirect, in the proposed Mandated IPT. Such executive Director will, subject to the approval thresholds set out by the Company, evaluate and weigh the benefits of and rationale for transacting with the Interested Person to ensure that the terms of the transactions are not prejudicial to the Company and the Minority Shareholders, taking into account factors such as, but not limited to, charter rate, charter duration, readiness of vessels, potential for future repeat business, and fluctuations in foreign exchange rates.

(b) Corporate Guarantees

- (i) Subject to and in accordance with Section 3.3.1 above and paragraph 4.1.1 of the Appendix, in the case of the purchase of grain by POA in the ordinary course of business of the Group, the Company will provide corporate guarantees to such sellers of grain for the benefit of POA. The terms of such corporate guarantees shall be no more onerous to the Company than the usual terms of corporate guarantees granted to such sellers of grain in accordance with industry norms.
- (ii) In cases of adverse market conditions when the Group considers it necessary to accept terms in a corporate guarantee more onerous than is customary under industry norms, such transactions shall be subject to and in accordance with Section 3.3.1 above and paragraph 4.1.1 of the Appendix and may only be entered into with the approval of at least one of the executive Directors of the Company with no interest, direct or indirect, in the proposed Mandated IPT. Such executive Director will, subject to the approval thresholds as set out by the Company, evaluate and weigh the benefits of and rationale for transacting with the Interested Person to ensure that the terms of the transactions are not prejudicial to the Company and the Minority Shareholders, taking into account factors such as, but not limited to the price of the grain, the demand for the grain, and potential for future purchases from said grain seller.

(c) Agency Agreements

- (i) Subject to and in accordance with Section 3.3.1 above and paragraph 4.1.1 of the Appendix, in the case of the Company acting as an agent of an Interested Person in the sale of grain, the commercial terms offered by the Company to the Interested Person to act as its agent in the sale of grain shall be in accordance with industry norms, taking into account, where applicable, preferential rates or discounts accorded to a class of customers or for long-term contracts where the giving of such preferential rates or discounts are commonly practiced within the industry and may be extended to unrelated third parties, or otherwise in accordance with industry norms. The Company will source for documented evidence of market prices and quotations, where practicable, for ascertaining the reasonableness of the pricing.

- (ii) In cases of adverse market conditions when the Company considers it necessary to enter into an agency contract which will result in a lower profit margin than the Company's ordinary business practices, such transactions shall be subject to and in accordance with Section 3.3.1 above and paragraph 4.1.1 of the Appendix and may only be entered into with the approval of at least one of the executive directors of the Company with no interest, direct or indirect, in the proposed Mandated IPT. Such executive Director will, subject to the approval thresholds set out by the Company, evaluate and weigh the benefits of and rationale for transacting with the Interested Person to ensure that the terms of the transactions are not prejudicial to the Company and the Minority Shareholders, taking into account factors such as, but not limited to, commission rate, length of representation, and potential for future repeat business.

(d) Grain Sale Contracts

- (i) Subject to and in accordance with Section 3.3.1 above and paragraph 4.1.1 of the Appendix, in the case of the sale of grain by the Group to an Interested Person, the commercial terms offered by the Group to the Interested Person for the purchase of grain shall be no more favourable to the Interested Person than the usual commercial terms extended by the Company to unrelated third parties and/or in accordance with industry norms, taking into account, where applicable, preferential prices or discounts accorded to a class of customers or for long-term contracts where the giving of such preferential prices or discounts are commonly practiced within the industry and may be extended to unrelated third parties, or otherwise in accordance with industry norms. The Company will source for documented evidence of market prices and quotations, where practicable, for ascertaining the reasonableness of the pricing.
- (ii) In cases of adverse market conditions when the Group considers it necessary to enter into a transaction which will result in a lower profit margin than the Group's ordinary business practices, such transactions shall be subject to and in accordance with Section 3.3.1 above and paragraph 4.1.1 of the Appendix and may only be entered into with the approval of at least one of the executive Directors of the Company with no interest, direct or indirect, in the proposed Mandated IPT. Such executive Director will, subject to the approval thresholds set out by the Company, evaluate and weigh the benefits of and rationale for transacting with the Interested Person to ensure that the terms of the transactions are not prejudicial to the Company and the Minority Shareholders, taking into account factors such as, but not limited to, commission rate, length of representation, and potential for future repeat business.

3.3.3 Approval Thresholds

In addition to the guidelines and review procedures set out in paragraphs 4.1 of the Appendix, the Group will include additional review procedures for Mandated IPTs of the following thresholds:

- (a) where the aggregate value of any transaction is equal to or more than S\$100,000 but less than 3% of the latest audited consolidated NTA of the Group, such transaction will be reviewed and approved by the heads of the relevant business division of the Group or the Chief Financial Officer;
- (b) where the aggregate value of any transaction is equal to or more than 3% but less than 5% of the latest audited consolidated NTA of the Group, such transaction will be reviewed and approved by the President or a member of the Company Audit Committee; and
- (c) where the aggregate value of any transaction is equal to or more than 5% of the latest audited consolidated NTA of the Group, such transaction will be reviewed and approved by the Audit Committee.

The approval thresholds are adopted after taking into account, *inter alia*, the nature, volume, recurrent frequency and transaction size as well as the Group's day-to-day operations, administration and business. The approval thresholds act as an additional safeguard to supplement the review procedures to be implemented for the Mandated IPTs.

If any of the persons referred to in paragraph 4.2 of the Appendix is an interested person in respect of the particular Mandated IPT to be reviewed, has an interest, whether direct or indirect, in relation to that particular Mandated IPT, and/or otherwise not considered independent in relation to that particular Mandated IPT, he will, and will undertake that his associates will, abstain from any decision-making in respect of that particular Mandated IPT.

3.3.4 Other Review Procedures

(a) Interested Persons List

The Chief Financial Officer shall maintain a list of Interested Persons and disclose the list to the relevant personnel to enable identification of interested person transactions. This list is to be updated immediately if there are any changes, and circulated to the Audit Committee and the aforementioned relevant personnel upon the occurrence of any such change. In addition, the list of Interested Persons shall be reviewed on an annual basis by the Audit Committee.

(b) IPT Register

- (i) The Chief Financial Officer (or such other senior executive(s) of the Company designated by the Audit Committee from time to time) shall appoint designated compliance personnel for each of the Group companies. Such designated persons shall identify the Interested Persons and record details of all interested person transactions carried out by such Group company, including but not limited to Mandated IPTs. The details to be recorded include the nature and value of the transactions, the basis for the price, rate and other key terms of the transactions and relevant supporting documents to support such basis, such as third party offers/quotations or terms of comparable transactions entered into by the Group with other unrelated third parties, usual business terms of practices of the relevant Group company, and other factors that have been taken into consideration in the evaluation of the terms of the transactions.
- (ii) On a quarterly basis, such designated compliance personnel shall submit the details of all recorded interested person transactions to the person appointed by the Chief Financial Officer (or such other senior executive(s) of the Company designated by the Audit Committee from time to time), who shall maintain a register of Interested Person transactions (the “**IPT Register**”).

(c) Review by Internal Auditors

- (i) The Company’s internal auditors shall review the IPT Register on a quarterly basis, including all interested person transactions included in the IPT Register pursuant to paragraph 4.3.2(ii) of the Appendix, to ascertain that the guidelines and review procedures established pursuant to the IPT Mandate, have been complied with.
- (ii) The Company’s internal auditors shall also, in their annual internal audit plan, conduct a review of all Mandated IPTs entered into by the Group with the Interested Persons, preparing a report to be submitted to the Audit Committee for its review.

(d) Review by the Audit Committee

- (i) The Audit Committee shall review from time to time the guidelines and review the procedures to determine if they are adequate and/or commercially practicable in ensuring that the transactions between the Group and the Interested Persons are conducted on normal commercial terms and are not prejudicial to the interests of the Company and the Minority shareholders. Such review shall include a review of the latest report on the Mandated IPTs submitted by the Company’s internal auditors.
- (ii) If the Audit Committee is of the view that the established guidelines and review procedures have become inappropriate or insufficient in view of changes to the nature of, or the manner

in which the business activities of the Group are conducted so as to ensure the Mandated IPTs will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Minority Shareholders, it will, in consultation with the then current Directors, take such actions as it deems appropriate and/or institute additional procedures as necessary to ensure that future transactions of a similar nature are conducted on normal commercial terms and not prejudicial to the interests of the Company and the Minority Shareholders. The Company will seek a fresh mandate from the Shareholders based on the new guidelines and review procedures for transactions with the Interested Persons. All subsequent transactions with the Interested Persons shall be reviewed and approved by at least one member of the Audit Committee prior to its entry while a fresh mandate is being sought from Shareholders.

3.4 Conditions of the proposed IPT Mandate

We note that the validity of the IPT Mandate is subject to the following conditions (each, a “**Condition**”):

- (i) The business of grain trading is part of the Company’s ordinary course of business.
- (ii) POA is a subsidiary of the Company.
- (iii) POA’s primary business is grain trading.
- (iv) POA charters vessels to transport grain exclusively from the Group.
- (v) The Company or one of its wholly-owned subsidiaries is the exclusive sales agent for POA’s grain trading business.

We also note that if at any time during the validity of the IPT Mandate, any of the above conditions is not met, the IPT Mandate will immediately cease or terminate and the Mandated IPTs will be subject to Rules 905 and 906 of the Listing Manual.

4 CONCLUSION

In arriving at our opinion on whether the guidelines and review procedures for determining the transaction prices of the Mandated IPTs for purposes of the IPT Mandate, as set out in the section “Guidelines and Review Procedures for the Mandated IPTs” of the Appendix, are sufficient to ensure that the Mandated IPTs will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and the Minority Shareholders, we have considered the following:

- (a) the Directors’ rationale for, and the benefits accruing to, the Group arising from, the IPT Mandate;
- (b) the classes of Interested Persons and categories of the Mandated IPTs to be covered by the IPT Mandate;
- (c) the guidelines and review procedures for the Mandated IPTs; and
- (d) the conditions of the proposed IPT Mandate.

Based on the analysis undertaken and subject to the qualifications and assumptions made herein, EYCF is of the opinion that the current guidelines and review procedures for determining the transaction prices of the Mandated IPTs, as set out in the section “Guidelines and Review Procedures for the Mandated IPTs” of the Appendix, if adhered to, are sufficient to ensure that the Mandated IPTs will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and the Minority Shareholders.

We have prepared this letter for the use of the Independent Directors of the Company in connection with and for the purposes of their consideration of the IPT Mandate. A copy of the letter may be reproduced with the Appendix.

Whilst a copy of this letter may be reproduced with the Appendix, neither the Company nor the Directors may reproduce, disseminate or quote this letter (or any part thereof) for any purpose other than in relation to the IPT Mandate at any time and in any manner without the prior written consent of EYCF in each specific case. This opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully
For and on behalf of
Ernst & Young Corporate Finance Pte Ltd

Luke Pais
Managing Director

Elisa Montano
Director