SAMUDERA SHIPPING LINE LTD

(Company Registration No.: 199308462C)

(Incorporated in Singapore)

DEFERRED ANNUAL GENERAL MEETING TO BE HELD ON 25 JUNE 2020 ("AGM") - RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS RECEIVED FROM THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE) AND SHAREHOLDERS

The Board of Directors (the "Board") of Samudera Shipping Line Ltd (the "Company", and together with its subsidiaries, the "Group") refers to the Company's FY2019 Annual Report despatched to shareholders on 14 April 2020 and its announcement released on 9 June 2020 on the alternative arrangement for the Company's deferred AGM, and in particular, requesting for shareholders to submit questions in advance of the AGM.

The Company would like to thank shareholders for submitting their questions in advance of our AGM. Please refer to Appendix attached hereto for the list of questions received from shareholders and the Securities Investors Association (Singapore) ("SIAS"), and the Board and Management's responses to these questions.

BY ORDER OF THE BOARD

Hermawan Fridiana Herman Executive Director, Finance 24 June 2020

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APPENDIX RESPONSES TO QUESTIONS FROM SHAREHOLDES AND SIAS

Question 1

: (i) Container: What were the utilisation rates of its fleet of 24 container vessels in 2019? As the group plans for its fleet renewal, what are the main considerations in the acquisitions and disposal of vessels?

Response

The utilisation rate for our vessels in 2019 was ranged between 80% and 90%. Some of the key considerations in the acquisition and disposal of vessels include price, valuation, vessel age and condition, specification and capability, suitability, demand and capacity utilisation, regulatory, financing and group direction or strategic plan.

(ii) New business (ISO tank transportation): How did the group gain traction in the new market for the transportation of ISO tanks when there are probably incumbent operators?

Response

: In the past, the Group has the experience in transporting ISO tanks for customers as part of its shipping services. Our new ISO tank service catering to demand in the Asia market has now been expanded beyond shipping and documentation to handling of the ISO tank and sourcing for cargo, among other activities. To prepare for the launch of this service, we conducted extensive training, engaged a consultant, and rigorously selected our vendors and partners to ensure that we can offer the best service to ISO tank customers.

Our ISO tank business is backed by our well-established reputation in the container shipping sector and as one of the largest feeder networks in Asia. Many of our ISO tank customers have made use of our various shipping services before. Leveraging our track record and industry standing, we have been able to gain traction in this segment.

(iii) Bulk and tanker business: Having sold 2 bulk carriers and a tanker in the past year, the group is looking to scale up the business again with a focus on the Indonesia market. Can management help shareholders understand the reasons for the change in strategy? What are the major opportunities in the next 18-24 months that may not have been present in the past 2 years?

Response

The vessel sales were part of our strategy to divest non-performing assets. These vessels were previously deployed to the international market where competition is extremely intense, compounded by the trade friction between the US and China.

Our strategy going forward is to provide bulk and tanker services in the Indonesia domestic market, in view of the high demand for transportation of coal and other commodities across various Indonesian islands. In compliance with Indonesia cabotage laws, we will participate in this business via a joint-venture arrangement with our parent company, PT Samudera Indonesia Tbk.

: (i) Can management help shareholders understand if the movement restrictions imposed by different governments have affected the group's operations?

Response

Domestic movement restrictions, as well as border closures, have caused disruptions to the supply chain system, curbing the movement of goods and thereby demand for container shipping services. Such measures have led to port closures and congestions affecting our vessel operations. Longer vessel turnaround time at the ports have led to higher fuel consumption and charter-hire costs, raising the overall cost of operations for ship operators.

(ii) How is the group taking care of its stakeholders, including employees, to ensure that their health and safety?

Response

In every country, we have taken steps to comply with recommendations and guidelines provided by the relevant authority.

For instance, in Singapore, we have implemented Work From Home arrangements for employees who are able to do so. For those who have to report to the office for work, we have taken all necessary measures to ensure a safe working environment such as temperature check, safe distancing and implementation of safe-entry tracking system for all visitors. Employees have been split into teams with staggered working hours to ensure business continuity.

Meetings are conducted through video and teleconferences whenever possible and the office is sanitized on regular basis.

We are also keeping our crew updated on relevant COVID-19 new updates and developments, so that they are aware of the situation and able to take the necessary precautionary measures on board our vessels. All crew members are required to wear masks and are provided with sufficient sanitising supplies while in port, and ship-shore activities have been greatly reduced. The crew members' health conditions are also continuously monitored for 14 days after leaving a port. We adhere to guidelines provided by relevant authority for crew changes.

(iii) Are there any significant concerns on the collectability of its trade receivables as the pandemic has adversely impacted many businesses?

Response

While we have experienced some delay in collections, we do not have any significant concern on the collectability of our trade receivables at this point in time.

(iv) Does management see any silver lining during this challenging period?

Response

The pandemic has severely impacted the global economy. For the Group, the decline in export and import trade activities and the operating challenges at various ports requires us to adjust and adapt quickly to the situation. We believe that our asset-light strategy and operational excellence, along with our efforts to be nimble and responsive, will place us in good stead to withstand the challenges during this period and tap on any opportunity that may come our way.

- : (i) Would Mr Chng help shareholders understand how he is able to devote sufficient time, energy and attention to the affairs of the group and to discharge his duties as a director of the company?
 - (ii) With nine board representations in total, how effective is Mr Chng as a director of the company, as a board committee member in the audit committee and nominating committee and as a chairman of the remuneration committee?

Response

This is Mr Chng's reply:

As an independent director, my primary role is to act as a check and balance on the actions of the boards and the management teams in these companies. I am confident that I have performed my duties and responsibilities in accordance with the law and statutory requirements and am still able to add value to the companies and boards that I sit on. I have helmed five companies listed on the SGX and I believe that I have the knowledge to contribute meaningfully to board discussions.

I believe the key to the independence of a director is not the amount of time spent serving the company, but whether he or she is able to act independently and in the best interests of shareholders.

I have resigned as a Director from Chaswood Resources Holdings Limited recently. Moreover, more than half the boards which I am serving as a Director does twice yearly reporting. I do not have any principal commitments and I have also one hundred percent attendance record at all board meetings in those companies which I am serving.

Question 4

Will there be fixed asset impairment loss in the 1st half of FY2020?

Response

The Group continues to evaluate its assets from time to time, and in the event that the carrying value is higher than the recoverable amount of such assets, we will impair the assets accordingly.

Our 1H2020 results is expected to be announced at the end of July 2020, and shareholders are advised to refer to the results announcement for updates then.

Question 5

Moving forward, how does the company plan on expanding its market share, as well as gain edges over the other players in the industry?

Response

We are constantly exploring opportunities to introduce new services and expand our network. Since the beginning of this year, we have introduced two new services, namely the Singapore-Pontianak and the Singapore-Pasir Gudang services. We will also leverage our extensive feeder network to form win-win partnerships with the mainline operators and strengthen our competitive position accordingly.

Question 6

Have customers cancelled or deferred their orders? If so, how many and what percentage?

Response

Our shipping volumes have declined by about 20% since February 2020.

I note that the COVID-19 has improved markedly recently. Is the company ship chartering operations back to normal? If not, why so? What is the current utilisation rate?

Response

Our tankers are deployed on time-charter contracts, and we have not received any notice of termination for the contract at this point in time.

Question 8

What impact, if any, does COVID-19 has on the demand and supply of ships? What impact, if any, does COVID-19 has on the chartering rates?

Response

: Domestic movement restrictions, as well as border closures, have caused disruptions to the supply chain system, curbing the movement of goods and thereby demand for container shipping services. As there are currently many idle vessels in the market, charter rates have fallen since the beginning of the year.

Question 9

What has been the impact of COVID-19 on the volume of business carried by the container shipping, tanker and logistics business segment over the past 3 months?

Response

There has been a general decline in trade activity globally, amid movement restrictions imposed by various countries. This has translated to lower demand for container shipping services and consequently, lower container volume handled year-on-year.

Our tanker vessels managed to secure time-charter contracts prior to the outbreak, thus not affected in the past three months.

The fall in container volume has translated to lower agency and logistic business activity. However, it is mitigated by our warehousing activities.

Question 10

Please describe how you revalue vessels.

Response

: Our accounting policy on property, plant and equipment is detailed in Page 54, Note 2.8 to the financial statements of the 2019 Annual Report (Financial).

Question 11

Please provide summary data on the sales of vessels over the past 3 years (or if possible longer) and the % gain or loss relative to carrying value of each vessel. This will help investors to assess the company's policy on revaluing vessels.

Response

In FY2017, we disposed five vessels with an aggregate carrying value of approximately US\$13.1 million, recording a gain of approximately US\$1 million from the disposal.

In FY2018, we disposed two vessels with an aggregate carrying value of approximately US\$7.1 million, recording a gain of approximately US\$0.6 million from the disposal.

In FY2019, we disposed three vessels with an aggregate carrying value of approximately US\$21.9 million, recording a gain of approximately US\$0.3 million from the disposal.

Approximately how many days are there when there is zero trading in SSL shares? What steps can the company take to increase market liquidity in its shares?

Response

Liquidity and share price are functions of market forces, which we have no control over. However, we are committed to doing our best in consistently delivering good results so as to improve market sentiment towards our stock and continue to engage our shareholders to improve our investor relations.

Question 13

How much of the higher price of low sulphur fuel can you pass on to your customers?

Response

As a general rule of thumb, shipping services providers would be better placed to implement a fuel surcharge if fuel price is trending upwards and there is increasing demand for shipping services. However, low sulphur fuel price has been highly volatile since January 2020, when IMO 2020 came into effect. Our recovery from customer is in line with the volatility of fuel price with some time gap.

Question 14

Has the Group's tanker business benefited from the surge in crude tanker rates earlier this year?

Response

Our vessels are deployed on time-charter contract; hence they are not affected by changes in the price of crude oil.

Question 15

International Maritime Organisation's new ship emission regulation took effect on 1st Jan 2020, how does Samudera intend to adhere to this regulation? (a) using lower-sulphur fuel (b) Install scrubbers?

Response

: In view of the age of our vessels, all our existing vessels are currently operating on low sulphur fuel oil ("LSFO").

Is this regulation affecting all our 24 containers-ships?

Response

: Yes.

How much more expensive is lower-sulphur bunker fuel compared to the normal bunker fuel?

Response

At the beginning of implementation of the IMO2020 regulation in January 2020, the price difference was about US\$ 200 – 250 per metric ton. However, the gap has reduced to about US\$ 80 – 100 per metric ton.

What is the increase in operating cost to Samudera for complying with this regulation using more expensive lower-sulphur bunker fuel?

Response

: The initial cost increase takes into consideration the cost incurred in cleansing the oil tanks prior to the switch in fuel use and our ability to schedule the cleaning in a way that minimise fuel wastage and disruptions to our sailing schedule.

The net increase in operating cost depends on the actual price difference between regular bunker and low sulphur fuel oil cost, as well as the Group's success in passing on the low sulphur surcharge.

Refer to page 11 of CEOs Statement: What is the company plan and schedule for the fleet rejuvenation programme, the Group is looking to replace some older container vessels in its fleet with newer, more efficient ones that come installed with scrubbers in compliance with IMO2020?

How much CAPEX is the company planning to embark on this programme?

Response

: The rejuvenation programme is currently carried out by way of longterm time charter of two brand new container vessels. Vessel acquisitions are also an option for us in our fleet rejuvenation process, but it has to be at the right time and price. Given the current situation, it makes better economic sense for the Group to continue pursuing rejuvenation through chartering-in of newer vessels.

What is the budgeted CAPEX for FY2020? How is CAPEX allocated among various segments?

Response

The Group continuously on the lookout for opportunities and has not set a pre-determined level of CAPEX, particularly in view of COVID-19 pandemic.

Question 17

On-shore logistics business, company is seeking opportunity to grow the business via warehousing capacity expansion, extension of service offerings and diversification of customer base. Samudera has expanded into warehousing at Port Klang and ISO Tank service, what are the next areas of growth identified to grow the logistic business? Does the company have any confirmed way of growing this segment or still at the evaluation phase?

Response

We seek opportunities to offer warehousing services in some countries in the region, through joint ventures with existing local parties. Apart from warehousing, we will look to expand our ISO Tank services beyond cargo handling to depo facility cleaning, if such opportunity arises.

Question 18

Bulk and Tanker, plan to focus on Indonesia domestic bulk and tanker sector leverage with parent company. Has the company identified any suitable bulk carriers and tankers to rebuild Samudera presence in Indonesia?

Response

We are in the process of identifying suitable vessels and will take the necessary action if and when the opportunity arises including seeking shareholders' approval, if required.

Question 19

Q1 FY2020 has already been completed and the company has changed from quarterly reporting to half yearly reporting. With the Covid-19 breakout, may the company update Q1FY2020 financial performances to keep shareholders updated on the company's financial performance?

Response

Our 1H2020 results is expected to be announced at the end of July 2020, and shareholders are advised to refer to the results announcement for updates then.

Bunker price has dropped from US\$700 (1st Jan 2020) to US\$250 (End March 2020) per metric ton, does drop bunker price benefit Samudera? Does Samudera hedge bunker fuel price? What is the company hedging policy?

Response

In general, a decline in bunker price will reduce our operating cost. However, it is not a dollar-for-dollar reduction as some of the savings will be passed on to our customers by way of bunker surcharges reduction/removal.

We typically enter into forward price contracts for about 30% of our bunker consumption.