

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

**ANNUAL GENERAL MEETING TO BE HELD ON 28 APRIL 2021
RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS RECEIVED FROM THE
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 FY2020 Annual Report despatched to shareholders and its announcement released on 12 April 2021 on the Notice on the Annual General Meeting (“**AGM**”) and the alternative arrangements for the AGM, and in particular, the request to shareholders to submit questions in advance of the AGM.

The Company would like to thank shareholders for submitting their questions in advance of the AGM. Please refer to the Appendix A as attached hereto for the list of questions received from shareholders, and the Board and Management’s responses to these questions.

BY ORDER OF THE BOARD

Ridwan Hamid
Executive Director and Chief Financial Officer
27 April 2021

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APPENDIX A
RESPONSES TO QUESTIONS FROM SHAREHOLDERS

- Question 1** : **How has Covid 19 pandemic hit the company's bottom line? Please elaborate. Thank you.**
- Response : Governments around the world implemented measures in the first half of 2020 that, among others, restricted the movement of goods and people domestically and across borders. These measures led to a sharp decline in demand for container shipping services, as well as a decrease in overall productivity and congestion at ports and other logistics centres. We took swift action in response, including implementing judicious cost management and a rationalisation of capacity to improve vessel utilisation. We also implemented measures to improve the utilisation of container boxes and manage equipment costs.
- In the second half of the year, pent-up demand for goods and a gradual reopening of borders significantly boosted demand for container shipping services globally. This led to a shortage of container and vessel capacity, with ports and other logistics centres still grappling with bottlenecks arising from pandemic control measures. The high demand and low supply helped to sustain freight rates at a high level in 2H2020 especially for carrier-owned container cargo (COC) shipments. We worked closely with our business partners to adapt quickly to the changing demands of the market. At the same time, we continued to be disciplined in cost management. Our concerted efforts, along with support from the Singapore government in the form of the Job Support Scheme, improved our year-on-year performance.
- Question 2** : **(i) Outlook/Sustainability of growth**
"As governments around the world worked to put in place pandemic control measures, borders were gradually reopened, and we benefited from a surge in demand in the second half of the year.."
Is this surge in demand sustainable? Or is it a temporary surge resulting from pent-up demand due to lockdown imposed?
If the company think it is sustainable, please explain why it thinks so.
- Response : The pent-up demand experienced in 2H2020 is a consequence of the pandemic: containment measures imposed by governments restricted movement of people and goods, which limited trade flows, while lockdowns also led to higher demand for imported manufactured consumer goods.
- In the longer term, we expect demand levels to return to normal, in line with the global economic situation as the pandemic situation improves.
- Question 2** : **(ii) I note that the increase in profit came on the back of decreased revenue. Is this growth in profitability sustainable? If the company think it is sustainable, please explain why it thinks so.**
- Response : The container shipping industry is still beset by challenges amid an ongoing pandemic and a volatile global trade environment. While strong demand for container shipping services and a shortage of container vessels and boxes have boosted freight rates, we are mindful of the impact of port congestions, along with volatile bunker price, has on operating costs. Charter rates are also rising due to the shortage of vessels. Our goal to remain nimble and responsive in managing our operations and cost base, while continue working closely with our customers and business partners

Question 2	: (iii)	<p>Capital Management</p> <p>I note that the company Gearing ratio reached a five year high of 0.47 times, up from 0.23 times. The cash and bank balances increased from 56 million USD to 80 million USD.</p> <p>Why did the company increased its gearing to such a high level when it could have utilized its idle cash instead?</p>
Response	:	<p>The gearing ratio is calculated based on the Group's total borrowings, which includes lease liabilities, over total equity.</p> <p>In 2H2020, we added two container vessels on long-term charters into our fleet. These vessels are recorded as right-of-use assets and the aggregate charter fees as lease liabilities. This increased lease liabilities and, consequently, total interest-bearing borrowings.</p> <p>Excluding the lease liabilities relating to these 2 vessels, the Group's gearing ratio would have been 0.15 times.</p>
Question 2	: (iv)	<p>I note that Finance income fell from 994k USD to 676k USD, despite cash and bank balances increasing from 56 million USD to 80million USD.</p> <p>Please explain why the company have more cash yet received less interest income?</p>
Response	:	<p>Interest rates on fixed deposits in 2020 were lower than in 2019.</p>
Question 2	: (v)	<p>What is the average interest rate received on your cash and bank balances deposits?</p>
Response	:	<p>Our effective interest rate ranged from 0.1%-4.9% in 2020, as compared to 0.65%-6.5% in 2019.</p>
Question 2	: (vi)	<p>Residential properties</p> <p>I note that the company has investment properties, consisting of 2 residential properties in Singapore.</p> <p>Why does the company hold such residential properties as investment?</p>
Response	:	<p>The properties were acquired for use as accommodation for the overseas staff who have been seconded to Singapore. The accommodation are currently leased out on operating leases to generate rental income.</p>
Question 2	: (vii)	<p>Your investment property in Dubai suffered an impairment loss of 149k USD.</p> <p>Do you have the expertise in the real estate sector? Why are you venturing outside of your circle of competence?</p>
Response	:	<p>The property in Dubai is an office property, consisting of 2 office units, that houses our operations there. The objective of acquiring an office property, as opposed to renting, is to avoid unnecessary costs of relocation due to rental expiry or rent hikes. The property serves as a permanent base for the Group from which to grow our footprint in the Middle Eastern region, in line with long-term plans.</p> <p>One of the office units that is not currently in use has been leased out to generate rental income.</p>
Question 2	: (viii)	<p>Will the Singapore properties suffer the same fate (as the Dubai property) in due course ?</p>
Response	:	<p>The carrying value and fair value of the residential properties in Singapore are disclosed in Note 11 of the audited financial statements, which can be found on pages 78 and 79 of the Annual Report (Financial Section).</p>

Question 2 : (ix) **Does the company plan to dispose of these non-core properties in the near future?**

Response : As elaborated in our response to Questions above, these properties in Singapore and Dubai are essential to our long term Group operations. The properties that are currently rented out on operating leases for rental income generation will be reclassified as property, plant and equipment when we reoccupy them for our use.

Question 2 : (x) **Independent Director Nicholas Ballas**
What is Mr Nicholas Ballas' nationality?
Where (which country) does Mr Nicholas Ballas currently reside in?
How is his experience and background relevant to the company, which operates primarily in Asia?
Why does he deserve to be re-elected as an Independent Director?

Response : Mr Ballas is an American by citizenship and currently resides in the United States. With over 25 years of working experience in the Asia Pacific region, he has extensive experience in strategy development and execution, business turnarounds, corporate restructuring and various other corporate transactions. He has served in key management positions in finance, strategy and general management in companies in the USA, Japan, Malaysia, Indonesia and Singapore, and is currently President of the Polymer Solutions (Vestolit) of US-based Orbia, a global leader in polymer solutions and advanced materials. Prior to joining Orbia, he was the Managing Director of Cathedral Hill Advisory LLC, a boutique consulting firm specialising in strategy and execution advisory services.

As Independent Director, Mr Ballas has leveraged his expertise and experience to share his views, advice and guidance on diverse matters in the interest of the Group. The Group has also benefitted from his deep understanding of the Asia Pacific markets. Mr Ballas has been dutiful in the performance of his responsibilities and has attended all board meetings.

Separately, Mr Ballas' position as director of Prairie Books, LLC is in furtherance of his personal hobby as an avid reader and book lover.

Question 3 : **Could the board or management kindly give a presentation at the start of the meeting?**

Response : Yes, the management will be giving a presentation at the start of the meeting.

Question 4 : **How do you mitigate the impact of port congestion/delays, rising volatile bunker prices and higher vessel charter costs on your operating costs?**

Response : We will monitor the port situation and fuel price trends, and implement cost recovery surcharges as necessary. To manage vessel charter costs, we will look into a combination of various ways including optimising vessel utilisation, raising freight rates and locking in costs through long-term charters, as appropriate.