

CIRCULAR DATED 3 APRIL 2014

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold your ordinary shares in the capital of Sembcorp Marine Ltd (the “**Company**”), you should immediately forward this Circular and the Proxy Form attached to this Circular to the purchaser or to the stockbroker or other agent through whom the sale was effected for onward transmission to the purchaser.

The Singapore Exchange Securities Trading Limited takes no responsibility for the accuracy of any statements or opinions made in this Circular.



SEMBCORP MARINE LTD

(Incorporated in the Republic of Singapore)
(Company Registration No: 196300098Z)

CIRCULAR TO SHAREHOLDERS IN RELATION TO

- (1) the proposed renewal of the IPT Mandate; and**
- (2) the proposed renewal of the Share Purchase Mandate.**

IMPORTANT DATES AND TIMES:

| | | |
|--|---|--|
| Last date and time for lodgement of Proxy Form | : | 20 April 2014 at 11.15 a.m. |
| Date and time of Extraordinary General Meeting | : | 22 April 2014 at 11.15 a.m. (or as soon thereafter following the conclusion or adjournment of the 51 st Annual General Meeting of the Company to be held at 11.00 a.m. on the same day and at the same place) |
| Place of Extraordinary General Meeting | : | 29 Tanjong Kling Road Singapore 628054 |

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DEFINITIONS

In this Circular, the following definitions apply throughout unless otherwise stated:

| | | |
|----------------------------------|---|--|
| “2013 Circular” | : | The Company’s Circular to Shareholders dated 3 April 2013. |
| “Companies Act” | : | The Companies Act, Chapter 50 of Singapore. |
| “Company” | : | Sembcorp Marine Ltd. |
| “Directors” | : | The directors of the Company for the time being. |
| “EGM” | : | The extraordinary general meeting of the Company, notice of which is given on pages 27 to 29 of this Circular. |
| “2013 EGM” | : | The extraordinary general meeting of the Company held on 19 April 2013. |
| “EPS” | : | Earnings per Share. |
| “Group” | : | The Company and its subsidiaries. |
| “Latest Practicable Date” | : | The latest practicable date prior to the printing of this Circular, being 6 March 2014. |
| “Listing Manual” | : | The listing manual of the SGX-ST, including any amendments made thereto up to the Latest Practicable Date. |
| “Market Day” | : | A day on which the SGX-ST is open for trading in securities. |
| “NTA” | : | Net tangible assets. |
| “PSP” | : | The SembCorp Marine Performance Share Plan. |
| “PSP 2010” | : | The Sembcorp Marine Performance Share Plan 2010. |
| “RSP” | : | The SembCorp Marine Restricted Stock Plan. |
| “RSP 2010” | : | The Sembcorp Marine Restricted Share Plan 2010. |
| “SCI” | : | Sembcorp Industries Ltd. |
| “SGX-ST” | : | Singapore Exchange Securities Trading Limited. |
| “Share Purchase Mandate” | : | The mandate to enable the Company to purchase or otherwise acquire its issued Shares. |
| “Shareholders” | : | Persons who are registered as holders of Shares in the Register of Members of the Company and Depositors who have Shares entered against their names in the Depository Register. |
| “Shares” | : | Ordinary shares in the capital of the Company. |
| “Take-over Code” | : | The Singapore Code on Take-overs and Mergers. |
| “Temasek” | : | Temasek Holdings (Private) Limited. |

DEFINITIONS

“S\$”, “\$” and “cents” : Singapore dollars and cents, respectively.

“%” or “per cent.” : Per centum or percentage.

The terms “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders.

References to persons shall include corporations.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or any statutory modification thereof and not otherwise defined in this Circular shall have the same meaning assigned to it under the Companies Act or any statutory modification thereof, as the case may be.

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Any reference to a time of day in this Circular is made by reference to Singapore time unless otherwise stated.

Any discrepancies in the tables in this Circular between the listed amounts and the totals thereof are due to rounding.

LETTER TO SHAREHOLDERS

SEMBCORP MARINE LTD

(Incorporated in the Republic of Singapore)
(Company Registration No.: 196300098Z)

Directors

Goh Geok Ling (*Chairman*)
Tan Sri Mohd Hassan Bin Marican (*Deputy Chairman*)
Wong Weng Sun (*President & CEO*)
Ajaib Haridass (*Independent Director*)
Tang Kin Fei (*Non-executive Director*)
Ron Foo Siang Guan (*Independent Director*)
Lim Ah Doo (*Independent Director*)
Koh Chiap Khiong (*Non-executive Director*)
Eric Ang Teik Lim (*Independent Director*)
Eddie Teh Ewe Guan (*Independent Director*)

Registered Office

29 Tanjong Kling Road
Singapore 628054

3 April 2014

To: The Shareholders of
Sembcorp Marine Ltd

Dear Sir/Madam

1. INTRODUCTION

1.1 **EGM.** The Directors are convening the EGM to be held on 22 April 2014 to seek Shareholders' approval for the following proposals:

- (a) the proposed renewal of the IPT Mandate (as defined below); and
 - (b) the proposed renewal of the Share Purchase Mandate,
- (the "**Proposals**").

1.2 **Circular.** The purpose of this Circular is to provide Shareholders with information relating to the Proposals to be tabled at the EGM.

2. THE PROPOSED RENEWAL OF THE IPT MANDATE

2.1 **IPT Mandate.** At the 2013 EGM, approval of the Shareholders was obtained for 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) 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 are set out in the Appendix to the 2013 Circular.

The IPT Mandate was expressed to take effect until the conclusion of the next Annual General Meeting ("**AGM**") of the Company, being the 51st AGM which is scheduled to be held on 22 April 2014. Accordingly, the Directors propose that the IPT Mandate be renewed at the EGM, to take effect until the 52nd AGM of the Company.

2.2 **The Appendix.** The 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 the Appendix to this Circular. The activities in respect of which the IPT Mandate is sought to be renewed remain unchanged.

2.3 **Audit Committee Statement.** The Audit Committee of the Company, comprising Mr Lim Ah Doo, Mr Ron Foo Siang Guan and Tan Sri Mohd Hassan Bin Marican confirms that:

- (a) the methods or procedures for determining the transaction prices under the IPT Mandate have not changed since the 2013 EGM; and

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- (b) the methods or procedures referred to in paragraph 2.3(a) above 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 its minority Shareholders.

3. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

- 3.1 **Background.** Shareholders had approved the renewal of the Share Purchase Mandate at the 2013 EGM. The authority and limitations on the Share Purchase Mandate were set out in the 2013 Circular and Ordinary Resolution 2 set out in the Notice of the 2013 EGM.

The Share Purchase Mandate was expressed to take effect on the date of the passing of Ordinary Resolution 2 at the 2013 EGM and will expire on the date of the forthcoming 51st AGM to be held on 22 April 2014. Accordingly, Shareholders' approval is being sought for the renewal of the Share Purchase Mandate at the EGM, immediately following the 51st AGM of the Company convened to be held on the same date.

As at the Latest Practicable Date, the Company had purchased or acquired an aggregate of **3,839,900** Shares by way of Market Purchases (as defined in paragraph 3.3.3 below) pursuant to the Share Purchase Mandate approved by Shareholders at the 2013 EGM. The highest and lowest price paid was **S\$4.44** and **S\$4.15** per Share respectively and the total consideration paid for all purchases was **S\$16,379,820.71** excluding commission, brokerage and goods and services tax.

As at the Latest Practicable Date, **4,057,422** Shares purchased or acquired by the Company are held as treasury shares.

- 3.2 **Rationale for the Share Purchase Mandate.** The rationale for the Company to undertake the purchase or acquisition of its Shares is as follows:

- (a) In managing the business of 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.

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 position of the Group as a whole.

- 3.3 **Authority and Limits of the Share Purchase Mandate.** The authority and limitations placed on the Share Purchase Mandate, if approved at the EGM, 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 EGM. Any Shares which are held as treasury shares will be disregarded for purposes of computing the 10% limit.

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Purely for illustrative purposes, on the basis of **2,089,760,107** Shares in issue as at the Latest Practicable Date and disregarding the **4,057,422** Shares held in treasury as at the Latest Practicable Date, and assuming no further Shares are issued, and 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, on or prior to the EGM, 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 **208,570,268** 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 EGM at which the renewal of the Share Purchase Mandate is approved, up to:

- (a) the date on which the next annual general meeting 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.

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, 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 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

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(3) information required under 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.

The purchase price to be paid for the Shares must not exceed:

- (a) in the case of a Market Purchase, 105% of the Average Closing Price of the Shares; and
- (b) in the case of an Off-Market Purchase, 110% of the Average Closing Price of the Shares,

in either case, 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 or, as the case may be, such securities exchange on which the Shares are listed or 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.

3.4 **Status of Purchased 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 shares 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 into treasury shares of a smaller amount is also allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

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3.5.3 **Disposal and Cancellation**

Where Shares are held as treasury shares, the Company may at any time but subject always to the Take-over Code:

- (a) sell the treasury shares for cash;
- (b) transfer the treasury shares for the purposes of or pursuant to an employees' share scheme;
- (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 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.

- 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 will use the internal sources of funds of the Group to finance the Company's purchase or acquisition of the Shares. The Company does not intend to obtain or incur any external borrowings to finance such purchase or acquisition. 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 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, based on the audited financial statements of the Group for the financial year ended 31 December 2013, 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.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration (excluding brokerage, commission, applicable goods and services tax and other related expenses) 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.

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3.7.2 *Number of Shares Acquired or Purchased*

Based on the number of issued and paid-up Shares as at the Latest Practicable Date (excluding the **4,057,422** 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 **208,570,268** Shares.

3.7.3 *Maximum Price Paid for Shares Acquired or Purchased*

In the case of Market Purchases by the Company and assuming that the Company purchases or acquires **208,570,268** Shares at the maximum price of S\$**4.26** 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 **208,570,268** Shares is S\$**888,509,342**.

In the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires **208,570,268** Shares at the maximum price of S\$**4.47** for one Share (being the price equivalent to 110% 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 **208,570,268** Shares is S\$**932,309,098**.

3.7.4 *Illustrative Financial Effects*

The financial effects on the Group 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 for the financial year ended 31 December 2013, are set out below and assuming the following:

- (a) the purchase or acquisition of **208,570,268** Shares by the Company pursuant to the Share Purchase Mandate by way of Market Purchases and held in treasury; and
- (b) the purchase or acquisition of **208,570,268** Shares by the Company pursuant to the Share Purchase Mandate by way of Off-Market Purchases and held in treasury.

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Scenario 1(A)

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

| | Group | |
|---|-------------------------------------|------------------------------------|
| | Before Share Purchase S\$'000 | After Share Purchase S\$'000 |
| Share Capital | 484,288 | 484,288 |
| Other Reserves | (68,693) | (68,693) |
| Accumulated Profits | 2,268,927 | 2,268,927 |
| | 2,684,522 | 2,684,522 |
| Treasury Shares | (17,342) | (905,851) |
| | 2,667,180 | 1,778,671 |
| Non-controlling Interests | 132,476 | 132,476 |
| | 2,799,656 | 1,911,147 |
| | 2,799,656 | 1,911,147 |
| NTA | 2,636,839 | 1,748,330 |
| Current Assets | 4,211,237 | 3,322,728 |
| Current Liabilities | (3,530,406) | (3,530,406) |
| Total Borrowings | (766,111) | (766,111) |
| Cash and Cash Equivalents | 1,685,045 | 796,536 |
| Number of issued and paid-up Shares (excluding Treasury Shares) ('000) | 2,085,703 | 1,877,132 ⁽¹⁾ |

Financial Ratios

| | | |
|------------------------------------|----------|----------|
| Basic EPS (cents) | 26.61 | 29.56 |
| NTA per Share (S\$) | 1.26 | 0.93 |
| Net Gearing ⁽²⁾ (times) | Net cash | Net cash |

Notes:

⁽¹⁾ Excludes **208,570,268** Shares held as treasury shares and is computed based on **2,085,702,685** Shares in issue (excluding the 4,057,422 Shares held in treasury) as at the Latest Practicable Date.

⁽²⁾ Net Gearing means the ratio of net borrowings to the shareholders' funds, including non-controlling interests.

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Scenario 1(B)

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

| | Group | |
|---|-------------------------------------|------------------------------------|
| | Before Share Purchase S\$'000 | After Share Purchase S\$'000 |
| Share Capital | 484,288 | 484,288 |
| Other Reserves | (68,693) | (68,693) |
| Accumulated Profits | 2,268,927 | 2,268,927 |
| | 2,684,522 | 2,684,522 |
| Treasury Shares | (17,342) | (949,651) |
| | 2,667,180 | 1,734,871 |
| Non-controlling Interests | 132,476 | 132,476 |
| | 2,799,656 | 1,867,347 |
| | 2,799,656 | 1,867,347 |
| NTA | 2,636,839 | 1,704,530 |
| Current Assets | 4,211,237 | 3,278,928 |
| Current Liabilities | (3,530,406) | (3,530,406) |
| Total Borrowings | (766,111) | (766,111) |
| Cash and Cash Equivalents | 1,685,045 | 752,736 |
| Number of issued and paid-up Shares (excluding Treasury Shares) ('000) | 2,085,703 | 1,877,132 |

Financial Ratios

| | | |
|------------------------------------|----------|-------|
| Basic EPS (cents) | 26.61 | 29.56 |
| NTA per Share (S\$) | 1.26 | 0.91 |
| Net Gearing ⁽²⁾ (times) | Net cash | 0.01 |

Notes:

⁽¹⁾ Excludes 208,570,268 Shares held as treasury shares and is computed based on 2,085,702,685 Shares in issue (excluding the 4,057,422 Shares held in treasury) 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 the Shares held in treasury), the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire 10% of the issued Shares (excluding the Shares held in treasury). In addition, the Company may cancel all or part of the Shares repurchased or hold all or part of the Shares repurchased in treasury.

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. As at the Latest Practicable Date, the substantial shareholders of the Company are SCI, which has a direct interest in 1,265,370,764 Shares representing approximately 60.67% of the Shares in issue (excluding the 4,057,422 Shares held in treasury) as at that date, and Temasek, which has a deemed interest in 1,268,434,206 Shares (including the Shares held by SCI) representing approximately 60.82% of the Shares in issue (excluding the 4,057,422 Shares held in treasury)

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as at that date. Shares held by the Directors, CEO and their immediate families amount to approximately **22,678,530**. As at the Latest Practicable Date, approximately **38.10%** of the issued Shares (excluding the **4,057,422** 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.** 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
- (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.

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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 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 **Listing Rules.** The Listing Manual specifies that a listed company shall 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 the number of treasury shares held 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 through Market Purchases 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.

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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 | | Number of Shares comprised in outstanding share options/awards | | |
|---------------------------------|------------------|---------------------|--|---------------------|--------------------------|
| | Direct Interest | % ⁽¹⁾ | Deemed Interest | % ⁽¹⁾ | |
| Goh Geok Ling | 369,340 | 0.02 | - | - | - |
| Tan Sri Mohd Hassan Bin Marican | 11,500 | n.m. ⁽⁴⁾ | - | - | - |
| Wong Weng Sun | 3,178,751 | 0.15 | - | - | 1,047,333 ⁽²⁾ |
| Ajaib Haridass | 595,710 | 0.03 | - | - | - |
| Tang Kin Fei | 232,970 | 0.01 | - | - | - |
| Ron Foo Siang Guan | 108,080 | 0.01 | 42,000 ⁽³⁾ | n.m. ⁽⁴⁾ | - |
| Lim Ah Doo | 45,700 | n.m. ⁽⁴⁾ | - | - | - |
| Koh Chiap Khiong | 10,900 | n.m. ⁽⁴⁾ | - | - | - |
| Teh Ewe Guan Eddie | - | - | - | - | - |
| Ang Teik Lim Eric | - | - | - | - | - |

Notes:

- (1) Based on **2,089,760,107** Shares in issue (and disregarding **4,057,422** Shares held in treasury) as at the Latest Practicable Date.
- (2) Of the 1,047,333 Shares:
- (a) 250,000 Shares are comprised in conditional awards granted to Mr Wong Weng Sun pursuant to the **PSP 2010** for a 3 year period from 2011 to 2013. 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) 250,000 Shares are comprised in conditional awards granted to Mr Wong Weng Sun pursuant to the **PSP 2010** for a 3 year period from 2012 to 2014. 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) 250,000 Shares are comprised in conditional awards granted to Mr Wong Weng Sun pursuant to the **PSP 2010** for a 3 year period from 2013 to 2015. 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) 50,000 Shares are comprised in awards granted to Mr Wong Weng Sun pursuant to the **RSP**. These Shares will vest in year 2014;
 - (e) 77,333 Shares are comprised in awards granted to Mr Wong Weng Sun pursuant to the **RSP 2010**. These Shares will vest in year 2014/2015;
 - (f) 85,000 Shares are comprised in conditional awards granted to Mr Wong Weng Sun pursuant to the **RSP 2010** for a 2 year period from 2012 to 2013. 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) 85,000 Shares are comprised in conditional awards granted to Mr Wong Weng Sun pursuant to the **RSP 2010** for a 2 year period from 2013 to 2014. 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 Mr Ron Foo Siang Guan and his spouse); and
 - (b) 14,000 Shares are held in the name of Mr 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 | Number of Shares | | | |
|-------------------------|------------------|---------------------|------------------------------|---------------------|
| | Direct Interest | %(⁽¹⁾) | Deemed Interest | %(⁽¹⁾) |
| SCI | 1,265,370,764 | 60.67 | – | – |
| Temasek | – | – | 1,268,434,206 ⁽²⁾ | 60.82 |

Notes:

- (1) Based on 2,089,760,107 Shares in issue (and disregarding 4,057,422 Shares held in treasury) as at the Latest Practicable Date.
- (2) Temasek is deemed to be interested in the 1,265,370,764 Shares held by SCI and the 3,063,442 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 Renewal of the IPT Mandate.** All the Directors are interested persons (as described in paragraph 5.1 of the Appendix to this Circular). Accordingly, they have refrained from making any voting recommendation to Shareholders in respect of Resolution 1, being the Ordinary Resolution relating to the proposed renewal of the IPT Mandate to be proposed at the EGM.

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 Resolution 1, being the Ordinary Resolution relating to the proposed renewal of the IPT Mandate to be proposed at the EGM. Each of the Directors and their respective associates will also decline to accept appointment as proxy for any Shareholder to vote in respect of Resolution 1, 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 Resolution 1.

- 5.2 **Proposed Renewal of the 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 Resolution 2, being the Ordinary Resolution relating to the proposed renewal of the Share Purchase Mandate to be proposed at the EGM.

6. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on pages 27 to 29 of this Circular, will be held at 29 Tanjong Kling Road, Singapore 628054 on 22 April 2014 at 11.15 a.m. (or as soon thereafter following the conclusion or adjournment of the 51st Annual General Meeting of the Company to be held at 11.00 a.m. on the same day and at the same place) for the purpose of considering and, if thought fit, passing with or without modifications the Ordinary Resolutions set out in the Notice of EGM.

7. ACTION TO BE TAKEN BY SHAREHOLDERS

- 7.1 **Appointment of Proxies.** Shareholders who are unable to attend the EGM and wish to appoint a proxy to attend and vote at the EGM on their behalf will find attached to this Circular a Proxy Form which they are requested to complete, sign and return in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the registered office of the Company not less than 48 hours before the time fixed for the EGM. The sending of a Proxy Form by a Shareholder does not preclude him from attending and voting in person at the EGM if he finds that he is able to do so. In such event, the relevant Proxy Forms will be deemed to be revoked.

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7.2 **When Depositor regarded as Shareholder.** A Depositor shall not be regarded as a Shareholder of the Company entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register at least 48 hours before the time fixed for the EGM.

8. 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 Circular up to the date of the EGM:

- (a) the Annual Report of the Company for the financial year ended 31 December 2013;
- (b) the 2013 Circular; and
- (c) the Memorandum and Articles of Association of the Company.

9. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular 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 Circular misleading.

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

Goh Geok Ling
Chairman

APPENDIX

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 in aggregation with other transactions conducted with the interested persons 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 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 accounts of the Group for the financial year ended 31 December 2013, the consolidated NTA of the Group was S\$2,646,695,000. 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 accounts of the Group for the financial year ending 31 December 2014 are published, 5% of the latest audited consolidated NTA of the Group would be S\$132,334,750.
- 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;

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- (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.

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) 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.

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- 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.

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;
- (ii) the provision of offshore oil and gas engineering, procurement, construction, installation and commissioning services for offshore platforms, modules and floating production systems services;
- (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;

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- (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);
- (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.

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(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.

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

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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
- (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.

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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 in the circumstances set out in Section 180(2)(a), (b) and (c) of the Companies Act.

(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.

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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.

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.

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.

APPENDIX

9. Disclosure of Interested Person Transactions pursuant to 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.

NOTICE OF EXTRAORDINARY GENERAL MEETING

SEMBCORP MARINE LTD

(Incorporated in the Republic of Singapore)
(Company Registration No. 196300098Z)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Sembcorp Marine Ltd (the “**Company**”) will be held at 29 Tanjong Kling Road, Singapore 628054 on 22 April 2014 at 11.15 a.m. (or as soon thereafter following the conclusion or adjournment of the 51st Annual General Meeting of the Company to be held at 11.00 a.m. on the same day and at the same place) for the purpose of considering and, if thought fit, passing with or without modifications, the following Resolutions which will be proposed as Ordinary Resolutions:

Resolution 1: Ordinary Resolution **The Proposed Renewal of the IPT Mandate**

THAT:

- (1) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual (“**Chapter 9**”) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), for the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9), or any of them, to enter into any of the transactions falling within the types of interested person transactions described in the Appendix to the Company’s Circular to Shareholders dated 3 April 2014 (the “**Circular**”) with any party who is of the class of interested persons described in the Appendix to the Circular, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such interested person transactions;
- (2) the approval given in paragraph (1) above (the “**IPT Mandate**”) shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company; and
- (3) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the IPT Mandate and/or this Resolution.

Resolution 2: Ordinary Resolution **The Proposed Renewal of the Share Purchase Mandate**

THAT:

- (1) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore (the “**Companies Act**”), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company (the “**Shares**”) not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:
 - (a) market purchase(s) on the SGX-ST and/or any other securities exchange on which the Shares may for the time being be listed and quoted (“**Other Exchange**”); and/or
 - (b) off-market purchase(s) (if effected otherwise than on the SGX-ST or, as the case may be, the Other Exchange) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

NOTICE OF EXTRAORDINARY GENERAL MEETING

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the **"Share Purchase Mandate"**);

- (2) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:
- (a) the date on which the next Annual General Meeting of the Company is held;
 - (b) the date by which the next Annual General Meeting of the Company is required by law to be held; and
 - (c) the date on which purchases and acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated;

- (3) in this Resolution:

"Average Closing Price" means the average of the last dealt prices of a Share for the five consecutive trading days on which the Shares are transacted on the SGX-ST or, as the case may be, the Other Exchange immediately preceding the date of 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;

"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;

"Maximum Limit" means that number of issued Shares representing 10% of the total number of issued Shares as at the date of the passing of this Resolution (excluding any Shares which are held as treasury shares as at that date); and

"Maximum Price", in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) which shall not exceed:

- (a) in the case of a market purchase of a Share, 105% of the Average Closing Price of the Shares; and
 - (b) in the case of an off-market purchase of a Share pursuant to an equal access scheme, 110% of the Average Closing Price of the Shares; and
- (4) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution.

By Order of the Board

Tan Yah Sze/Kwong Sook May
Joint Company Secretaries
Singapore

3 April 2014

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

- (1) A shareholder of the Company entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
- (2) The instrument appointing a proxy must be lodged at the registered office of the Company at 29 Tanjong Kling Road, Singapore 628054 not later than 48 hours before the time of the Extraordinary General Meeting. The sending of a proxy form by a shareholder does not preclude him from attending and voting in person at the Extraordinary General Meeting if he finds that he is able to do so. In such event, the relevant proxy forms will be deemed to be revoked.
- (3) The Company intends to use its internal sources of funds to finance the purchase or acquisition of its Shares. The amount of financing required for the Company to purchase or acquire its Shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice as these will depend on the number of Shares purchased or acquired, the price at which such Shares were purchased or acquired and whether the Shares purchased or acquired are held in treasury or cancelled.

Based on the existing issued Shares as at 6 March 2014 (the "**Latest Practicable Date**") and excluding any Shares held in treasury, the purchase by the Company of 10% of its issued Shares (and disregarding the **4,057,422** Shares held in treasury) will result in the purchase or acquisition of **208,570,268** Shares.

In the case of market purchases by the Company and assuming that the Company purchases or acquires the **208,570,268** Shares at the Maximum Price of S\$**4.26** for one Share (being the price equivalent to 105% of the average of the closing market prices 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 the **208,570,268** Shares is S\$**888,509,342**.

In the case of off-market purchases by the Company and assuming that the Company purchases or acquires the **208,570,268** Shares at the Maximum Price of S\$**4.47** for one Share (being the price equivalent to 110% of the average of the closing market prices 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 the **208,570,268** Shares is S\$**932,309,098**.

The financial effects of the purchase or acquisition of such Shares by the Company pursuant to the proposed Share Purchase Mandate on the audited financial statements of the Group for the financial year ended 31 December 2013 based on these assumptions are set out in paragraph 3.7 of the Circular.

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PROXY FORM

SEMBCORP MARINE LTD

(Incorporated in the Republic of Singapore)
Company Registration No. 196300098Z)

PROXY FORM

IMPORTANT

1. For investors who have used their CPF moneys to buy shares in the capital of Sembcorp Marine Ltd, the Circular to Shareholders dated 3 April 2014 is forwarded to them at the request of their CPF Approved Nominees and is sent FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by such CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors who wish to vote should contact their CPF Approved Nominees.

I/We _____ (Name) _____ (NRIC/Passport No)

of _____ (Address)

being a member/members of the abovenamed Company, hereby appoint

| Name | Address | NRIC/Passport Number | Proportion of Shareholdings (%) |
|--------------------------------|---------|----------------------|---------------------------------|
| | | | |
| and/or (delete as appropriate) | | | |
| | | | |

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll, at the Extraordinary General Meeting of the Company to be held on 22 April 2014 at 29 Tanjong Kling Road, Singapore 628054, at 11.15 a.m. (or as soon thereafter following the conclusion or adjournment of the 51st Annual General Meeting of the Company to be held at 11.00 a.m. on the same day and at the same place) and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the Ordinary Resolutions as set out in the Notice of Extraordinary General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Extraordinary General Meeting.)

| | For | Against |
|---|-----|---------|
| Resolution 1: Ordinary Resolution To approve the proposed renewal of the IPT Mandate | | |
| Resolution 2: Ordinary Resolution To approve the proposed renewal of the Share Purchase Mandate | | |

Dated this _____ day of _____ 2014

Total Number of Shares held

Signature(s) of Member(s) or Common Seal of Member(s)

IMPORTANT: PLEASE READ NOTES OVERLEAF.



NOTES:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote instead of him. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. The instrument appointing a proxy or proxies must be lodged at the registered office of the Company at 29 Tanjong Kling Road, Singapore 628054 not later than 48 hours before the time appointed for the Extraordinary General Meeting. The sending of a proxy form by a shareholder does not preclude him from attending and voting in person at the Extraordinary General Meeting if he finds that he is able to do so. In such event, the relevant proxy forms will be deemed to be revoked.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.
6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Extraordinary General Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Extraordinary General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

1st fold here

| |
|-------------------------------------|
| Please affix postage stamp |
|-------------------------------------|

The Company Secretary
SEMBCORP MARINE LTD
29 Tanjong Kling Road
Singapore 628054

2nd fold here

3rd fold here and seal
