



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

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

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### RESPONSES TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE) AND SHAREHOLDERS

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The board of directors (the “**Board**”) of COSCO SHIPPING International (Singapore) Co., Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) would like to thank the Securities Investors Association (Singapore) (“**SIAS**”) and the Company’s shareholders (“**Shareholders**”) for submitting their questions in advance of the Company’s Annual General Meeting to be held on 29 April 2022 at 2.00 p.m.

The Company’s responses to the questions received are set out below.

#### Questions from SIAS

**Q1. As noted in the chairman and president’s statement, the group achieved a revenue and net profit attributable to equity holders of \$198.5 million and \$30.1 million respectively. This included a gain of \$16.4 million on the disposal of 60% equity interest in a subsidiary, COSCO SHIPPING Bulk (Southeast Asia) Pte. Ltd. that was completed on 28 December 2021.**

**This was the result of the company’s strategic decision to streamline its current conglomerate structure to increase focus on the company’s core logistics business and to achieve better performance for the group’s other existing businesses, including the shipping business.**

- i. Can management help shareholders better understand how the disposal of a 60% stake in the dry bulk shipping subsidiary helps in the “streamlining” of the current conglomerate structure?**

The disposal of a 60% stake in COSCO SHIPPING Bulk (Southeast Asia) Pte. Ltd. (“**COSCO SHIPPING Bulk SEA**”) helps the Company streamline its current conglomerate structure to increase focus on the Company’s core logistics business through better allocation of resources to grow the logistics business. At the same time, the partial disposal can help achieve better performance for our shipping business as COSCO (H.K.) Shipping Co., Limited’s (the “**Purchaser**”) parent company, COSCO SHIPPING Bulk Co., Ltd. (“**COSCO SHIPPING Bulk**”) is one of the largest bulk shipping corporations in the world with marketing capabilities, global network of customers, specialities, expertise, resources and management skills that COSCO SHIPPING Bulk SEA can leverage on.

**ii. Are there plans to fully divest the remaining 40% interest in COSCO SHIPPING Bulk (Southeast Asia) Pte. Ltd.?**

There are no plans to fully divest the remaining 40% interest in COSCO SHIPPING Bulk SEA. The Board believes that cooperating with the Purchaser through the joint interest in COSCO SHIPPING Bulk SEA will enable COSCO SHIPPING Bulk SEA to achieve sustainable development and growth. The Company will benefit from retaining its 40% interest in COSCO SHIPPING Bulk SEA.

**The Baltic Dry Index (BDI) reach a 13-year high at 5,650 points on 7 October 2021 a week after the company announced the proposed sale. The index fell back to 2,217 points as at the end of 2021 and continued to fall to 1,500 points before a rebound in mid-January 2022.**

**iii. As a 40% associate, how much influence, if any, does the group retain over the operations?**

As an associate, the Company has significant influence as it has the power to participate in the financial and operating policy decisions. The Company's nominated directors on the board of COSCO SHIPPING Bulk SEA will ensure that the terms of the shareholders' agreement are adhered to and the business activities of COSCO SHIPPING Bulk SEA are not prejudicial to the interests of the Company and its Shareholders.

**iv. What is the impact of the Russia-Ukraine war on the dry bulk operations?**

The Russia-Ukraine conflict has some impact on the dry bulk shipping market, which include higher and more volatile oil prices and change in trade flow and shipping distance. The market trend moving forward will largely depend on the duration of the conflict, the western sanctions against Russia, and the possible deterioration of the world economic outlook as a result of the conflict. COSCO SHIPPING Bulk SEA's operations are presently not materially affected. However, we are monitoring the situation closely and will take appropriate steps to address any issues that arise.

**Q2. A milestone for the group in 2021 was the receipt of the temporary occupation permit for the group's new 8-storey single user ramp-up general warehouse comprising chemical storage, ISO tank depot, container depot and ancillary industrial canteen.**

**The company's vision is to become the best-integrated shipping and logistics service provider in South and Southeast Asia. Management will continue to examine possible acquisition and investment targets, taking into account their scale and scope, historical performance, growth potential, and synergies with the group's existing operations.**

**i. What is the utilisation rate of the newly opened Jurong Island Chemical Logistics facility?**

The Jurong Island Chemical Logistics Facility obtained a temporary occupation permit from the Building and Construction Authority in the first half of 2021. Overall, the warehouse occupancy rates averaged 93% in FY2021.

**ii. Can management elaborate further on the impact of COVID-19 government measures on the group’s operations? How did management mitigate the disruptions to its operations?**

The government measures implemented in response to COVID-19 have induced several challenges to the Group’s operations, including harder to predict business volumes and higher operating costs as a result of higher labour costs and fuel prices.

When COVID-19 was first detected in the countries the Group operates in, the Company set up an internal COVID-19 prevention work team with daily meetings held to ensure that we comply with all regulations set out by the authorities as well as implement all necessary safe management measures, i.e. safe distancing at workplaces, work-from-home arrangements, segregated work teams, and wearing a mask at all times. While making sure that we abide by the regulations, the Group also focuses on optimising its operations and strengthening its diversified portfolio to remain agile.

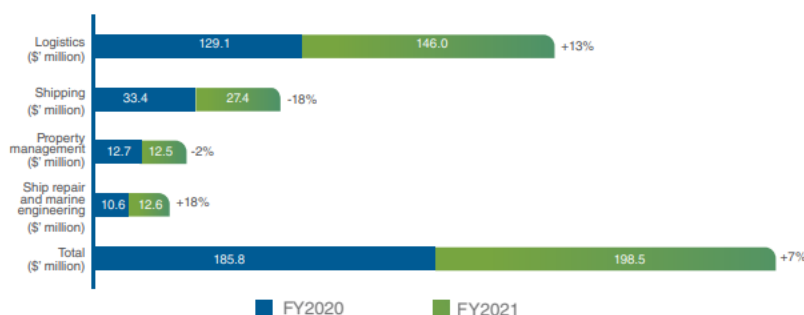
**iii. How is management dealing with the current manpower constraints and cost pressure?**

Management has been actively working to tackle labour shortages and cost pressure such as rising fuel prices, through efficient resource allocation and management. On the logistics front, the management foresees manpower issues to be a growing challenge and has been integrating automation in its operations.

**iv. The logistics segment has been contributing the bulk of the group’s revenue (even before the partial sale of the dry bulk operations) although the company is known as COSCO Shipping International (Singapore) Co., Ltd. Would it be appropriate for the board to review the name of the company to better reflect the group’s focus and growth strategy?**

**FINANCIAL REVIEW**

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**(Source: The Company’s annual report)**

The Company is named COSCO SHIPPING International (Singapore) Co., Ltd. as it is ultimately owned by China COSCO SHIPPING Corporation Limited. The Board is also of the view that the Company’s current name is appropriate for the Group’s operations

as a) despite logistics contributing the bulk of the Group's revenue, the Company has a diversified portfolio with business segments that are complementary to each other; b) the Group is expanding into South and Southeast Asia; and c) the Group's headquarters is in Singapore.

- v. **What factors are being considered by management with regard to the strategic value of the group's property management segment? The Grandstand has been granted a final extension to 31 December 2023. Does the property segment take up a disproportionately large percentage of management resources?**

Under property management, the Group manages The Grandstand retail mall through its subsidiary, Cogent Land Capital Pte. Ltd., and owns office units in Suntec City, operated under its wholly-owned subsidiary, Harington Property Pte. Ltd. The property management business takes up a considerably small share of management resources as compared to our logistic business. However, this segment still plays an important part in the Group's business portfolio as it helps diversify the Group's revenue streams.

**Q3. With the disposal of COSCO Shipping Bulk for a consideration US\$42.39 million, the net inflow on disposal was \$21.21 million. Cash and cash equivalents increased from \$76.3 million to \$108.0 million mainly due to net cash provided by operating activities and net cash inflow from the disposal of a subsidiary, partly offset by cash outflow for purchase of property, plant and equipment and net cash used in repayment of lease liabilities and interest payments.**

**Net gearing ratio improved from 0.5 times to 0.4 as at 31 December 2021. The board has resolved not to recommend the payment of dividend for the financial year ended 31 December 2021 as the company is evaluating various strategic moves to expand its businesses.**

- i. **When will the strategic move/review be completed or announced?**

The Company remains focused on steadily expanding its logistics network in the region through exploring potential acquisition and investment targets, taking into consideration their scale and scope, historical performance, growth potential, and synergy with the Group's operations. We will make an announcement on SGXNet and the Company's corporate website as and when there is material development in the expansion of our businesses.

- ii. **What deliberations did the board have on the declaration of dividends, especially with the crystallisation of value of the Dry Bulk Shipping unit?**

It has been the Company's priority to create long-term value for our Shareholders. As such, the Board is of the view that the net cash received from disposal of the shipping business should be retained to fund the Company's expansion, in line with its vision of becoming the best-integrated shipping and logistics service provider in South and Southeast Asia.

- iii. **Would the board consider it timely to formalise the company’s dividend policy? Specifically, as the company is evaluating its various strategic options, would the board also factor in how the company can meet investors’ expectations for returns (in the form of dividends) and maintain sufficient capital to support its growth?**

The Board will continue to review its dividend policy from time to time, taking into account the long term sustainability of the Company.

### **Questions from Shareholders**

#### **Q1. What are the challenges and opportunities the Company faces in 2022? What are the strategies moving forward?**

According to the latest Asian Development Outlook published on 6 April 2022 by the Asian Development Bank, the growth rate of South and Southeast Asia in year 2022 is expected to be 7.0% and 4.9% respectively while the growth rate in year 2023 is expected to be 7.4% and 5.2% respectively.

In November 2020, the ten ASEAN countries together with China, Japan, South Korea, Australia, and New Zealand signed a Regional Comprehensive Economic Partnership Agreement (“**RCEP**”) to set up a free trade zone. With the official implementation of the RCEP agreement on 1 January 2022, it will provide new impetus to the South and Southeast Asian region. The elimination of tariffs for about 92% of goods traded among participating countries will increase market access and commercial activities.

With the South and Southeast Asia’s economic recovery gaining momentum and coupled with the official implementation of the RCEP, there present opportunities for business growth in the region.

Business environmental risks including the emergence of new COVID-19 variants and geopolitical issues such as the Russia-Ukraine conflict, could potentially affect the Group’s business operations, expansion activities, as well as financial performance. The uncertainties ahead have therefore emphasised the importance of incorporating sustainability into our strategies.

The strategies moving forward are highlighted in the Company’s response to question Q3.i. raised by SIAS. The Group also strives to continue to create overall synergy by engaging in cross-sales and business optimisation with its related companies as well as to continue to form synergistic partnerships with its parent company, China COSCO SHIPPING Corporation Limited’s businesses and resources where there are opportunities to do so. This will help the Group to achieve economies of scale and scope.

#### **Q2. When does the Company intend to resume dividend payment? How much?**

The Company does not have a specific dividend policy. Nonetheless, the management after reviewing the performance of the Company in the relevant financial period will make appropriate recommendation to the Board. Any dividend

declaration will be communicated to Shareholders via an announcement through SGXNet and the Company's corporate website.

The Board has resolved not to recommend payment of dividend for the financial year ended 31 December 2021 as the Company is evaluating various strategic moves to expand its businesses.

By Order of the Board

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

Zhu Jian Dong  
Chairman and President  
22 April 2022