



**Singapore Shipping Corporation Limited**

Company registration no. 198801332G

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**RESPONSES TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ON THE ANNUAL REPORT 2020**

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The Board of Directors of Singapore Shipping Corporation Limited (the “**Company**”) refers to the questions received from Securities Investors Association (Singapore) (“**SIAS**”) in relation to the Annual Report of the Company for the financial year ended 31 March 2020 issued on 13 July 2020. The Appendix annexed herein sets out the Company’s responses to SIAS’s questions.

By Order of the Board

**Lee Li Huang**

Chief Financial Officer and Company Secretary

29 July 2020

## Appendix

1. In the message to shareholders, the chairman noted that, with lower vehicle production globally, there are hardly new builds of new Pure Car and Truck Carriers (“PCTCs”). Despite a challenging environment, the group continues to be profitable, with net profit of US\$9.2 million for the financial year ended 31 March 2020, a 10.6% decrease from the last financial year. Net gearing ratio improved from 39% to 27.6% as at 31 March 2020.

Details of the group’s fleet can be found on pages 7 & 8 of the annual report (reproduced below).

Vessel	Capacity	Built
Cougar Ace	5,540 cars	1993
Boheme	7,200 cars	1999
Sirius Leader	5,190 cars	2000
Capricornus Leader	6,500 cars	2004
Centaurus Leader	6,500 cars	2004
Taurus Leader	7,000 cars	2015

(Source: company annual report)

The average age of the group’s fleet is approximately 17 years.

- (i) **Can management help shareholders understand what measures, if any, have been taken to meet the new International Maritime Organisation (IMO) Low Sulphur Regulation (IMO 2020)?**
- (ii) **In particular, are any of the vessels equipped with approved equivalent means of compliance such as exhaust gas cleaning systems (EGCS) commonly referred to as “scrubbers”?**
- (iii) **What are the remaining charter periods for each of the vessels?**
- (iv) **Given the age of the fleet, the group’s financial position and the current macro-economic conditions, what are the group’s strategic plans, including fleet renewal/expansion or disposal, if any?**
- (v) **Has the group evaluated any suitable vessels/synergistic businesses that might be available on an opportunistic basis during this pandemic?**

**Company’s Response**

- (i) The installation of scrubbers is not mandatory if vessels use low-sulphur fuel. This same question was answered in last year’s AGM and raised again indiscriminately by SIAS.
- (ii) SSC’s vessels are on long-term charter. For confidentiality and business reasons, we are unable to disclose the exact duration of these charters.
- (iii) The shipping industry is currently undergoing severe stress from global over-supply and chronic lack of cargo. Further, the on-going trade war and COVID-19 has totally disrupted the automobile plants.

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(iv) SSC is fortunate its vessels continue to be gainfully employed when most owners/operators are currently facing financial disasters from off-charters, vessel lay-ups and supply chain disruptions. Fleet expansion in most segments of the shipping industry is far from the minds of most serious minded investors or any professional shipping executives.

2. Information on the directors showing their past appointments can be found on pages 3 and 4 of the annual report. The executive directors of the company are as follows:

- Mr Ow Chio Kiat as executive chairman
- Mr Ow Cheo Guan as deputy executive chairman
- Mr Ow Yew Heng as executive director and chief executive officer

As noted on page 21, the chairman and the deputy chairman are brothers and the CEO is the son of the chairman and the nephew of the deputy chairman. The company has listed the responsibilities of the chairman and of the CEO on page 21.

(i) **Would the company help shareholders better understand the roles and responsibilities of the deputy executive chairman?**

(ii) **Is there significant overlap in the roles and responsibilities of the executive chairman and deputy executive chairman?**

(iii) As shown on page 28, the executive chairman and deputy executive chairman received annual remunerations that included 27% and 18% in bonuses respectively.

Remuneration Bands and Name of Director	Salary	Bonus	Fees <sup>(1)</sup>	Other Benefits <sup>(2)</sup>	Total
	%	%	%	%	%
<b>S\$1,700,000 to below S\$1,800,000</b> Ow Chio Kiat <sup>(3)</sup>	70	27	2	1	100
<b>S\$700,000 to below S\$800,000</b> Ow Cheo Guan <sup>(4)</sup>	78	18	3	1	100
<b>S\$700,000 to below S\$800,000</b> Ow Yew Heng <sup>(5)</sup>	56	41	3	-	100
<b>Below S\$100,000</b> Pebble Sia Huei-Chieh	-	-	100	-	100
Huong Wei Beng	-	-	100	-	100
Ng Jui Ping <sup>(6)</sup>	-	-	100	-	100

(Source: company annual report)

**Would the remuneration committee provide shareholders with greater clarity on how it had assessed the performance of the deputy executive chairman (including how the KPIs were determined)?**

### Company's Response

(i) No overlap in duties between the Chairman and Deputy Chairman. Each have their respective duties servicing their many Principals in the logistics and agency businesses.

	<p>(ii) The Deputy Chairman has been in the employ of the Group for more than 40 years and is responsible for the logistics segment. Hence, SSC continues its enviable position of being profitable.</p>
<p><b>3.</b></p>	<p>Following the untimely demise of the late Lt-Gen (retired) Ng Jui Ping on 1 January 2020, the board has had only two independent directors. The company has stated that the search for a replacement independent director had been, and continues to be, ongoing.</p> <p>It would appear that the composition of the audit committee is not be in compliance with Section 201B of the Companies Act (Chapter 50) of Singapore (the “Companies Act”). Section 201B (4) states that, in any event that results in the number of members being reduced below 3, the board of directors shall, within 3 months, appoint such number of new members as may be required to make up the minimum number of 3 members.</p> <p>In addition, Rule 704(8) of the SGX Mainboard Rules states that in the event of any retirement or resignation which renders the audit committee unable to meet the minimum number (not less than three), the issuer should endeavour to fill the vacancy within two months, but in any case not later than three months.</p> <p>Further, with reference to the Code of Corporate Governance 2018, the composition of the board and the board committees are not be in compliance with the following:</p> <ul style="list-style-type: none"> <li>- Provision 2.2</li> <li>- Provision 2.3</li> <li>- Provision 4.2</li> <li>- Provision 6.2</li> <li>- Provision 10.2</li> </ul> <p>(i) <b>Would the board help shareholders understand the deliberations it has had on Section 201B of the Companies Act?</b></p> <p>(ii) <b>Did the company apply for and obtain a waiver from SGX on Rule 704(8)?</b></p> <p>(iii) <b>What is the progress made in the search for a new independent director? Is there any reason for the delay in appointing a new independent director?</b></p> <p>(iv) In addition, on pages 125-132, the company provided additional information on directors seeking re-election. It was disclosed that Ms Pebble Sia Huei-Chieh had past directorships in 4 companies in the past 5 years that have been struck off. <b>Would the company/director help shareholders understand the role Ms Pebble Sia Huei-Chieh played in these companies? Would Section 155A of the Companies Act (Chapter 50) of Singapore apply in this case?</b> Section 155A states that a director who has had three of his/her companies struck off by the Registrar within a period of five years will be disqualified from acting as a director of any company for five years starting after the date on which the last of the three companies was struck off. For the avoidance of doubt, the striking off of the three companies relates only to striking off initiated by the Registrar and does not include voluntary applications for striking off <sup>1</sup>.</p> <p><sup>1</sup> Source: <a href="https://www.acra.gov.sg/docs/default-source/default-documentlibrary/compliance/enforcement-related-materials/beprepared.pdf">https://www.acra.gov.sg/docs/default-source/default-documentlibrary/compliance/enforcement-related-materials/beprepared.pdf</a></p>

**Company's Response**

- (i) The cessation of the Lead Independent Director was due to the sudden passing away of late Lt-Gen (retired) Ng Jui Ping on 1 January 2020. The Board is of the view that it will be disrespectful to the late Lt-Gen (retired) Ng if the Company replaces the Lead Independent Director immediately after his sudden demise.
- (ii) Finding the right candidate to fill the vacant seat on the Board is important and cannot be rushed into. The Nominating Committee commenced the search for a replacement Independent Non-Executive Director in the first quarter of this year and the search is currently ongoing. The process was however delayed due to the COVID-19 pandemic.
- (iii) One or more candidates have been, and continue to be, reviewed by the Nominating Committee, of which the skill, knowledge and experience of each candidate is assessed against the skill, knowledge and experience of the other Directors on the Board, so as to ensure an appropriate balance and mix to the composition of the Board, which is in accordance with the 2018 Code of Corporate Governance.
- (iv) We are informed that Section 155A of the Companies Act does not apply to the applicable directorships that Ms Pebble Sia Huei-Chieh had previously held, as those companies were struck off voluntarily.

To question a senior practising advocate and solicitor, called to the Singapore Bar, on her eligibility for re-election as a director is uncalled for and derogatory to Ms Sia and members of the Nominating Committee, especially since there is no evidence presented to support the assertion that she had breached Section 155A of the Act.

The members of the Nominating Committee (with the exception of Ms Sia recusing herself on her own nomination) had reviewed the eligibility of Ms Sia for re-election as a director, and have taken into consideration Ms Sia's declaration that she had not breached Section 155A of the Companies Act.