

SAMUDERA SHIPPING LINE LTD
(Company Registration No.: 199308462C)
(Incorporated in Singapore)

RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON THE COMPANY'S FY2020 ANNUAL REPORT

The Board of Directors (the “**Board**”) of Samudera Shipping Line Ltd (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to respond to the following queries raised by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) in its email dated 21 April 2021 on the Company’s Annual Report for the financial year ended 31 December 2020 (“**FY2020**”).

QUERY:

- (a) Listing Rule 704 provides, inter alia, that an issuer must announce any material adjustments to its preliminary full-year results made subsequently by auditors.

We note that there are material variances in the values for net cash (used in) from investing activities, in the Company’s full-year financial statements announced on 24 February 2021 and the Annual Report. Please explain the reason for the material variances and why the Company has not made an announcement in this regard.

RESPOND:

The nature of the variance relates to over-accrual of capitalised expenses amounted to US\$407,000 which was correctly reclassified from the "Purchase of property, plant and equipment" line under investing activities to the “Other payables and liabilities” line under Movements in working capital.

The Company did not make an announcement for the above audit adjustment as it is not a material adjustment based on the following grounds:

- The adjustment has no effect to the profit and loss statement and the balance sheet of the Group, it is purely a reclassification within the cashflow statement for presentation.
- Net cash flows from operating activities has an immaterial reclassified effect of US\$407,000 (Audited figures US\$40,185,000 vs Announcement figures US\$39,777,000).
- From the aspect of net cash flows from investing activities, the overall movement for the year in absolute amount is immaterial (audited figures US\$707,000 vs announcement value US\$299,000)

QUERY:

- (b) Listing Rule 715(2) provides that an issuer must engage a suitable auditing firm for its significant foreign-incorporated subsidiaries and associated companies. Please confirm that the Company has complied with Listing Rule 715(2).

RESPOND:

As disclosed in the Notes to the Financial Statements on page 91 and page 95 of the Company’s FY2020 Annual Report (Financial section), the Company’s significant foreign-incorporated subsidiaries and associated companies are audited by member firm of Ernst & Young LLP.

Reference is made to page 26 of the Company's FY2020 Annual Report (Financial section), whereby the Company had confirmed that in accordance with the requirements of SGX Listing Rule 716, the Audit Committee and the Board, having reviewed the appointment of different auditors for the Company's subsidiaries during FY2020, are satisfied that these appointments would not compromise the standard and effectiveness of the audit of the Group.

Accordingly, the Company is in compliance with the requirements of SGX Listing Rule 715(2).

QUERY:

(c) Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the "Code"), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provision 2.4 of the Code as you have not disclosed your board diversity policy and progress made towards implementing the board diversity policy, including objectives, and there were no explanations were provided for in your FY2020 annual report on how it is consistent with the intent of Principle 2 of the Code. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 2 of the Code, which requires the Board to have an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interest of the Company.

RESPOND:

Notwithstanding that there is no formal Board diversity policy in place, the NC and the Board are cognizant of the recommendations as set out under Provision 2.4 and Practice Guidance 2 of the 2018 Code. As explained in the Corporate Governance section of the Annual Report (page 11), the Board and NC takes into consideration the following factors in the evaluation of potential candidates for Board refreshment:

- diversity in respect of gender;
- skills, experience and expertise as recommended by the 2018 Code; and
- core competencies and expertise of the potential candidates would be paramount considerations.

As the Board consists of four (4) Independent and Non-Executive Directors, objectivity on issues deliberated is assured and Management is able to benefit from their diverse external perspectives on issues brought before the Board. Objectivity and independence of the Board decisions are maintained through the professionalism of each Board member, who have demonstrated a high level of commitment in their roles as Directors of the Company.

The current Board consist of a good mix of individuals and gender equip with an appropriate balance of skill and experience with industry knowledge, professional and commercial experience with core competencies in accounting, financial and capital market background, taxation advisory as well as shipping and maritime industry knowledge. Further information on the individual Directors' background, experience and skills can be found in the "Board of Directors" section on pages 14 to 17 of the Company's FY2020 Annual Report (Editorial section).

The current Board size, composition, competency and diversity is appropriate, taking into account the nature and scope of the Group's operations. The members of the Board with their combined business, management and professional experience, knowledge and expertise, are able to provide the core competencies to allow for diverse and objective perspectives on the Group's business and direction as well as make decisions in the best interest of the Company.

QUERY:

(d) Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the “Code”), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provisions 8.1 of the Code with regards to the disclosure of remuneration for each individual director and the CEO. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company’s remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation.

RESPOND:

Reference is made to page 22 of the Company’s FY2020 Annual Report (Financial section). The Remuneration Committee (“RC”) and the Board, having considered Management’s rationale, had collectively concurred that in the interest of maintaining good morale and strong team spirit within the Group, a Group-wide cross section of the Directors’ and key management personnel’s remuneration and their names in bands of S\$250,000 provides sufficient overview and disclosure of their remuneration. The RC and the Board deem remuneration to be a highly sensitive and confidential matter and especially so for remuneration matters in a highly competitive business and human resource environment in which the Group operates.

As such, it would not be in the best interest of the Company to disclose the remuneration of each individual director and the CEO on a named basis as recommended by the Code. The remuneration details disclosed in bands of S\$250,000 for each individual director and the CEO on page 22 of the Annual Report as well as note 34 of the Notes to the Financial Statements provides an appropriate balance between detailed disclosure and confidentiality in the sensitive area of remuneration.

BY ORDER OF THE BOARD

Ridwan Hamid
Executive Director and Chief Financial Officer
23 April 2021