



SEMBCORP MARINE LTD
(Incorporated in Singapore)
Company Registration No.: 196300098Z

LETTER TO SHAREHOLDERS

Directors:

Tan Sri Mohd Hassan Marican (*Chairman*)
Wong Weng Sun (*President & CEO*)
Ron Foo Siang Guan (*Independent Director*)
Bob Tan Beng Hai (*Independent Director*)
Eric Ang Teik Lim (*Independent Director*)
Gina Lee-Wan (*Independent Director*)
William Tan Seng Koon (*Independent Director*)
Patrick Daniel (*Independent Director*)
Tan Wah Yeow (*Independent Director*)
Neil McGregor (*Non-Executive and Non-Independent Director*)
Koh Chiap Khiong (*Non-Executive and Non-Independent Director*)

Registered Office:

29 Tanjong Kling Road
Singapore 628054

1 April 2019

To: The Shareholders of Sembcorp Marine Ltd (the "**Company**")

Dear Sir/Madam

1. INTRODUCTION

1.1 **Background.** We refer to:

- (a) the Notice of the 56th Annual General Meeting ("**AGM**") of the Company dated 1 April 2019 (the "**Notice**"), accompanying the Annual Report for the financial year ended 31 December 2018, convening the 56th AGM of the Company to be held on 16 April 2019 (the "**2019 AGM**");
- (b) Ordinary Resolution No. 11 relating to the proposed modifications to, and renewal of, the IPT Mandate (as defined in paragraph 2.1 below, as proposed in the Notice); and
- (c) Ordinary Resolution No. 12 relating to the proposed renewal of the Share Purchase Mandate (as defined in paragraph 3.1 below, as proposed in the Notice).

1.2 **Letter to Shareholders.** The purpose of this Letter is to provide shareholders of the Company ("**Shareholders**") with information relating to Ordinary Resolution Nos. 11 and 12 proposed in the Notice (collectively, the "**Proposals**").

1.3 **SGX-ST.** The Singapore Exchange Securities Trading Limited (the "**SGX-ST**") takes no responsibility for the accuracy of any statements or opinions made or reports contained in this Letter.

1.4 **Advice to Shareholders.** Shareholders who are in any doubt as to the course of action they should take should consult their stockbroker, bank manager, solicitor, accountant or other professional advisers immediately. If a Shareholder has sold all his ordinary shares in the Company, he should immediately forward this Letter (together with the Annual Report for the financial year ended 31 December 2018, the Notice and the Proxy Form) to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for onward transmission to the purchaser.

LETTER TO SHAREHOLDERS

2. THE PROPOSED MODIFICATIONS TO, AND RENEWAL OF, THE IPT MANDATE

2.1 **IPT Mandate.** At the AGM of the Company held on 18 April 2018 (the "**2018 AGM**"), Shareholders approved the renewal of a mandate (the "**IPT Mandate**") to enable the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9 of the Listing Manual of the SGX-ST (the "**Listing Manual**")) to enter into certain interested person transactions with the classes of interested persons as set out in the IPT Mandate. Particulars of the IPT Mandate were set out in the Appendix to the Letter to Shareholders dated 29 March 2018 (the "**2018 Letter to Shareholders**").

The IPT Mandate was expressed to take effect until the conclusion of the next AGM of the Company, being the 2019 AGM which is scheduled to be held on 16 April 2019. Accordingly, the Directors of the Company (the "**Directors**") propose that the IPT Mandate (incorporating the proposed modifications as described in paragraph 2.2 below) be renewed at the 2019 AGM, to take effect until the 57th AGM of the Company.

2.2 **Proposed Modifications.** The Company is proposing to expand certain of the general transactions which the EAR Group (as defined in Appendix 1 to this Letter) may enter into with Interested Persons (as defined in Appendix 1 to this Letter), in order to accommodate the overall expansion and growth of the EAR Group's activities and product range and also to align with the EAR Group's current presentation of its key businesses.

The modifications are detailed below:

- (a) the provision of ship and rig building, ship and rig conversion and repair services is proposed to be replaced with an expanded description to cover the "*provision of newbuilding, conversion and repair services for all marine and offshore vessels, platforms and structures, and nearshore terminal solutions*" (see paragraph 6(a)(i) of the IPT Mandate); and
- (b) the provision of offshore oil and gas engineering, procurement, construction, installation and commissioning services for offshore platforms, modules and floating production systems services is proposed to be expanded to include engineering, procurement, construction, installation and commissioning services for "*marine*" and offshore "*vessels*", platforms and "*structures*" as well as "*nearshore terminal solutions*" (see paragraph 6(a)(ii) of the IPT Mandate).

In addition to the above modifications, the review procedures for the IPT Mandate are also proposed to be amended to reflect the Company's existing practice of requiring a member of the Audit Committee who has a conflict of interests in relation to any interested person transaction to abstain from reviewing that transaction (see paragraph 7.5 of the IPT Mandate).

2.3 **Appendix 1.** The modified IPT Mandate, including the rationale for, and the benefits to, the Company, the review procedures for determining transaction prices and other general information relating to Chapter 9 of the Listing Manual, are set out in Appendix 1 to this Letter.

The proposed modifications to the IPT Mandate are blacklined in Appendix 1 to this Letter for Shareholders' ease of reference.

2.4 **Independent Financial Adviser.** Ernst & Young Corporate Finance Pte Ltd ("**EYCF**") has been appointed the independent financial adviser in relation to the proposed modifications to the IPT Mandate pursuant to Listing Rule 920(1)(b)(v) of the Listing Manual.

Based on the analysis undertaken and subject to the qualifications and assumptions made in paragraph 2 of its letter to the Directors dated 1 April 2019 (the "**IFA Letter**"), EYCF is of the opinion that the current guidelines, methods and review procedures for determining the prices of the transactions with the Interested Persons (as defined in the IFA Letter), if adhered to, are sufficient to ensure that the Interested Person Transactions (as defined in the IFA Letter) will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and the minority Shareholders of the Company.

LETTER TO SHAREHOLDERS

In preparing the IFA Letter, EYCF has not had regard to the specific investment objectives, financial situation, tax position and/or unique needs and constraints of any Shareholder. As different Shareholders would have different investment objectives, the Directors recommend that any individual Shareholder who may require specific advice in relation to his shares should consult his stockbroker, bank manager, solicitor, accountant or other professional advisers.

The IFA Letter is reproduced and attached in Appendix 2 to this Letter.

EYCF has given and has not withdrawn its written consent to the issue of this Letter with the inclusion of its name, the IFA Letter and all references thereto, in the form and context in which they appear in this Letter.

3. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

- 3.1 **Share Purchase Mandate.** At the 2018 AGM, Shareholders approved the renewal of a mandate (the “**Share Purchase Mandate**”) to enable the Company to purchase or otherwise acquire issued ordinary shares of the Company (“**Shares**”). The authority and limitations on the Share Purchase Mandate were set out in the 2018 Letter to Shareholders and Ordinary Resolution No. 11 set out in the Notice of the 2018 AGM.

The Share Purchase Mandate was expressed to take effect on the date of the passing of Ordinary Resolution No. 11 at the 2018 AGM and will expire on the date of the forthcoming 2019 AGM to be held on 16 April 2019. Accordingly, Shareholders’ approval is being sought for the renewal of the Share Purchase Mandate at the 2019 AGM.

Listing Rule 883(5) of the Listing Manual specifies that an issuer is required to set out the details of any share buy-back made by the issuer in the previous 12 months (whether market acquisitions or off-market acquisitions in accordance with an equal access scheme), giving the total number of shares purchased, the purchase price per share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases. As at 5 March 2019 (the “**Latest Practicable Date**”), the Company had purchased or acquired an aggregate of 500,000 Shares by way of Market Purchases (as defined in paragraph 3.3.3 below) pursuant to the Share Purchase Mandate renewed and approved by Shareholders at the 2018 AGM. The highest and lowest price paid was S\$1.8498 and S\$1.7765 per Share respectively and the total consideration paid for all purchases was S\$915,590.00 excluding commission, brokerage and goods and services tax.

- 3.2 **Rationale.** Listing Rule 883(2) of the Listing Manual specifies that an issuer is required to set out the reasons for the proposed share buy-back. The rationale for the Company to undertake the purchase or acquisition of its Shares is as follows:

- (a) In managing the business of the Company and its subsidiaries (the “**Group**”), Management strives to increase Shareholders’ value by improving, *inter alia*, the return on equity of the Group. Share purchase is one of the ways through which the return on equity of the Group may be enhanced.
- (b) In line with international practice, the Share Purchase Mandate will provide the Company with greater flexibility in managing its capital and maximising returns to its Shareholders. To the extent that the Company has capital and surplus funds which are in excess of its financial needs, taking into account its growth and expansion plans, the Share Purchase Mandate will facilitate the return of excess cash and surplus funds to Shareholders in an expedient, effective and cost-efficient manner.
- (c) A share repurchase programme will also allow Management to effectively manage and minimise the dilution impact (if any) associated with employee share schemes.

LETTER TO SHAREHOLDERS

While the Share Purchase Mandate would authorise a purchase or acquisition of Shares up to the 10% limit described in paragraph 3.3.1 below, Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may not be carried out to the full 10% limit as authorised and no purchases or acquisitions of Shares would be made in circumstances which would have or may have a material adverse effect on the financial condition of the Group as a whole.

3.3 **Authority and Limits.** The authority and limitations placed on the Share Purchase Mandate, if approved at the 2019 AGM, are substantially the same as previously approved by Shareholders at the 2018 AGM, except in relation to the maximum price which may be paid for Shares in the case of Off-Market Purchases (as defined in paragraph 3.3.3(b) below) which is proposed to be lowered from 110% to 105% of the Average Closing Price (as defined in paragraph 3.3.4 below) of the Shares, excluding related expenses of the purchase or acquisition. These are summarised below:

3.3.1 **Maximum Number of Shares**

The total number of Shares which may be purchased or acquired by the Company pursuant to the Share Purchase Mandate is limited to that number of Shares representing not more than 10% of the total number of issued Shares as at the date of the 2019 AGM. Treasury shares and subsidiary holdings (as defined in the Listing Manual)¹ will be disregarded for purposes of computing the 10% limit.

As at the Latest Practicable Date, the Company had 1,155,848 treasury shares and no subsidiary holdings.

Purely for illustrative purposes, on the basis of 2,089,760,107 Shares in issue as at the Latest Practicable Date and disregarding the 1,155,848 Shares held in treasury as at the Latest Practicable Date, and assuming (i) no further Shares are issued, (ii) no further Shares are purchased or acquired by the Company, and no further Shares purchased or acquired by the Company are held as treasury shares, and (iii) no Shares are held as subsidiary holdings, on or prior to the 2019 AGM, the purchase or acquisition by the Company of up to the maximum limit of 10% of its issued Shares will result in the purchase or acquisition of 208,860,425 Shares.

3.3.2 **Duration of Authority**

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the date of the 2019 AGM at which the renewal of the Share Purchase Mandate is approved, up to:

- (a) the date on which the next AGM of the Company is held or required by law to be held;
- (b) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied; or
- (c) the date on which purchases and acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated,

whichever is the earliest.

¹ "Subsidiary holdings" is defined in the Listing Manual to mean shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act, Chapter 50.

LETTER TO SHAREHOLDERS

3.3.3 *Manner of Purchases or Acquisitions of Shares*

Purchases or acquisitions of Shares may be made by way of:

- (a) on-market purchases ("**Market Purchases**") transacted on the SGX-ST through the SGX-ST's trading system or on any other securities exchange on which the Shares may for the time being be listed and quoted through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or
- (b) off-market purchases ("**Off-Market Purchases**") effected pursuant to an equal access scheme.

The Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the Listing Manual and the Companies Act, Chapter 50 (the "**Companies Act**") as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes.

An Off-Market Purchase must, however, satisfy all the following conditions:

- (i) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
- (ii) all of those persons shall be given a reasonable opportunity to accept the offers made; and
- (iii) the terms of all the offers shall be the same, except that there shall be disregarded (1) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements and (2) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

If the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, it will issue an offer document containing at least the following information:

- (1) terms and conditions of the offer;
- (2) period and procedures for acceptances; and
- (3) information required under Listing Rules 883(2), (3), (4), (5) and (6) of the Listing Manual.

3.3.4 *Purchase Price*

The purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) to be paid for a Share will be determined by the Directors and must not exceed, in the case of both Market Purchases and Off-Market Purchases, 105% of the Average Closing Price of the Shares, excluding related expenses of the purchase or acquisition.

For the above purposes:

"**Average Closing Price**" means the average of the last dealt prices of a Share for the five consecutive market days on which the Shares are transacted on the SGX-ST on which the Shares are listed and quoted, immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted in accordance with the listing rules of the SGX-ST for any corporate action which occurs after the relevant five day period; and

"**date of the making of the offer**" means the date on which the Company makes an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

LETTER TO SHAREHOLDERS

3.4 **Status of Purchased Shares.** Listing Rule 883(6) of the Listing Manual specifies that the issuer is required to set out whether the shares purchased by the issuer will be cancelled or kept as treasury shares. Shares purchased or acquired by the Company are deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Shares will expire on such cancellation) unless such Shares are held by the Company as treasury shares. The total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company, which are cancelled and are not held as treasury shares.

3.5 **Treasury Shares.** Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below:

3.5.1 **Maximum Holdings**

The number of Shares held as treasury shares² cannot at any time exceed 10% of the total number of issued Shares.

3.5.2 **Voting and Other Rights**

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. A subdivision or consolidation of any treasury share is also allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

3.5.3 **Disposal and Cancellation**

Where Shares are held as treasury shares, the Company may at any time but subject always to the Singapore Code on Take-overs and Mergers (the "**Take-over Code**"):

- (a) sell the treasury shares for cash;
- (b) transfer the treasury shares for the purposes of or pursuant to any share scheme, whether for employees, directors or other persons;
- (c) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (d) cancel the treasury shares; or
- (e) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

Under Listing Rule 704(28) of the Listing Manual, an immediate announcement must be made of any sale, transfer, cancellation and/or use of treasury shares. Such announcement must include details such as the date of the sale, transfer and cancellation and/or use of such treasury shares, the purpose of such sale, transfer, cancellation and/or use of such treasury shares, the number of treasury shares which have been sold, transferred, cancelled and/or used, the number of treasury shares before and after such sale, transfer, cancellation and/or use, the percentage of the number of treasury shares against the total number of issued shares (of the same class as the treasury shares) which are listed on the SGX-ST before and after such sale, transfer, cancellation and/or use, and the value of the treasury shares if they are used for a sale or transfer, or cancelled.

² For these purposes, "treasury shares" shall be read as including shares held by a subsidiary under Sections 21(4B) or 21(6C) of the Companies Act, Chapter 50.

LETTER TO SHAREHOLDERS

3.6 **Source of Funds.** The Company may purchase or acquire its own Shares out of capital, as well as from its profits.

The Company intends to use internal and/or external sources of funds to finance the Company's purchase or acquisition of Shares. The Directors do not propose to exercise the Share Purchase Mandate to such extent that it would materially affect the working capital requirements of the Group.

3.7 **Financial Effects.** The financial effects on the Group and the Company arising from purchases or acquisitions of Shares which may be made pursuant to the Share Purchase Mandate will depend on, *inter alia*, whether the Shares are purchased or acquired out of profits and/or capital of the Company, the number of Shares purchased or acquired, the price paid for such Shares and whether the Shares purchased or acquired are held in treasury or cancelled. The financial effects on the Group and the Company, based on the audited financial statements of the Group and the Company for the financial year ended 31 December 2018, are based on the assumptions set out below.

3.7.1 **Purchase or Acquisition out of Profits and/or Capital**

Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the Company's profits and/or capital so long as the Company is solvent.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration will correspondingly reduce the amount available for the distribution of dividends by the Company.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount available for the distribution of dividends by the Company will not be reduced.

3.7.2 **Number of Shares Purchased or Acquired**

Based on the number of issued and paid-up Shares as at the Latest Practicable Date (excluding the 1,155,848 Shares held in treasury) and on the assumptions set out in paragraph 3.3.1 above, the purchase by the Company of up to the maximum limit of 10% of its issued Shares will result in the purchase or acquisition of 208,860,425 Shares.

3.7.3 **Maximum Price Paid for Shares Purchased or Acquired**

In the case of both Market Purchases and Off-Market Purchases by the Company and assuming that the Company purchases or acquires 208,860,425 Shares at the maximum price of S\$1.80 for one Share (being the price equivalent to 105% of the Average Closing Price of the Shares for the five consecutive market days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 208,860,425 Shares is S\$375,948,765.

3.7.4 **Illustrative Financial Effects**

The financial effects on the Group and the Company arising from purchases or acquisitions of Shares which may be made pursuant to the proposed Share Purchase Mandate will depend on, *inter alia*, whether the purchase or acquisition is made out of profits and/or capital, the aggregate number of Shares purchased or acquired, the consideration paid at the relevant time and whether the Shares purchased or acquired are cancelled or held in treasury.

For illustrative purposes only and on the basis of the assumptions set out in paragraphs 3.7.2 and 3.7.3 above, the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Purchase Mandate on the audited financial statements of the Group and the Company for the financial year ended 31 December 2018 are set out below, assuming the purchase or acquisition of 208,860,425 Shares by the Company pursuant to the Share Purchase Mandate by way of Market Purchases or Off-Market Purchases which are held in treasury.

LETTER TO SHAREHOLDERS

Market Purchases or Off-Market Purchases of up to a maximum of 10% and held as treasury shares

	Group		Company	
	Before Share Purchase S\$'000	After Share Purchase S\$'000	Before Share Purchase S\$'000	After Share Purchase S\$'000
Share capital	484,288	484,288	484,288	484,288
Other reserves	(48,888)	(48,888)	(21,631)	(21,631)
Accumulated profits	1,878,423	1,878,423	1,498,227	1,490,110
	2,313,823	2,313,823	1,960,884	1,952,767
Treasury shares	(2,139)	(378,088)	(2,139)	(378,088)
	2,311,684	1,935,735	1,958,745	1,574,679
Non-controlling interests	36,751	36,751	–	–
Total equity	2,348,435	1,972,486	1,958,745	1,574,679
NTA	2,102,750	1,726,801	1,958,623	1,574,557
Current assets	2,960,309	2,584,360	186,747	107,163
Current liabilities	(2,762,731)	(2,762,731)	(80,493)	(384,975)
Total borrowings	(4,229,430)	(4,229,430)	(51,434)	(347,799)
Cash and cash equivalents	837,724	461,775	79,584	–
Number of issued and paid-up Shares (excluding treasury shares) ('000) ⁽¹⁾	2,088,604	1,879,744	2,088,604	1,879,744

Financial Ratios

Basic EPS (cents)	(3.55)	(3.94)	12.12	13.04
NTA per Share (S\$)	1.01	0.92	0.94	0.84
Net gearing ⁽²⁾ (times)	1.44	1.91	Net cash	0.22

Notes:

- (1) Excludes 1,155,848 Shares held as treasury shares and is computed based on 2,089,760,107 Shares in issue as at the Latest Practicable Date.
- (2) Net Gearing means the ratio of net borrowings to the shareholders' funds, including non-controlling interests.

The financial effects set out above are for illustrative purposes only. Although the Share Purchase Mandate would authorise the Company to purchase or acquire up to 10% of the issued Shares (excluding treasury shares and subsidiary holdings), the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire 10% of the issued Shares (excluding treasury shares and subsidiary holdings). In addition, the Company may cancel all or part of the Shares repurchased or hold all or part of the Shares repurchased in treasury.

LETTER TO SHAREHOLDERS

3.8 **Listing Status of the Shares.** The Listing Manual requires a listed company to ensure that at least 10% of the total number of issued shares (excluding treasury shares, preference shares and convertible equity securities) in a class that is listed is at all times held by the public. Listing Rule 883(4) of the Listing Manual further specifies that the issuer is required to set out whether the share buy-back, if made, could affect the listing of the issuer's equity securities on the Exchange. As at the Latest Practicable Date, the substantial shareholders of the Company are Sembcorp Industries Ltd ("**SCI**"), which has a direct interest in 1,274,270,764 Shares representing approximately 61.0106% of the Shares in issue (excluding the 1,155,848 Shares held in treasury) as at that date, and Temasek Holdings (Private) Limited ("**Temasek**"), which has a deemed interest in 1,292,734,385 Shares (including the Shares held by SCI) representing approximately 61.8947% of the Shares in issue (excluding the 1,155,848 Shares held in treasury) as at that date. Shares held by the Directors, CEO and their immediate families amount to approximately 8,279,241. As at the Latest Practicable Date, approximately 37.71% of the issued Shares (excluding the 1,155,848 Shares held in treasury) are held by public Shareholders.

The Company is of the view that there is a sufficient number of Shares in issue held by public Shareholders which would permit the Company to undertake purchases or acquisitions of its Shares through Market Purchases up to the full 10% limit pursuant to the proposed Share Purchase Mandate without affecting the listing status of the Shares on the SGX-ST, causing market illiquidity or affecting orderly trading.

3.9 **Take-over Implications.** Listing Rule 883(3) of the Listing Manual specifies that the issuer is required to set out the consequences, if any, of share purchases by the issuer that will arise under the Take-over Code or other applicable take-over rules. Appendix 2 of the Take-over Code contains the Share Buy-Back Guidance Note. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below:

3.9.1 **Obligation to Make a Take-over Offer**

If, as a result of any purchase or acquisition by the Company of its Shares, the proportionate interest in the voting capital of the Company of a Shareholder and persons acting in concert with him increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. Consequently, a Shareholder or a group of Shareholders acting in concert with a Director could obtain or consolidate effective control of the Company and become obliged to make an offer under Rule 14 of the Take-over Code.

3.9.2 **Persons Acting in Concert**

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), cooperate, through the acquisition by any of them of shares in a company to obtain or consolidate effective control of that company.

Unless the contrary is established, the Take-over Code presumes, *inter alia*, the following individuals and companies to be persons acting in concert with each other:

- (a) the following companies:
 - (i) a company;
 - (ii) the parent company of (i);
 - (iii) the subsidiaries of (i);
 - (iv) the fellow subsidiaries of (i);
 - (v) the associated companies of any of (i), (ii), (iii) or (iv);
 - (vi) companies whose associated companies include any of (i), (ii), (iii), (iv) or (v); and
 - (vii) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights; and

LETTER TO SHAREHOLDERS

- (b) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts).

The circumstances under which the Shareholders (including the Directors) and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

3.9.3 **Effect of Rule 14 and Appendix 2**

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, the Directors and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or in the event that such Directors and their concert parties hold between 30% and 50% of the Company's voting rights, if the voting rights of such Directors and their concert parties would increase by more than 1% in any period of six months. In calculating the percentages of voting rights of such Directors and their concert parties, treasury shares shall be excluded.

Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Purchase Mandate.

Based on the interests of substantial Shareholders as recorded in the Register of Substantial Shareholders as at the Latest Practicable Date, neither Temasek nor SCI would become obliged to make a take-over offer for the Company under Rule 14 of the Take-over Code as a result of the purchase by the Company of the maximum limit of 10% of its issued Shares (excluding treasury shares) as at the Latest Practicable Date.

Shareholders who are in doubt as to their obligations, if any, to make a mandatory take-over offer under the Take-over Code as a result of any purchase or acquisition of Shares by the Company should consult the Securities Industry Council and/or their professional advisers at the earliest opportunity.

- 3.10 **Reporting Requirements.** Listing Rule 886(1) of the Listing Manual requires the issuer to report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m. (i) in the case of a Market Purchase, on the market day following the day of purchase or acquisition of any of its shares and (ii) in the case of an Off-Market Purchase under an equal access scheme, on the second market day after the close of acceptances of the offer. Such announcement (which must be in the form of Appendix 8.3.1 to the Listing Manual) must include, *inter alia*, details of the date of the purchase, the total number of shares purchased, the number of shares cancelled, the number of shares held as treasury shares, the purchase price per share or the highest and lowest prices paid for such shares (as applicable), the total consideration (including stamp duties and clearing charges) paid or payable for the shares, the number of shares purchased as at the date of announcement (on a cumulative basis), the number of issued shares excluding treasury shares and subsidiary holdings after the purchase, the number of treasury shares held after the purchase and the number of subsidiary holdings after the purchase.

While the Listing Manual does not expressly prohibit any purchase of shares by a listed company during any particular time or times, because the listed company would be regarded as an "insider" in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the proposed Share Purchase Mandate at any time after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information has been publicly announced.

In particular, the Company will not purchase or acquire any Shares during the period of one month immediately preceding the announcement of the Company's full-year results and the period of two weeks before the announcement of the first quarter, second quarter and third quarter results.

LETTER TO SHAREHOLDERS

4. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

4.1 **Directors' Interests.** As at the Latest Practicable Date, the Directors' interests in Shares as recorded in the Register of Directors' Shareholdings are as follows:

Director	Number of Shares		Deemed		Number of Shares comprised in outstanding share awards
	Direct Interest	% ⁽¹⁾	Interest	% ⁽¹⁾	
Tan Sri Mohd Hassan Marican	371,500	0.018	–	–	–
Wong Weng Sun	3,637,934	0.174	–	–	2,108,475 ⁽²⁾
Ron Foo Siang Guan	268,680	0.013	42,000 ⁽³⁾	n.m. ⁽⁴⁾	–
Bob Tan Beng Hai	91,400	n.m. ⁽⁴⁾	–	–	–
Eric Ang Teik Lim	–	–	–	–	–
Gina Lee-Wan	69,800	n.m. ⁽⁴⁾	–	–	–
William Tan Seng Koon	16,900	n.m. ⁽⁴⁾	–	–	–
Patrick Daniel	–	–	–	–	–
Tan Wah Yeow	–	–	–	–	–
Neil McGregor	15,700	n.m. ⁽⁴⁾	–	–	–
Koh Chiap Khiong	148,700	0.007	–	–	–

Notes:

(1) Based on 2,089,760,107 Shares in issue (and disregarding 1,155,848 Shares held in treasury) as at the Latest Practicable Date.

(2) Of the 2,108,475 Shares:

- (a) 638,000 Shares are comprised in conditional awards granted to Wong Weng Sun pursuant to the Sembcorp Marine Performance Share Plan 2010 (the "PSP 2010") for a 3 year period from 2016 to 2018. Achievement of targets below target level will mean no Shares will be delivered, while achievement up to 150% will mean up to 1.5 times the number of conditional Shares awarded could be delivered;
- (b) 550,000 Shares are comprised in conditional awards granted to Wong Weng Sun pursuant to the PSP 2010 for a 3 year period from 2017 to 2019. Achievement of targets below target level will mean no Shares will be delivered, while achievement up to 150% will mean up to 1.5 times the number of conditional Shares awarded could be delivered;
- (c) 481,000 Shares are comprised in conditional awards granted to Wong Weng Sun pursuant to the PSP 2010 for a 3 year period from 2018 to 2020. Achievement of targets below target level will mean no Shares will be delivered, while achievement up to 150% will mean up to 1.5 times the number of conditional Shares awarded could be delivered;
- (d) 6,375 Shares are comprised in awards granted to Wong Weng Sun pursuant to the Sembcorp Marine Restricted Share Plan 2010 (the "RSP 2010"). These Shares will vest in year 2019;
- (e) 19,100 Shares are comprised in awards granted to Wong Weng Sun pursuant to the RSP 2010. These Shares will vest in year 2019/2020;
- (f) 181,000 Shares are comprised in conditional awards granted to Wong Weng Sun pursuant to the RSP 2010 for a 2 year period from 2017 to 2018. Achievement of targets below target level will mean no Shares will be delivered, while achievement up to 150% will mean up to 1.5 times the number of conditional Shares awarded could be delivered; and
- (g) 233,000 Shares are comprised in conditional awards granted to Wong Weng Sun pursuant to the RSP 2010 for a 1 year period from 1 January 2018 to 31 December 2018. Achievement of targets below target level will mean no shares will be delivered, while achievement up to 150% will mean up to 1.5 times the number of conditional Shares awarded could be delivered.

(3) Of the 42,000 Shares:

- (a) 28,000 Shares are held in the name of Alliance Consultancy Corporation (a company wholly owned by Ron Foo Siang Guan and his spouse); and
- (b) 14,000 Shares are held in the name of Ron Foo Siang Guan's spouse.

(4) Not meaningful.

LETTER TO SHAREHOLDERS

- 4.2 **Substantial Shareholders' Interests.** As at the Latest Practicable Date, the interests of the substantial Shareholders in Shares as recorded in the Register of Substantial Shareholders are as follows:

Substantial Shareholder	Direct Interest	%⁽¹⁾	Number of Shares Deemed Interest	%⁽¹⁾
SCI	1,274,270,764	61.0106	–	–
Temasek	–	–	1,292,734,385 ⁽²⁾	61.8947

Notes:

- (1) Based on 2,089,760,107 Shares in issue (and disregarding 1,155,848 Shares held in treasury) as at the Latest Practicable Date.
(2) Temasek is deemed to be interested in the 1,274,270,764 Shares held by SCI and the 18,463,621 Shares in which its subsidiaries and/or associated companies have or are deemed to have an interest pursuant to Section 4 of the Securities and Futures Act, Chapter 289.

5. DIRECTORS' RECOMMENDATIONS

- 5.1 **Proposed Modifications to, and Renewal of, IPT Mandate.** All the Directors are interested persons (as described in paragraph 5.1 of Appendix 1 to this Letter). Accordingly, they have refrained from making any voting recommendation to Shareholders in respect of Ordinary Resolution No. 11, being the Ordinary Resolution relating to the proposed modifications to, and renewal of, the IPT Mandate to be proposed at the 2019 AGM.

Temasek, SCI and each of the Directors will abstain from voting, and each has undertaken to ensure that its/his associates will abstain from voting, on Ordinary Resolution No. 11, being the Ordinary Resolution relating to the proposed modifications to, and renewal of, the IPT Mandate to be proposed at the 2019 AGM. The Company will disregard any votes cast by Temasek, SCI and each of the Directors, and their respective associates, in respect of their holdings of Shares (if any) on Ordinary Resolution No. 11. Each of the Directors and their respective associates will also decline to accept appointment as proxy for any Shareholder to vote in respect of Ordinary Resolution No. 11, unless the Shareholder concerned shall have given instructions in his Proxy Form as to the manner in which his votes are to be cast in respect of Ordinary Resolution No. 11.

- 5.2 **Proposed Renewal of Share Purchase Mandate.** The Directors are of the opinion that the proposed renewal of the Share Purchase Mandate is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of Ordinary Resolution No. 12, being the Ordinary Resolution relating to the proposed renewal of the Share Purchase Mandate to be proposed at the 2019 AGM.

6. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Letter and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Letter constitutes full and true disclosure of all material facts about the Proposals, and the Company and its subsidiaries which are relevant to the Proposals, and the Directors are not aware of any facts the omission of which would make any statement in this Letter misleading. Where information in this Letter has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Letter in its proper form and context.

LETTER TO SHAREHOLDERS

7. INSPECTION OF DOCUMENTS

The following documents are available for inspection at the registered office of the Company at 29 Tanjong Kling Road, Singapore 628054 during normal business hours from the date of this Letter up to the date of the 2019 AGM:

- (a) the Annual Report for the financial year ended 31 December 2018;
- (b) the 2018 Letter to Shareholders;
- (c) the IFA Letter; and
- (d) EYCF's letter of consent referred to in paragraph 2.4 above.

The Annual Report of the Company for the financial year ended 31 December 2018 and the 2018 Letter to Shareholders may also be accessed at the URLs <https://www.sembmarine.com/investor-relations/annual-report> and <https://www.sembmarine.com/investor-relations/circular-to-shareholder>, respectively.

Yours faithfully
for and on behalf of
the Board of Directors of
Sembcorp Marine Ltd

Tan Sri Mohd Hassan Marican
Chairman

APPENDIX 1

THE IPT MANDATE

1. CHAPTER 9 OF THE LISTING MANUAL

- 1.1. Chapter 9 of the Listing Manual of the SGX-ST governs transactions by a listed company, as well as transactions by its subsidiaries and associated companies that are considered to be at risk, with the listed company's interested persons. When this Chapter applies to a transaction and the value of that transaction alone or on aggregation with other transactions conducted with the interested person during the financial year reaches, or exceeds, certain materiality thresholds, the listed company is required to make an immediate announcement, or to make an immediate announcement and seek its shareholders' approval for that transaction.
- 1.2. Except for certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested person and hence are excluded from the ambit of Chapter 9 of the Listing Manual, immediate announcement and/or shareholders' approval would be required in respect of transactions with interested persons if certain financial thresholds (which are based on the value of the transaction as compared with the listed company's latest audited consolidated net tangible assets ("**NTA**") are reached or exceeded. In particular, shareholders' approval is required for an interested person transaction of a value equal to, or which exceeds:
 - (a) 5% of the listed company's latest audited consolidated NTA; or
 - (b) 5% of the listed company's latest audited consolidated NTA, when aggregated with other transactions entered into with the same interested person (as such term is construed under Chapter 9 of the Listing Manual) during the same financial year.
- 1.3. Based on the latest audited consolidated financial statements of the Group for the financial year ended 31 December 2018, the consolidated NTA of the Group was S\$2,102,750,000. In relation to the Company, for the purposes of Chapter 9 of the Listing Manual, in the current financial year and until such time as the consolidated audited financial statements of the Group for the financial year ending 31 December 2019 are published, 5% of the latest audited consolidated NTA of the Group would be S\$105,137,500.
- 1.4. Chapter 9 of the Listing Manual permits a listed company, however, to seek a mandate from its shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials (but not in respect of the purchase or sale of assets, undertakings or businesses) that may be carried out with the listed company's interested persons.
- 1.5. Under the Listing Manual:
 - (a) an "**entity at risk**" means:
 - (i) the listed company;
 - (ii) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or
 - (iii) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed company and/or its subsidiaries (the "**listed group**"), or the listed group and its interested person(s), has control over the associated company;
 - (b) an "**interested person**" means a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder;

APPENDIX 1

- (c) an “**associate**” in relation to an interested person who is a director, chief executive officer or controlling shareholder includes an immediate family member (that is, the spouse, child, adopted child, step-child, sibling or parent) of such director, chief executive officer or controlling shareholder, the trustees of any trust of which the director/his immediate family, the chief executive officer/his immediate family or controlling shareholder/his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object, and any company in which the director/his immediate family, the chief executive officer/his immediate family or controlling shareholder/his immediate family has an aggregate interest (directly or indirectly) of 30% or more, and, where a controlling shareholder is a corporation, its subsidiary or holding company or fellow subsidiary or a company in which it and/or they have (directly or indirectly) an interest of 30% or more;
- (d) an “**approved exchange**” means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9 of the Listing Manual; and
- (e) an “**interested person transaction**” means a transaction between an entity at risk and an interested person.

2. RATIONALE FOR THE IPT MANDATE

- 2.1. It is envisaged that in the ordinary course of their businesses, transactions between companies in the EAR Group (as defined below) and the Company’s interested persons are likely to occur from time to time. Such transactions would include, but are not limited to, the provision of goods and services in the ordinary course of business of the EAR Group to the Company’s interested persons or the obtaining of goods and services from them.
- 2.2. In view of the time-sensitive nature of commercial transactions, the renewal of the interested person transaction mandate (the “**IPT Mandate**”) pursuant to Chapter 9 of the Listing Manual will enable:
 - (a) the Company;
 - (b) subsidiaries of the Company (excluding other subsidiaries listed on the SGX-ST or an approved exchange); and
 - (c) associated companies of the Company (other than an associated company that is listed on the SGX-ST or an approved exchange) over which the Company, the Group and interested persons has or have control,

(together, the “**EAR Group**”), or any of them, in the ordinary course of their businesses, to enter into the categories of transactions (“**Interested Person Transactions**”) set out in paragraph 6 below with the specified classes of the Company’s interested persons (the “**Interested Persons**”) set out in paragraph 5.1 below, provided such Interested Person Transactions are made on normal commercial terms.

APPENDIX 1

3. SCOPE OF THE IPT MANDATE

- 3.1. The EAR Group engages in a wide range of activities which include the following principal activities for which the renewal of the IPT Mandate is sought:
- (a) newbuilding, engineering, procurement and construction, conversion and repair services for all marine and offshore vessels, platforms and structures; nearshore terminal solutions; ship and rig conversion; ship and rig repair; ship and rig building; sale and purchase of vessels; offshore engineering; metal and steel fabrication; design and procurement services; project management services;
 - (b) ancillary services such as the supply of equipment rental services; bulk trading in materials and copper slag; the processing and distribution of copper slag for grit blasting and building; marine, general electronic and electrical works and general contracting services; and
 - (c) provision of turnkey engineering and construction services for oil and gas industries.
- 3.2. The IPT Mandate does not cover any transaction by a company in the EAR Group with an Interested Person that is below S\$100,000 in value as the threshold and aggregation requirements of Chapter 9 of the Listing Manual would not apply to such transactions.
- 3.3. Transactions with interested persons (including the Interested Persons) that do not fall within the ambit of the IPT Mandate will be subject to the relevant provisions of Chapter 9 of the Listing Manual and/or other applicable provisions of the Listing Manual.

4. BENEFIT TO SHAREHOLDERS

The IPT Mandate (and its subsequent renewal thereafter on an annual basis) will enhance the ability of companies in the EAR Group to pursue business opportunities which are time-sensitive in nature, and will eliminate the need for the Company to announce, or to announce and convene separate general meetings on each occasion to seek Shareholders' prior approval for the entry by the relevant company in the EAR Group into such transactions. This will substantially reduce the expenses associated with the convening of general meetings on an ad hoc basis, considerably improve administrative efficacy, and allow manpower resources and time to be channeled towards attaining other corporate objectives.

5. CLASSES OF INTERESTED PERSONS

- 5.1. The IPT Mandate applies to the Interested Person Transactions (as described in paragraph 6 below) which are carried out with the following classes of Interested Persons:
- (a) Temasek Holdings (Private) Limited and its associates (excluding Sembcorp Industries Ltd ("**Sembcorp Industries**") and its associates) (the "**Temasek Group**");
 - (b) Sembcorp Industries and its associates (the "**Sembcorp Industries Group**"); and
 - (c) Directors, chief executive officer and controlling shareholders of the Company (other than the controlling shareholders described in sub-paragraphs (a) and (b) above) and their respective associates.
- 5.2. Transactions with Interested Persons which do not fall within the ambit of the IPT Mandate shall be subject to the relevant provisions of Chapter 9 of the Listing Manual.

APPENDIX 1

6. CATEGORIES OF INTERESTED PERSON TRANSACTIONS

The Interested Person Transactions with the Interested Persons (as described in paragraph 5.1 above) which are covered by the IPT Mandate and the benefits to be derived therefrom are set out below:

(a) General Transactions

This category relates to general transactions ("**General Transactions**") in connection with the provision to, or the obtaining from, Interested Persons of products and services in the normal course of business of the EAR Group (as more particularly described in paragraph 3.1 above) or which are necessary for the day-to-day operations of the EAR Group comprising the following:

- (i) the provision of ~~ship and rig building, ship and rig conversion and repair services~~ newbuilding, conversion and repair services for all marine and offshore vessels, platforms and structures, and nearshore terminal solutions;
- (ii) the provision of ~~offshore oil and gas~~ engineering, procurement, construction, installation and commissioning services for marine and offshore vessels, platforms and structures, modules and floating production systems services, and nearshore terminal solutions;
- (iii) the provision of complete Floating Production Storage and Offloading ("**FPSO**") facilities, including FPSO hull conversion, topside, turret and mooring system fabrication and installation, integration of marine and process controls and instrumentation systems;
- (iv) the provision of project management services;
- (v) the sale and purchase of vessels;
- (vi) the obtaining and provision of construction and design consultancy services (covering architectural, structural, mechanical, civil, electrical and land/quantity surveying) for purposes of meeting the construction and engineering requirements of the Company;
- (vii) the fabrication of steelwork structure, pipe fittings and painting for the marine industry;
- (viii) the leasing and rental (as lessor and lessee) of equipment, land parcels or office space used in connection with the services provided;
- (ix) the provision of marine, general electronic and electrical works and general contracting services;
- (x) the provision of ancillary services such as bulk trading in materials;
- (xi) the obtaining or the purchase of electronic and engineering equipment, computer maintenance and systems, software licences and information technology services, logistic services and insurances;
- (xii) the collection and treatment of used copper slag and the processing and distribution of copper slag for blast cleaning purposes;
- (xiii) the production and sale of concrete products;
- (xiv) the provision of turnkey contracting services in marine automation, switchboard fabricators, motor and generators refurbishing, heating ventilation air conditioners and industrial electronic boards assembly and any of the businesses of engineering and electricians (metalwork specialists and machinery fitting);

APPENDIX 1

- (xv) ship owning and the provision of specialist marine services;
- (xvi) the provision of corrosion control services (including blasting and painting) and equipment trading;
- (xvii) the provision of factoring services to in-house sub-contractors;
- (xviii) the provision of harbour tug services;
- (xix) the obtaining of electricity and steam and other power sources and utilities;
- (xx) the obtaining of industrial and commercial waste collection services;
- (xxi) the obtaining of printing or publishing services;
- (xxii) the purchase of airline tickets; and
- (xxiii) the provision or the obtaining of such other products and/or services which are incidental to or in connection with the provision or obtaining of products and/or services in sub-paragraphs (i) to (xxii) above.

The transactions set out in paragraphs (i) to (vii) arise in the normal course of business of the Company, while those set out in paragraphs (viii) to (xxiii) are necessary for the day-to-day operations of the Company.

The EAR Group will benefit from having access to competitive quotes from the different companies in the different industries within the Temasek Group and the Sembcorp Industries Group in addition to obtaining quotes from, or transacting with, non-Interested Persons.

(b) **Treasury Transactions**

Treasury transactions ("**Treasury Transactions**") comprise (a) the placement of funds with any Interested Person, (b) the borrowing of funds from any Interested Person, (c) the entry into with any Interested Person of forex, swap and option transactions for hedging purposes and (d) the subscription of debt securities or preference shares issued by any Interested Person and the issue of debt securities or preference shares to any Interested Person and the buying from, or the selling to, any Interested Person of debt securities or preference shares.

The EAR Group can benefit from competitive rates and quotes in an expedient manner on the placement of funds with, the borrowings from, the entry into forex, swap and option transactions with, and the subscription and purchase of debt securities or preference shares issued by, or the issue of debt securities or preference shares to, any Interested Person.

(c) **Management Support Services**

The EAR Group may, from time to time, receive management and support services from its Interested Persons in the areas of finance, treasury, investment risk review, governmental relations, strategic development, management information systems, and human resources management and development ("**Management Support Services**"). By having access to and providing such management support, the EAR Group will derive operational and financial leverage in its dealings with third parties as well as benefits from the global network of its Interested Persons.

APPENDIX 1

7. REVIEW PROCEDURES FOR INTERESTED PERSON TRANSACTIONS

7.1. The EAR Group has established the following procedures to ensure that Interested Person Transactions are undertaken on an arm's length basis and on normal commercial terms:

7.1.1. *General Transactions*

Review Procedures

In general, there are procedures established by the EAR Group to ensure that General Transactions with Interested Persons are undertaken on an arm's length basis and on normal commercial terms consistent with the EAR Group's usual business practices and policies, which are generally no more favourable to the Interested Persons than those extended to unrelated third parties.

In particular, the following review procedures have been put in place.

(a) *Provision of Services or the Sale of Products*

The review procedures are:

- (i) all contracts entered into or transactions with Interested Persons are to be carried out at the prevailing market rates or prices of the service or product providers, on terms which are no more favourable to the Interested Person than the usual commercial terms extended to unrelated third parties (including, where applicable, preferential rates/prices/discounts accorded to corporate customers or for bulk purchases) or otherwise in accordance with applicable industry norms; and
- (ii) where the prevailing market rates or prices are not available due to the nature of service to be provided or the product to be sold, the EAR Group's pricing for such services to be provided or products to be sold to Interested Persons is determined in accordance with the EAR Group's usual business practices and pricing policies, consistent with the usual margin to be obtained by the EAR Group for the same or substantially similar type of contract or transaction with unrelated third parties. In determining the transaction price payable by Interested Persons for such services or products, factors such as, but not limited to, quantity, volume, consumption, customer requirements, specifications, duration of contract and strategic purposes of the transaction will be taken into account.

(b) *Obtaining of Services or the Purchasing of Products*

The review procedures are:

- (i) all contracts entered into or transactions with Interested Persons are to be carried out by obtaining quotations (wherever possible or available) from at least two other unrelated third party suppliers for similar quantities and/or quality of services or products, prior to contracting or transacting with the Interested Person, as a basis for comparison to determine whether the price and terms offered by the Interested Person are fair and reasonable and comparable to those offered by other unrelated third parties for the same or substantially similar type of services or products. In determining whether the price and terms offered by the Interested Person are fair and reasonable, factors such as, but not limited to, delivery schedules, specification compliance, track record, experience and expertise, and where applicable, preferential rates, rebates or discounts accorded for bulk purchases, will also be taken into account; and

APPENDIX 1

- (ii) in the event that such competitive quotations cannot be obtained (for instance, if there are no unrelated third party vendors of similar products or services, or if the product is a proprietary item), the senior management staff of the relevant company in the EAR Group (with no interest, direct or indirect, in the transaction), will determine whether the price and terms offered by the Interested Person are fair and reasonable.

Threshold Limits

In addition to the review procedures, the EAR Group supplements its internal systems to ensure that General Transactions are undertaken with Interested Persons on an arm's length basis and on normal commercial terms as follows:

- (i) a Category 1 transaction is one where the EAR Group's proportionate share in a transaction with an Interested Person is in excess of S\$50 million, except that in the case of sale and purchase of vessels, the EAR Group's proportionate share in such a transaction with an Interested Person is one in excess of S\$5 million; and
- (ii) a Category 2 transaction is one where the EAR Group's proportionate share in a transaction with an Interested Person is above S\$100,000 but below or equal to S\$50 million, except that in the case of sale and purchase of vessels, the EAR Group's proportionate share in such a transaction with an Interested Person is one below or equal to S\$5 million.

Category 1 transactions must be approved by the audit committee of the Company (the "**Audit Committee**") prior to being contracted. Category 2 transactions do not require the prior approval of the Audit Committee but shall be reviewed on a quarterly basis by the Audit Committee.

7.1.2. **Treasury Transactions**

Review Procedures

In general, there are procedures established by the EAR Group to ensure that Treasury Transactions with Interested Persons are undertaken on an arm's length basis and on normal commercial terms consistent with the EAR Group's usual business practices and policies, which are generally no more favourable to the Interested Persons than those extended to unrelated third parties.

In particular, the following review procedures have been put in place.

(a) *Placements*

In relation to the placement with any Interested Person by the EAR Group of its funds, the Company will require that quotations shall be obtained from such Interested Person and at least two banks for rates of deposits with such banks of an equivalent amount, and for the equivalent period, of the funds to be placed by the EAR Group. The EAR Group will only place its funds with such Interested Person, provided that the terms quoted are no less favourable than the terms quoted by such banks for equivalent amounts.

(b) *Borrowings*

In relation to the borrowing of funds from any Interested Person by the EAR Group, the Company will require that quotations shall be obtained from such Interested Person and at least two banks for rates for loans from such banks of an equivalent amount, and for the equivalent period, of the funds to be borrowed. The EAR Group will only borrow funds from such Interested Person, provided that the terms quoted are no less favourable than those quoted by such banks.

APPENDIX 1

(c) *Debt Securities and Preference Shares*

In relation to the subscription of debt securities or preference shares issued by, or purchase of debt securities or preference shares from, Interested Persons, the EAR Group will only enter into the subscription or purchase of such debt securities or preference shares provided that the price(s) at which the EAR Group subscribes for or purchases such debt securities or preference shares will not be higher than the price(s) at which such debt securities or preference shares are subscribed for or purchased by third parties.

In relation to the issue or sale to Interested Persons of debt securities or preference shares, the EAR Group will only issue or sell such debt securities or preference shares to Interested Persons provided that the price(s) at which the EAR Group issues or sells such debt securities or preference shares will not be lower than the price(s) at which such debt securities or preference shares are issued or sold to third parties. The EAR Group will also comply with all applicable laws and regulations in connection with the issue or sale of such debt securities or preference shares to Interested Persons.

For the purposes of the IPT Mandate, the preference shares to be subscribed or purchased from Interested Persons, or to be issued or sold to Interested Persons, will not carry any voting rights, except that they shall carry the right to attend any general meeting and in a poll thereat to at least one vote in respect of each such share held:

- (i) during such period as the preferential dividend or any part thereof remains in arrear and unpaid, such period starting from a date not more than 12 months, or such lesser period as the constitution may provide, after the due date of the dividend;
- (ii) upon any resolution which varies the rights attached to such shares; or
- (iii) upon any resolution for the winding up of the Company.

(d) *Forex, Swaps, Options*

In relation to forex, swap and option transactions with any Interested Person by the EAR Group, the Company will require that rate quotations shall be obtained from such Interested Person and at least two banks. The EAR Group will only enter into such forex, swap or option transactions with such Interested Person provided that such terms quoted are no less favourable than the terms quoted by such banks.

Threshold Limits

In addition to the foregoing, the following threshold limits ("**Treasury Limits**") will be applied to supplement the internal systems of the EAR Group to ensure that Treasury Transactions are undertaken with Interested Persons on an arm's length basis and on normal commercial terms:

Type of Treasury Transaction	Treasury Limit (S\$ million)
Placements	50
Borrowings	50
Subscription or Purchase of Debt Securities	50
Issue or Sale of Debt Securities and Preference Shares	50
Subscription or Purchase of Preference Shares	30
Forex, Swaps, Options	30

APPENDIX 1

Where the EAR Group's proportionate share in a transaction with an Interested Person exceeds any of the Treasury Limits set out above, such transaction must be approved by the Audit Committee prior to its entry. Where the EAR Group's proportionate share in a transaction is equal to or below any of the Treasury Limits set out above, such transaction does not require the prior approval of the Audit Committee, but shall be reviewed on a quarterly basis by the Audit Committee.

7.1.3. **Management Support Services**

The EAR Group will satisfy itself that the costs for any Management Support Services provided by any Interested Person shall be on an arm's length and on normal commercial basis and in accordance with any formula for such cost recovery agreed with such Interested Person. Transactions exceeding the amount of S\$1,000,000 must be approved by the Audit Committee, and transactions equal to or below S\$1,000,000 shall be reviewed on a quarterly basis by the Audit Committee.

- 7.2. The Company will maintain a register of transactions carried out with Interested Persons pursuant to the IPT Mandate (recording the basis, including the quotations obtained to support such basis, on which they were entered into), and the Company's internal audit plan will incorporate a review of all transactions entered into in the relevant financial year pursuant to the IPT Mandate.
- 7.3. The Audit Committee of the Company shall review these internal audit reports on Interested Person Transactions to ascertain that the established review procedures to monitor Interested Person Transactions have been complied with.
- 7.4. If during these periodic reviews by the Audit Committee, the Audit Committee is of the view that the review procedures as stated above have become inappropriate or insufficient in view of changes to the nature of, or the manner in which, the business activities of the EAR Group are conducted, the Company will revert to Shareholders for a fresh mandate based on new guidelines and review procedures to ensure that Interested Person Transactions will be on an arm's length and on normal commercial basis.
- 7.5. In the event that a member of the Audit Committee has a conflict of interests in relation to any Interested Person Transaction, he will abstain from reviewing that particular transaction.

8. **VALIDITY PERIOD OF THE IPT MANDATE**

The renewal of the IPT Mandate will take effect from the passing of the ordinary resolution relating thereto, and will (unless revoked or varied by the Company in general meeting) continue in force until the next Annual General Meeting of the Company following thereafter. Approval from Shareholders will be sought for the renewal of the IPT Mandate at each subsequent Annual General Meeting of the Company, subject to satisfactory review by the Audit Committee of its continued application to the transactions with Interested Persons.

9. **DISCLOSURE OF INTERESTED PERSON TRANSACTIONS PURSUANT TO THE IPT MANDATE**

- 9.1. The Company will announce the aggregate value of transactions conducted with Interested Persons pursuant to the IPT Mandate for the quarterly financial periods which the Company is required to report on pursuant to the Listing Manual and within the time required for the announcement of such report.
- 9.2. Disclosure will also be made in the Company's Annual Report of the aggregate value of transactions conducted with Interested Persons pursuant to the IPT Mandate during the financial year, and in the Annual Reports for subsequent financial years that the IPT Mandate continues in force, in accordance with the requirements of Chapter 9 of the Listing Manual.

APPENDIX 2

INDEPENDENT FINANCIAL ADVISER'S LETTER TO THE DIRECTORS OF SEMBCORP MARINE LTD

ERNST & YOUNG CORPORATE FINANCE PTE LTD

One Raffles Quay North Tower, Level 18 Singapore 048583

1 April 2019

The Directors of
Sembcorp Marine Ltd
29 Tanjong Kling Road
Singapore 628054

Dear Sirs

THE PROPOSED MODIFICATIONS TO, AND RENEWAL OF, THE SHAREHOLDERS' MANDATE FOR RECURRENT INTERESTED PERSON TRANSACTIONS (THE "IPT MANDATE")

1. INTRODUCTION

Sembcorp Marine Ltd ("**SembMarine**" or the "**Company**") is seeking shareholders' approval for the modifications to, and renewal of, the IPT Mandate for recurrent interested person transactions (the "**Interested Person Transactions**") with Temasek Holdings (Private) Limited ("**Temasek**") and its associates (excluding Sembcorp Industries Ltd ("**Sembcorp Industries**") and its associates) (the "**Temasek Group**"), Sembcorp Industries and its associates (the "**Sembcorp Industries Group**"), and directors, chief executive officer and controlling shareholders of the Company (other than the Temasek Group and Sembcorp Industries Group) and their respective associates (collectively, the "**Interested Persons**"), pursuant to Chapter 9 of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual (the "**Listing Manual**"). This letter has been prepared for the use of the directors of the Company (the "**Board of Directors**" or the "**Directors**") as well as pursuant to Rule 920(1)(b)(v) of the Listing Manual, and is to be incorporated into the letter to the shareholders of the Company (the "**Shareholders**") dated 1 April 2019 (the "**Letter**") which provides, *inter alia*, the details of the IPT Mandate and the recommendation of the Directors thereon. Unless otherwise defined, all terms in the Letter have the same meaning in this letter.

To comply with the requirements of Chapter 9 of the Listing Manual, Ernst & Young Corporate Finance Pte Ltd ("**EYCF**") has been appointed as the independent financial adviser as required under Rule 920(1)(b)(v) of the Listing Manual to provide an opinion on whether the guidelines, methods and review procedures for determining the transaction prices of the Interested Person Transactions, as set out in the IPT Mandate, are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and the minority Shareholders of the Company (the "**Minority Shareholders**").

APPENDIX 2

2. TERMS OF REFERENCE

The objective of this letter is to provide an independent opinion, for the purposes of Chapter 9 of the Listing Manual, on whether the guidelines, methods and review procedures set out in the IPT Mandate for determining the transaction prices of the Interested Person Transactions are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and the Minority Shareholders.

EYCF's views as set forth in this letter are based on the prevailing market and economic conditions, and our analysis of the information provided in the Letter as well as information provided to us by the Company and its subsidiaries (the "**SembMarine Group**"), as of the latest practicable date, being 5 March 2019 (the "**Latest Practicable Date**"). Accordingly, this opinion shall not take into account any event or condition which occurs after the Latest Practicable Date.

EYCF is not and was not involved in any aspect of the discussions on the scope of the IPT Mandate, nor were we involved in the deliberations leading up to the decision by the Directors to modify and obtain Shareholders' approval for the IPT Mandate or the guidelines, methods and review procedures adopted by the Company for determining the transaction prices of the Interested Person Transactions. In the course of our evaluation of the guidelines, methods and review procedures proposed in connection with the IPT Mandate, we were provided with information by the management of the Company. We have not independently verified information furnished by the Directors and management of the Company or any representation or assurance made by them, whether written or verbal, and accordingly cannot and do not warrant or accept responsibility for the accuracy or completeness of such information, representation or assurance. Nevertheless, the Directors have confirmed to us that to the best of their knowledge and belief, the information provided to us (whether written or verbal) as well as the information contained in the Letter constitutes a full and true disclosure, in all material respects, of all material facts relating to the IPT Mandate and there is no material information the omission of which would make any of the information contained herein or in the Letter inaccurate, incomplete or misleading in any material respect.

We have also made reasonable enquiries and exercised our judgement on the reasonable use of such information and have found no reason to doubt the accuracy or reliability of such information. We have further assumed that all statements of fact, belief, opinion and intention made by the Directors in the Letter have been reasonably made after due and careful enquiry. We have not conducted a comprehensive review of the business, operations and financial condition of the Company or the transactions described in the Letter.

Our opinion is addressed to the Directors for their benefit and deliberation on the IPT Mandate as well as required under Rule 920(1)(b)(v) of the Listing Manual. The recommendations made to the Shareholders in relation to the IPT Mandate shall remain the responsibility of the Directors. In preparing this letter, we have not had regard to the specific investment objectives, financial situation, tax position and/or unique needs and constraints of any Shareholder. As different Shareholders would have different investment objectives, we would advise the Directors to recommend that any individual Shareholder who may require specific advice in relation to his shares should consult his stockbroker, bank manager, solicitor, accountant or other professional advisers.

APPENDIX 2

3. EVALUATION OF THE PROPOSED GUIDELINES, METHODS AND REVIEW PROCEDURES FOR THE INTERESTED PERSON TRANSACTIONS

3.1 Rationale for the IPT Mandate

We reproduce below the rationale for adopting the IPT Mandate, as set out in Section 2 of Appendix 1 to the Letter:

"2. RATIONALE FOR THE IPT MANDATE

2.1 *It is envisaged that in the ordinary course of their businesses, transactions between companies in the EAR Group (as defined below) and the Company's interested persons are likely to occur from time to time. Such transactions would include, but are not limited to, the provision of goods and services in the ordinary course of business of the EAR Group to the Company's interested persons or the obtaining of goods and services from them.*

2.2 *In view of the time-sensitive nature of commercial transactions, the renewal of the interested person transaction mandate (the "IPT Mandate") pursuant to Chapter 9 of the Listing Manual will enable:*

(a) *the Company;*

(b) *subsidiaries of the Company (excluding other subsidiaries listed on the SGX-ST or an approved exchange); and*

(c) *associated companies of the Company (other than an associated company that is listed on the SGX-ST or an approved exchange) over which the Company, the Group and interested persons has or have control,*

(together, the "EAR Group"), or any of them, in the ordinary course of businesses, to enter into the categories of transactions ("Interested Person Transactions") set out in paragraph 6 below with the specified classes of the Company's interested persons (the "Interested Persons") set out in paragraph 5.1 below, provided such Interested Person Transactions are made on normal commercial terms."

3.2 Benefits to Shareholders

We reproduce below the benefits to Shareholders of adopting the IPT Mandate, as set out in Section 4 of Appendix 1 to the Letter:

"4. BENEFIT TO SHAREHOLDERS

The IPT Mandate (and its subsequent renewal thereafter on an annual basis) will enhance the ability of companies in the EAR Group to pursue business opportunities which are time-sensitive in nature, and will eliminate the need for the Company to announce, or to announce and convene separate general meetings on each occasion to seek Shareholders' prior approval for the entry by the relevant company in the EAR Group into such transactions. This will substantially reduce the expenses associated with the convening of general meetings on an ad hoc basis, considerably improve administrative efficacy, and allow manpower resources and time to be channelled towards attaining other corporate objectives."

APPENDIX 2

3.3 The Interested Person Transactions

The classes of Interested Persons and categories of Interested Person Transactions which will be covered by the IPT Mandate are set out below:

3.3.1 Classes of Interested Persons

As set out in Section 5 of Appendix 1 to the Letter, the IPT Mandate applies to the Interested Person Transactions which are carried out with the following classes of Interested Persons:

- (a) the Temasek Group;
- (b) the Sembcorp Industries Group; and
- (c) directors, chief executive officer and controlling shareholders of the Company (other than the controlling shareholders described in sub-paragraphs (a) and (b) above) and their respective associates.

We note that transactions with Interested Persons which do not fall within the ambit of the IPT Mandate shall be subject to the relevant provisions of Chapter 9 of the Listing Manual.

3.3.2 Categories of Interested Person Transactions

As set out in Section 6 of Appendix 1 to the Letter, the Interested Person Transactions which are covered by the IPT Mandate are set out below:

(a) General Transactions

This category relates to general transactions ("**General Transactions**") in connection with the provision to, or the obtaining from, Interested Persons of products and services in the normal course of business of the EAR Group (as more particularly described in Paragraph 3.1 of Appendix 1 to the Letter) or which are necessary for the day-to-day operations of the EAR Group comprising the following:

- (i) the provision of newbuilding, conversion and repair services for all marine and offshore vessels, platforms and structures, and nearshore terminal solutions;
- (ii) the provision of engineering, procurement, construction, installation and commissioning services for marine and offshore vessels, platforms and structures, modules and floating production systems services, and nearshore terminal solutions;
- (iii) the provision of complete Floating Production Storage and Offloading ("**FPSO**") facilities, including FPSO hull conversion, topside, turret and mooring system fabrication and installation, integration of marine and process controls and instrumentation systems;
- (iv) the provision of project management services;
- (v) the sale and purchase of vessels;
- (vi) the obtaining and provision of construction and design consultancy services (covering architectural, structural, mechanical, civil, electrical and land/quantity surveying) for purposes of meeting the construction and engineering requirements of the Company;
- (vii) the fabrication of steelwork structure, pipe fittings and painting for the marine industry;

APPENDIX 2

- (viii) the leasing and rental (as lessor and lessee) of equipment, land parcels or office space used in connection with the services provided;
- (ix) the provision of marine, general electronic and electrical works and general contracting services;
- (x) the provision of ancillary services such as bulk trading in materials;
- (xi) the obtaining or the purchase of electronic and engineering equipment, computer maintenance and systems, software licences and information technology services, logistic services and insurances;
- (xii) the collection and treatment of used copper slag and the processing and distribution of copper slag for blast cleaning purposes;
- (xiii) the production and sale of concrete products;
- (xiv) the provision of turnkey contracting services in marine automation, switchboard fabricators, motor and generators refurbishing, heating ventilation air conditioners and industrial electronic boards assembly and any of the businesses of engineering and electricians (metalwork specialists and machinery fitting);
- (xv) ship owning and the provision of specialist marine services;
- (xvi) the provision of corrosion control services (including blasting and painting) and equipment trading;
- (xvii) the provision of factoring services to in-house sub-contractors;
- (xviii) the provision of harbour tug services;
- (xix) the obtaining of electricity and steam and other power sources and utilities;
- (xx) the obtaining of industrial and commercial waste collection services;
- (xxi) the obtaining of printing or publishing services;
- (xxii) the purchase of airline tickets; and
- (xxiii) the provision or the obtaining of such other products and/or services which are incidental to or in connection with the provision or obtaining of products and/or services in sub-paragraphs (i) to (xxii) above.

The transactions set out in paragraphs (i) to (vii) arise in the normal course of business of the Company, while those set out in paragraphs (viii) to (xxiii) are necessary for the day-to-day operations of the Company.

The EAR Group will benefit from having access to competitive quotes from the different companies in the different industries within the Temasek Group and the Sembcorp Industries Group in addition to obtaining quotes from, or transacting with, non-Interested Persons.

(b) **Treasury Transactions**

Treasury transactions ("**Treasury Transactions**") comprise:

- (a) the placement of funds with any Interested Person;

APPENDIX 2

- (b) the borrowing of funds from any Interested Person;
- (c) the entry into with any Interested Person of foreign exchange ("**forex**"), swap and option transactions for hedging purposes; and
- (d) the subscription of debt securities or preference shares issued by any Interested Person and the issue of debt securities or preference shares to any Interested Person and the buying from, or the selling to, any Interested Person of debt securities or preference shares.

The EAR Group can benefit from competitive rates and quotes in an expedient manner on the placement of funds with, the borrowings from, the entry into forex, swap and option transactions with, and the subscription and purchase of debt securities or preference shares issued by, or the issue of debt securities or preference shares to, any Interested Person.

(c) **Management Support Services**

The EAR Group may, from time to time, receive management and support services from Interested Persons in the areas of finance, treasury, investment risk review, governmental relations, strategic development, management information systems, and human resources management and development (the "**Management Support Services**"). By having access to and providing such management support, the EAR Group will derive operational and financial leverage in its dealings with third parties as well as benefits from the global network of its Interested Persons.

3.4 Review Procedures for Interested Person Transactions

The detailed text of the review procedures for the Interested Person Transactions with the Interested Persons can be found in Section 7 of Appendix 1 to the Letter.

We note, *inter alia*, that the EAR Group has established the following procedures to ensure that the Interested Person Transactions are undertaken on an arm's length basis and on normal commercial terms.

3.4.1 General Transactions

Review Procedures

In general, there are procedures established by the EAR Group to ensure that the General Transactions with Interested Persons are undertaken on an arm's length basis and on normal commercial terms consistent with the EAR Group's usual business practices and policies, which are generally no more favourable to the Interested Persons than those extended to unrelated third parties.

In particular, the following review procedures have been put in place.

(a) *Provision of Services or the Sale of Products*

The review procedures are:

- (i) all contracts entered into or transactions with Interested Persons are to be carried out at the prevailing market rates or prices of the service or product providers, on terms which are no more favourable to the Interested Person than the usual commercial terms extended to unrelated third parties (including, where applicable, preferential rates/prices/discounts accorded to corporate customers or for bulk purchases) or otherwise in accordance with applicable industry norms; and

APPENDIX 2

- (ii) where the prevailing market rates or prices are not available due to the nature of services to be provided or the products to be sold, the EAR Group's pricing for such services to be provided or products to be sold to Interested Persons is determined in accordance with the EAR Group's usual business practices and pricing policies, consistent with the usual margin to be obtained by the EAR Group for the same or substantially similar type of contract or transaction with unrelated third parties. In determining the transaction price payable by Interested Persons for such services or products, factors such as, but not limited to, quantity, volume, consumption, customer requirements, specifications, duration of contract and strategic purposes of the transaction will be taken into account.

(b) *Obtaining of Services or Purchasing of Products*

The review procedures are:

- (i) all contracts entered into or transactions with Interested Persons are to be carried out by obtaining quotations (wherever possible or available) from at least two other unrelated third party suppliers for similar quantities and/or quality of services or products, prior to contracting or transacting with the Interested Persons, as a basis for comparison to determine whether the price and terms offered by the Interested Person are fair and reasonable and comparable to those offered by other unrelated third parties for the same or substantially similar type of services or products. In determining whether the price and terms offered by the Interested Person are fair and reasonable, factors such as, but not limited to, delivery schedules, specification compliance, track record, experience and expertise, and where applicable, preferential rates, rebates or discounts accorded for bulk purchases, will also be taken into account; and
- (ii) in the event that such competitive quotations cannot be obtained (for instance, if there are no unrelated third party vendors of similar products or services, or if the product is a proprietary item), the senior management staff of the relevant company in the EAR Group (with no interest, direct or indirect, in the transaction), will determine whether the price and terms offered by the Interested Person are fair and reasonable.

Threshold limits

In addition to the review procedures, the EAR Group supplements its internal systems to ensure that General Transactions are undertaken with Interested Persons on an arm's length basis and on normal commercial terms as follows:

- (i) a Category 1 transaction is one where the EAR Group's proportionate share in a transaction with an Interested Person is in excess of S\$50 million, except that in the case of sale and purchase of vessels, the EAR Group's proportionate share in such a transaction with an Interested Person is one in excess of S\$5 million; and
- (ii) a Category 2 transaction is one where the EAR Group's proportionate share in a transaction with an Interested Person is above S\$100,000 but below or equal S\$50 million, except that in the case of sale and purchase of vessels, the EAR Group's proportionate share in such a transaction with an Interested Person is one below or equal to S\$5million.

Category 1 transactions must be approved by the audit committee of the Company (the "**Audit Committee**") prior to being contracted. Category 2 transactions do not require the prior approval of the Audit Committee but shall be reviewed on a quarterly basis by the Audit Committee.

APPENDIX 2

3.4.2 Treasury Transactions

Review Procedures

In general, there are procedures established by the EAR Group to ensure that Treasury Transactions with Interested Persons are undertaken on an arm's length basis and on normal commercial terms consistent with the EAR Group's usual business practices and policies, which are generally no more favourable to the Interested Persons than those extended to unrelated third parties.

In particular, the following review procedures have been put in place.

(a) *Placements*

In relation to the placement with any Interested Person by the EAR Group of its funds, the Company will require that quotations shall be obtained from such Interested Person and at least two banks for rates of deposits with such banks of an equivalent amount, and for the equivalent period, of the funds to be placed by the EAR Group. The EAR Group will only place its funds with such Interested Person, provided that the terms quoted are no less favourable than the terms quoted by such banks for equivalent amounts.

(b) *Borrowings*

In relation to the borrowing of funds from any Interested Person by the EAR Group, the Company will require that quotations shall be obtained from such Interested Person and at least two banks for rates for loans from such banks of an equivalent amount, and for the equivalent period, of the funds to be borrowed. The EAR Group will only borrow funds from such Interested Person, provided that the terms quoted are no less favourable than those quoted by such banks.

(c) *Debt Securities and Preference Shares*

In relation to the subscription of debt securities or preference shares issued by, or purchase of debt securities or preference shares from, Interested Persons, the EAR Group will only enter into the subscription or purchase of such debt securities or preference shares provided that the price(s) at which the EAR Group subscribes for or purchases such debt securities or preference shares will not be higher than the price(s) at which such debt securities or preference shares are subscribed for or purchased by third parties.

In relation to the issue or sale to Interested Persons of debt securities or preference shares, the EAR Group will only issue or sell such debt securities or preference shares to Interested Persons provided that the price(s) at which the EAR Group issues or sells such debt securities or preference shares will not be lower than the price(s) at which such debt securities or preference shares are issued or sold to third parties. The EAR Group will also comply with all applicable laws and regulations in connection with the issue or sale of such debt securities or preference shares to Interested Persons.

For the purposes of the IPT Mandate, the preference shares to be subscribed or purchased from Interested Persons, or to be issued or sold to Interested Persons, will not carry any voting rights, except that they shall carry the right to attend any general meeting and in a poll thereat to at least one vote in respect of each such share held:

- (i) during such period as the preferential dividend or any part thereof remains in arrear and unpaid, such period starting from a date not more than 12 months, or such lesser period as the constitution may provide, after the due date of the dividend;

APPENDIX 2

- (ii) upon any resolution which varies the rights attached to such shares; or
 - (iii) upon any resolution for the winding up of the Company.
- (d) *Forex, Swaps, Options*

In relation to forex, swap and option transactions with any Interested Person by the EAR Group, the Company will require that rate quotations shall be obtained from such Interested Person and at least two banks. The EAR Group will only enter into such forex, swap or option transactions with such Interested Person provided that such terms quoted are no less favourable than the terms quoted by such banks.

Threshold limits

In addition to the foregoing, the following threshold limits ("**Treasury Limits**") will be applied to supplement the internal systems of the EAR Group to ensure that Treasury Transactions are undertaken with Interested Persons on an arm's length basis and on normal commercial terms:

Type of Treasury Transaction	Treasury Limit (S\$ million)
Placements	50
Borrowings	50
Subscription or Purchase of Debt Securities	50
Issue or Sale of Debt Securities and Preference Shares	50
Subscription or Purchase of Preference Shares	30
Forex, Swaps, Options	30

Where the EAR Group's proportionate share in a transaction with an Interested Person exceeds any of the Treasury Limits set out above, such transaction must be approved by the Audit Committee prior to its entry. Where the EAR Group's proportionate share in a transaction is equal to or below any of the Treasury Limits set out above, such transaction does not require the prior approval of the Audit Committee, but shall be reviewed on a quarterly basis by the Audit Committee.

3.4.3 Management Support Services

The EAR Group will satisfy itself that the costs for any Management Support Services provided by any Interested Person shall be on an arm's length and on normal commercial basis and in accordance with any formula for such cost recovery agreed with such Interested Person. Transactions exceeding the amount of S\$1,000,000 must be approved by the Audit Committee, and transactions equal to or below S\$1,000,000 shall be reviewed on a quarterly basis by the Audit Committee.

3.4.4 Other Review Procedures

The EAR Group has also implemented the following procedures for the identification of Interested Persons and the recording of all the EAR Group's Interested Person Transactions:

- (a) The Company will maintain a register of transactions carried out with Interested Persons pursuant to the IPT Mandate (recording the basis, including the quotations obtained to support such basis, on which they were entered into), and the Company's internal audit plan will incorporate a review of all transactions entered into in the relevant financial year pursuant to the IPT Mandate.

APPENDIX 2

- (b) The Audit Committee of the Company shall review these internal audit reports on Interested Person Transactions to ascertain that the established review procedures to monitor Interested Person Transactions have been complied with.
- (c) If during these periodic reviews by the Audit Committee, the Audit Committee is of the view that the review procedures as stated above have become inappropriate or insufficient in view of changes to the nature of, or the manner in which, the business activities of the EAR Group are conducted, the Company will revert to Shareholders for a fresh mandate based on new guidelines and review procedures to ensure that Interested Person Transactions will be on an arm's length and on normal commercial basis.
- (d) In the event that a member of the Audit Committee has a conflict of interests in relation to any Interested Person Transaction, he will abstain from reviewing that particular transaction.

4. CONCLUSION

In arriving at our opinion on whether the guidelines, methods and review procedures for determining the transaction prices of the Interested Person Transactions for purposes of the IPT Mandate are sufficient to ensure that transactions with the Interested Persons will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and the Minority Shareholders, we have considered the following:

- (a) the Directors' rationale for, and the benefits accruing to the SembMarine Group arising from, the IPT Mandate;
- (b) the classes of Interested Persons and categories of the Interested Person Transactions to be covered by the IPT Mandate; and
- (c) the guidelines, methods and review procedures for the transactions with the Interested Persons.

Based on the analysis undertaken and subject to the qualifications and assumptions made herein, we are of the opinion that the current guidelines, methods and review procedures for determining the prices of the transactions with the Interested Persons, if adhered to, are sufficient to ensure that the Interested Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and the Minority Shareholders.

We have prepared this letter as required under Rule 920(1)(b)(v) of the Listing Manual as well as for the use of the Directors of the Company in connection with and for the purposes of their consideration of the IPT Mandate. A copy of this letter may be reproduced in the Letter.

Whilst a copy of this letter may be reproduced in the Letter, neither the Company nor the Directors may reproduce, disseminate or quote this letter (or any part thereof) for any purpose other than in relation to the IPT Mandate at any time and in any manner without our prior written consent in each specific case. This opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully
For and on behalf of
Ernst & Young Corporate Finance Pte Ltd

Luke Pais
Managing Director

Elisa Montano
Director