

CIRCULAR DATED 8 DECEMBER 2021

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

If you are in any doubt as to the contents herein or as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or any other professional adviser immediately.

If you have sold or transferred all your shares in the capital of COSCO SHIPPING International (Singapore) Co., Ltd., please forward this Circular with the Notice of Extraordinary General Meeting and the attached Proxy Form immediately to the purchaser or the transferee or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

Singapore Exchange Securities Trading Limited takes no responsibility for the accuracy of any statements or opinions made or reports contained in this Circular.



COSCO SHIPPING INTERNATIONAL (SINGAPORE) CO., LTD.

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

CIRCULAR TO SHAREHOLDERS

in relation to

THE PROPOSED DISPOSAL OF 52,598,463 ORDINARY SHARES REPRESENTING 60% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF COSCO SHIPPING (SINGAPORE) PTE. LTD. (THE “PROPOSED PARTIAL DISPOSAL”) TO AN INTERESTED PERSON, AND THE PROPOSED ENTRY INTO OF A SHAREHOLDERS’ AGREEMENT WITH THE PURCHASER ON COMPLETION OF THE PROPOSED PARTIAL DISPOSAL AS AN INTERESTED PERSON TRANSACTION (THE PROPOSED PARTIAL DISPOSAL AND THE PROPOSED ENTRY INTO OF THE SHAREHOLDERS’ AGREEMENT COLLECTIVELY, THE “PROPOSED TRANSACTION”)

Independent Financial Adviser in relation to the Proposed Transaction



PROVENANCE CAPITAL PTE. LTD.

(Incorporated in the Republic of Singapore)
(Company Registration Number: 200309056E)

IMPORTANT DATES AND TIMES

Last date and time for lodgement of Proxy Form	:	20 December 2021 at 2.00 p.m.
Date and time of Extraordinary General Meeting	:	23 December 2021 at 2.00 p.m.
Place of Extraordinary General Meeting	:	The Extraordinary General Meeting will be held by electronic means

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DEFINITIONS

In this Circular, the following definitions apply throughout unless otherwise stated:

“1H”	:	First half year ended 30 June
“Attributable Loss”	:	Has the meaning ascribed to the term in paragraph 4.5.1(ii) of this Circular
“ARMC”	:	Has the meaning ascribed to the term in paragraph 3.2 of this Circular
“Audited Financial Statements”	:	Has the meaning ascribed to the term in paragraph 4.5.2 of this Circular
“Board”	:	The board of Directors of the Company
“CDP”	:	The Central Depository (Pte) Limited
“China COSCO SHIPPING”	:	China COSCO SHIPPING Corporation Limited
“Circular”	:	This circular dated 8 December 2021 to Shareholders
“Cogent”	:	Cogent Holdings Pte. Ltd.
“Companies Act”	:	The Companies Act (Chapter 50) of Singapore as amended or modified from time to time
“Company”	:	COSCO SHIPPING International (Singapore) Co., Ltd.
“Completion”	:	Completion of the Sale and Purchase Agreement
“Completion Date”	:	Has the meaning ascribed to the term in paragraph 4.5.1 of this Circular
“Consideration”	:	The aggregate consideration of US\$42,391,000 (equivalent to approximately S\$57.01 million) for the Sale Shares
“COSCO Group”	:	China Ocean Shipping Company Limited
“COSCO SHIPPING Bulk”	:	COSCO SHIPPING Bulk Co., Ltd.
“Directors”	:	The directors of the Company for the time being
“Distributable Profit”	:	Has the meaning ascribed to the term in paragraph 4.5.1(i) of this Circular
“EGM”	:	The extraordinary general meeting of the Company, notice of which is set out on page 52 of this Circular
“EPS”	:	Earnings per Share
“FY”	:	Financial year ended 31 December
“Group”	:	The Company and its subsidiaries
“IFA”	:	Provenance Capital Pte. Ltd., the independent financial adviser appointed in relation to the Proposed Transaction

DEFINITIONS

“ IFA Letter ”	:	The letter dated 8 December 2021 from the IFA, addressed to the Independent Directors, a copy of which is annexed as Appendix A to this Circular
“ Independent Directors ”	:	The Directors who are deemed independent of the Proposed Transaction, being, as at the Latest Practicable Date, Mr Ang Swee Tian, Dr Wang Kai Yuen and Mr Er Kwong Wah
“ Independent Valuation Summary Letter ”	:	The independent valuation summary letter in respect of the Sale Company issued by the Valuer which is annexed as Appendix B to this Circular
“ IPT General Mandate ”	:	Has the meaning ascribed to the term in paragraph 7 of this Circular
“ Latest Practicable Date ”	:	3 December 2021, being the latest practicable date prior to the printing of this Circular
“ Listing Manual ”	:	The listing manual of the SGX-ST, as amended or modified from time to time
“ Long-stop Date ”	:	31 December 2021
“ NAV ”	:	Net asset value
“ NTA ”	:	Net tangible assets
“ Parties ”	:	The Company and the Purchaser, and a “ Party ” means either one of them
“ Payment Determination Date ”	:	Has the meaning ascribed to the term in paragraph 4.5.2 of this Circular
“ PRC ”	:	The People’s Republic of China
“ Proposed Partial Disposal ”	:	Has the meaning ascribed to the term in paragraph 1.1 of this Circular
“ Proposed Transaction ”	:	Has the meaning ascribed to the term in paragraph 1.1 of this Circular
“ Purchaser ”	:	COSCO (H.K.) Shipping Co., Limited
“ Sale and Purchase Agreement ”	:	The conditional sale and purchase agreement entered into between the Company and the Purchaser on 30 September 2021 in relation to the sale and purchase of the Sale Shares
“ Sale Company ” or “ CSS ”	:	COSCO SHIPPING (Singapore) Pte. Ltd. (Company Registration Number: 199305664D)
“ Sale Shares ”	:	52,598,463 ordinary shares representing 60% of the issued and paid-up share capital of the Sale Company
“ Securities Account ”	:	A securities account maintained by a Depositor with CDP but does not include a securities sub-account
“ SFA ”	:	The Securities and Futures Act (Chapter 289) of Singapore, as amended or modified from time to time

DEFINITIONS

“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Shareholders”	:	Registered holders of Shares in the Register of Members of the Company, except that where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares, mean the Depositors into whose Securities Accounts those Shares are credited. Any reference to Shares held by Shareholders shall include Shares standing to the credit of the respective Shareholders’ Securities Accounts
“Shares”	:	Ordinary shares in the issued share capital of the Company
“Shareholders’ Agreement”	:	Has the meaning ascribed to the term in paragraph 1.1 of this Circular
“Substantial Shareholder”	:	A Shareholder who has an interest in one or more voting Shares in the Company, and the total votes attached to that Share, or those Shares, is not less than 5% of the total votes attached to all the voting Shares (excluding treasury shares) in the Company
“Transitional Period”	:	Has the meaning ascribed to the term in paragraph 4.5.1 of this Circular
“Valuation”	:	Has the meaning ascribed to the term in paragraph 2.4 of this Circular
“Valuation Report”	:	Valuation report dated 9 September 2021 by RSM Advisory
“Valuer” or “RSM Advisory”	:	RSM Corporate Advisory Pte Ltd
“S\$”	:	Singapore dollars, the lawful currency of the Republic of Singapore
“US\$”	:	United States dollars, the lawful currency of the United States of America
“%”	:	Per centum or percentage

The expressions “**Depositor**” and “**Depository Register**” shall have the respective meanings ascribed to them respectively in Section 81SF of the SFA.

The terms “**associate**”, “**controlling Shareholder**”, “**entity at risk**”, “**interested person**” and “**interested person transaction**” shall have the meanings ascribed to them respectively in the Listing Manual.

The term “**subsidiary**” has the meaning ascribed to it in Section 5 of the Companies Act.

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 gender and *vice versa*. References to persons shall, where applicable, include firms, corporations and other entities.

Any reference in this Circular to any enactment is a reference to that enactment for the time being amended or re-enacted. Any term defined under the Companies Act, the SFA or the Listing Manual or any modification thereof and used in this Circular shall, where applicable, have the meaning assigned to it under the Companies Act, the SFA or the Listing Manual or any modification thereof, as the case may be. Summaries of the provisions of any laws and regulations (including the Listing Manual) contained in this Circular are of such laws and regulations (including the Listing Manual) as at the Latest Practicable Date.

DEFINITIONS

Any discrepancies in tables included herein between the amounts in the columns of the tables and the totals thereof and relevant percentages (if any) are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Any reference to a time of day in this Circular shall be a reference to Singapore time unless otherwise stated. In this Circular, unless otherwise stated, the total number of issued Shares is 2,239,244,954 as at the Latest Practicable Date.

The Company has engaged Messrs Chang See Hiang & Partners as its legal adviser for the corporate action set out in this Circular.

LETTER TO SHAREHOLDERS

COSCO SHIPPING INTERNATIONAL (SINGAPORE) CO., LTD.

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

Directors

Mr Zhu Jian Dong
Mr Li Xi Bei
Mr Ang Swee Tian
Dr Wang Kai Yuen
Mr Er Kwong Wah

Registered Office:

30 Cecil Street #26-01
Prudential Tower
Singapore 049712

8 December 2021

To : The Shareholders of COSCO SHIPPING International (Singapore) Co., Ltd.

Dear Sir/Madam

THE PROPOSED DISPOSAL OF 52,598,463 ORDINARY SHARES REPRESENTING 60% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF COSCO SHIPPING (SINGAPORE) PTE. LTD. (THE “PROPOSED PARTIAL DISPOSAL”) TO AN INTERESTED PERSON, AND THE PROPOSED ENTRY INTO OF A SHAREHOLDERS’ AGREEMENT WITH THE PURCHASER ON COMPLETION OF THE PROPOSED PARTIAL DISPOSAL AS AN INTERESTED PERSON TRANSACTION (THE PROPOSED PARTIAL DISPOSAL AND THE PROPOSED ENTRY INTO OF THE SHAREHOLDERS’ AGREEMENT COLLECTIVELY, THE “PROPOSED TRANSACTION”)

1. INTRODUCTION

- 1.1 On 30 September 2021, the Company announced that it had entered into the Sale and Purchase Agreement with the Purchaser pursuant to which the Company agrees to sell, and the Purchaser agrees to purchase, 60% of the Company’s shareholding in the Sale Company (the **“Proposed Partial Disposal”**) as an interested person transaction (as defined under Chapter 9 of the Listing Manual). Upon Completion of the Proposed Partial Disposal, the shareholding interests of the Company and the Purchaser in the Sale Company will be 40% and 60% respectively. On Completion of the Proposed Partial Disposal, the Company, the Purchaser and the Sale Company shall enter into a shareholders’ agreement (the **“Shareholders’ Agreement”**) which sets out the financial, managerial, administrative and other arrangements agreed by the parties in relation to the Sale Company, and the manner in which the business and affairs of the Sale Company will be regulated (the Proposed Partial Disposal and the proposed entry into of the Shareholders’ Agreement collectively, the **“Proposed Transaction”**).
- 1.2 The Directors are convening the EGM to seek Shareholders’ approval for the Proposed Transaction.
- 1.3 The purpose of this Circular is to provide Shareholders with relevant information relating to the Proposed Transaction to be tabled at the EGM.
- 1.4 SGX-ST takes no responsibility for the accuracy of any statements or opinions made or reports contained in this Circular.

LETTER TO SHAREHOLDERS

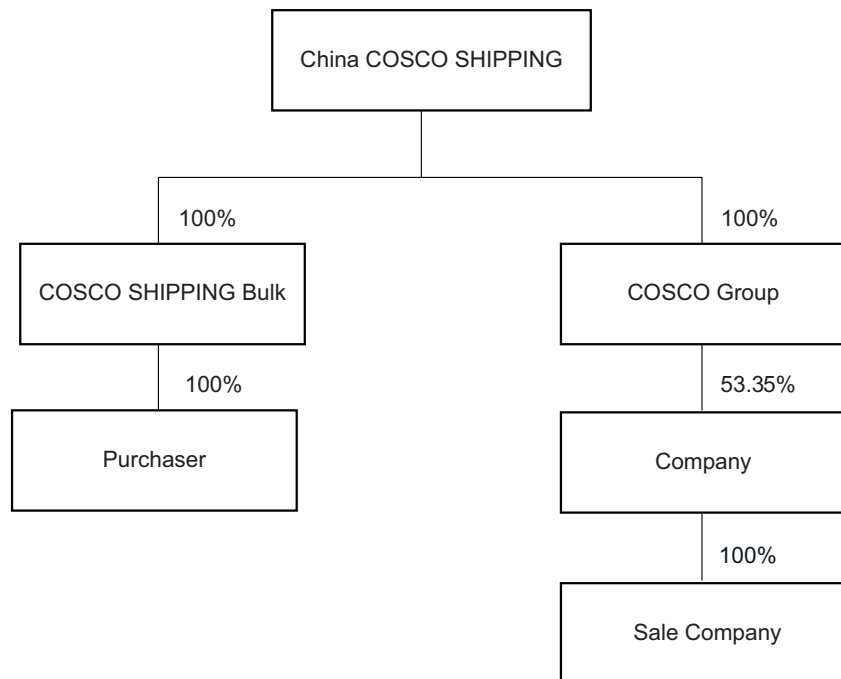
2. THE PROPOSED PARTIAL DISPOSAL

2.1 Information regarding the Purchaser

The Purchaser is a company incorporated in Hong Kong and is a wholly-owned subsidiary of COSCO SHIPPING Bulk. COSCO SHIPPING Bulk is in turn wholly-owned by China COSCO SHIPPING, a state-owned enterprise headquartered in Shanghai, PRC.

COSCO Group, the controlling Shareholder of the Company, which holds approximately 53.35% of the Shares, is also a wholly-owned subsidiary of China COSCO SHIPPING. As such, China COSCO SHIPPING indirectly holds a shareholding interest of approximately 53.35% in the Company through COSCO Group, and is an indirect controlling Shareholder of the Company.

A diagrammatic illustration of the above is as follows:



The Purchaser is established in 1994 and has a history of 27 years. As at 30 June 2021, the Purchaser owns a fleet of 98 vessels with a total deadweight ton of approximately 11.32 million, while the Purchaser's parent company, COSCO SHIPPING Bulk, one of the largest bulk shipping corporations in the world, has more than 400 bulk carriers of various types with total tonnage of approximately 40 million tonnes, loading iron ore, coal, grain and all other bulk cargoes. COSCO SHIPPING Bulk's services cover shipping routes in PRC coastal areas and world-wide major ports, and has shipping service networks all over the world. It also has more than 1,700 management staff and 12,500 seafarers.

As at the Latest Practicable Date, the directors of the Purchaser are Mr Gu Jingsong, Mr Chen Xiaoxiong, Mr Chen Yan and Mr Hu Haibing, who are senior management of COSCO SHIPPING Bulk.

2.2 Information regarding the Sale Company

The Sale Company is incorporated in Singapore. It has an issued and paid-up share capital of S\$87,664,105 comprising 87,664,105 ordinary shares. The Company is the beneficial owner of all the issued shares of the Sale Company.

The Sale Company is primarily engaged in the business of dry bulk shipping, with the main focus on owning and chartering of vessels. The Sale Company owns 3 Supramax vessels with a total tonnage of approximately 163,000 tonnes and with an average age of 16 years.

LETTER TO SHAREHOLDERS

2.3 Financial performance of the Sale Company

The financial highlights of the Sale Company for the financial years ended 31 December 2018, 31 December 2019 and 31 December 2020, and financial periods ended 1H2020 and 1H2021 are set out in **Appendix C** to this Circular.

Based on its audited interim results of the Sale Company for 1H2021, the Sale Company is in a positive net cash position as at 30 June 2021 and the Sale Company has no outstanding bank borrowings. As at 30 June 2021, the Company has an amount of US\$7 million owing to the Sale Company which is unsecured, interest free and repayable on demand. This amount will remain as a payable to the Sale Company after the Completion.

Other than the foregoing, there is no outstanding intercompany loan between the Group and the Sale Company and the Company has also not provided any corporate guarantee to the Sale Company.

2.4 Valuation

The Company has commissioned RSM Advisory, an independent valuer, to estimate the market value range of 60% of the share capital of the Sale Company as at 30 June 2021 (the "**Valuation**"). The Valuation was conducted applying the income approach and applying the market approach as a cross-check to the value derived under the income approach. RSM Advisory has arrived at the market value range of 60% of the share capital of the Sale Company to be US\$39.4 million to US\$45.5 million as at 30 June 2021. The mid-point of the market value range is US\$42.4 million, which was derived by applying a discount rate of 9.1%.

The Valuer has taken into consideration the amount of US\$7 million owed by the Company to the Sale Company and the cash balances in the Sale Company, in arriving at the estimated market value range of 60% interest in the Sale Company.

The Consideration for the Proposed Partial Disposal is at the mid-point of the market value range arrived at by the Valuer.

RSM Singapore is a member of the RSM International network of independent public accounting firms providing assurance, tax and business advisory services. RSM Singapore is the largest accounting and business advisory group outside the Big 4 in Singapore. RSM Advisory, a corporate advisory arm of RSM Singapore, provides professional valuation services to help businesses keep abreast of changes in accounting standards, establishing the value of the business for commercial purposes such as buy / sell transaction pricing, internal management information and planning, litigation support and dispute resolution.

A copy of the Independent Valuation Summary Letter is set out in **Appendix B** of this Circular. The Valuation Report of the Sale Company is available for inspection in accordance with paragraph 17 of this Circular.

2.5 General outlook on the dry bulk shipping industry

As at 30 September 2021, after a strong performance in 1H2021, dry bulk charter rates moved steadily higher in the second half of 2021, reaching its highest level in thirteen years. The surge has been driven partly by an improvement in conventional supply and demand fundamentals, and partly by a drop in fleet productivity, as port delays have soared to an all-time high. In addition to rising rates, dry bulk secondhand prices have reached levels last seen in 2014. The dry bulk secondhand prices have been supported by the sudden reversal in newbuilding prices, which have also reached its highest level in seven years, caused by rising shipyard capacity utilisation; a weakening US dollar and a spike in steel plate prices.

LETTER TO SHAREHOLDERS

Looking ahead, dry bulk rates and prices are expected to remain firm over the next few months and then falling back and remaining relatively flat over the coming years. This is on assumptions that port delays will fall back significantly over the next 12 months, as they return to more normal levels, helped by improved infrastructure, fewer weather-related disruptions, and other factors. As a result, rising fleet productivity is expected to more than offset the improvement in the conventional supply and demand fundamentals, leading to lower fleet utilisation.

As the Southeast Asian countries continue their industrialisation and urbanisation, coupled with the Regional Comprehensive Economic Partnership (RCEP) and “One Belt, One Road” initiative, they will become the main driving force for medium and long-term global economic growth. The Company believes that Southeast Asia will become one of the most important regions for the development of world trade in the future. Therefore, Southeast Asia is the regional market that the Sale Company will focus on in developing its bulk shipping business.

2.6 The businesses of the Group

The Group has 4 main business segments as follows:

- (i) **Logistics** – this is presently the largest business segment of the Group following the Company’s acquisition of the Cogent group of companies in 2018. Cogent owns one of Singapore’s largest one-stop integrated logistics hub and its main businesses comprise warehousing, container depot, automotive logistics, transportation and property management in Singapore. Cogent also operates warehousing and container depot businesses in Malaysia. In addition, the Company has a 40% interest in an Indonesian shipping logistics company and an indirect 15% stake in a Vietnamese logistics company. In the Company’s latest audited financial statements for FY2020, the logistics segment contributed 69.5% to the Group’s total revenue and most of the profit of the Group for FY2020;
- (ii) **Shipping** – this is carried out through the Sale Company which provides dry bulk shipping services through owning and chartering of vessels. For FY2020, the shipping segment contributed 18.0% to the Group’s total revenue and a small profit to the Group for FY2020;
- (iii) **Ship repair and marine engineering** – this business segment contributed 5.7% to the Group’s total revenue and some profit to the Group for FY2020; and
- (iv) **Property management** – the Group provides property management services to The Grandstand (formerly known as Turf Club), which was redeveloped by Cogent and transformed into a vibrant lifestyle hub. The Group also owns office units in Suntec City which are tenanted out. For FY2020, this business segment contributed 6.8% to the Group’s total revenue and a small loss to the Group for FY2020.

A summary of the contribution of the 4 main business segments for FY2020 and for 1H2021 is shown in the tables below:

FY2020 (S\$’million)	Logistics	Shipping	Ship repair and marine engineering	Property management
Revenue	129.07	33.43	10.66	12.69
Segment results – profit/(loss)	19.94	0.16	2.18	(0.34)

1H2021 (S\$’million)	Logistics	Shipping	Ship repair and marine engineering	Property management
Revenue	71.64	10.48	5.98	6.78
Segment results – profit	10.10	2.03	1.25	1.67

After the Proposed Partial Disposal, the Group’s business remains in the 4 main business segments of logistics, shipping, ship repair and marine engineering and property management.

LETTER TO SHAREHOLDERS

3. BENEFITS OF AND RATIONALE FOR THE PROPOSED TRANSACTION, POTENTIAL CONFLICTS OF INTEREST AND USE OF SALE PROCEEDS

3.1 Benefits of and rationale for the Proposed Transaction

The Proposed Transaction represents the Company's strategic decision to (a) streamline its current conglomerate structure to increase focus on the Company's core logistics business and (b) achieve better performance for the Group's other existing businesses, including the shipping business currently carried out through the Sale Company. With respect to the shipping business, the Company hopes to leverage on the network and management of the Purchaser and its parent company to improve competitiveness and achieve better performance for the Sale Company. This is a primary reason for disposing of a majority interest of 60% in the Sale Company to the Purchaser, and retaining a significant minority interest of 40% in the Sale Company.

The Directors believe that the Proposed Transaction will enable the Group to achieve the above objectives which are beneficial to the Group and in the interest of Shareholders as further explained below:

- (i) The Group's dry bulk shipping business as carried out under the Sale Company currently has limited marketing capabilities and lacks market competitiveness as the Sale Company only has 3 vessels of the same ship type, i.e. Supramax, and the average age of the fleet is about 16 years old. The Company believes that dry bulk shipping business is complementary to the Group's core logistics business and ship repair and marine engineering services, but requires the necessary resources and scale to develop and expand further. Hence, the Company is not considering a disposal of its entire interest in the Sale Company but only a partial disposal of interest in the Sale Company.
- (ii) The Board believes that cooperating with the Purchaser through the joint interest in the Sale Company will enable the Sale Company to achieve sustainable development and growth. The Company will benefit from retaining its 40% interest in the Sale Company following the Proposed Partial Disposal.
- (iii) The Sale Company will benefit by leveraging on COSCO SHIPPING Bulk's fleet of vessels and its global presence as it operates a large fleet of more than 400 bulk carriers of various types and functionality, for its shipping services in the PRC as well as internationally, including Southeast Asia. COSCO SHIPPING Bulk has the intention to establish a base office in Singapore through the Sale Company. This benefits the Sale Company as the Sale Company will be able to leverage on COSCO SHIPPING Bulk's marketing capabilities, global network of customers, specialities, expertise, resources and management skills to expand its operations in Southeast Asia.

3.2 Potential conflicts of interest

As the Sale Company will be majority owned ultimately by COSCO SHIPPING Bulk after the completion of the Proposed Transaction, and COSCO SHIPPING Bulk is also engaged in shipping business in Southeast Asia, there may be perceived potential conflicts of interest with the Sale Company, e.g. in deciding whether a shipping contract is to be carried out by the Sale Company or by COSCO SHIPPING Bulk and whose vessels to utilise to fulfil the shipping contract.

However, as the Sale Company has a relatively small fleet of vessels compared to COSCO SHIPPING Bulk, its capacity is relatively limited. In light of such limited capacity, it is likely that COSCO SHIPPING Bulk, which has a bigger fleet of vessels and resources, may take on potential shipping contracts in Southeast Asia which the Sale Company is not able to handle, and such situation should not be perceived as causing a potential conflict of interest as the interests of the Sale Company and the Group are not being prejudiced.

LETTER TO SHAREHOLDERS

A perceived conflict may arise when COSCO SHIPPING Bulk takes on shipping contracts in Southeast Asian routes when the Sale Company's self-owned vessels are not fully utilised. In this regard, given the objective and rationale of the Proposed Transaction and as COSCO SHIPPING Bulk will become the major shareholder of the Sale Company after Completion, after taking into consideration various factors including customers' requirements on the specifications of vessels required, availability and location of vessels, and efficient deployment of vessels, all things being equal, for so long as COSCO SHIPPING Bulk has major shareholding interests in and ultimate control over the Sale Company, COSCO SHIPPING Bulk will endeavour to avoid competition with the Sale Company's self-owned vessels for shipping contracts in Southeast Asian routes.

Senior management of the Sale Company will carry out regular discussions with the Marketing Department of COSCO SHIPPING Bulk on potential shipping contracts which involve the Southeast Asian routes for the Sale Company's unutilised self-owned vessels, and whether competition with COSCO SHIPPING Bulk may occur after taking into consideration various factors including customers' requirements on the specifications of vessels required, availability and location of vessels, and efficient deployment of vessels. Senior management will then report its findings to the Company's nominated directors on the board of the Sale Company on a quarterly basis.

On a quarterly basis, the Company's nominated directors on the board of the Sale Company will report to the Audit and Risk Management Committee ("**ARMC**") of the Company on whether any competition for shipping contracts in Southeast Asian routes has occurred. The ARMC will review the above on an annual basis to assess if the existing measures put in place are adequate, and if deemed necessary, will recommend fine-tuning and changes for improvement.

3.3 Use of sale proceeds

The Company intends to use the sale proceeds from the Proposed Partial Disposal to expand and promote the development of the Group's logistics business in South and Southeast Asia, and/or for general working capital of the Group.

4. **SALIENT TERMS OF THE SALE AND PURCHASE AGREEMENT**

4.1 The Sale Shares

The Company is the beneficial owner of all the issued shares of the Sale Company. Pursuant to the terms of the Sale and Purchase Agreement, the Company has agreed to sell to the Purchaser, and the Purchaser has agreed to purchase from the Company, the Sale Shares comprising 52,598,463 ordinary shares representing 60% of the issued and paid-up share capital of the Sale Company, upon the terms and conditions set out in the Sale and Purchase Agreement. After Completion, the Purchaser will hold 60% of the issued shares and the Company will hold 40% of the issued shares in the Sale Company respectively.

4.2 Consideration

The Consideration for all the Sale Shares is US\$42,391,000 (equivalent to approximately S\$57.01 million¹). The Consideration was arrived at after arm's length negotiations between the Company and the Purchaser on a willing-buyer and willing-seller basis and taking into account the Valuation as at 30 June 2021.

4.3 Conditions Precedent

4.3.1 Completion of the Sale and Purchase Agreement is conditional upon the satisfaction of conditions precedent, which include the following:

- (i) the Proposed Transaction having been cleared by SGX-ST, and where clearance from SGX-ST is obtained subject to any conditions, such conditions being reasonably acceptable to the Company and the Purchaser, as the case may be;

¹ For illustrative purposes, in this Circular, the foreign exchange rate of US\$1 : S\$1.3448 is used to show the S\$ equivalent of the Consideration.

LETTER TO SHAREHOLDERS

- (ii) the Proposed Transaction having been approved by the Company's Shareholders at a general meeting or at any adjournment thereof;
- (iii) completion of the sale and purchase of all the Sale Shares taking place simultaneously;
- (iv) no breach of the Sale and Purchase Agreement has occurred and all representations and warranties made by the Parties under the Sale and Purchase Agreement are true, accurate, complete and not misleading; and
- (v) the Company and the Purchaser having entered into the Shareholders' Agreement on Completion.

4.3.2 Notwithstanding any provision to the contrary in the Sale and Purchase Agreement, where any consent or approval required pursuant to the conditions precedent is subject to conditions which are required to be fulfilled before Completion, the obligation of the Parties to complete the sale and purchase of the Sale Shares is further conditional upon such conditions being fulfilled before Completion and such consents or approvals not being revoked or repealed on or before Completion.

4.3.3 If any one of the conditions precedent is not fulfilled such that Completion does not take place, or if for any reason Completion does not take place, on or before the Long-Stop Date or such other date as the Parties may mutually agree in writing, the Sale and Purchase Agreement shall *ipso facto* cease and determine. Upon such cessation and determination of the Sale and Purchase Agreement, none of the Parties shall have any claim against the other for costs, damages, compensation or otherwise in respect of the non-completion of the Sale and Purchase Agreement, except in respect of antecedent breaches, if any.

4.4 Terms of Payment

On Completion, the Purchaser shall pay the Consideration in cash by way of telegraphic transfer to the Company's designated bank account.

4.5 Post-Completion Payment

4.5.1 The Parties have derived the Consideration based on the business valuation of the Sale Company as at 30 June 2021, and any change in the financial position of the Sale Company from 1 July 2021 until the date of Completion (the "**Completion Date**") will not affect the amount of the Consideration. The period from 1 July 2021 until the Completion Date is defined as the "**Transitional Period**". Accordingly, the Parties agree that:

- (i) any distributable profits recorded by the Sale Company in respect of the Transitional Period ("**Distributable Profit**") shall be vested in the Company. The amount of the Distributable Profit shall be determined in accordance with paragraph 4.5.2 and shall be declared and paid as dividends by the Sale Company within 10 business days of the issuance of the Audited Financial Statements (as defined below); and
- (ii) any losses recorded by the Sale Company in respect of the Transitional Period which are attributable to the Sale Shares ("**Attributable Loss**") shall be borne by the Company. The amount of the Attributable Loss shall be determined in accordance with paragraph 4.5.2 and shall be paid by the Company to the Purchaser within 10 business days of the issuance of the Audited Financial Statements (as defined below).

For the purpose of illustration, if it is determined that there is Distributable Profit in respect of the Transitional Period and the amount of the Distributable Profit is for example US\$1 million, the full amount of the US\$1 million shall be declared and paid as dividends by the Sale Company to the Company, as the Sale Company is wholly owned by the Company prior to Completion. If, however, it is determined that there is Attributable Loss in respect of

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the Transitional Period and the amount of the Attributable Loss is for example US\$1 million, an amount representing 60% of the Attributable Loss, which is US\$600,000, shall be paid by the Company to the Purchaser, as the Company would have also borne its 40% share of the Attributable Loss by retaining its 40% shareholding interest in the Sale Company.

4.5.2 The Distributable Profit and Attributable Loss referred to in paragraph 4.5.1 above shall be determined based on the audited financial statements of the Sale Company for the financial period from 1 July 2021 until the Payment Determination Date (the “**Audited Financial Statements**”). The Audited Financial Statements will be prepared by the Sale Company and audited by its external auditors, PricewaterhouseCoopers LLP. For the purpose of this paragraph 4.5.2, the “**Payment Determination Date**” shall mean:

- (i) in the event that Completion takes place on any day within the first fifteen days of a calendar month, the Payment Determination Date shall be the last day of the immediately preceding calendar month. For purposes of illustration, assuming that Completion takes place on 13 December 2021 (which is within the first fifteen days of December 2021), the Payment Determination Date shall be 30 November 2021; or
- (ii) in the event that Completion takes place on any day after the fifteenth day of a calendar month, the Payment Determination Date shall be the last day of that calendar month. For purposes of illustration, assuming that Completion takes place on 27 December 2021 (which is after the fifteenth day in December 2021), the Payment Determination Date shall be 31 December 2021.

4.5.3 All costs and expenses in connection with the preparation of the Audited Financial Statements shall be borne equally by the Parties.

4.5.4 The Company will make an announcement in respect of the Distributable Profit and Attributable Loss, including the relevant computations thereto, where applicable.

5. FINANCIAL EFFECTS OF THE PROPOSED PARTIAL DISPOSAL

5.1 The Consideration is US\$42,391,000 (equivalent to approximately S\$57.01 million) as set out in paragraph 4.2 of this Circular.

5.2 Proceeds over book value

Based on the latest announced consolidated financial statements of the Group for the financial period ended 30 June 2021, the carrying value (which is also the NTA) of the Sale Company and the Sale Shares amount to S\$70.13 million and S\$42.08 million respectively.

For illustrative purposes, assuming that the Proposed Partial Disposal is completed on 30 June 2021, the excess of the proceeds over the carrying value of the Sale Shares is approximately S\$14.93 million and the gain on the Proposed Partial Disposal² (being the net effect of (i) the proceeds of S\$57.01 million; add (ii) the fair value of the remaining 40% interests retained in the Sale Company of S\$38.00 million; less (iii) the carrying value of the Sale Company of S\$70.13 million; and less (iv) the reclassification of translation reserves as at 30 June 2021 of S\$9.29 million) is approximately S\$15.59 million.

After the Proposed Partial Disposal is completed, the Company will account for the remaining 40% interests in the Sale Company as an investment in an associate.

2 In accordance with the Singapore Financial Reporting Standards (International), the gain or loss on disposal of a subsidiary which results in loss of control is the difference between:

- a. fair value of the consideration received plus fair value of any investment retained; and
- b. carrying amount of the net assets of the subsidiary plus amounts recognised in other comprehensive income (e.g. foreign currency translation reserve).

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5.3 Illustrative Financial Effects

The financial effects of the Proposed Partial Disposal are purely for illustrative purposes only and are neither indicative of the actual financial effects of the Proposed Partial Disposal on the NTA per Share and EPS of the Company, nor do they represent the future financial performance and/or position of the Company immediately following Completion. The *pro forma* financial effects analysis of the Proposed Partial Disposal has been prepared on the following key bases and assumptions:

- 5.3.1 the financial effects of the Proposed Partial Disposal on the NTA per Share and EPS of the Company are based on the latest announced audited consolidated financial statements of the Group for the financial year ended 31 December 2020;
- 5.3.2 for the purposes of illustrating the financial effects of the Proposed Partial Disposal on the NTA per Share of the Company, it is assumed that the Proposed Partial Disposal had been completed on 31 December 2020;
- 5.3.3 for the purposes of illustrating the financial effects of the Proposed Partial Disposal on the EPS of the Company, it is assumed that the Proposed Partial Disposal had been completed on 1 January 2020; and
- 5.3.4 the NTA per Share and EPS of the Company is computed based on 2,239,244,954 Shares in issue as at 31 December 2020.

5.4 Effect of the Proposed Partial Disposal on the NTA per Share

The following *pro forma* effect of the Proposed Partial Disposal on the NTA per Share of the Company has been prepared on the bases and assumptions set out in paragraph 5.3 and the inputs and assumptions set out in the Note below:

	Before the Proposed Partial Disposal	After the Proposed Partial Disposal
NTA (S\$'000) ⁽¹⁾	405,858	433,630
NTA per Share (cents)	18.12	19.37

Note:

- (1) The NTA after the Proposed Partial Disposal is computed based on the following:

	S\$'000
NTA as at 31 December 2020 before the Proposed Partial Disposal	405,858
Add: Consideration for the Sale Shares (as set out in paragraph 5.1)	57,007
Add: Fair value of the remaining 40% interests retained in the Sale Company	38,004
Less: Carrying amount of the Sale Company as at 31 December 2020	(66,839)
Less: Estimated expenses to be incurred for the Proposed Partial Disposal	(400)
	433,630

5.5 Effect of the Proposed Partial Disposal on EPS

The following *pro forma* effect of the Proposed Partial Disposal on the EPS of the Company has been prepared on the bases and assumptions set out in paragraph 5.3 and the inputs and assumptions set out in the Notes below:

	Before the Proposed Partial Disposal	After the Proposed Partial Disposal
Profit attributable to equity holders of the Company (S\$'000) ⁽¹⁾	8,337	25,724
EPS (cents)	0.37	1.15

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Notes:

- (1) The EPS after the Proposed Partial Disposal is computed based on the following:

	S\$'000
Profit attributable to equity holders of the Company for FY2020 before the Proposed Partial Disposal	8,337
Less: Share of profits attributable to the Sale Shares for FY2020, which would not be attributable if disposed on 1 January 2020	(209)
Add: Gain on the Proposed Partial Disposal, if disposed on 1 January 2020 ⁽²⁾	17,996
Less: Estimated expenses to be incurred for the Proposed Partial Disposal	(400)
Profit attributable to equity holders of the Company for FY2020 after the Proposed Partial Disposal	25,724

- (2) The gain on the Proposed Partial Disposal, if disposed on 1 January 2020, is computed based on the following:

	S\$'000
Consideration for the Sale Shares (as set out in paragraph 5.1)	57,007
Add: Fair value of the remaining 40% interests retained in the Sale Company	38,004
Less: Carrying amount of the Sale Company as at 1 January 2020	(67,746)
Less: Reclassification of translation reserves as at 1 January 2020	(9,269)
Gain on the Proposed Partial Disposal, if disposed on 1 January 2020	17,996

6. RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL

The relative figures for the Proposed Partial Disposal as computed on the bases set out in Rule 1006 of the Listing Manual and the latest announced consolidated financial statements of the Group for the financial period ended 30 June 2021 are as follows:

Rule 1006	Bases	Relative Figures
(a)	The net asset value of the Sale Shares to be disposed of, compared with the Group's net asset value.	7.62% ⁽¹⁾
(b)	The net profits attributable to the Sale Shares to be disposed of, compared with the Group's net profits.	13.10% ⁽²⁾
(c)	The aggregate value of the Consideration, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares.	9.19% ⁽³⁾
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable ⁽⁴⁾
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves.	Not applicable ⁽⁵⁾

Notes:

- (1) Based on the aggregate NAV of the Sale Shares as at 30 June 2021 of S\$42,079,000, divided by the Group's NAV as at 30 June 2021 of S\$552,552,000. Net assets refer to total assets less total liabilities.
- (2) Based on the aggregate unaudited net profit attributable to the Sale Shares for the six months ended 30 June 2021 of S\$1,236,000, divided by the Group's unaudited net profit for the six months ended 30 June 2021 of S\$9,432,000. Net profits refer to profit before income tax and non-controlling interests.
- (3) Market capitalisation of the Company as at 29 September 2021, being the market day preceding the date of the Sale and Purchase Agreement, was S\$620,271,000, computed based on the volume weighted average price of the Company of \$0.277 per Share on 29 September 2021 multiplied by 2,239,244,954 issued Shares.

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- (4) Not applicable as no equity securities will be issued by the Company in connection with the Proposed Partial Disposal.
- (5) Not applicable as the Company is not a mineral, oil and gas company.

As the relative figures computed on the bases set out in Rule 1006(a), Rule 1006(b) and Rule 1006(c) above exceed 5% but do not exceed 20%, the Proposed Partial Disposal constitutes a discloseable transaction under Rule 1010 of the Listing Manual.

7. INTERESTED PERSON TRANSACTION

Application of the Rules relating to Interested Person Transactions under the Listing Manual

Under Chapter 9 of the Listing Manual, where an entity at risk (as defined in the Listing Manual) proposes to enter into a transaction with an interested person (as defined in the Listing Manual) and the value of the transaction (either in itself or when aggregated with the value of other transactions, each of a value equal to or greater than S\$100,000, with the same interested person during the same financial year) is equal to or exceeds 5% of the Group's latest audited NTA, Shareholders' approval is required in respect of the transaction.

The Purchaser is wholly-owned by COSCO SHIPPING Bulk, which is in turn wholly-owned by China COSCO SHIPPING. COSCO Group, being the controlling Shareholder of the Company, is also wholly-owned by China COSCO SHIPPING. In respect of the Proposed Partial Disposal, the Company is the "entity at risk" for the purposes of Chapter 9 of the Listing Manual. The Purchaser is therefore an "interested person" and the Proposed Partial Disposal constitutes an "interested person transaction" within the meaning of Chapter 9 of the Listing Manual.

The Consideration of US\$42,391,000 (equivalent to approximately S\$57.01 million) represents approximately 14.0% of the latest audited NTA of the Group as at 31 December 2020 of S\$405,858,000. In accordance with Rule 906(1)(a) of the Listing Manual, the Proposed Partial Disposal is an interested person transaction, the transaction value of which is more than 5% of the latest audited NTA of the Group, and is hence subject to the approval of Shareholders at a general meeting to be convened.

The Group has an existing general mandate for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations with interested persons which was last renewed and approved at the Company's extraordinary general meeting on 29 April 2021 ("**IPT General Mandate**"). The details of the transactions under the IPT General Mandate for 1H2021 are disclosed in the Company's results announcement for 1H2021. The aggregate value of these transactions (excluding transactions less than S\$100,000) for 1H2021 was S\$8,125,000, representing 2% of the latest audited NTA of the Group of S\$405,858,000 as at 31 December 2020. These transactions pertain mainly to ship repair, vessel rental, crew wages, insurance, interest expense and logistics, and involved 13 entities which are members of the China COSCO SHIPPING group of companies including the Purchaser. Please refer to the group chart in paragraph 2.1 of this Circular. The value of transaction with the Purchaser was S\$1.5 million for 1H2021.

Other than the Proposed Partial Disposal, transactions less than S\$100,000 and transactions under the IPT General Mandate as disclosed in the results announcement for 1H2021, the Company and the Group have not entered into any other interested person transactions in the current financial year up to 30 June 2021.

After the completion of the Proposed Partial Disposal, the Sale Company will be deemed as an entity-at-risk as well as an interested person as defined under Chapter 9 of the Listing Manual. Accordingly, transactions between the Group and the Sale Company as well as transactions between the Sale Company and the interested persons are considered as interested person transactions. The Company envisages that any of the above transactions will be covered under the IPT General Mandate.

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8. THE PROPOSED ENTRY INTO OF THE SHAREHOLDERS' AGREEMENT WITH THE PURCHASER

After Completion, the shareholding interests of the Company and the Purchaser in the Sale Company are 40% and 60% respectively. The collaboration of the Company and the Purchaser in the Sale Company is an interested person transaction within the meaning of Chapter 9 of the Listing Manual as the Purchaser is wholly-owned by COSCO SHIPPING Bulk, which is in turn wholly-owned by China COSCO SHIPPING, while COSCO Group, being the controlling Shareholder of the Company, is also wholly-owned by China COSCO SHIPPING.

The Company and the Purchaser will, on Completion, enter into the Shareholders' Agreement which sets out the terms of the collaborating arrangements, including the following:

- (a) the Sale Company shall establish a board of directors which consists of 5 directors unless otherwise unanimously agreed by the shareholders of the Sale Company in writing. The composition of the board of the Sale Company shall initially comprise of 3 persons to be appointed by the Purchaser and 2 persons to be appointed by the Company. Each director shall serve a term of not more than 3 years from the date of his appointment. The director nominated by the Purchaser shall be the chairman of the board but the chairman shall not have any casting vote;
- (b) the quorum at a board meeting or adjourned meeting, for the transaction of any business of the Sale Company shall be 3 directors which shall include at least 1 director appointed by the Company or his appointed alternate director. All resolutions of board meeting or adjourned meeting, shall be passed by a simple majority of vote of the directors present. The affirmative vote of each director present at the meeting or adjourned meeting, is required to decide on various matters as set out in the Shareholders' Agreement;
- (c) with respect to the Distributable Profit recorded by the Sale Company during the Transitional Period pursuant to the Sale and Purchase Agreement, the parties agree that they shall within 3 business days of the issuance of the Audited Financial Statements of the Sale Company convene a board meeting to approve the Distributable Profit and shall procure all the directors of the Sale Company appointed by them to vote in favour of the Distributable Profit and make payment of the Distributable Profit to the Company;
- (d) the quorum at a general meeting or adjourned meeting of the Sale Company for any business of the Sale Company shall be at least 2 shareholders present in person or by proxy. All shareholders' resolutions shall be passed by a simple majority vote of the shareholders present and voting;
- (e) the approval of each shareholder of the Sale Company is required to decide on the various reserved matters as set out in the Shareholders' Agreement which are as follows:
 - (i) the winding up, dissolution or liquidation of any group company;
 - (ii) any increase, reduction, sub-division, reclassification, cancellation or other alteration to the share capital of any group company or grant of any option over any unissued share capital of any group company;
 - (iii) the issue by any group company of any securities (including without limitation convertible securities) and any securities issued under any share option scheme implemented by such group company;
 - (iv) the taking of any action by any group company which may be construed as a variation of rights, preferences, privileges or obligations attached to the shares or any other class of securities of any group company;

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- (v) any merger, amalgamation, consolidation, reconstruction, restructuring or any other form of reorganisation of any group company and/or the group and/or the business or assets or liquidation exercise or any material change or cessation of the primary business of any group company and/or the group irrespective of whether CSS or any other group company emerges as the surviving entity;
- (vi) the sale transfer or disposal of the whole or substantially the whole of CSS' and/or the group's undertaking, assets or property or purchase, sale, transfer or disposal of any immovable property or any interest therein including without limitation any land or buildings or lease or any interests or rights therein and any moveable properties or any part thereof including without limitation shares or interest or rights therein except in respect of the purchase, sale, transfer or disposal in a single transaction (and provided that such single transaction does not form part of a series of transactions) which does not exceed S\$5 million;
- (vii) any alteration to the total number of directors;
- (viii) the borrowing by any group company and/or the group as a whole of any money, obtaining of any financing or credit or incurring any liability (including contingent liabilities) in any form in excess of S\$5 million in any one financial year, whether in one transaction or a series of transactions, except as provided for in the approved budget for the relevant financial year;
- (ix) examining and approving CSS' external guarantee plan, the giving of any guarantees or indemnities or any other form of security in excess of S\$5 million in any one financial year, whether in one transaction or a series of transactions, except as provided for in the approved budget for the relevant financial year by CSS and/or the group, to any third party;
- (x) amending or modifying the constitution of any group company or any part thereof;
- (xi) the entry into by any group company and/or the group as a whole of any contract with any of their respective directors or any third party which/whom any such director has an interest in which such director would have been required to disclose in accordance with Section 156 of the Companies Act, where the consideration payable by such group company and/or the group as a whole is in excess of S\$100,000, except as provided for in the approved budget for the relevant year;
- (xii) the entry into of any agreement, transaction or arrangement by any group company and/or the group as a whole with any of the shareholders or directors of any group company or any modification or termination thereof;
- (xiii) the creation or redemption of any mortgage, charge, debenture, pledge or other encumbrance or security interest over any of the assets, property, undertaking or uncalled capital of any group company;
- (xiv) any material change to the business carried on by any group company;
- (xv) any group company entering into any liquidation, dissolution, bankruptcy or insolvency proceedings or any arrangements with creditors or proposing any compromise or arrangement with creditors of any group company or passing or proposing any resolution to place such group company into judicial management or receivership or any analogous procedure;

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- (xvi) the examination and approval of all investments, equity instruments and debt instruments that are outside the normal business scope of the group; and
- (xvii) the appointment or removal of the auditors of any group company;
- (f) the Purchaser shall have the right to nominate 2 individuals to act as general manager and deputy general manager respectively of the Sale Company;
- (g) where any financing by the shareholders of the Sale Company is to be provided, such financing (including the provision of any guarantee or security) shall be provided by the shareholders in their respective shareholding proportions;
- (h) the shareholders are subject to pre-emptive rights in relation to the issue and transfer of shares of the Sale Company. Any third-party subscriber(s) or transferee(s) of the shares of the Sale Company shall be required to execute a deed of ratification and accession under which they shall agree to be bound by and be entitled to the benefit of the Shareholders' Agreement;
- (i) tag-along rights in a situation which will result in a change of majority control of the Sale Company whereby a shareholder (being a selling shareholder) who desires to transfer shares held by it in the Sale Company representing in aggregate 50% or more to a third-party purchaser or to another shareholder (being the tag-along purchaser), the selling shareholder shall give notice in writing to the other shareholders (being the tag-along seller) of such desire and enclosing an offer made by the tag-along purchaser to purchase all (and not some only) of the shares in the Sale Company held by the tag-along seller on terms and conditions (including price) that are no less favourable than those available to the selling shareholder, for acceptance by the tag-along seller;
- (j) restrictions in relation to the disposal or charging of the shares in the Sale Company except with the prior written consent of other shareholders; and
- (k) in the event of a deadlock, shareholders are to resolve the deadlock in good faith, failing which a shareholder could serve a notice to offer to sell all of its shares in the Sale Company to or purchase from the other shareholder(s) all (but not some only) of their shares in the Sale Company at a price specified by it, and further failing which the shareholders shall procure the Sale Company to be wound up.

In accordance with the Shareholders' Agreement, the risks and rewards of the collaboration in the Sale Company are in proportion to the respective equity shareholdings of the Company and the Purchaser. The Purchaser does not have any existing equity interest in the Sale Company prior to the participation of the Company in the Sale Company. Pursuant to Rule 916(2)(b) of the Listing Manual, the ARMC of the Company, having reviewed the terms of the Shareholders' Agreement, is of the view that the risks and rewards of the Company and the Purchaser in the Sale Company are in proportion to their respective equity shareholdings in the Sale Company, and the terms of the Shareholders' Agreement are not prejudicial to the interests of the Company and its minority Shareholders. Notwithstanding the exception under Rule 916(2) of the Listing Manual, the Company is seeking Shareholders' approval for the Proposed Transaction.

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9. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

9.1 Interests of Directors

9.1.1 The interests of the Directors in the Shares based on information as recorded in the Register of Directors' Shareholdings of the Company as at the Latest Practicable Date are set out below:

Directors	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Mr Zhu Jian Dong	–	–	–	–
Mr Li Xi Bei	–	–	–	–
Mr Ang Swee Tian	130,000	n.m. ⁽¹⁾	5,000	n.m. ⁽¹⁾
Dr Wang Kai Yuen	900,000	0.04%	100,000	n.m. ⁽¹⁾
Mr Er Kwong Wah	650,000	0.03%	–	–

Note :

(1) "n.m." denotes not meaningful

9.1.2 The interests of the Directors in options to subscribe for Shares granted pursuant to the COSCO SHIPPING Group Executives Share Option Scheme 2020 as at the Latest Practicable Date are set out below:

Director	Number of unissued Shares under options held by Director	
	No. of Options	%
Mr Li Xi Bei	1,000,000	Not applicable

9.2 Interests of Substantial Shareholders

The interests of the Substantial Shareholders in the Shares, based on information as recorded in the Register of Substantial Shareholders of the Company as at the Latest Practicable Date are set out below:

Substantial Shareholders	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
COSCO Group	1,194,565,488 ⁽¹⁾	53.35	–	–
China COSCO SHIPPING	–	–	1,194,565,488 ⁽¹⁾	53.35

Note :

(1) China COSCO SHIPPING is deemed interested in the Shares held by COSCO Group.

9.3 Interests in the Proposed Transaction

The Purchaser is wholly-owned by COSCO SHIPPING Bulk, which is in turn wholly-owned by China COSCO SHIPPING. COSCO Group, the controlling Shareholder of the Company, is also wholly-owned by China COSCO SHIPPING.

Mr Zhu Jian Dong and Mr Li Xi Bei who are Directors of the Company, are members of the managing body of or directors nominated by COSCO Group.

Save as disclosed above, none of the Directors or controlling Shareholders of the Company has any interest, direct or indirect, in the Proposed Transaction. No person is proposed to be appointed as a director of the Company in connection with the Proposed Transaction.

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As disclosed in paragraph 7 of this Circular, the Group has an existing IPT General Mandate for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations with interested persons which was last renewed and approved at the Company's extraordinary general meeting on 29 April 2021.

Save as disclosed above and in paragraph 2.1 of this Circular, there is no connection (including business relationship) amongst the Company, the Directors and the substantial shareholders of the Company with the Purchaser, the Purchaser's directors and the substantial shareholders of the Purchaser.

10. OPINION OF THE IFA

Provenance Capital Pte. Ltd. has been appointed as the IFA in respect of the Proposed Transaction as an interested person transaction as required under Rule 921(4)(a) of the Listing Manual as well as to advise the Independent Directors on whether the Proposed Transaction is on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders.

The IFA Letter setting out its opinion and advice in full, is set out in **Appendix A** to this Circular. Shareholders are advised to read the IFA Letter carefully.

The following is an extract from Section 7 of the IFA Letter (as reproduced in *italics* below) and should be read by Shareholders in conjunction with, in the full context of, the full text of the IFA Letter. All terms and expressions used in the extract below shall have the same meanings as those defined in the IFA Letter, unless otherwise stated.

"In arriving at our opinion in respect of the Proposed Transaction as an IPT, we have reviewed and deliberated on the following key considerations which we consider to be pertinent in our assessment of the Proposed Transaction:

- (a) benefits and rationale for the Proposed Transaction;*
- (b) Consideration for the Proposed Partial Disposal which is determined based on the independent valuation of the Sale Shares;*
- (c) financial analysis of CSS;*
- (d) assessment of the key terms of the Shareholders' Agreement; and*
- (e) other relevant considerations.*

Overall, based on our analysis and after having considered carefully the information available to us, we are of the opinion that the Proposed Transaction as an IPT is on normal commercial terms and not prejudicial to the interests of the Company and its Minority Shareholders."

11. OPINION OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

The ARMC comprises Mr Ang Swee Tian, Dr Wang Kai Yuen and Mr Er Kwong Wah, all of whom are non-executive Independent Directors of the Company. The ARMC has considered the terms of the Proposed Transaction as well as the advice of the IFA, and is of the view that the Proposed Transaction is on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders. Accordingly, the ARMC recommends that Shareholders vote in favour of the Proposed Transaction.

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12. INDEPENDENT DIRECTORS' RECOMMENDATION

Based on the rationale for and the terms of the Proposed Transaction as set out in this Circular, the Independent Directors are of the opinion that the Proposed Transaction is in the best interests of the Company and the Shareholders, and concur with the advice of the IFA that the Proposed Transaction is on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders. Accordingly, the Independent Directors recommend that Shareholders vote at the EGM in favour of the ordinary resolution to approve the Proposed Transaction as set out in the Notice of EGM.

13. ABSTENTION FROM RECOMMENDATION AND VOTING

China COSCO SHIPPING and COSCO Group and their associates, being interested persons in relation to the Proposed Transaction, will abstain from voting at the EGM in respect of the Shares held by them on the ordinary resolution relating to the Proposed Transaction. Mr Zhu Jian Dong and Mr Li Xi Bei being members of the managing body of or directors nominated by COSCO Group will abstain from making any recommendation to Shareholders in respect of the ordinary resolution relating to the Proposed Transaction and will abstain from voting in respect of the Shares held by them, if any. Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the EGM in person. A member (whether individual or corporate) must appoint the Chairman of the EGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the EGM if such member wishes to exercise his/her/its voting rights at the EGM. The Chairman of the EGM will not accept appointment as proxy for voting on the ordinary resolution at the EGM unless specific instructions have been given in a validly completed and submitted proxy form as to voting, or abstention from voting, in respect of the said ordinary resolution. China COSCO SHIPPING, COSCO Group, Mr Zhu Jian Dong and Mr Li Xi Bei will also ensure that their respective associates will abstain from voting on the ordinary resolution relating to the Proposed Transaction.

14. CONSENTS

- 14.1 Provenance Capital Pte. Ltd., the IFA, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, the IFA Letter, and all references thereto in the form and context in which they appear in this Circular, and to act in such capacity in relation to this Circular.
- 14.2 RSM Advisory, the Valuer, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, the Independent Valuation Summary Letter, and all references thereto in the form and context in which they appear in this Circular, and to act in such capacity in relation to this Circular.
- 14.3 PricewaterhouseCoopers LLP, the auditor of the Sale Company, has given and has not withdrawn its written consent to the references to its name in the form and context in which it appears in the Circular and in relation to (a) its auditors' report dated 8 March 2019 in relation to the audited financial statements of the Sale Company for the financial year ended 31 December 2018; (b) its auditors' report dated 6 March 2020 in relation to the audited financial statements of the Sale Company for the financial year ended 31 December 2019; (c) its auditors' report dated 8 March 2021 in relation to the audited financial statements of the Sale Company for the financial year ended 31 December 2020; and (d) its auditors' report dated 9 September 2021 in relation to the audited financial statements of the Sale Company for the financial period ended 30 June 2021.

15. ACTION TO BE TAKEN BY SHAREHOLDERS

15.1 No Attendance at EGM

Due to the current COVID-19 restriction orders in Singapore, Shareholders will not be able to attend the EGM in person.

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15.2 Alternative Arrangements

Alternative arrangements relating to attendance at the EGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the EGM in advance of the EGM, addressing of substantial and relevant questions at the EGM and voting by appointing the Chairman of the EGM as proxy at the EGM, are set out in the accompanying Company's announcement dated 8 December 2021. The announcement may be accessed at the Company's website at <http://coscoshipping.listedcompany.com/home.html>, and will also be made available on the SGX-ST website at <https://www.sgx.com/securities/company-announcements>.

16. **DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Transaction, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this Circular 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 Circular in its proper form and context.

17. **DOCUMENTS FOR INSPECTION**

17.1 Copies of the following documents may be inspected at the registered office of the Company at 30 Cecil Street #26-01 Prudential Tower Singapore 049712, during normal business hours from the date of this Circular up to the date of the EGM:

- (a) the Sale and Purchase Agreement (and the form of the Shareholders' Agreement attached thereto);
- (b) the IFA Letter;
- (c) the Independent Valuation Summary Letter and the Valuation Report; and
- (d) the consent letters of the IFA, the Valuer and PricewaterhouseCoopers LLP referred to in paragraph 14 of this Circular.

17.2 In light of the prevailing safe distancing measures due to the COVID-19 situation, Shareholders should provide their names, contact number, proposed date and time of inspection to the Company's investor relations consultant at the email address coscoshipping@financialpr.com.sg at least three (3) working days in advance to make a prior appointment to attend at the registered office of the Company to inspect the documents.

Yours faithfully

For and on behalf of the Board of Directors of
COSCO SHIPPING INTERNATIONAL (SINGAPORE) CO., LTD.

Zhu Jian Dong
Chairman and President

APPENDIX A : IFA LETTER TO THE INDEPENDENT DIRECTORS

PROVENANCE CAPITAL PTE. LTD.

(Company Registration Number: 200309056E)
(Incorporated in the Republic of Singapore)
96 Robinson Road #13-01 SIF Building
Singapore 068899

8 December 2021

To: The Independent Directors of COSCO SHIPPING International (Singapore) Co., Ltd.
(who are deemed independent in respect of the Proposed Transaction)

Mr Ang Swee Tian (Non-Executive Lead Independent Director)
Dr Wang Kai Yuen (Non-Executive Independent Director)
Mr Er Kwong Wah (Non-Executive Independent Director)

Dear Sirs,

PROPOSED TRANSACTION AS AN INTERESTED PERSON TRANSACTION COMPRISING:

- **PROPOSED PARTIAL DISPOSAL OF 60% SHAREHOLDING INTEREST IN COSCO SHIPPING (SINGAPORE) PTE. LTD. TO THE PURCHASER, AN INTERESTED PERSON; AND**
- **PROPOSED ENTRY INTO A SHAREHOLDERS' AGREEMENT WITH THE PURCHASER**

*Unless otherwise defined or the context otherwise requires, all terms used in this letter ("**Letter**") have the same meanings as defined in the Circular to shareholders of COSCO SHIPPING International (Singapore) Co., Ltd. ("**Shareholders**") dated 8 December 2021 ("**Circular**"). For the purposes of this Letter, the Latest Practicable Date is 3 December 2021 as defined in the Circular.*

1. INTRODUCTION

1.1 On 30 September 2021 ("**Announcement Date**"), COSCO SHIPPING International (Singapore) Co., Ltd. ("**Company**") announced that:

- (a) it had on that day entered into a conditional sale and purchase agreement ("**Sale and Purchase Agreement**") with COSCO (H.K.) Shipping Co., Limited ("**Purchaser**") to partially dispose 60% of its shareholding interest in its wholly-owned subsidiary, COSCO SHIPPING (Singapore) Pte. Ltd. ("**CSS**" or "**Sale Company**"), to the Purchaser for a consideration of US\$42,391,000 in cash ("**Consideration**") ("**Proposed Partial Disposal**"); and
- (b) on completion of the Proposed Partial Disposal, the Company and the Purchaser ("**Parties**") will enter into a shareholders' agreement ("**Shareholders' Agreement**") which sets out the financial, managerial, administrative and other arrangements agreed by the Parties in relation to CSS, and the manner in which the business and affairs of CSS will be regulated.

The Proposed Partial Disposal and the proposed entry into of the Shareholders' Agreement are collectively referred to as the "**Proposed Transaction**".

CSS is primarily engaged in the business of dry bulk shipping, with the main focus on owning and chartering of vessels. CSS currently owns 3 Supramax vessels with a total tonnage of approximately 163,000 tonnes and with an average age of 16 years.

APPENDIX A : IFA LETTER TO THE INDEPENDENT DIRECTORS

The Purchaser, a company incorporated in Hong Kong, is a wholly-owned subsidiary of COSCO SHIPPING Bulk Co., Ltd., (“**COSCO SHIPPING Bulk**”) which is one of the largest bulk shipping company in the world. COSCO Shipping Bulk is, in turn, wholly owned by China COSCO SHIPPING Corporation Limited (“**China COSCO SHIPPING**”), a state-owned enterprise headquartered in Shanghai, the People’s Republic of China (“**PRC**”).

- 1.2** China COSCO SHIPPING indirectly holds a controlling shareholding interest of 53.35% in the Company through its wholly-owned subsidiary, China Ocean Shipping Company Limited (“**COSCO Group**”). Accordingly, the Purchaser is an Interested Person and the Proposed Transaction constitutes an Interested Person Transaction (“**IPT**”) as defined under Rule 904 of the listing manual (“**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”).

The latest audited net tangible assets (“**NTA**”) of the Company and its subsidiaries (“**Group**”) was S\$405.86 million¹ as at 31 December 2020. The Consideration for the Proposed Partial Disposal of US\$42.39 million (S\$57.01 million²) represents 14.0% of the Group’s latest audited NTA. As the value of the IPT exceeds 5% of the Group’s latest audited NTA, the Proposed Partial Disposal is subject to Shareholders’ approval at the forthcoming extraordinary general meeting (“**EGM**”) under Rule 906 of the Listing Manual.

In addition, as the entry into of the Shareholders’ Agreement is a condition precedent to the Sale and Purchase Agreement, the proposed entry into of the Shareholders’ Agreement is also an IPT. Accordingly, the Proposed Transaction is subject to Shareholders’ approval at the EGM.

Besides seeking Shareholders’ approval for the Proposed Transaction as an IPT, as required under Rule 921(4)(a) of the Listing Manual, an independent financial adviser (“**IFA**”) is required to opine on whether the Proposed Transaction is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders (“**Minority Shareholders**”).

China COSCO SHIPPING, COSCO Group and their associates, being Interested Persons in relation to the Proposed Transaction, will abstain from voting at the EGM in respect of the shares in the Company (“**Shares**”) held by them.

- 1.3** As at the Latest Practicable Date, the directors of the Company (“**Directors**”) are:

- (i) Mr Zhu Jian Dong, Chairman, President and Executive Director;
- (ii) Mr Li Xi Bei, Executive Director;
- (iii) Mr Ang Swee Tian, Non-Executive Lead Independent Director;
- (iv) Dr Wang Kai Yuen, Non-Executive Independent Director; and
- (v) Mr Er Kwong Wah, Non-Executive Independent Director.

Mr Zhu Jian Dong and Mr Li Xi Bei are members of the managing body of or directors nominated by the COSCO Group and hence they are not deemed independent of the Proposed Transaction. Both Mr Zhu and Mr Li will abstain from making any recommendation to Shareholders in relation to the Proposed Transaction, and they will also abstain from voting on their Shares, if any, and will ensure that their respective associates abstain from voting on their Shares, if any, on the Proposed Transaction.

¹ Based on the audited consolidated statement of financial position of the Group as at 31 December 2020, Management has computed NTA of the Group based on equity attributable to equity holders of the Company of S\$534.90 million less intangible assets of S\$123.58 million and goodwill relating to acquisition of an associated company of S\$5.46 million. Accordingly, NTA of the Group as at 31 December 2020 was determined to be S\$405.86 million.

² For illustration purposes in the Circular and in this Letter, Management had used the foreign exchange rate of US\$1:S\$1.3448 as at 31 August 2021 to show the S\$ equivalent of the Consideration.

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The Company has confirmed that the remaining three Directors, namely, Mr Ang Swee Tian, Dr Wang Kai Yuen and Mr Er Kwong Wah, who are members of the Audit and Risk Management Committee, are deemed as independent directors for the purposes of the Proposed Transaction (“**Independent Directors**”).

- 1.4 Provenance Capital Pte. Ltd. (“**Provenance Capital**”) has been appointed as the IFA in respect of the Proposed Transaction as an IPT as required under Rule 921(4)(a) of the Listing Manual as well as to advise the Independent Directors on whether the Proposed Transaction is on normal commercial terms and not prejudicial to the interests of the Company and its Minority Shareholders.

This Letter sets out, *inter alia*, our evaluation and opinion on the Proposed Transaction as an IPT. This Letter forms part of the Circular which provides, *inter alia*, the details of the Proposed Transaction and the recommendation of the Independent Directors to the Minority Shareholders.

2. TERMS OF REFERENCE

Provenance Capital has been appointed as the IFA as required under Rule 921(4)(a) of the Listing Manual as well as to advise the Independent Directors in respect of the Proposed Transaction as an IPT. We are not and were not involved in or responsible for, in any aspect, the discussions in relation to the Proposed Transaction, nor were we involved in the deliberations leading up to the decision on the part of the Directors to propose the Proposed Transaction or to obtain the approval of the Shareholders for the Proposed Transaction, and we do not, by this Letter, warrant the merits of the Proposed Transaction, other than to express an opinion on whether the Proposed Transaction as an IPT is on normal commercial terms and is not prejudicial to the interests of the Company and its Minority Shareholders.

It is not within our terms of reference to evaluate or comment on the legal, strategic, commercial and financial merits and/or risks of the Proposed Transaction or to compare their relative merits vis-à-vis alternative transactions previously considered by the Company (if any) or that may otherwise be available to the Company currently or in the future, and we have not made such evaluation or comments. Such evaluation or comments, if any, remains the responsibility of the Directors and/or the management of the Company (“**Management**”) although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion as set out in this Letter.

In the course of our evaluation, we have held discussions with the Directors, the Management and/or their professional advisers (where applicable) and have examined and relied to a considerable extent on the information set out in the Circular, other publicly available information collated by us and the information, representations, opinions, facts and statements provided to us, whether written or verbal, by the Directors, the Management and/or the professional advisers (where applicable). Whilst care has been exercised in reviewing the information which we have relied upon, we have not independently verified such information or representations, whether written or verbal, and accordingly cannot and do not make any representation or warranty, express or implied, in respect of, and do not accept any responsibility for the accuracy, completeness or adequacy of such information or representations. We have nevertheless made such reasonable enquiries and judgment on the reasonable use of such information, as were deemed necessary, and have found no reason to doubt the accuracy or reliability of the information and representations.

We have not independently verified and have assumed that all statements of fact, belief, opinion and intention made by the Directors in the Circular in relation to the Proposed Transaction have been reasonably made after due and careful enquiry. Whilst care has been exercised in reviewing the information which we have relied on, we have not independently verified the information but nevertheless have made reasonable enquiries and exercised judgment on the reasonable use of such information, as were deemed necessary, and have found no reason to doubt the accuracy or reliability of the information and representations.

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Save as disclosed, we would like to highlight that all information relating to the Company and the Group which we have relied upon in arriving at our opinion has been obtained from publicly available information and/or from the Directors and the Management and the professional advisers (where applicable). We have not independently assessed and do not warrant or accept any responsibility as to whether the aforesaid information adequately represents a true and fair position of the financial, operational and business affairs of the Company or the Group at any time or as at the Latest Practicable Date.

The scope of our appointment does not require us to conduct a comprehensive independent review of the business, operations or financial condition of the Company and/or the Group, or to express, and we do not express, a view on the future growth prospects, value and earnings potential of the Company and/or the Group after the Proposed Transaction. Such review or comments, if any, remain the responsibility of the Directors and the Management, although we may draw upon their views or make such comments in respect thereof (to the extent required by the Listing Manual and/or deemed necessary or appropriate by us) in arriving at our opinion as set out in this Letter. We have not obtained from the Company and/or the Group, any projection of the future performance including financial performance of the Company and/or the Group, and we did not conduct discussions with the Directors and the Management on, and did not have access to, any business plan and financial projections of the Company and/or the Group. In addition, we are not expressing any view as to the prices at which the shares of the Company may trade or the future value, financial performance or condition of the Company and/or the Group, upon or after the completion of the Proposed Transaction.

We have not made an independent evaluation or appraisal of the assets and liabilities of the Company and/or the Group (including without limitation, property, plant and equipment).

In connection with the Proposed Partial Disposal, the Company had commissioned RSM Corporate Advisory Pte Ltd ("**RSM Advisory**" or the "**Valuer**") to carry out an independent valuation in respect of the disposal of the 60% equity interest in CSS as at 30 June 2021 ("**Valuation Date**"). The executive summary of the full valuation report dated 9 September 2021 ("**Valuation Report**") is set out in the "Independent Valuation Summary Letter" attached as Appendix B to the Circular, and a copy of the full Valuation Report is available as a document for inspection.

We are not experts in the evaluation or appraisal of the assets concerned, and for the purposes of evaluating and assessing the Proposed Transaction as an IPT, we have taken into account, *inter alia*, the independent valuation by the Valuer for such appraisal and we have not made any independent verification of the content thereof.

Our opinion as set out in this Letter is based on market, economic, industry, monetary and other conditions (if applicable) prevailing as at the Latest Practicable Date and the information and representations provided to us as at the Latest Practicable Date. In arriving at our opinion, with the consent of the Directors and the Company, we have taken into account certain other factors and have made certain assumptions as set out in this Letter. We assume no responsibility to update, revise or reaffirm our opinion in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein. Shareholders should take note of any announcement, relevant to the Proposed Transaction, which may be released by the Company after the Latest Practicable Date.

In rendering our advice and giving our recommendation, we did not have regard to the specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints of any Shareholder or any specific group of Shareholders. As each Shareholder may have different investment objectives and profiles, we recommend that any individual Shareholder or group of Shareholders who may require specific advice in relation to his or their investment portfolio(s) or objective(s) consult his or their stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

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The Company has been separately advised by its own professional advisers in the preparation of the Circular (other than this Letter). We have had no role or involvement and have not and will not provide any advice (financial or otherwise) in the preparation, review and verification of the Circular (other than this Letter). Accordingly, we take no responsibility for and express no view, whether express or implied, on the contents of the Circular (other than this Letter and the extract of our opinion in the Circular).

Whilst a copy of this Letter may be reproduced in the Circular, neither the Company, the Directors nor any other persons may reproduce, disseminate or quote this Letter (or any part thereof) for any other purposes, other than for the purpose of the EGM and for the purpose of the Proposed Transaction, at any time and in any manner without the prior written consent of Provenance Capital in each specific case.

We have prepared this Letter as required under Rule 921(4)(a) of the Listing Manual as well as for the use of the Independent Directors in connection with their advice to the Minority Shareholders in relation to the Proposed Transaction. The recommendation made by the Independent Directors to the Minority Shareholders in relation to the Proposed Transaction remains the responsibility of the Independent Directors.

Our opinion in relation to the Proposed Transaction as an IPT should be considered in the context of the entirety of this Letter and the Circular.

Responsibility Statement by the Directors

The Directors have confirmed that, having made all reasonable enquiries and to the best of their respective knowledge and belief, information and representations provided to us by the Company are accurate. They have also confirmed that, upon making all reasonable enquiries and to their best knowledge and belief, all material information available to them in connection with the Proposed Transaction, the Company and/or the Group have been disclosed to us, that such information is true, complete and accurate in all material respects and that there is no other material information or fact, the omission of which would cause any information disclosed to us or the facts of or in relation to the Proposed Transaction, the Company and/or the Group stated in the Circular to be inaccurate, incomplete or misleading in any material respect. The Directors have jointly and severally accepted full responsibility for such information described herein.

3. SALIENT INFORMATION ON THE COMPANY AND THE GROUP

3.1 The Company is incorporated in Singapore and listed on the Mainboard of the SGX-ST. The market capitalisation of the Company is approximately S\$537.42 million as at the Latest Practicable Date.

China COSCO SHIPPING is the ultimate controlling Shareholder which holds 53.35% shareholding interest in the Company through COSCO Group. China COSCO SHIPPING is a state-owned enterprise headquartered in Shanghai, PRC and is one of the largest shipping companies in the world.

China COSCO SHIPPING also owns 100% of COSCO SHIPPING Bulk which, in turn, indirectly owns 100% of the Purchaser. COSCO SHIPPING Bulk is one of the largest bulk shipping companies in the world.

As at the Latest Practicable Date, the Directors are:

- (i) Mr Zhu Jian Dong, Chairman, President and Executive Director;
- (ii) Mr Li Xi Bei, Executive Director;

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- (iii) Mr Ang Swee Tian, Non-Executive Lead Independent Director;
- (iv) Dr Wang Kai Yuen, Non-Executive Independent Director; and
- (v) Mr Er Kwong Wah, Non-Executive Independent Director.

Mr Zhu Jian Dong and Mr Li Xi Bei are members of the managing body of or directors nominated by the COSCO Group and hence they are not deemed independent of the Proposed Transaction. Both Mr Zhu and Mr Li will abstain from making any recommendation to Shareholders in relation to the Proposed Transaction, and they will also abstain from voting on their Shares, if any, and will ensure that their respective associates abstain from voting on their Shares, if any, on the Proposed Transaction.

The Company has confirmed that the remaining three Directors, namely, Mr Ang Swee Tian, Dr Wang Kai Yuen and Mr Er Kwong Wah, who are members of the Audit and Risk Management Committee, are deemed as Independent Directors for the purposes of the Proposed Transaction.

3.2 The Group has 4 main business segments as follows:

- (i) **Logistics** – this is presently the largest business segment of the Group following the Company’s acquisition of the Cogent group of companies in 2018. Cogent owns one of Singapore’s largest one-stop integrated logistics hub and its main businesses comprise warehousing, container depot, automotive logistics, transportation and property management in Singapore. Cogent also operates warehousing and container depot businesses in Malaysia. In addition, the Company has a 40% interest in an Indonesian shipping logistics company and an indirect 15% stake in a Vietnamese logistics company. In the Company’s latest audited financial statements for the financial year ended 31 December 2020 (“**FY2020**”), the logistics segment contributed 69.5% to the Group’s total revenue and most of the profit of the Group for FY2020;
- (ii) **Shipping** – this is carried out through CSS which provides dry bulk shipping services through owning and chartering of vessels. For FY2020, the shipping segment contributed 18.0% to the Group’s total revenue and a small profit to the Group for FY2020;
- (iii) **Ship repair and marine engineering** – this business segment contributed 5.7% to the Group’s total revenue and some profit to the Group for FY2020; and
- (iv) **Property management** – the Group provides property management services to The Grandstand (formerly known as Turf Club), which was redeveloped by Cogent and transformed into a vibrant lifestyle hub. The Group also owns office units in Suntec City which are tenanted out. For FY2020, this business segment contributed 6.8% to the Group’s total revenue and a small loss to the Group for FY2020.

A summary of the contribution of the 4 main business segments for FY2020 and for the half year ended 30 June 2021 (“**1H2021**”) is shown in the tables below:

FY2020 (S\$’million)	Logistics	Shipping	Ship repair and marine engineering	Property management
Revenue	129.07	33.43	10.66	12.69
Segment results – profit/(loss)	19.94	0.16	2.18	(0.34)

Source: Company’s annual report for FY2020

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1H2021 (S\$'million)	Logistics	Shipping	Ship repair and marine engineering	Property management
Revenue	71.64	10.48	5.98	6.78
Segment results – profit	10.10	2.03	1.25	1.67

Source: Company's results announcement for 1H2021

CSS

The reporting currency in the financial statements of CSS is in US\$ while the reporting currency of the Group is in S\$.

As at 31 December 2020, the audited NTA of CSS was US\$50.59 million, compared to the audited NTA of the Group of S\$405.86 million as at 31 December 2020.

The Company intends to dispose 60% of its shareholding interest in CSS to the Purchaser and retain the remaining 40% shareholding interest in CSS. The benefits and rationale for the Proposed Transaction are set out in Section 3 of the Circular.

The Proposed Transaction is deemed as an IPT as the Purchaser is an Interested Person under Chapter 9 of the Listing Manual. As the Consideration for the Proposed Partial Disposal represents 14.0% of the latest audited NTA of the Group, the Proposed Partial Disposal, and the proposed entry into of the Shareholders' Agreement which is a condition precedent to the Sale and Purchase Agreement, i.e. the Proposed Transaction, is subject to Shareholders' approval at the EGM and the opinion of the IFA.

4. PROPOSED TRANSACTION

The Proposed Transaction involves (a) the Proposed Partial Disposal by the Company to the Purchaser of 52,598,463 ordinary shares in CSS ("**Sale Shares**"), representing 60% of the issued share capital of CSS; and (b) the proposed entry into of the Shareholders' Agreement with the Purchaser on completion of the Proposed Partial Disposal ("**Completion**").

Details on the Proposed Partial Disposal are set out in Sections 2 and 4 of the Circular, and details of the Shareholders' Agreement are set out in Section 8 of the Circular. Salient information of the Proposed Partial Disposal and Shareholders' Agreement is set out below.

4.1 Proposed Partial Disposal

Purchaser

The Purchaser, a company incorporated in Hong Kong, is a wholly-owned subsidiary of COSCO SHIPPING Bulk, which is in turn wholly owned by China COSCO SHIPPING, a state-owned enterprise headquartered in Shanghai, PRC.

The Purchaser is established in 1994 and has a history of 27 years. It owns a fleet of 98 vessels as at 30 June 2021 with a total tonnage of approximately 11.32 million tonnes.

The Purchaser's parent company, COSCO SHIPPING Bulk, is one of the largest bulk shipping corporations in the world and has more than 400 bulk carriers of various types with a total tonnage of approximately 40 million tonnes, loading iron ore, coal, grain and all other bulk cargoes. COSCO SHIPPING Bulk's services cover shipping routes in PRC coastal areas and world-wide major ports, and has shipping service networks all over the world. It also has more than 1,700 management staff and 12,500 seafarers.

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The Purchaser's ultimate parent company, China COSCO SHIPPING, is one of the largest shipping corporations in the world.

The directors of the Purchaser are Messrs Gu Jingsong, Chen Xiaoxiong, Chen Yan and Hu Haibing, who are senior management of COSCO SHIPPING Bulk.

CSS

CSS is incorporated in Singapore on 31 August 1993. As at the Announcement Date, CSS has an issued and paid-up share capital of S\$87,664,105 comprising 87,664,105 ordinary shares with no par value ("**CSS Shares**").

CSS is presently a wholly-owned subsidiary of the Company and is primarily engaged in the business of dry bulk shipping, with the main focus on owning and chartering of vessels. CSS owns 3 Supramax vessels with a total tonnage of approximately 163,000 tonnes and with an average age of 16 years.

Pursuant to the Proposed Partial Disposal, the Company is proposing to sell the Sale Shares, comprising 52,598,463 CSS Shares and representing 60% of the issued share capital of CSS, to the Purchaser. Following the Proposed Partial Disposal, the Company will retain the remaining 40% shareholding interest in CSS.

Upon Completion, CSS will be jointly owned 60% by the Purchaser and 40% by the Company. Hence, Parties have agreed to the proposed entry into of the Shareholders' Agreement on Completion.

Consideration

The Consideration for the Sale Shares is US\$42,391,000, payable in cash in US\$. The S\$ equivalent of the Consideration is approximately S\$57.01 million.

The Consideration was arrived at after arm's length negotiations between the Company and the Purchaser on a willing-buyer and willing-seller basis and taking into account the market value of the Sale Shares as at 30 June 2021 as appraised by the Valuer.

The Company intends to use the sale proceeds from the Proposed Partial Disposal to expand and promote the development of the Group's logistics business in South and Southeast Asia, and/or for general working capital of the Group.

Please see further details on the independent valuation of CSS in Section 5.3 of this Letter.

Conditions precedent

Completion of the Sale and Purchase Agreement is conditional upon the satisfaction of conditions precedent as set out in Section 4.3.1 of the Circular, including Shareholders' approval at the EGM for the Proposed Transaction and the entry into the Shareholders' Agreement by the Parties on Completion.

Post-Completion payment

The Parties have derived the Consideration based on the independent business valuation of the Sale Shares as at 30 June 2021, and the Parties have agreed that any change in the financial position of CSS from 1 July 2021 until the date of Completion ("**Transitional Period**") will not affect the amount of the Consideration. Accordingly, the Parties agree that:

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- (a) any distributable profits recorded by CSS in respect of the Transitional Period shall be vested in the Company (as CSS is wholly owned by the Company prior to Completion) and shall be declared and paid as dividends by CSS within 10 business days of the issuance of the audited financial statements of CSS;
- (b) any losses recorded by CSS in respect of the Transitional Period which are attributable to the Sale Shares shall be borne by the Company and shall be paid by the Company to the Purchaser within 10 business days of the issuance of the audited financial statements of CSS;
- (c) the audited financial statements of CSS referred to above is from 1 July 2021 until the Payment Determination Date which shall be the last day of the immediately preceding calendar month if Completion takes place within the first 15 days of a calendar month, or the last day of that calendar month if Completion takes place after the 15th day of the calendar month; and
- (d) the costs and expenses in connection with the preparation of the above audited financial statements of CSS shall be borne equally by the Parties.

With respect to point (a) above, as an illustration, if there are distributable profits recorded by CSS in respect of the Transitional Period of e.g. US\$1 million, CSS will declare and pay the full amount of US\$1 million as dividends to the Company, as CSS is wholly owned by the Company prior to Completion.

With respect to point (b) above, as an illustration, if CSS record a loss during the Transitional Period of e.g. US\$1 million, the Company will compensate the Purchaser US\$600K, representing the Purchaser's 60% shareholding interest in CSS, as the Company would have also borne its 40% share of the loss incurred by CSS during the Transitional Period by retaining its 40% shareholding interest in CSS.

4.2 Shareholders' Agreement

As mentioned in Section 4.1 above, upon Completion, CSS will be jointly owned 60% by the Purchaser and 40% by the Company. The proposed entry into of the Shareholders' Agreement upon Completion is an IPT within the meaning of Chapter 9 of the Listing Manual as the Purchaser is indirectly wholly owned by China COSCO SHIPPING, and COSCO Group, being the controlling Shareholder, is also wholly owned by China COSCO SHIPPING.

The Shareholders' Agreement sets out the terms of the collaborating arrangements between the Parties. Details of the Shareholders' Agreement are set out in Section 8 of the Circular.

Rule 916(2) of the Listing Manual exempts investment in a joint venture with an interested person from shareholders' approval, if:

- (a) the risks and rewards are in proportion to the equity of each joint venture partner;
- (b) the issuer confirms by an announcement that its audit committee is of the view that the risks and rewards of the joint venture are in proportion to the equity of each joint venture partner and the terms of the joint venture are not prejudicial to the interests of the issuer and its minority shareholders; and
- (c) the interested person does not have an existing equity interest in the joint venture prior to the participation of the entity at risk in the joint venture.

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With respect to the Shareholders' Agreement:

- (i) the Audit and Risk Management Committee of the Company, having reviewed the terms of the Shareholders' Agreement, is of the view that the risks and rewards of the Company and the Purchaser in CSS are in proportion to their respective equity shareholdings in CSS, and the terms of the Shareholders' Agreement are not prejudicial to the interests of the Company and its minority Shareholders; and
- (ii) the Purchaser does not have any existing equity interest in CSS since the incorporation of CSS.

Notwithstanding the above, the Company is also seeking Shareholders' approval for the proposed entry into of the Shareholders' Agreement.

5. SALIENT FINANCIAL INFORMATION OF CSS

For the purposes of the Proposed Transaction, the Company had commissioned its external auditors, PricewaterhouseCoopers LLP, to carry out an interim audit of the financial statements of CSS for 1H2021.

5.1 Financial performance of CSS

Set out below is a summary of the key financial results of CSS for the last 3 financial years ended 31 December i.e. FY2018, FY2019, FY2020, and 1H2021 financial results compared to the corresponding half year of FY2020 ("1H2020"):

US\$'000	← Audited →			Unaudited	Audited
	FY2018	FY2019	FY2020	1H2020	1H2021
Charter hire income	11,516	15,848	24,242	9,827	7,876
Less: Vessel operating costs	(7,051)	(12,126)	(22,392)	(9,198)	(5,471)
Gross profit	4,465	3,722	1,850	629	2,405
Other income/(loss)	229	441	(525)	(104)	356
Other gains/(losses)	480	1,330	695	562	(109)
Less: Expenses	(1,995)	(2,224)	(1,763)	(1,060)	(1,103)
Profit before income tax	3,179	3,269	257	27	1,549
Less: Income tax	(1)	(41)	(4)	(10)	(3)
Profit after tax	3,179	3,228	253	17	1,546

Source: Management

FY2018 to FY2020

Charter hire income had increased from US\$11.52 million in FY2018 to US\$24.24 million in FY2020 due mainly to revenue from chartering of CSS' owned vessels as well as additional bulk carriers chartered in.

However, gross profit margin decreased significantly during this period from 38.8% in FY2018 to 23.5% in FY2019 and 7.6% in FY2020 as charter rates fell in line with the volatility of the international charter rates represented by the Baltic Dry Index ("BDI"). The average BDI was 1,353 in both 2018 and 2019, but fell to 1,066 in 2020.

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Other income comprises interest income, rental income, gain/loss on sale of bunker stock and government grant. The loss on sale of bunker stock had contributed to other loss of US\$525K in FY2020.

Other gains during this period were due mainly to the gain on disposal of leasehold properties.

Overall, profit after tax remained relatively stable at US\$3.18 million and US\$3.23 in FY2018 and FY2019 respectively but declined significantly to US\$253K in FY2020 due mainly to lower charter rates.

1H2021 vs 1H2020

During 1H2021, charter hire income declined compared to 1H2020 due mainly to lower revenue from chartered-in vessels. The decline in charter hire income was partially offset by the increase in charter rates during 1H2021.

BDI improved significantly in 1H2021 as average BDI jumped from 685 in 1H2020 to 2,257 in 1H2021. Overall, CSS had benefited from the improvement in BDI and reported profit after tax of US\$1.55 million for 1H2021, compared to US\$17K for 1H2020. Gross profit margin achieved by CSS in 1H2021 was 30.5% compared to 6.4% in 1H2020.

5.2 Financial position of CSS

A summary of the audited statement of financial position of CSS as at 30 June 2021 is set out below:

US\$'000	Audited as at 30 June 2021
<u>Current assets</u>	
Cash and cash equivalents	23,350
Trade and other receivables	7,637
Inventories	208
Other current assets	3
	31,198
<u>Non-current assets</u>	
Property, plant and equipment ("PPE")	26,492
Financial asset, at FVOCI	_*
	26,492
Total assets	57,690
<u>Current liabilities</u>	
Trade and other payables	5,544
Current income tax liabilities	11
Total liabilities	5,555
<u>Equity</u>	
Share capital	49,329
Retained profits	2,806
Total equity	52,135

* This relates to unquoted ordinary shares in a corporation with a carrying amount of US\$1.

Source: Management

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Assets

As at 30 June 2021, CSS had total assets of US\$57.69 million comprising mainly (a) cash and cash equivalents of US\$23.35 million (representing 40.5% of total assets), (b) PPE of US\$26.49 million (representing 45.9% of total assets) and (c) other receivable due from holding company of US\$7.00 million (representing 12.1% of total assets). PPE relates mainly to CSS' 3 owned vessels with net book value ("**NBV**") of US\$22.06 million and capitalised dry-docking expenses of US\$4.37 million, totalling US\$26.43 million (representing 99.8% of total PPE).

Liabilities

CSS' liabilities were mainly trade and other payables of US\$5.54 million (representing 99.8% of total liabilities). CSS does not have any borrowings.

Equities

NAV which is equivalent to the total equity of CSS as at 30 June 2021 amounted to US\$52.13 million consisting of paid-up share capital of US\$49.33 million and retained profits of US\$2.81 million. As the Group does not have any intangible assets, its NAV is the same as its NTA.

CSS had significant cash balances of US\$23.35 million as at 30 June 2021, and other receivable due from holding company of US\$7.00 million, which is the amount the Company owed to CSS. Management has expressed that cashflows from operations are presently self-sufficient and hence, the cash balances of US\$23.35 million, together with the other receivable due from holding company of US\$7.00 million, totalling US\$30.35 million, are considered as surplus to the operations of CSS.

The NAV of CSS could therefore be broken down into:

- (a) net operating assets of US\$21.78 million (representing 41.8% of total NAV of CSS); and
- (b) surplus assets comprising cash and other receivable due from holding company totalling US\$30.35 million (representing 58.2% of total NAV of CSS).

5.3 Independent valuation of CSS

For the purposes of the Proposed Partial Disposal, the Company had commissioned RSM Advisory as the Valuer to carry out an independent valuation of the Sale Shares as at 30 June 2021, being the Valuation Date.

Market Value is defined as "*the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion*".

To estimate the market value range of the Sale Shares, the Valuer has considered the Income Approach, the Market Approach and the NAV Approach as summarised below:

The **Income Approach** measures the market value of the subject business by its ability to generate future cash flows. The indicative market value of a company is thus arrived at from the value of the future free cash flows expected to be generated from the business of the company during its life, and discounted with a risk-adjusted discount rate commensurate with the risk of the business (i.e. a discounted cash flow ("**DCF**") model). The central tasks in this approach are the projection of the future free cash flows and the determination of an appropriate discount rate.

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The **Market Approach** uses valuation multiples of comparable companies as indicator of the market value of the subject company. Application of the Market Approach involves comparison of the subject company with other companies operating in similar businesses. Considerations such as the historical performance of the business, the expected level of future operating performance, significant changes occurring in the operating environment, the underlying cyclical nature of the business and other relevant factors are analysed for comparable companies, and adjustments to the prices observed are made, if appropriate, to indicate the value range for the subject company.

The **NAV Approach** estimates the market value of the share capital based on the sum of net assets value (marked to current market values). NAV methodology is most applicable for businesses where the value lies in the underlying assets (e.g. property development) and not the ongoing operations of the business.

In the selection of the valuation approaches to estimate the market value range of the Sale Shares, the Valuer had considered the merits of each of the approaches as well as the availability of the information. The Valuer had:

- (i) applied the Income Approach as a primary approach to estimate the market value range of the Sale Shares, considering that CSS has been profitable in the past years and its value will primarily be derived from its free cash flows;
- (ii) utilised the Market Approach as a secondary cross-check to the value derived under the Income Approach; and
- (iii) considered but did not apply the NAV Approach due to the following reasons:
 - CSS has been profitable in the past years; and
 - CSS' revenue is highly dependent on the time charter ("**TC**") rate and the BDI is an indicator of the market TC rate. The BDI decreased from 1,799 as at 30 June 2020 to 1,366 as at 31 December 2020 and then increased to 3,383 on 30 June 2021. Considering the high volatility of the BDI, the replacement costs may not best reflect CSS' future economic benefits.

The Valuer had utilised DCF as the primary approach and carried out the independent valuation of the Sale Shares based on various bases and assumptions, including applying a weighted average cost of capital ("**WACC**") of 9.1% as the discount rate to discount the cashflows from the 3 existing vessels up to FY2031 and estimating the scrap value from the 3 vessels which have remaining useful life of 7-10 years.

Following from the above, the Valuer had ascribed the enterprise value of CSS at US\$40.3 million. After adding amount due from holding company of US\$7 million and cash balance of US\$23.35 million, the Valuer had ascribed the equity value of 100% of CSS to be US\$70.7 million.

The Valuer had also conducted a sensitivity analysis by varying the WACC between 8.6% and 9.6%, and changes in the TC rate between -5% and 5%, and determined the market value of 60% equity value of CSS as at the Valuation Date to be between US\$39.4 million and US\$45.5 million, and the mid-point market value at US\$42.4 million ("**Mid-Point Market Value**").

The Consideration for the Proposed Partial Disposal is at the Valuer's ascribed Mid-Point Market Value of the Sale Shares of US\$42.4 million.

Further details are set out in the "Independent Valuation Summary Letter" attached as Appendix B to the Circular.

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6. EVALUATION OF THE PROPOSED TRANSACTION

In our evaluation of the Proposed Transaction as an IPT, we have given due consideration to, *inter alia*, the following key factors which we consider to have a significant bearing on our assessment:

- (a) benefits and rationale for the Proposed Transaction;
- (b) Consideration for the Proposed Partial Disposal which is determined based on the independent valuation of the Sale Shares;
- (c) financial analysis of CSS;
- (d) assessment of the key terms of the Shareholders' Agreement; and
- (e) other relevant considerations.

6.1 Benefits and rationale for the Proposed Transaction

It is not within our terms of reference to comment or express an opinion on the merits of the Proposed Transaction or the prospects of the Group after the Proposed Transaction. Nevertheless, we have reviewed the benefits and rationale for the Proposed Transaction, details of which are set out in Section 3.1 of the Circular.

Upon the completion of the Proposed Transaction, CSS will cease to be a wholly-owned subsidiary of the Company and will become a 40%-owned associated company of the Group. As CSS will be majority owned ultimately by COSCO SHIPPING Bulk after the completion of the Proposed Transaction, and COSCO SHIPPING Bulk is also engaged in shipping business in Southeast Asia, there may be perceived potential conflicts of interest with the Sale Company. Further details on the potential conflicts of interest and how the Group intends to address such potential conflicts of interest are set out in Section 3.2 of the Circular.

6.2 Consideration for the Proposed Partial Disposal which is determined based on the independent valuation of the Sale Shares

Parties to the Sale and Purchase Agreement have agreed for the Consideration for the Proposed Partial Disposal to be determined based on the independent valuation of the Sale Shares as at 30 June 2021 as ascribed by the Valuer. The Valuer had estimated the Market Value of the Sale Shares to be between US\$39.4 million and US\$45.5 million, and the Mid-Point Market Value at US\$42.4 million.

As the Consideration is independently determined and is at the ascribed Mid-Point Market Value of the Sale Shares, the Consideration is therefore fair and reasonable.

In addition, as the Consideration is determined based on the independent valuation of CSS as at the Valuation Date, Parties have agreed on the settlement of profits/losses that may be reported by CSS during the Transitional Period from 1 July 2021 until the date of Completion as set out in Section 4.1 of this Letter under the caption entitled "Post-Completion payment".

We note the following:

- (a) as CSS is wholly owned by the Company prior to Completion, all profits achieved by CSS during the Transitional Period belongs to the Company, and CSS will declare these profits as dividends to the Company within 10 business days of the issuance of the audited financial statements of CSS. Accordingly, the Company will benefit from profits achieved by CSS, if any, prior to the Proposed Partial Disposal;

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- (b) if CSS incur a loss during the Transitional Period, the Company will compensate the Purchaser for the loss attributable to the Sale Shares.

As illustrated in Section 4.1 of this Letter, any losses incurred by CSS during the Transitional Period of e.g. US\$1 million, the Company will compensate the Purchaser US\$600K, representing the Purchaser's 60% shareholding interest in CSS, as the Company would have also borne its 40% share of the loss incurred by CSS during the Transitional Period by retaining its 40% shareholding interest in CSS.

The above is an equitable arrangement between the Company and the Purchaser to ensure that the financial position of CSS as at the date of Completion is not materially different from 30 June 2021;

- (c) the profit or loss incurred by CSS during the Transitional Period will be determined based on the audited financial statements of CSS for the Transitional Period; and
- (d) the financial statements of CSS will be for the period from 1 July 2021 until the Payment Determination Date which, for convenience, is determined either on the preceding month-end if Completion takes place within the first 15 days of the calendar month, or at the end of the current month if Completion takes place after the 15th day of that calendar month.

6.3 Financial analysis of CSS

For the purposes of our analysis, we have also considered the valuation of CSS, implied by the Consideration and based on the historical financial information of CSS in terms of earnings approach and net asset backing approach.

6.3.1 Price-earnings ratio ("PER")

PER is a commonly used earnings approach which illustrates the valuation ratio of the current market value of a company's shares relative to its earnings per share. The PER is affected by, *inter alia*, the capital structure of a company, its tax position as well as its accounting policies relating to depreciation and intangible assets. The PER is commonly used for the purpose of illustrating the profitability and hence the valuation of a company as a going concern.

As analysed in Section 5.1 of this Letter, CSS has been profitable in the last 3½ years from FY2018 to 1H2021. However, the earnings for FY2020 were relatively low in view of *inter alia* low gross profit margin of 7.6% achieved in FY2020 due mainly to the low charter rates. For 1H2021, compared to 1H2020, CSS recorded relatively lower revenue due mainly to lower revenue from chartered-in vessels. However, gross profit margin achieved during 1H2021 increased to 30.5% as charter rates improved significantly and consequently, profit after tax recorded for 1H2021 was US\$1.55 million.

The implied valuation of 100% of CSS is US\$70.65 million based on the Consideration of US\$42.39 million for 60% equity interest in CSS. The PER of CSS implied by the Consideration would be exceptionally high and not meaningful, based on the profit after tax of US\$253K achieved in FY2020.

Based on the trailing 12 months period ("T12M") from 1 July 2020 to 30 June 2021, the profit after tax for T12M would be US\$1.78 million. The historical PER of CSS of 39.7 times implied by the Consideration and based on T12M is also skewed, in view of the relatively low earnings for T12M. Therefore, the use of historical PER as a valuation approach to assess the Proposed Partial Disposal is not meaningful.

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6.3.2 Price-to-NAV (“P/NAV”) ratio

P/NAV ratio is a commonly used net asset backing approach which shows the extent to which the shares of a company is backed by its net assets.

The NAV based valuation approach provide an estimate of the value of a company assuming the hypothetical sale of all its assets over a reasonable period of time and would be more relevant for asset-based companies or where the subject company intends to realise or convert the uses of all or most of its assets. Such a valuation approach would be particularly appropriate when applied in circumstances where the business is to cease operations or where the profitability of the business being valued is not sufficient to sustain an earnings-based valuation.

To the extent that the company has assets which have significant revaluation surplus/deficit arising from a potential valuation of these assets, the revalued NAV (“RNAV”) of the shares of the company would have to be considered.

CSS has no intangible assets, so its NAV is the same as its NTA. CSS has 3 owned vessels which are recorded at cost less accumulated depreciation, and their dry-docking expenses are capitalised under PPE. These vessels have estimated market values which are potentially above their respective NBVs.

In addition, as set out in Section 5.2 of this Letter, CSS has (a) net operating assets of US\$21.78 million and (b) surplus assets of US\$30.35 million. We have therefore considered the P/NAV ratio of CSS implied by the Consideration based on NAV, NAV (ex-cash), RNAV and RNAV (ex-cash) bases.

P/NAV and P/NAV (ex-cash) ratios

The NAV of CSS was US\$52.13 million as at 30 June 2021. As mentioned above, the valuation of CSS implied by the Consideration is US\$70.65 million. Hence, the P/NAV ratio is 1.36 times or a premium of 35.5% above the NAV of CSS as at 30 June 2021.

Following from our discussion above, surplus assets (comprising cash and other receivable due from holding company totalling US\$30.35 million) should be accorded their face value as they are cash or near cash equivalent. The implied valuation of CSS of US\$70.65 million would therefore comprise (i) US\$30.35 million as represented by the surplus assets, and (ii) the balance US\$40.30 million would represent the value of the operations of CSS utilising the net operating assets.

On an ex-cash basis, the P/NAV (ex-cash) ratio of CSS would be 1.85 times or a premium of 85.0% above the net operating assets of CSS, based on:

- (a) S\$40.30 million, being the value of the operations of CSS utilising the operating assets, implied by the Consideration; and
- (b) S\$21.78 million, being the NAV of the operating assets of CSS as at 30 June 2021.

P/RNAV and P/RNAV (ex-cash) ratios

CSS owns 3 vessels. As the Company had already commissioned the Valuer to carry out an independent business valuation of CSS on a going concern basis, independent valuation of the vessels was deemed not necessary.

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However, Management had given us the estimated desk-top market values of the 3 vessels owned by CSS as at the Valuation Date for our purposes to evaluate the RNAV of CSS as a cross check against the business valuation of CSS.

As set out in Section 5.2 of this Letter, the total NBV of the vessels including capitalised dry-docking expenses as at 30 June 2021 was US\$26.43 million. Management had estimated the aggregate desk-top market value of these vessels as at that date to be approximately US\$34.5 million, which would result in a revaluation surplus of US\$8.07 million. Management further commented that as these vessels are for CSS own use and not held for sale, there is unlikely to be any potential tax liability on the revaluation surplus in a hypothetical scenario where the vessels are sold at the estimated market value. Accordingly, the RNAV of CSS would be US\$60.20 million as compared to the NAV of CSS of US\$52.13 million as at 30 June 2021.

The P/RNAV ratio of CSS implied by the Consideration would be 1.17 times, representing a premium of 17.4% above the RNAV of CSS as at 30 June 2021.

On an ex-cash basis, the P/RNAV (ex-cash) ratio of CSS would be 1.35 times, representing a premium of 35.0% above the revalued operating assets of CSS of US\$29.85 million as at 30 June 2021.

Overall, the valuation of CSS implied by the Consideration represents a premium above the respective NAV and RNAV as well as on an ex-cash basis as at 30 June 2021, as summarised in the table below:

	As at 30 June 2021	On ex-cash basis
P/NAV ratio	1.36 times	1.85 times
P/RNAV ratio	1.17 times	1.35 times

6.3.3 Confirmation by the Company

Besides the estimated desk-top market valuation of the 3 owned vessels provided to us by Management, in our evaluation of the financial terms of the Proposed Partial Disposal, we have also considered whether there is any other asset which should be valued at an amount that is materially different from that which was recorded in the statement of financial position of CSS as at 30 June 2021, and whether there are any factors which have not been otherwise disclosed in the financial statements of CSS that are likely to impact its NAV as at 30 June 2021.

In respect of the above, the Directors and Management have confirmed to us that as at the Latest Practicable Date, to the best of their knowledge and belief, and save as disclosed above and save for any announcements made by the Company in respect of CSS since 30 June 2021 to the Latest Practicable Date:

- (a) there are no material differences between the realisable value of CSS' assets and their respective book values as at 30 June 2021 which would have a material impact on the NAV of CSS;
- (b) other than that already provided for or disclosed in CSS' financial statements as at 30 June 2021, there are no other contingent liabilities, bad or doubtful debts or material events which are likely to have a material impact on the NAV of CSS as at the Latest Practicable Date;
- (c) there are no litigation, claim or proceeding pending or threatened against CSS or of any fact likely to give rise to any proceeding which might materially and adversely affect the financial position of CSS taken as a whole;

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- (d) there are no intangible assets which ought to be disclosed in the statement of financial position of CSS in accordance with the Singapore Financial Reporting Standards (International) and which have not been so disclosed and where such intangible assets would have a material impact on the overall financial position of CSS; and
- (e) there are no material acquisitions or disposals of assets by CSS between 30 June 2021 and the Latest Practicable Date, and the Group does not have any plans for any such impending material acquisition or disposal of assets, conversion of the use of its material assets or material change in the nature of CSS' business, save for the agreement by Parties on the post-Completion payment for the Transitional Period.

6.3.4 Listed comparable peers

We have also considered assessing the implied valuation of CSS with valuation statistics of listed peers i.e. companies that are mainly engaged in dry bulk shipping business and listed on the SGX-ST.

There are no direct SGX-ST listed comparable companies to CSS. There are, however, three SGX-ST listed companies that can be considered as broad comparables to CSS ("**Listed Comparables**") for reference only, as follows:

- (a) Pan Ocean Co., Ltd. ("**Pan Ocean**") – Pan Ocean has a very big market capitalisation in excess of S\$4 billion and is engaged mainly in dry bulk shipping. Pan Ocean is primary listed on the Korea Exchange and secondary listed on the SGX-ST. On 14 June 2021, a joint announcement was made on the proposed voluntary delisting of Pan Ocean from the SGX-ST pursuant to a conditional cash exit offer, which is ongoing as at the Latest Practicable Date. The PER implied by the offer price and based on T12M profit attributable to owners of the group is 22.2 times. The P/NAV ratio implied by the offer price and based on the NAV per share as at 30 June 2021 is 1.3 times.
- (b) Samudera Shipping Line Ltd ("**Samudera**") – Samudera has a market capitalisation of approximately S\$318.1 million (as at the Announcement Date) and is mainly engaged in container shipping. Its bulk and tanker shipping business is relatively small. The PER based on its market capitalisation and T12M profit attributable to owners of the company is 6.4 times. The P/NAV ratio based on its market capitalisation and NAV per share as at 30 June 2021 is 1.0 times.
- (c) Courage Investment Group Limited ("**Courage**") – Courage has a relatively small market capitalisation of approximately S\$26.3 million (as at the Announcement Date), is engaged mainly in dry bulk shipping and owns 3 Supramax vessels. Courage is primary listed on the Stock Exchange of Hong Kong and secondary listed on the SGX-ST. Courage reported a profit for 1H2021 but a loss for T12M. Its PER is therefore not meaningful. The P/NAV ratio based on its market capitalisation and NAV as at 30 June 2021 is 0.4 times.

We have had discussions with Management about the suitability and reasonableness of the selected Listed Comparables acting as a basis for comparison with CSS. Relevant information has been extracted from Bloomberg L.P., publicly available annual reports and/or public announcements of the selected Listed Comparables. We make no representations or warranties, expressed or implied, as to the accuracy or completeness of such information. The accounting policies of the selected Listed Comparables with respect to the values for which the assets, revenue or cost are recorded may differ from that of CSS.

We wish to highlight that the selected Listed Comparables are not exhaustive and it should be noted that there may not be any listed company that is directly comparable with CSS in terms of location, business activities, customer base, size of operations, asset base, geographical spread of activities, geographical markets, track record, financial performance, operating and financial leverage, prospects, liquidity, quality of earnings, accounting policies, risk profile and

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other relevant criteria. As such, any comparison made herein is necessarily limited and it may be difficult to place reliance on the comparison of valuation statistics for the selected Listed Comparables. Therefore, any comparison made serves only as an illustrative guide.

Our observations

- (i) the PERs of the Listed Comparables range from 6.4 times to 22.2 times, compared to the PER of CSS of 39.6 times, which may be skewed due to the relatively low T12M earnings of CSS and hence may not be a meaningful comparison with the Listed Comparables; and
- (ii) the P/NAV ratios of the Listed Comparables range from 0.4 times to 1.3 times with an average of 0.9 times. In comparison, the P/RNAV ratio and P/RNAV (ex-cash basis) ratio of CSS implied by the Consideration of 1.2 times and 1.4 times respectively are higher than the average P/NAV ratio of the Listed Comparables.

6.4 Assessment of the key terms of the Shareholders' Agreement

The Parties have agreed that on completion of the Sale and Purchase Agreement, they will enter into the Shareholders' Agreement which sets out the financial, managerial, administrative and other arrangements in relation to CSS, and the manner in which the business and affairs of CSS will be regulated. The Shareholders' Agreement will commence and take effect immediately upon the transfer of the Sale Shares to the Purchaser.

Some of the key terms of the Shareholders' Agreement are as follows:

- (a) the board of CSS will consist of 5 directors unless otherwise unanimously agreed by shareholders of CSS in writing, with 3 persons to be appointed by the Purchaser and 2 persons by the Company. The director nominated by the Purchaser shall be the Chairman of the board but he/she shall not have any casting vote;
- (b) the quorum for board meeting for any business of CSS shall be 3 directors which shall include at least 1 director appointed by the Company or his appointed alternate director. All resolutions of board meeting are passed by a simple majority of vote of the directors present, except for certain matters which require the affirmative vote of each director present at the board meeting.

The matters which require the affirmative vote of each director present include financial budget, strategies planning, remuneration to directors, CEO, COO and CFO, employee share option schemes, change in interest in the business of CSS, loans to directors and employees of CSS, relocation of operations outside Singapore, appointment and dismissal of the general manager and deputy general manager, and external borrowings;

- (c) with respect to the distributable profit recorded by CSS during the Transitional Period, pursuant to the Sale and Purchase Agreement, Parties agree that they shall within 3 business days of the issuance of the audited financial statements of CSS for the relevant period hold a board meeting to approve the distributable profit and shall procure all the directors of CSS to vote in favour of the distributable profit and make the necessary payment to the Company within 10 business days of the issuance of the audited financial statements of CSS for the relevant period;
- (d) the quorum for general meeting of CSS for any business of CSS shall be at least 2 shareholders present in person or by proxy, and all shareholders' resolutions are passed by a simple majority vote of the shareholders present and voting;

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- (e) the approval of each shareholder of CSS is required to decide on the various reserved matters as set out in the Shareholders' Agreement including winding up, changes to the share capital, mergers and amalgamation, substantial disposal of CSS undertakings and assets, substantial borrowings or guarantees given by CSS, transaction with directors and shareholders, material change in business, and the appointment and removal of auditors;
- (f) the right of the Purchaser to nominate 2 individuals to act as general manager and deputy general manager of CSS, which requires the affirmative vote of each director present at the board meeting on their appointment and dismissal as set out in (b) above;
- (g) where any financing by the shareholders of CSS is to be provided, such financing (including the provision of any guarantee or security) shall be provided by the shareholders in their respective shareholding proportions;
- (h) shareholders of CSS are subject to pre-emptive rights in relation to the issue of new shares and transfer of existing CSS Shares. Any third-party subscriber(s) or transferees of CSS Shares shall be required to execute a deed of ratification and accession under which they shall agree to be bound by and be entitled to the benefit of the Shareholders' Agreement;
- (i) in the event that a selling shareholder desires to transfer 50% or more of the CSS Shares to a third-party purchaser or to another shareholder, there are tag-along rights of other shareholders to sell all (and not some only) of the CSS Shares on terms and conditions (including price) that are no less favourable than those available to the selling shareholder;
- (j) restrictions in relation to the disposal or charging of the CSS Shares except with the prior written consent of other shareholders; and
- (k) in the event of a deadlock, shareholders are to resolve the deadlock in good faith, failing which a shareholder could serve a notice to offer to sell all of its shares in CSS to or purchase from the other shareholder(s) all (but not some only) of their shares in CSS at a price specified by it, failing which the shareholders shall procure CSS to be wound up.

Details of the Shareholders' Agreement are set out in Section 8 of the Circular.

Our observations

Generally, the terms of the Shareholders' Agreement confer rights in proportion to the respective shareholding interests of the Purchaser and the Company in CSS, including board representations. In addition, board meetings require the inclusion of a representative of the Company and for certain matters, affirmative vote of each director present at the board meeting is required. The quorum for general meeting of CSS is at least 2 shareholders, and all shareholders' resolutions are passed by a simple majority vote of the shareholders present and voting. Affirmative vote of each shareholder of CSS is required to decide on various reserved matters.

Other key terms of the Shareholders' Agreement are those in relation to how the business and affairs of CSS are to be regulated and are customary terms expected of agreement of such a nature. In addition, the terms on the distributable profit during the Transitional Period are consistent with the terms of the Sale and Purchase Agreement.

Overall, the Shareholders' Agreement are on normal commercial terms and the proposed entry into of the Shareholders' Agreement is therefore not prejudicial to the interests of the Company and its Minority Shareholders.

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6.5 Other relevant considerations

6.5.1 Joint ownership of CSS with the Purchaser going forward

Upon Completion, CSS will be jointly owned 60% by the Purchaser and 40% by the Company, and the Shareholders' Agreement will set out their collaboration arrangement going forward.

The Proposed Transaction does not result in the Group exiting from the dry bulk shipping business. Instead, the Group expects to benefit from leveraging on the expertise and resources of the Purchaser and its parent company, COSCO SHIPPING Bulk.

6.5.2 Financial effects of the Proposed Transaction

Details on the financial effects of the Proposed Partial Disposal are set out in Section 5 of the Circular and are based on the Group's latest audited financial information for FY2020 and certain assumptions. The financial effects are for illustrative purposes only and do not purport to be an indication or a projection of the results and financial position of the Group after the completion of the Proposed Partial Disposal.

We note the following:

(a) NTA

On the assumption that the Proposed Partial Disposal was completed on 31 December 2020, the NTA of the Group would increase by S\$27.8 million (net of estimated expenses of S\$0.4 million) after the Proposed Partial Disposal due mainly to (a) the excess of the Consideration over the carrying amount of the Sale Shares amounting to S\$16.9 million; and (b) the fair value gain on the remaining 40% interest in CSS amounting to S\$11.3 million.

Based on the 1H2021 results, on the assumption that the Proposed Partial Disposal was completed on 30 June 2021, the NTA of the Group would increase by S\$24.5 million (net of estimated expenses of S\$0.4 million) after the Proposed Partial Disposal.

(b) Earnings

On the assumption that the Proposed Partial Disposal was completed on 1 January 2020, the Company would recognise a gain on disposal due mainly to the excess of the Consideration over the carrying amount of the Sale Shares, the fair value gain on the remaining 40% interest in CSS, and reduced by the reclassification of translation reserves from equity to profit and loss statement. The net increase in earnings after the Proposed Partial Disposal would be S\$17.4 million.

Upon the completion of the Proposed Partial Disposal, CSS will cease to be consolidated with the Group. Instead, CSS will be accounted for as a 40%-owned associated company in the financial statements of the Group.

6.5.3 General outlook of the dry bulk shipping industry and assessment of the Consideration as at Announcement Date

As at 30 September 2021, the Company observed that after a strong performance in the first half of 2021, dry bulk charter rates had moved steadily higher in the second half of 2021, reaching its highest level in 13 years. Looking ahead, dry bulk rates and prices are expected to remain firm over the next few months and then falling back and remaining relatively flat over the coming years. The Company believes that Southeast Asia will become one of the most

APPENDIX A : IFA LETTER TO THE INDEPENDENT DIRECTORS

important regions for the development of world trade in the future and CSS will focus on developing its bulk shipping business in this region.

Further details on the general outlook of the dry bulk shipping industry are set out in Section 2.5 of the Circular.

Based on available estimates as at the Announcement Date, Management has provided us with an update of the estimated aggregate market value of CSS' 3 Supramax vessels which had increased generally from approximately US\$34.5 million as at 30 June 2021 to approximately US\$42 million as at 30 September 2021, being the Announcement Date. This is an uplift of a further US\$7.5 million to the RNAV of CSS from US\$60.20 million as at 30 June 2021 to US\$67.70 million.

The valuation of CSS implied by the Consideration (US\$70.65 million for 100% of CSS) still represents a premium above the RNAV of CSS as at 30 September 2021, with a P/RNAV ratio of 1.04 times, representing a premium of 4.4% above the RNAV.

On an ex-cash basis, the P/RNAV (ex-cash) ratio would be 1.08 times, representing a premium of 7.9% above the revalued operating assets of CSS of US\$37.4 million as at 30 September 2021.

Pursuant to the terms of the Sale and Purchase Agreement, Parties have agreed to *inter alia* distribute profits achieved by CSS during the Transitional Period to the Company. The Company will therefore stand to benefit from any potential profits earned by CSS during this interim period.

7. OUR OPINION

In arriving at our opinion in respect of the Proposed Transaction as an IPT, we have reviewed and deliberated on the following key considerations which we consider to be pertinent in our assessment of the Proposed Transaction:

- (a) benefits and rationale for the Proposed Transaction;
- (b) Consideration for the Proposed Partial Disposal which is determined based on the independent valuation of the Sale Shares;
- (c) financial analysis of CSS;
- (d) assessment of the key terms of the Shareholders' Agreement; and
- (e) other relevant considerations.

Overall, based on our analysis and after having considered carefully the information available to us, we are of the opinion that the Proposed Transaction as an IPT is on normal commercial terms and not prejudicial to the interests of the Company and its Minority Shareholders.

Our opinion, as disclosed in this Letter, is based on publicly available information and information provided by the Directors and Management, and does not reflect any projections of future financial performance of CSS, the Company and/or the Group after the completion of the Proposed Partial Disposal and the entry into of the Shareholders' Agreement. In addition, our opinion is based on the economic and market conditions prevailing as at the Latest Practicable Date and is solely confined to our views on the Proposed Transaction as an IPT.

APPENDIX A : IFA LETTER TO THE INDEPENDENT DIRECTORS

Our opinion is required under Rule 921(4)(a) of the Listing Manual as well as addressed to the Independent Directors for their benefit and for the purpose of their consideration of the Proposed Transaction as an IPT. The recommendation to be made by them to the Minority Shareholders shall remain their responsibility. Whilst a copy of this Letter may be reproduced in the Circular, neither the Company, the Directors nor any other persons may reproduce, disseminate or quote this Letter (or any part thereof) for any other purposes, other than for the purposes of the Proposed Transaction as an IPT and the EGM, at any time and in any manner without the prior written consent of Provenance Capital in each specific case.

This Letter 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
PROVENANCE CAPITAL PTE. LTD.

Wong Bee Eng
Chief Executive Officer

APPENDIX B : INDEPENDENT VALUATION SUMMARY LETTER

INDEPENDENT VALUATION SUMMARY LETTER

9 September 2021

The Board of Directors
COSCO SHIPPING International (Singapore) Co.,Ltd
30 Cecil St,
#26-01, Prudential Tower
Singapore, 049712

Dear Sirs

1. INTRODUCTION

RSM Corporate Advisory Pte Ltd ("**RSMCA**") has been engaged by COSCO SHIPPING International (Singapore) Co., Ltd., ("**Cosco Holdco**" or the "**Company**") to estimate the market value ("**Market Value**" or "**MV**") range of 60% of the share capital of COSCO SHIPPING (Singapore) Pte. Ltd. ("**Cosco Singapore**" or the "**Target**") as at 30 June 2021 (the "**Valuation Date**").

This letter has been prepared for the purpose of inclusion in a circular ("**Circular**") to be issued in relation to a potential divestment of 60% of the share capital of Cosco Singapore to a related party (the "**Proposed Transaction**").

This letter sets out a summary of the information contained in our valuation report (the "**Valuation Report**") dated 9 September 2021. Accordingly, this letter should be read in conjunction with the full text of the Valuation Report.

Unless otherwise stated, words and expressions defined in the Circular for the purpose of obtaining shareholders' approval for the Proposed Transaction have the same meaning in this letter.

2. TERMS OF REFERENCE

Scope of Work and Basis of Value

RSMCA has been appointed by Cosco Holdco to conduct a valuation to estimate the Market Value range of 60% of the share capital of Cosco Singapore as at the Valuation Date.

For the purpose of this valuation, Market Value is defined as "*the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion*", as set out in International Valuation Standards.

We applied the Income Approach to estimate the Market Value range of 60% of the share capital of Cosco Singapore. Under the Income Approach, the Market Value has been estimated as the sum of the future free operating cash flows expected to be generated by Cosco Singapore discounted to its present value as at the Valuation Date, using the Weighted Average Cost of Capital ("**WACC**").

We also applied the Market Approach as a cross-check to the value derived under the Income Approach. We compared the implied multiples with the EV/EBITDA and P/B multiples of listed comparable companies.

RSMCA's compensation is not contingent upon the reporting of a pre-determined value or direction in value that favours anyone, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

APPENDIX B : INDEPENDENT VALUATION SUMMARY LETTER

Limitations of our Valuation Report and this letter

This letter and the Valuation Report are addressed strictly to the Board of Directors (the “**Board**”) and for the intended purpose as set out above and accordingly neither the Valuation Report nor this letter may be used or relied upon in any other connection by, and are not intended to confer any benefit on, any person (including without limitation the shareholders of Cosco Holdco).

Our terms of reference do not require us to evaluate or comment on the rationale, or the strategic or long term perspective of the Proposed Transaction or future financial performance of Cosco Singapore. We are not required to express any view on the growth prospects or potential of Cosco Singapore.

The Valuation Report is also not intended to be and is not included in the Circular, and does not purport to contain all the information that may be necessary or desirable to fully evaluate the Proposed Transaction.

We did not conduct a comprehensive review of the business, operational or financial condition of Cosco Singapore and accordingly make no representation or warranty, expressed or implied, in this regard. We do not express any opinion on the commercial merits and structure of the Proposed Transaction, nor are we providing any opinion, expressed or implied, as to the price of the shares or the financial condition or performance of Cosco Holdco upon the completion of the Proposed Transaction.

We do not provide assurance on the achievability of the future free cash flows results because events and circumstances may differ from the assumptions and expectations of the management of Cosco Holdco and/or Cosco Singapore (“**Management**”); and achievement of the forecast results is dependent on the subsequent actions, plans and execution, as well as other external factors.

Our estimates of the Market Value range of Cosco Singapore are based upon prevailing market, economic, industry, monetary and other conditions and on the information available as at the Valuation Date. Such conditions may change significantly over a relative short period of time and we assume no responsibility and are not required to update, revise or reaffirm our valuation conclusion to reflect events or developments subsequent to the Valuation Date.

Reliance on Information

In conducting our review and for the purpose of preparing our valuation range and the Valuation Report, we have held discussions with Management and we have read the information provided by them and other publicly available information, upon which our valuation analysis is based. Management have confirmed to us, that all material information available to them with respect to Cosco Singapore that is relevant for the purpose of our terms of reference, has been disclosed to us and that such information is fair and accurate in all material respects and that there is no other information or fact, the omission of which would cause any information disclosed to us to be inaccurate or misleading in any material respect on Cosco Singapore.

We have assumed and relied upon, and have not independently verified the accuracy, completeness and adequacy of all such information provided or otherwise made available to us or relied upon by us as described above, whether written or verbal, and no representation or warranty, expressed or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of all such information.

Management is solely responsible for the accuracy and fair statement of the information provided to us for use in performing the valuation exercise. The basis and assumptions of the accuracy and completeness of the financial information of Cosco Singapore are solely the responsibility of Management and the Board of Directors.

3. KEY ASSUMPTIONS

The Market Value of 60% of the share capital of Cosco Singapore is based on the information provided by and representations made by Management. The assumptions used reflect the expectations and

APPENDIX B : INDEPENDENT VALUATION SUMMARY LETTER

views regarding future events as at the Valuation Date and therefore, necessarily involve known and unknown risks and uncertainties affecting Cosco Singapore.

We relied on the following general assumptions in arriving at the Market Value of 60% of the share capital of Cosco Singapore as at the Valuation Date:

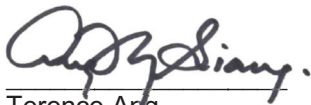
- 1) Information up to the Valuation Date provided by Management fairly reflects Cosco Singapore's financial and operating position;
- 2) Cosco Singapore is able to dispose the vessels at a scrap value at the end of its useful life;
- 3) Cosco Singapore has sufficient capital to support future expenditure and working capital and capability to achieve the financial forecast;
- 4) The accuracy and completeness of the information provided to us;
- 5) The business forecast, including but not limited to the projected revenue, profitability and capital expenditure that Cosco Singapore is expecting based on the information up to the Valuation Date is assumed to be achievable;
- 6) The WACC (i.e. the discount rate) is estimated at 9.1% and we have applied a range of discount rates ranging from 8.6% to 9.6%; and
- 7) Other information and representations made to us by Management during our discussions.

4. CONCLUSION

In accordance with the terms of reference, limitations, key assumptions and factors set out herein, RSMCA has arrived at the Market Value range of 60% of the share capital of the Target to be **US\$39.4 million to US\$45.5 million** as at 30 June 2021. The mid-point of the Market Value range is US\$42.4 million, which was derived by applying a discount rate of 9.1%.

Yours faithfully,

For and on behalf of RSM Corporate Advisory Pte Ltd



Terence Ang

Partner

Chartered Valuer and Appraiser, Singapore

APPENDIX C : FINANCIAL HIGHLIGHTS OF THE SALE COMPANY

An extract of the financial statements of the Sale Company for 1H2021, 1H2020, FY2020, FY2019 and FY2018 is as follow:

INCOME STATEMENT	1H2021		1H2020		FY2020		FY2019		FY2018	
	US\$'000	S\$'000	US\$'000	S\$'000	US\$'000	S\$'000	US\$'000	S\$'000	US\$'000	S\$'000
Charter hire income	7,876	10,475	9,827	13,675	24,242	33,432	15,848	21,626	11,516	15,509
Profit before income tax	1,549	2,060	27	38	257	354	3,269	4,461	3,179 ⁽⁴⁾	4,281
Income tax expense	(3)	(4)	(10)	(14)	(4)	(6)	(41)	(56)	(1)	(1)
Profit after tax	1,546	2,056	17	24	253	348	3,228	4,405	3,178	4,280

BALANCE SHEET	As at 30 June 2021		As at 30 June 2020		As at 31 December 2020		As at 31 December 2019		As at 31 December 2018	
	US\$'000	S\$'000	US\$'000	S\$'000	US\$'000	S\$'000	US\$'000	S\$'000	US\$'000	S\$'000
Assets										
Current assets	31,198	41,968	30,218	42,109	30,342	40,088	28,644	38,552	26,260	35,792
Non-current assets	26,492	35,637	24,025	33,479	24,538	32,420	25,413	34,203	27,076	36,905
Total assets	57,690	77,605	54,243	75,588	54,880	72,508	54,057	72,755	53,336	72,697
Liabilities										
Current liabilities	5,555	7,473	3,890	5,421	4,291	5,669	3,721	5,009	1,728	2,355
Non-current liabilities	-	-	-	-	-	-	-	-	-	-
Total liabilities	5,555	7,473	3,890	5,421	4,291	5,669	3,721	5,009	1,728	2,355
Net assets	52,135	70,132	50,353	70,167	50,589	66,839	50,336	67,746	51,608	70,342
Shareholders' equity	52,135	70,132	50,353	70,167	50,589	66,839	50,336	67,746	51,608	70,342
Total equity	52,135	70,132	50,353	70,167	50,589	66,839	50,336	67,746	51,608	70,342

Notes:

- The above Income Statement figures have been translated using the following exchange rates. These exchange rates were the average exchange rates for the respective financial period/year:

1H2021	1 US\$ to S\$1.330000
1H2020	1 US\$ to S\$1.391600
FY2020	1 US\$ to S\$1.379100
FY2019	1 US\$ to S\$1.364600
FY2018	1 US\$ to S\$1.346700

The above Balance Sheet figures have been translated using the following exchange rates. These exchange rates were the closing exchange rates as at the respective balance sheet dates:

30 June 2021	1 US\$ to S\$1.345200
30 June 2020	1 US\$ to S\$1.393500
31 December 2020	1 US\$ to S\$1.321200
31 December 2019	1 US\$ to S\$1.345900
31 December 2018	1 US\$ to S\$1.363000

- The financial statements of the Sale Company for 1H2020 were based on management accounts prepared in accordance to Singapore Reporting Standards (International).
- The financial statements for FY2020, FY2019, FY2018 and 1H2021 were prepared in accordance to Singapore Financial Reporting Standards (International) and audited by PricewaterhouseCoopers LLP. The audited financial numbers are rounded to the nearest US\$'000 for the purpose of presentation.
- An impairment loss on trade receivables of US\$154,000 (equivalent to approximately S\$207,000) was recognised by the Sale Company in FY2018.

NOTICE OF EXTRAORDINARY GENERAL MEETING

COSCO SHIPPING INTERNATIONAL (SINGAPORE) CO., LTD.

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of COSCO SHIPPING International (Singapore) Co., Ltd. (the “**Company**”) will be held by electronic means on 23 December 2021 at 2.00 p.m. for the purpose of considering and, if thought fit, passing with or without any modifications, the following ordinary resolution.

All capitalised terms used in this Notice of EGM which are not defined herein shall have the same meanings ascribed to them in the Circular dated 8 December 2021 (the “**Circular**”) to the shareholders of the Company.

ORDINARY RESOLUTION

THE PROPOSED DISPOSAL OF 52,598,463 ORDINARY SHARES REPRESENTING 60% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF COSCO SHIPPING (SINGAPORE) PTE. LTD. (THE “PROPOSED PARTIAL DISPOSAL”) TO AN INTERESTED PERSON, AND THE PROPOSED ENTRY INTO OF A SHAREHOLDERS’ AGREEMENT WITH THE PURCHASER ON COMPLETION OF THE PROPOSED PARTIAL DISPOSAL AS AN INTERESTED PERSON TRANSACTION (THE PROPOSED PARTIAL DISPOSAL AND THE PROPOSED ENTRY INTO OF THE SHAREHOLDERS’ AGREEMENT COLLECTIVELY, THE “PROPOSED TRANSACTION”)

RESOLVED THAT pursuant to Chapter 9 and Chapter 10 of the Listing Manual, approval be and is hereby given for:

- (a) the Proposed Transaction on the terms and subject to the conditions set out in the Sale and Purchase Agreement and the Shareholders’ Agreement, the principal terms of which are set out in the Circular; and
- (b) the Directors or any of them to complete and do all such acts and things (including without limitation, to execute all such documents and to approve any amendment, alteration or modification to any documents) as the Directors or any of them may consider necessary, desirable or expedient to give effect to the Proposed Transaction and this ordinary resolution.

BY ORDER OF THE BOARD

Lee Wei Hsiung
Company Secretary
Singapore, 8 December 2021

NOTES:

1. The EGM is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. **Printed copies of this Notice will not be sent to members.** Instead, this Notice will be sent to members by electronic means via publication on the Company’s website at <http://coscoshipping.listedcompany.com/home.html>. This Notice will also be made available on the SGX-ST website at <https://www.sgx.com/securities/company-announcements>.

NOTICE OF EXTRAORDINARY GENERAL MEETING

2. Alternative arrangements relating to attendance at the EGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the EGM in advance of the EGM, addressing of substantial and relevant questions at the EGM and voting by appointing the Chairman of the EGM as proxy at the EGM, are set out in the accompanying Company's announcement dated 8 December 2021. This announcement may be accessed at the Company's website at <http://coscoshipping.listedcompany.com/home.html>, and will also be made available on the SGX-ST website at <https://www.sgx.com/securities/company-announcements>.
3. **Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the EGM in person. A member (whether individual or corporate) must appoint the Chairman of the EGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the EGM if such member wishes to exercise his/her/its voting rights at the EGM.** The accompanying proxy form for the EGM may be accessed at the Company's website at <http://coscoshipping.listedcompany.com/home.html>, and will also be made available on the SGX-ST website at <https://www.sgx.com/securities/company-announcements>.
4. Where a member (whether individual or corporate) appoints the Chairman of the EGM as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a Resolution in the form of proxy, failing which the appointment of the Chairman of the EGM as proxy for that Resolution will be treated as invalid.
5. Central Provident Fund ("CPF") or Supplementary Retirement Scheme ("SRS") investors who wish to appoint the Chairman of the EGM as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. on 13 December 2021.
6. The Chairman of the EGM, as proxy, need not be a member of the Company.
7. The instrument appointing the Chairman of the EGM as proxy must be submitted in the following manner:
 - (a) if submitted by post, be deposited at the Company's Share Registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road #11-02 Singapore 068898; or
 - (b) if submitted electronically, be submitted via email to the Company's Share Registrar, Tricor Barbinder Share Registration Services at sg.is.COSCOproxy@sg.tricorglobal.com; or
 - (c) if submitted electronically, be lodged at the Company's EGM pre-registration site, <https://conveneagm.sg/coscoshippingegm>,

in any case not less than 72 hours before the time appointed for holding the EGM.

A shareholder who wishes to submit a proxy form through any of the means stated in 7 above must complete and sign the proxy form before submitting it to the relevant address provided.

In view of the current COVID-19 restriction orders in Singapore and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms via email or through electronic submission.

IMPORTANT REMINDERS

Due to the constantly evolving COVID-19 situation, the Company may be required to change its EGM arrangements at short notice. Members are advised to regularly check the Company's website or announcements released on SGXNET for updates on the EGM.

PERSONAL DATA PRIVACY

By submitting an instrument appointing the Chairman of the EGM to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of the appointment of the Chairman of the EGM as proxy for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines.

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

**EXTRAORDINARY GENERAL MEETING
PROXY FORM**

This proxy form may be accessed at the Company's website at <http://coscoshipping.listedcompany.com/home.html>, and will also be made available on the SGX-ST website at <https://www.sgx.com/securities/company-announcements>.

A printed copy of this proxy form will NOT be despatched to members.

IMPORTANT:

- (a) Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the Extraordinary General Meeting in person. A member (whether individual or corporate) must appoint the Chairman of the EGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Extraordinary General Meeting if such member wishes to exercise his/her/its voting rights at the Extraordinary General Meeting. In appointing the Chairman of the EGM as proxy, a member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.
- (b) This Proxy Form is not valid for use by Central Provident Fund ("CPF")/ Supplementary Retirement Scheme ("SRS") investors and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors who wish to appoint the Chairman of the EGM as proxy should approach their respective CPF Agent Banks or SRS Operators by 5.00 p.m. on 13 December 2021 to submit their votes.
- (c) By submitting an instrument appointing the Chairman of the EGM as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of Extraordinary General Meeting dated 8 December 2021.

I/We, (Name) _____ (NRIC/Passport/Co. Reg. No.) _____

of _____ (Address)

being a shareholder/shareholders of COSCO SHIPPING International (Singapore) Co., Ltd. (the "Company"), hereby appoint the Chairman of the extraordinary general meeting ("EGM") as my/our proxy to attend, speak and vote for me/us on my/our behalf at the EGM of the Company to be convened and held by way of electronic means on Thursday, 23 December 2021 at 2.00 p.m. (Singapore time) and at any adjournment thereof in the following manner:

Ordinary Resolution	For	Against	Abstain
To approve the Proposed Transaction			

Note: Voting will be conducted by poll. If you wish the Chairman of the EGM as your proxy to cast all your votes "For" or "Against" a resolution, please indicate with an "X" in the "For" or "Against" box provided in respect of that resolution. Alternatively, please indicate the number of votes "For" or "Against" in the "For" or "Against" box provided in respect of that resolution. If you wish the Chairman of the EGM as your proxy to abstain from voting on a resolution, please indicate with an "X" in the "Abstain" box provided in respect of that resolution. Alternatively, please indicate the number of shares that the Chairman of the EGM as your proxy is directed to abstain from voting in the "Abstain" box provided in respect of that resolution. **In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the EGM as your proxy for that resolution will be treated as invalid.**

Dated this _____ day of _____ 2021

Total number of Shares in	Number of Shares
CDP Register	
Register of Members	

Signature(s) of member(s) or Common Seal of Corporate Member

IMPORTANT: Please Read Notes Overleaf



NOTES:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
2. **Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the EGM in person. A member (whether individual or corporate) must appoint the Chairman of the EGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the EGM if such member wishes to exercise his/her/its voting rights at the EGM.** This proxy form may be accessed at the Company's website at <http://coscoshopping.listedcompany.com/home.html>, and will also be made available on the SGX-ST website at <https://www.sgx.com/securities/company-announcements>.
3. Where a member (whether individual or corporate) appoints the Chairman of the EGM as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the EGM as proxy for that resolution will be treated as invalid.
4. CPF or SRS investors who wish to appoint the Chairman of the EGM as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. on 13 December 2021.
5. The Chairman of the EGM, as proxy, need not be a member of the Company.
6. The instrument appointing the Chairman of the EGM as proxy must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing the Chairman of the EGM as proxy is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where an instrument appointing the Chairman of the EGM as proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company), if the instrument appointing the Chairman of the EGM as proxy is submitted by post, be lodged with the instrument of proxy or, if the instrument appointing the Chairman of the EGM as proxy is submitted electronically via email, be emailed with the instrument of proxy, failing which the instrument may be treated as invalid.
7. The instrument appointing the Chairman of the EGM as proxy must be submitted in the following manner:
 - (a) if submitted by post, be deposited at the Company's Share Registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road #11-02 Singapore 068898; or
 - (b) if submitted electronically, be submitted via email to the Company's Share Registrar, Tricor Barbinder Share Registration Services at sg.is.COSCOproxy@sg.tricorglobal.com; or
 - (c) if submitted electronically, be lodged at the Company's EGM pre-registration site, <https://conveneagm.sg/coscoshoppingegm>,

in any case not less than 72 hours before the time appointed for holding the EGM.

A shareholder who wishes to submit a proxy form through any of the means stated in 7 above must complete and sign the proxy form before submitting it to the relevant address provided.

In view of the current COVID-19 restriction orders in Singapore and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms via email or through electronic submission.

8. The Company shall be entitled to reject the instrument appointing the Chairman of the EGM as proxy if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the EGM as proxy (including any related attachment). In addition, in the case of members whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing the Chairman of the EGM as proxy lodged or submitted if such members are not shown to have shares entered against their names in the Depository Register 72 hours before the time appointed for holding the EGM, as certified by The Central Depository (Pte) Limited to the Company.