



**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:

80 Tuas South Boulevard  
Singapore 637051

28 April 2020

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 57<sup>th</sup> Annual General Meeting ("**AGM**") of the Company dated 28 April 2020 (the "**Notice**"), convening the 57<sup>th</sup> AGM of the Company to be held on 20 May 2020 (the "**2020 AGM**");
- (b) Ordinary Resolution No. 7 relating to the proposed renewal of the IPT Mandate (as defined in paragraph 2.1 below, as proposed in the Notice);
- (c) Ordinary Resolution No. 8 relating to the proposed renewal of the Share Purchase Mandate (as defined in paragraph 3.1 below, as proposed in the Notice);
- (d) Ordinary Resolution No. 9 relating to the proposed adoption of the SCM PSP 2020 (as defined in paragraph 4.1 below, as proposed in the Notice); and
- (e) Ordinary Resolution No. 10 relating to the proposed adoption of the SCM RSP 2020 (as defined in paragraph 4.1 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. 7, 8, 9 and 10 as 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 inform the purchaser or the bank, stockbroker or other agent through whom the sale was effected for onward notification to the purchaser, that this Letter (together with the Notice and the Proxy Form) and the Annual Report for the financial year ended 31 December 2019 (the "**Annual Report 2019**") may be accessed at the Company's website at the URL <https://www.sembmarine.com/investor-relations/annual-report>, and are also available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.

---

## LETTER TO SHAREHOLDERS

---

### 2. THE PROPOSED RENEWAL OF THE IPT MANDATE

- 2.1 **IPT Mandate.** At the AGM of the Company held on 16 April 2019 (the “**2019 AGM**”), Shareholders approved modifications to, and 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 Appendix 1 to the Letter to Shareholders dated 1 April 2019 (the “**2019 Letter to Shareholders**”).

The IPT Mandate was expressed to take effect until the conclusion of the next AGM of the Company, being the 2020 AGM which is scheduled to be held on 20 May 2020. Accordingly, the Directors of the Company (the “**Directors**”) propose that the IPT Mandate be renewed at the 2020 AGM, to take effect until the 58<sup>th</sup> AGM of the Company. The terms of the IPT Mandate which is sought to be renewed remain unchanged.

- 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 Letter. The Appendix has also been updated to take into account amendments to the Listing Manual which took effect on 7 February 2020 (the updates are blacklined in the Appendix for Shareholders’ ease of reference).

- 2.3 **Audit Committee Statement.** The Audit Committee of the Company, comprising Mr Tan Wah Yeow, Mr Ron Foo Siang Guan, Mr Koh Chiap Khiong, Mr William Tan Seng Koon and Mr Patrick Daniel, confirms that:

- (a) the methods or procedures for determining the transaction prices under the IPT Mandate have not changed since the 2019 AGM; and
- (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 **Share Purchase Mandate.** At the 2019 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 2019 Letter to Shareholders and Ordinary Resolution No. 12 set out in the Notice of the 2019 AGM.

The Share Purchase Mandate was expressed to take effect on the date of the passing of Ordinary Resolution No. 12 at the 2019 AGM and will expire on the date of the forthcoming 2020 AGM to be held on 20 May 2020. Accordingly, Shareholders’ approval is being sought for the renewal of the Share Purchase Mandate at the 2020 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 17 April 2020 (the “**Latest Practicable Date**”), the Company had not purchased or acquired any of its Shares pursuant to the Share Purchase Mandate renewed and approved by Shareholders at the 2019 AGM.

- 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.

---

## LETTER TO SHAREHOLDERS

---

- (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 condition of the Group as a whole.

- 3.3 **Authority and Limits.** The authority and limitations placed on the Share Purchase Mandate, if renewed at the 2020 AGM, are substantially the same as were previously approved by Shareholders at the 2019 AGM, save that the definition of “Average Closing Price” (for determining the maximum purchase price for the purchase or acquisition of Shares pursuant to the Share Purchase Mandate) has been changed to take into account amendments to the Listing Manual which took effect on 7 February 2020. 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 2020 AGM. Treasury shares and subsidiary holdings (as defined in the Listing Manual)<sup>1</sup> will be disregarded for purposes of computing the 10% limit.

As at the Latest Practicable Date, the Company had 416,840 treasury shares and no subsidiary holdings.

Purely for illustrative purposes, on the basis of 2,090,904,569 Shares in issue as at the Latest Practicable Date and disregarding the 416,840 Shares held in treasury as at the Latest Practicable Date, and assuming that on or prior to the 2020 AGM, (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, 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 209,048,772 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 2020 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.

### 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 and/or 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.

---

<sup>1</sup> “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

---

The Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the Listing Manual, the listing rules of any other securities exchange on which the Shares may for the time being be listed and quoted, 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 or, as the case may be, such other securities exchange 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 during the relevant five-day period and 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

“**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.** 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.

---

## LETTER TO SHAREHOLDERS

---

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<sup>2</sup> 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, 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 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.

---

<sup>2</sup> 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

---

3.7 **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 2019, 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 416,840 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 209,048,772 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 209,048,772 Shares at the maximum price of S\$0.77 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 209,048,772 Shares is S\$160,967,554.

### **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 2019 are set out below, assuming the purchase or acquisition of 209,048,772 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	486,217	486,217	486,217	486,217
Other reserves	(44,225)	(44,225)	(21,452)	(21,452)
Accumulated profits	1,732,087	1,732,087	1,495,694	1,492,387
	2,174,079	2,174,079	1,960,459	1,957,152
Treasury shares	(771)	(161,739)	(771)	(161,739)
	2,173,308	2,012,340	1,959,688	1,795,413
Non-controlling interests	33,470	33,470	–	–
Total equity	2,206,778	2,045,810	1,959,688	1,795,413
NTA	1,926,967	1,765,999	1,959,566	1,795,292
Current assets	2,565,101	2,404,133	248,675	208,442
Current liabilities	(2,874,688)	(2,874,688)	(101,255)	(225,296)
Interest-bearing borrowings	(2,900,792)	(2,900,792)	(50,000)	(170,735)
Subordinated loan	(1,500,000)	(1,500,000)	–	–
Cash and cash equivalents	389,250	228,282	40,233	–
Number of issued and paid-up Shares (excluding treasury shares) ('000) <sup>(1)</sup>	2,090,488	1,881,439	2,090,488	1,881,439

### **Financial Ratios**

Basic EPS (cents)	(6.57)	(7.30)	(0.12)	(0.31)
NTA per Share (S\$)	0.92	0.94	0.94	0.95
Net gearing <sup>(2)</sup> (times)	1.14	1.31	–	0.10

#### **Notes:**

- (1) Excludes 416,840 Shares held as treasury shares and is computed based on 2,090,904,569 Shares in issue as at the Latest Practicable Date.
- (2) Net Gearing means the ratio of net borrowings (excluding subordinated loan) 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.**

- 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 60.9557% of the Shares in issue (excluding the 416,840 Shares held in treasury) as at that date, and Temasek Holdings (Private) Limited ("**Temasek**"), which has a deemed interest in 1,274,271,521 Shares (including the Shares held by SCI) representing approximately 60.9557% of the Shares in issue (excluding the 416,840 Shares held in treasury) as at that date. Shares held by the Directors, CEO and their immediate families amount to approximately 8,583,118. As at the Latest Practicable Date, approximately 38.63% of the issued Shares (excluding the 416,840 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.

---

## LETTER TO SHAREHOLDERS

---

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
- (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.



---

## LETTER TO SHAREHOLDERS

---

**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 or trade sensitive development has occurred or has been the subject of a decision until the price or trade 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 financial statements and the period of two weeks before the announcement of the first quarter, second quarter and third quarter financial statements (if the Company announces its quarterly financial statements, whether required by the SGX-ST or otherwise), or one month immediately preceding the announcement of the Company’s half-year and full-year financial statements (if the Company does not announce its quarterly financial statements).

#### 4. THE PROPOSED NEW SHARE PLANS

- 4.1 **Previous Share Plans.** The Company had in place the Sembcorp Marine Performance Share Plan 2010 (the “**SCM PSP 2010**”) and the Sembcorp Marine Restricted Share Plan 2010 (the “**SCM RSP 2010**”) and together with the SCM PSP 2010, the “**Previous Share Plans**”). The Previous Share Plans were adopted at an extraordinary general meeting of the Company held on 20 April 2010. The duration of the Previous Share Plans was 10 years commencing on the date of adoption, that is, 10 years commencing on 20 April 2010. The Previous Share Plans have accordingly expired on 19 April 2020. The expiry of the Previous Share Plans does not, however, affect awards granted prior to such expiry, whether such awards have been released (whether fully or partially) or not.

The Company proposes to adopt the new Sembcorp Marine Performance Share Plan 2020 (the “**SCM PSP 2020**”) and the Sembcorp Marine Restricted Share Plan 2020 (the “**SCM RSP 2020**”) and together with the SCM PSP 2020, the “**New Share Plans**”) to replace the Previous Share Plans following their expiry. Details of the New Share Plans are set out in paragraphs 4.4 to 4.12 below.

The Company previously also had in place the SembCorp Marine Share Option Plan, the SembCorp Marine Performance Share Plan and the SembCorp Marine Restricted Stock Plan, all of which were adopted at an extraordinary general meeting of the Company held on 31 May 2000, and all of which were terminated on 20 April 2010 following the adoption of the Previous Share Plans. There are no outstanding options or awards under these plans.

- 4.2 **Outstanding Awards/Shares Delivered.** Details of outstanding awards granted/Shares delivered under the Previous Share Plans are set out below:

##### 4.2.1 PSP Awards/RSP Awards

As at the Latest Practicable Date:

- (a) there are outstanding awards (“**PSP Awards**”) granted under the SCM PSP 2010 in respect of up to a maximum of 1,752,000 Shares (representing approximately 0.0838% of the issued Shares (excluding treasury shares) as at the Latest Practicable Date), and an aggregate of 162,060 Shares (representing approximately 0.0077% of the issued Shares (excluding treasury shares) as at the Latest Practicable Date) have been delivered upon vesting of awards granted under the SCM PSP 2010; and

---

## LETTER TO SHAREHOLDERS

---

- (b) there are outstanding awards (“RSP Awards”) granted under the SCM RSP 2010 in respect of 2,289,034 Shares (representing approximately 0.1095% of the issued Shares (excluding treasury shares) as at the Latest Practicable Date), and an aggregate of 14,445,701 Shares (representing approximately 0.6910% of the issued Shares (excluding treasury shares) as at the Latest Practicable Date) have been delivered upon vesting of awards granted under the SCM RSP 2010.

Details of existing PSP Awards outstanding and unvested as at the Latest Practicable Date are as follows:

<b>Date of PSP Award</b>	<b>Maximum number of Shares comprised in PSP Awards</b>	<b>Number of Participants</b>
20 August 2018	1,752,000 <sup>(1)</sup>	7

**Note:**

- (1) These conditional awards are subject to performance targets set over a three-year performance period from 2018 to 2020. A minimum threshold performance is required for any performance share to be released and the actual number of performance shares to be released is capped at 150% of the respective conditional base awards.

Save as disclosed in this Letter, and save for the prescribed performance-based and/or other conditions attached to the PSP Awards, the PSP Awards outstanding as at the Latest Practicable Date are not subject to any material conditions.

Details of existing RSP Awards outstanding and unvested as at the Latest Practicable Date are as follows:

<b>Date of RSP Award</b>	<b>Number of Shares comprised in RSP Awards</b>	<b>Number of Participants</b>
27 May 2016	273,990 <sup>(1)</sup>	579
26 May 2017	660,885 <sup>(1)</sup>	638
20 August 2018	1,354,159 <sup>(1)</sup>	699

**Note:**

- (1) The restricted shares comprised in these conditional awards will be released according to the stipulated vesting periods.

Save as disclosed in this Letter, and save for the prescribed performance-based, time-based and/or other conditions attached to the RSP Awards, the RSP Awards outstanding as at the Latest Practicable Date are not subject to any material conditions.

No awards have been granted to controlling shareholders of the Company or associates of such controlling shareholders, under the Previous Share Plans.

### 4.2.2 Awards Granted to Director

Details of an existing PSP Award granted under the SCM PSP 2010 to a Director who held office as at the Latest Practicable Date, and which is outstanding and unvested as at the Latest Practicable Date are as follows:

<b>Name of Director</b>	<b>Date of PSP Award</b>	<b>Maximum number of Shares comprised in PSP Award</b>
Wong Weng Sun	20 August 2018	721,500 <sup>(1)</sup>

**Note:**

- (1) This conditional award is subject to performance targets set over a three-year performance period from 2018 to 2020. A minimum threshold performance is required for any performance share to be released and the actual number of performance shares to be released is capped at 150% of the conditional base award.

## LETTER TO SHAREHOLDERS

Details of existing RSP Awards granted under the SCM RSP 2010 to a Director who held office as at the Latest Practicable Date, and which are outstanding and unvested as at the Latest Practicable Date are as follows:

Name of Director	Date of RSP Award	Number of Shares comprised in RSP Awards
Wong Weng Sun	27 May 2016	9,550 <sup>(1)</sup>
	26 May 2017	19,307 <sup>(1)</sup>
	20 August 2018	46,600 <sup>(1)</sup>

**Note:**

(1) The restricted shares comprised in these conditional awards will be released according to the stipulated vesting periods.

As at the Latest Practicable Date, an aggregate of 77,500 Shares have been delivered to Mr Wong Weng Sun upon vesting of awards granted under the SCM PSP 2010 since the commencement of the SCM PSP 2010, and an aggregate of 419,228 Shares have been delivered to Mr Wong Weng Sun upon vesting of awards granted under the SCM RSP 2010 since the commencement of the SCM RSP 2010.

### 4.2.3 Awards Granted as Directors' Fees

Beginning with the financial year ended 31 December 2011, in respect of certain non-executive Directors, approximately 30% of their Directors' fees which were approved by Shareholders for the particular financial year were delivered in the form of awards granted under the SCM RSP 2010 in lieu of cash. Such awards consisted of fully paid Shares with no performance conditions attached, and no vesting periods imposed, although a share retention policy was applied. The Directors as at the Latest Practicable Date who were paid part of their Directors' fees in the form of awards granted under the SCM RSP 2010 are as follows:

Directors	Date of appointment as Director	Aggregate number of Shares allotted and issued and/or delivered under the SCM RSP 2010 as part of Directors' fees
Tan Sri Mohd Hassan Marican	1 October 2011	466,500
Ron Foo Siang Guan	30 June 2006	216,200
Bob Tan Beng Hai	20 April 2015	135,600
Gina Lee-Wan	20 April 2015	100,100
William Tan Seng Koon	20 April 2017	54,700
Patrick Daniel	20 April 2018	19,500
Tan Wah Yeow	10 December 2018	1,000
Neil McGregor	20 April 2017	15,700
Koh Chiap Khiong	6 May 2011	148,700

4.3 **Definitions.** For the purposes of paragraphs 4.4 to 4.12 below and in relation to the New Share Plans, the following expressions shall have the following meanings:

**"Associated Company"** means a company in which at least 20% but not more than 50% of its shares are held by the Company and/or its subsidiaries, or a subsidiary of such company, and over whose management the Company has control (as defined in the Listing Manual);

**"Associated Company Executive"** means any employee of an Associated Company (including any Associated Company Executive Director);

**"Associated Company Executive Director"** means a director of an Associated Company who performs an executive function;

**"Award"** means an award of Shares granted under the SCM PSP 2020 and/or the SCM RSP 2020;

**"Award Date"** means, in relation to an Award, the date on which the Award is granted pursuant to the SCM PSP 2020 and/or the SCM RSP 2020;

**"Award Letter"** means a letter in such form as the Committee shall approve confirming an Award granted to a Participant by the Committee;

---

## LETTER TO SHAREHOLDERS

---

“**Committee**” means a committee comprising Directors of the Company duly authorised and appointed by the Board of Directors of the Company to administer the SCM PSP 2020 and the SCM RSP 2020;

“**Group**” means the Company and its subsidiaries;

“**Group Executive**” means any employee of the Group including any Group Executive Director and any Parent Group Executive who meets the relevant age and rank criteria and whose services have been seconded to a company within the Group and who shall be regarded as a Group Executive for the purposes of the SCM PSP 2020 and the SCM RSP 2020;

“**Group Executive Director**” means a director of the Company and/or any of its subsidiaries, as the case may be, who performs an executive function;

“**Non-Executive Director**” means a director of:

- (a) the Company and/or any of its subsidiaries, other than a Group Executive Director; or
- (b) an Associated Company, other than an Associated Company Executive Director;

“**Parent Company**” means a company being the holding company of the Company designated by the Committee for the purposes of the SCM PSP 2020 and the SCM RSP 2020<sup>3</sup>;

“**Parent Group**” means the Parent Company and such of the Parent Company's subsidiaries as are designated by the Committee for the purposes of the SCM PSP 2020 and the SCM RSP 2020 (but excluding the Group);

“**Parent Group Executive**” means any employee of the Parent Group (including any Parent Group Executive Director);

“**Parent Group Executive Director**” means a director of the Parent Company and/or its designated subsidiaries (but excluding the Group), as the case may be, who performs an executive function; and

“**Participant**” means the holder of an Award.

- 4.4 **Rationale.** The new SCM PSP 2020 and SCM RSP 2020 are intended to replace the SCM PSP 2010 and SCM RSP 2010 respectively, both of which expired on 19 April 2020.

The New Share Plans have substantially the same terms as the Previous Share Plans, save for the introduction of the new malus and clawback rights (see paragraph 4.7 below), the reduction in the limit on the number of Shares which may be delivered pursuant to Awards granted under the New Share Plans (see paragraph 4.8 below), amendments to take into account the changes to relevant legislation and the Listing Manual, and changes to streamline and rationalise certain other provisions.

The New Share Plans are proposed to increase the Company's flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees to achieve superior performance. The New Share Plans will strengthen the Company's competitiveness in attracting and retaining talented key senior management, senior executives and executives.

The two New Share Plans, that is, the SCM PSP 2020 and the SCM RSP 2020, serve different objectives. The SCM RSP 2020 is intended to apply to a broader base of senior executives and executives as well as to the Non-Executive Directors, while the SCM PSP 2020 is intended to apply to a select group of key senior management. Generally, it is envisaged that the range of performance targets to be set under the SCM RSP 2020 and the SCM PSP 2020 will be different, with the latter emphasising stretched or strategic targets aimed at sustaining longer term growth.

The New Share Plans will provide incentives to high performing key senior management, senior executives and executives to excel in their performance and encourage greater dedication and loyalty to the Company. Through the New Share Plans, the Company will be able to motivate key senior management, senior executives and executives to continue to strive for the Group's long-term shareholder value. In addition, the New Share Plans aim to foster a greater ownership culture within the Group which aligns the interests of Participants with the interests of Shareholders, and to improve performance and achieve sustainable growth for the Company in the changing business environment.

---

3 SCI will be designated as the Parent Company for the purposes of the New Share Plans, as stated in paragraph 4.4.

---

## LETTER TO SHAREHOLDERS

---

The New Share Plans use methods fairly common among major local and multinational companies to incentivise and motivate key senior management, senior executives and executives to achieve pre-determined targets which create and enhance economic value for Shareholders. The Company believes that the New Share Plans will be effective tools in motivating key senior management, senior executives and executives to strive to deliver long-term shareholder value.

While the New Share Plans cater principally to Group Executives, it is recognised that there are other persons who can make significant contributions to the Group through their close working relationship with the Group. Such persons include directors and employees of Associated Companies over which the Company has operational control.

For Participants who are employees of the Group and Associated Companies (including Parent Group Executives who meet the relevant age and rank criteria and whose services have been seconded to a company within the Group and who shall be regarded as an employee of the Group for these purposes), the New Share Plans contemplate the award of fully paid Shares, when and after pre-determined performance and/or service conditions are met. As directors and employees of the Parent Group will only be eligible to participate in the New Share Plans in their capacities as Group Executives where (i) their services have been seconded to a company within the Group, and (ii) they are regarded as employees of the Group for these purposes, Listing Rules 845, 854, 855 and 860 of the Listing Manual, in so far as they relate to participation by directors and employees of the Parent Group, are not applicable in relation to the New Share Plans. SCI, the holding company of the Company as at the Latest Practicable Date, will be designated as the Parent Company for the purposes of the New Share Plans.

In addition, the SCM RSP 2020 will also enable grants of fully paid Shares to be made to certain Non-Executive Directors as part of their remuneration in respect of their office as such in lieu of cash.

A Participant's Awards under the New Share Plans will be determined at the sole discretion of the Committee. In considering an Award to be granted to a Participant who is, or who is to be regarded as, an employee of the Group or an Associated Company, the Committee may take into account, *inter alia*, the Participant's performance during the relevant period, and his capability, entrepreneurship, scope of responsibility and skill set.

#### **4.4.1 The Proposed SCM PSP 2020**

One of the primary objectives of the SCM PSP 2020 is to further motivate key senior management to strive for superior performance and to deliver long-term shareholder value. The SCM PSP 2020 is targeted at senior management in key positions who shoulder the responsibility for the Company's performance and who are able to drive the growth of the Company through superior performance.

Awards granted under the SCM PSP 2020 are performance-based. Performance targets set under the SCM PSP 2020 are intended to be based on medium-term corporate objectives covering market competitiveness, quality of returns, business growth and productivity growth. The performance targets are stretched targets aimed at sustaining long-term growth. Examples of performance targets to be set include targets based on revenue recognition, total shareholder return and return of invested capital.

Awards granted under the SCM RSP 2020 to employees of the Group and Associated Companies differ from those granted under the SCM PSP 2020 in that an extended vesting period is normally (but not always) imposed for performance-based restricted Awards granted under the SCM RSP 2020 beyond the performance target completion date, that is, they also incorporate a time-based service condition as well, to encourage Participants to continue serving the Group beyond the achievement date of the pre-determined performance targets.

#### **4.4.2 The Proposed SCM RSP 2020**

One of the primary objectives of the SCM RSP 2020 is to serve as an additional motivational tool to recruit and retain talented senior executives and executives as well as to reward for Company and individual performance. In addition, the SCM RSP 2020 acts as an enhancement of the Group's overall compensation packages, strengthening the Group's ability to attract and retain high performing talent. Potential senior executive and executive hires who decide on a career switch often have to forego substantial share options/share incentives when they join the Group. Through the SCM RSP 2020, the Company will be able to compensate such new hires for share options or incentives that they may have to forego when they join the Group.

---

## LETTER TO SHAREHOLDERS

---

Awards granted under the SCM RSP 2020 to employees of the Group and Associated Companies will typically vest only after the satisfactory completion of time-based service conditions, that is, after the Participant has served the Group or Associated Company for a specified number of years (time-based restricted Awards) or, where the Award is performance-related (performance-based restricted Awards), after a further period of service beyond the performance target completion date. No minimum vesting periods are prescribed under the SCM RSP 2020, and the length of the vesting period(s) in respect of each Award will be determined on a case-by-case basis. The Company does not intend to grant Awards under the SCM RSP 2020 to employees of the Group and Associated Companies that have no time-based service conditions or performance conditions.

A time-based restricted Award may be granted, for example, as a supplement to the cash component of the remuneration packages of senior executives and executives. A performance-based restricted Award may be granted, for example, with a performance target based on the successful completion of a project, or on the Company meeting certain specified corporate target(s), and thereafter with a further vesting period to encourage the Participant to continue serving the Group for a further period of time following completion of the project.

For Participants who are, or who are to be regarded as, employees of the Group and Associated Companies, it is the intention of the Company to award performance-based restricted Awards to ensure that the earning of Shares under the SCM RSP 2020 is aligned with the pay-for-performance principle. The use of time-based restricted Awards in such instances will only be made on a case-by-case basis where business needs justify such Awards.

Similar to the SCM RSP 2010, the SCM RSP 2020 will also enable grants of fully paid Shares to be made to Non-Executive Directors as part of their remuneration in respect of their office as such in lieu of cash. Currently, the intention is for up to 30% (or such other percentage as may be determined by the Executive Resource and Compensation Committee of the Company (“**ERCC**”)) of a Non-Executive Director’s fees approved by Shareholders for a particular financial year to be paid out in the form of Shares comprised in such Awards. Where Shareholders’ approval for Directors’ fees payable to Non-Executive Directors is sought at an AGM and where the intention is that such fees will comprise a share component, the formula for converting the relevant amount of cash into Shares (which will be based on the market price of the Shares) will be disclosed in the Notice of that AGM, along with information on the quantum, conditions, timing, etc. for such Awards. No performance conditions may be attached to Awards granted to Non-Executive Directors under the SCM RSP 2020. Although the SCM RSP 2020 will permit time-based vesting periods to be imposed on such Awards, the current intention is that such Awards will consist of the grant of fully paid Shares outright, with no vesting periods imposed. However, in order to encourage the alignment of the interests of the participating Non-Executive Directors with the interests of Shareholders, it is currently intended that a retention period, during which the Shares awarded under the SCM RSP 2020 as part of such Non-Executive Directors’ fees may not be transferred or otherwise disposed of (except to the extent set out in the Award Letter or with the prior approval of the Committee), will be imposed in respect of such Shares.

### **4.4.3 Flexibility of Grants**

Participants who are employees of the Group or an Associated Company may be granted Awards under either the SCM PSP 2020 or the SCM RSP 2020.

The ERCC also has the flexibility to grant Awards under both the SCM PSP 2020 and SCM RSP 2020 to an individual Participant, where appropriate. For example, an individual Participant who is a key senior management staff may be granted an Award under the SCM PSP 2020 based on specified medium-term critical target objectives (for example, targets relating to market position and Company profitability and growth) over the next three years which vests at the end of the performance period. Concurrently, the individual could also be granted an Award under the SCM RSP 2020 based on different performance targets (for example, ensuring that a particular project is successfully completed on time or that the Company meets certain specified corporate target(s)) with a longer vesting period with the aim of retaining the individual as the Company’s employee. It is unlikely that performance targets for any individual Participant under the SCM PSP 2020 and the SCM RSP 2020 will be identical.

---

## LETTER TO SHAREHOLDERS

---

- 4.5 **Listing of New Shares.** The SGX-ST has granted in-principle approval for the listing and quotation of the new Shares to be issued pursuant to the New Share Plans, subject to compliance with the SGX-ST's listing requirements and guidelines and independent Shareholders' approval being obtained for the adoption of the New Share Plans. The SGX-ST's in-principle approval is not to be taken as an indication of the merits of the New Share Plans, the new Shares, the Company and/or its subsidiaries.
- 4.6 **Summary of Rules.** The following are summaries of the principal rules of the SCM PSP 2020 and the SCM RSP 2020, and should be read in conjunction with paragraphs 4.7 to 4.11 below which describe certain other significant provisions of the New Share Plans.

### **4.6.1 Summary of Rules of SCM PSP 2020**

#### Eligibility

The following persons, unless they are also controlling shareholders (as defined in the Listing Manual) of the Company or associates (as defined in the Listing Manual) of such controlling shareholders, shall be eligible to participate in the SCM PSP 2020 at the absolute discretion of the Committee:

- (a) Group Executives who have attained the age of 21 years and hold such rank as may be designated by the Committee from time to time; and
- (b) Associated Company Executives who have attained the age of 21 years and hold such rank as may be designated by the Committee from time to time and who, in the opinion of the Committee, have contributed or will contribute to the success of the Group.

Non-Executive Directors will not be eligible to participate in the SCM PSP 2020.

#### Awards

Awards represent the right of a Participant to receive fully paid Shares, their equivalent cash value or combinations thereof, free of charge, provided that certain prescribed performance conditions are met.

#### Participants

The selection of a Participant and the number of Shares which are the subject of each Award to be granted to a Participant in accordance with the SCM PSP 2020 shall be determined at the absolute discretion of the Committee, which shall take into account such criteria as it considers fit, including (but not limited to) his rank, job performance, years of service and potential for future development, his contribution to the success and development of the Group and the extent of effort and difficulty with which the performance condition(s) may be achieved within the performance period.

#### Details of Awards

The Committee shall decide, in relation to each Award:

- (a) the Award Date;
- (b) the number of Shares which are the subject of the Award;
- (c) the prescribed performance condition(s);
- (d) the performance period during which the prescribed performance condition(s) are to be satisfied;
- (e) the extent to which the Shares which are the subject of that Award shall be released on the prescribed performance condition(s) being satisfied (whether fully or partially) or exceeded or not being satisfied, as the case may be, at the end of the performance period;
- (f) the vesting date;
- (g) the retention period in relation to any or all of the Shares comprised in the Award, if any; and
- (h) any other condition which the Committee may determine in relation to that Award.

---

## LETTER TO SHAREHOLDERS

---

### Timing

The Committee has the discretion to grant Awards at any time in the year. An Award Letter confirming the Award and specifying (*inter alia*) the prescribed performance condition(s), the performance period during which the prescribed performance condition(s) are to be satisfied, the extent to which the Shares which are the subject of that Award will be released on satisfaction of the prescribed performance condition(s), the vesting date and the retention period (if any), will be sent to each Participant as soon as is reasonably practicable after the making of an Award.

### Events Prior to Vesting

Special provisions for the vesting and lapsing of Awards apply in certain circumstances including the following:

- (a) an order being made or a resolution passed for the winding-up of the Company on the basis, or by reason, of its insolvency;
- (b) the misconduct on the part of a Participant as determined by the Committee in its discretion;
- (c) where the Participant is a Group Executive or an Associated Company Executive, upon such Participant ceasing to be in the employment of the Group or the relevant Associated Company, as the case may be, for any reason whatsoever (other than as specified in sub-paragraph (f) below);
- (d) where the Participant is a Parent Group Executive whose services have been seconded to a company within the Group, upon such Participant ceasing to be so seconded for any reason whatsoever (other than as specified in sub-paragraph (f) below);
- (e) the bankruptcy of a Participant or the happening of any other event which results in his being deprived of the legal or beneficial ownership of the Award;
- (f) the Participant, being a Group Executive or Associated Company Executive, ceasing to be in the employment of the Group or the relevant Associated Company, as the case may be, or, the Participant, being a Parent Group Executive whose services have been seconded to a company within the Group, ceasing to be so seconded, by reason of:
  - (i) ill health, injury or disability (in each case, evidenced to the satisfaction of the Committee);
  - (ii) redundancy;
  - (iii) retirement at or after the legal retirement age;
  - (iv) retirement before the legal retirement age with the consent of the Committee;
  - (v) the company by which he is employed or to which he is seconded, as the case may be, ceasing to be a company within the Group or an Associated Company, as the case may be, or the undertaking or part of the undertaking of such company being transferred otherwise than to another company within the Group or to an Associated Company, as the case may be;
  - (vi) his transfer to any Ministry, or governmental or statutory body or corporation at the direction of the Company, the Parent Company or, as the case may be, the relevant Associated Company;
  - (vii) (where applicable) his transfer of employment from the Group to an Associated Company or *vice versa*; or
  - (viii) any other event approved by the Committee;
- (g) the death of the Participant;
- (h) any other event approved by the Committee; or



---

## LETTER TO SHAREHOLDERS

---

- (i) a take-over, reconstruction or amalgamation of the Company or an order being made or a resolution passed for the winding-up of the Company (other than as provided in sub-paragraph (a) above or for reconstruction or amalgamation).

Upon the occurrence of any of the events specified in sub-paragraphs (a), (b), (c) and (d) above, an Award then held by a Participant shall, as provided in the rules of the SCM PSP 2020 and to the extent not yet released, immediately lapse without any claim whatsoever against the Company.

Upon the occurrence of any of the events specified in sub-paragraphs (e), (f), (g) and (h) above, the Committee may, in its absolute discretion, determine whether an Award then held by a Participant, to the extent not yet released, shall lapse or that all or any part of such Award shall be preserved. If the Committee determines that an Award shall lapse, then such Award shall lapse without any claim whatsoever against the Company. If the Committee determines that all or any part of an Award shall be preserved, the Committee shall decide as soon as reasonably practicable following such event either to vest some or all of the Shares which are the subject of the Award or to preserve all or part of the Award until the end of the relevant performance period and subject to the provisions of the SCM PSP 2020. In exercising its discretion, the Committee will have regard to all circumstances on a case-by-case basis, including (but not limited to) the contributions made by that Participant, and the extent to which the applicable performance condition(s) has (have) been satisfied.

Upon the occurrence of any of the events specified in sub-paragraph (i) above, the Committee will consider, at its discretion, whether or not to release any Award, and will take into account all circumstances on a case-by-case basis, including (but not limited to) the contributions made by the Participant. If the Committee decides to release any Award, then in determining the number of Shares to be vested in respect of such Award, the Committee will have regard to the proportion of the performance period which has elapsed and the extent to which the applicable performance condition(s) has (have) been satisfied.

### Operation of the SCM PSP 2020

Subject to the prevailing legislation and the rules of the Listing Manual, the Company will have the flexibility to deliver Shares to Participants upon vesting of their Awards by way of:

- (a) an issue of new Shares; and/or
- (b) the delivery of existing Shares (including treasury shares).

In determining whether to issue new Shares or to deliver existing Shares to Participants upon vesting of their Awards, the Company will take into account factors such as (but not limited to) the number of Shares to be delivered, the prevailing market price of the Shares and the cost to the Company of either issuing new Shares or delivering existing Shares (including treasury shares).

The financial effects of the above methods are discussed in paragraph 4.12 below.

The Company has the flexibility, and if circumstances require, to approve the release of an Award, wholly or partly, in the form of cash rather than Shares.

New Shares allotted and issued, and existing Shares procured by the Company for transfer, pursuant to the release of any Award shall rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the record date for which is on or after the relevant vesting date, and shall in all other respects rank *pari passu* with other existing Shares then in issue.

The Committee shall have the discretion to determine whether any performance condition has been satisfied (whether fully or partially) or exceeded and in making any such determination, the Committee shall have the right to make reference to the audited results of the Company, the Group or an Associated Company (as the case may be) to take into account such factors as the Committee may determine to be relevant, such as changes in accounting methods, taxes and extraordinary events, and further, the right to amend any performance condition if the Committee decides that a changed performance target would be a fairer measure of performance.

---

## LETTER TO SHAREHOLDERS

---

### 4.6.2 Summary of Rules of SCM RSP 2020

#### Eligibility

The following persons, unless they are also controlling shareholders (as defined in the Listing Manual) of the Company or associates (as defined in the Listing Manual) of such controlling shareholders, shall be eligible to participate in the SCM RSP 2020 at the absolute discretion of the Committee:

- (a) Group Executives who have attained the age of 21 years and hold such rank as may be designated by the Committee from time to time;
- (b) Associated Company Executives who have attained the age of 21 years and hold such rank as may be designated by the Committee from time to time and who, in the opinion of the Committee, have contributed or will contribute to the success of the Group; and
- (c) Non-Executive Directors.

#### Awards

Awards represent the right of a Participant to receive fully paid Shares, (where applicable) their equivalent cash value or combinations thereof, free of charge, provided that (where applicable) certain prescribed performance targets are met and (where applicable) upon expiry of the prescribed vesting periods.

#### Participants

The selection of a Participant and the number of Shares which are the subject of each Award to be granted to a Participant in accordance with the SCM RSP 2020 shall be determined at the absolute discretion of the Committee. In the case of a Group Executive and/or an Associated Company Executive, the Committee shall take into account such criteria as it considers fit, including (but not limited to) his rank, job performance, years of service and potential for future development, his contribution to the success and development of the Group and (in the case of a performance-related Award) the extent of effort and difficulty with which the performance condition(s) may be achieved within the performance period. Where an Award is to be granted to a Non-Executive Director as part of his Directors' fees in lieu of cash for a financial year, the Committee shall take into account such criteria as it considers fit, including (but not limited to) such Non-Executive Director's board and committee appointments and attendance, and his contribution to the success and development of the Group.

No performance-related Awards may be granted to Non-Executive Directors under the SCM RSP 2020.

#### Details of Awards

The Committee shall decide, in relation to each Award:

- (a) the Award Date;
- (b) the number of Shares which are the subject of the Award;
- (c) in the case of a performance-related Award:
  - (i) the prescribed performance condition(s);
  - (ii) the performance period during which the prescribed performance condition(s) are to be satisfied; and
  - (iii) the extent to which the Shares which are the subject of that Award shall be released on the prescribed performance condition(s) being satisfied (whether fully or partially) or exceeded or not being satisfied, as the case may be, at the end of the performance period;
- (d) the prescribed vesting period(s) (if any) and the vesting date(s);
- (e) the release schedule (if any) setting out the extent to which the Shares, which are the subject of that Award, shall be released at the end of each prescribed vesting period;

---

## LETTER TO SHAREHOLDERS

---

- (f) the retention period in relation to any or all of the Shares comprised in the Award, if any; and
- (g) any other condition which the Committee may determine in relation to that Award.

### Timing

The Committee has the discretion to grant Awards at any time in the year. An Award Letter confirming the Award and specifying (*inter alia*) the vesting period(s) (if any) and vesting date(s), the release schedule (if any), the retention period (if any) and, in relation to a performance-related Award, the prescribed performance condition(s), the performance period during which the prescribed performance condition(s) are to be satisfied and the extent to which the Shares which are the subject of that Award will be released on satisfaction of the prescribed performance condition(s), will be sent to each Participant as soon as is reasonably practicable after the making of an Award.

### Events Prior to Vesting

Special provisions for the vesting and lapsing of Awards apply in certain circumstances including the following:

- (a) an order being made or a resolution passed for the winding-up of the Company on the basis, or by reason, of its insolvency;
- (b) the misconduct on the part of a Participant as determined by the Committee in its discretion;
- (c) where the Participant is a Group Executive or Associated Company Executive, upon such Participant ceasing to be in the employment of the Group or the relevant Associated Company, as the case may be, for any reason whatsoever (other than as specified in sub-paragraph (f) below);
- (d) where the Participant is a Parent Group Executive whose services have been seconded to a company within the Group, upon such Participant ceasing to be so seconded for any reason whatsoever (other than as specified in sub-paragraph (f) below);
- (e) the bankruptcy of a Participant or the happening of any other event which results in his being deprived of the legal or beneficial ownership of the Award;
- (f) the Participant, being a Group Executive or Associated Company Executive, ceasing to be in the employment of the Group or the relevant Associated Company, as the case may be, or, the Participant, being a Parent Group Executive whose services have been seconded to a company within the Group, ceasing to be so seconded, by reason of:
  - (i) ill health, injury or disability (in each case, evidenced to the satisfaction of the Committee);
  - (ii) redundancy;
  - (iii) retirement at or after the legal retirement age;
  - (iv) retirement before the legal retirement age with the consent of the Committee;
  - (v) the company by which he is employed or to which he is seconded, as the case may be, ceasing to be a company within the Group or an Associated Company, as the case may be, or the undertaking or part of the undertaking of such company being transferred otherwise than to another company within the Group or to an Associated Company, as the case may be;
  - (vi) his transfer to any Ministry, or governmental or statutory body or corporation at the direction of the Company, the Parent Company or, as the case may be, the relevant Associated Company;
  - (vii) (where applicable) his transfer of employment from the Group to an Associated Company or *vice versa*; or
  - (viii) any other event approved by the Committee;

---

## LETTER TO SHAREHOLDERS

---

- (g) the Participant, being a Non-Executive Director, ceasing to be a Non-Executive Director for any reason whatsoever;
- (h) the death of the Participant;
- (i) any other event approved by the Committee; or
- (j) a take-over, reconstruction or amalgamation of the Company or an order being made or a resolution passed for the winding-up of the Company (other than as provided in sub-paragraph (a) above or for reconstruction or amalgamation).

Upon the occurrence of any of the events specified in sub-paragraphs (a), (b), (c) and (d) above, an Award then held by a Participant shall, as provided in the rules of the SCM RSP 2020 and to the extent not yet released, immediately lapse without any claim whatsoever against the Company.

Upon the occurrence of any of the events specified in sub-paragraphs (e), (f), (g), (h) and (i) above, the Committee may, in its absolute discretion, determine whether an Award then held by a Participant, to the extent not yet released, shall lapse or that all or any part of such Award shall be preserved. If the Committee determines that an Award shall lapse, then such Award shall lapse without any claim whatsoever against the Company. If the Committee determines that all or any part of an Award shall be preserved, the Committee shall decide as soon as reasonably practicable following such event either to vest some or all of the Shares which are the subject of the Award or to preserve all or part of the Award until the end of the relevant performance period (if any) and/or each vesting period (if any) and subject to the provisions of the SCM RSP 2020. In exercising its discretion, the Committee will have regard to all circumstances on a case-by-case basis, including (but not limited to) the contributions made by that Participant and, in the case of performance-related Awards, the extent to which the applicable performance condition(s) has (have) been satisfied.

Upon the occurrence of any of the events specified in sub-paragraph (j) above, the Committee will consider, at its discretion, whether or not to release any Award, and will take into account all circumstances on a case-by-case basis, including (but not limited to) the contributions made by the Participant. If the Committee decides to release any Award, then in determining the number of Shares to be vested in respect of such Award, the Committee will (if applicable) have regard to the proportion of the vesting period(s) which has (have) elapsed and, in the case of a performance-related Award, the extent to which the applicable performance condition(s) has (have) been satisfied.

### Operation of the SCM RSP 2020

Subject to the prevailing legislation and the rules of the Listing Manual, the Company will have the flexibility to deliver Shares to Participants upon vesting of their Awards by way of:

- (a) an issue of new Shares; and/or
- (b) the delivery of existing Shares (including treasury shares).

In determining whether to issue new Shares or to deliver existing Shares to Participants upon vesting of their Awards, the Company will take into account factors such as (but not limited to) the number of Shares to be delivered, the prevailing market price of the Shares and the cost to the Company of either issuing new Shares or delivering existing Shares (including treasury shares).

The financial effects of the above methods are discussed in paragraph 4.12 below.

The Company has the flexibility, and if circumstances require, to approve the release of an Award (other than an Award granted to a Non-Executive Director as part of his Directors' fees in lieu of cash), wholly or partly, in the form of cash rather than Shares.

New Shares allotted and issued, and existing Shares procured by the Company for transfer, pursuant to the release of any Award shall rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the record date for which is on or after the relevant vesting date, and shall in all other respects rank *pari passu* with other existing Shares then in issue.

---

## LETTER TO SHAREHOLDERS

---

The Committee shall have the discretion to determine whether any performance condition has been satisfied (whether fully or partially) or exceeded and in making any such determination, the Committee shall have the right to make reference to the audited results of the Company, the Group or an Associated Company (as the case may be) to take into account such factors as the Committee may determine to be relevant, such as changes in accounting methods, taxes and extraordinary events, and further, the right to amend any performance condition if the Committee decides that a changed performance target would be a fairer measure of performance.

- 4.7 **Malus and Clawback Rights.** The grant of each Award, each release of Shares and each payment in lieu of Shares which would otherwise have been released to the Participant under the New Share Plans is subject to, and conditional upon, the Company's malus and clawback rights provided in the New Share Plans.

Under these provisions, if certain exceptional circumstances occur in relation to a Participant, the Committee can cancel all or part of any Award to the extent not yet released, and exercise the right of clawback ("**Clawback Right**") in respect of Shares which were released ("**Released Shares**") within the clawback period ("**Clawback Period**"), which is 6 years prior to the date on which the Committee makes the determination to exercise the Clawback Right ("**Clawback Determination Date**").

The exceptional circumstances are where:

- (a) the grant of a relevant Award was based (in whole or in part) on inaccurate financial statements (irrespective of when such inaccuracy was discovered and irrespective of who caused such inaccuracy, and whether such financial statements were audited or unaudited);
- (b) the Participant (or any subordinate over whom such Participant had, at the material time, oversight responsibilities) had, at any time, engaged in conduct that:
  - (i) directly or indirectly caused, resulted in and/or contributed to, or is likely (in the opinion of the Committee) to cause, result in and/or contribute to (whether directly or indirectly):
    - (1) any financial loss or reputational harm to the Group, any company within the Group or an Associated Company; and/or
    - (2) the need for a restatement of the financial results or financial statements (whether audited or unaudited) of the Group, any company within the Group or an Associated Company; and/or
    - (3) any adverse change in the risk profile or rating of the Group, any company within the Group or an Associated Company; and/or
  - (ii) is otherwise detrimental to the Group, any company within the Group or an Associated Company, and/or detrimental to the business conducted by the Group, any company within the Group or an Associated Company; or
- (c) the Participant had, at any time, engaged in any misconduct or committed any misfeasance, fraud or breach of trust or duty in relation to the Group, any company within the Group or an Associated Company.

The Committee has the sole and absolute discretion to determine the amount which the Participant is required to return to the Company, subject to a limit being the aggregate of the following:

- (aa) in respect of such of the Released Shares in relation to which the Participant received cash in lieu, the aggregate payments received by such Participant (in lieu of such Released Shares which would otherwise have been released to the Participant under the relevant New Share Plan) prior to the Clawback Determination Date; and
- (bb) in respect of all other Released Shares:
  - (1) the aggregate of the market value of all such Released Shares on the respective vesting date(s) of such Released Shares;
  - (2) the aggregate value of all cash distributions and cash dividends which have been paid by the Company in respect of such Released Shares prior to the Clawback Determination Date (whether received by the Participant or not); and

---

## LETTER TO SHAREHOLDERS

---

- (3) the aggregate prevailing value of all dividends-in-specie, bonus shares, rights issues and other rights or benefits (other than the distributions and cash dividends referred to in sub-paragraph (2) above) which have been distributed in respect of, derived from or attributable to, such Released Shares prior to the Clawback Determination Date (whether received by the Participant or not).

The Clawback Right is in addition to, and without prejudice to, any right or remedy that the Company has vis-à-vis a Participant (whether under the New Share Plans, contract, tort or any other theory of law).

- 4.8 **Size and Duration.** The total number of Shares which may be delivered pursuant to Awards granted under the New Share Plans on any date, when added to the total number of new Shares allotted and issued and/or to be allotted and issued, issued Shares (including treasury shares) delivered and/or to be delivered, and Shares released and/or to be released in the form of cash in lieu of Shares, pursuant to Awards granted under the New Share Plans, shall not exceed 5% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) on the date preceding the date of the relevant Award.

In contrast, the Previous Share Plans provided for a maximum limit of 7% of the Company's issued shares (excluding treasury shares) on the date preceding the date of the relevant Award. The Company is of the view that the reduced maximum limit of 5% will provide for sufficient Shares to support the use of Awards in the Company's overall long-term incentive and compensation strategy while balancing Shareholders' concerns against dilution. The 5% limit will provide the Company with adequate means and flexibility to grant Awards as incentive tools in a meaningful and effective manner to encourage staff retention and to align Participants' interests more closely with those of Shareholders.

The Committee currently does not intend, in any given year, to grant Awards under the New Share Plans which would comprise more than 0.5% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) from time to time.

The New Share Plans shall continue in force at the discretion of the Committee, subject to a maximum period of 10 years commencing on the date on which the New Share Plans are adopted by the Company in general meeting, provided always that the New Share Plans may continue beyond the above stipulated period with the approval of Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

Notwithstanding the expiry or termination of the New Share Plans, Awards made to Participants prior to such expiry or termination will continue to remain valid.

- 4.9 **Adjustments and Modifications.** The following describes the adjustment events under, and provisions relating to modifications of, the New Share Plans.

### 4.9.1 *Adjustment Events*

If a variation in the ordinary share capital of the Company (whether by way of a bonus or rights issue, reduction, subdivision, consolidation, distribution or otherwise) shall take place or if the Company shall make a capital distribution or a declaration of a special dividend (whether in cash or in specie), then the Committee may, in its sole discretion, determine whether:

- (a) the class and/or number of Shares which are the subject of an Award to the extent not yet vested; and/or
- (b) the class and/or number of Shares in respect of which future Awards may be granted under the New Share Plans,

shall be adjusted and if so, the manner in which such adjustments should be made.

Unless the Committee considers an adjustment to be appropriate, the issue of securities as consideration for an acquisition or a private placement of securities, or upon the exercise of any options or conversion of any loan stock or any other securities convertible into Shares or subscription rights of any warrants, or the cancellation of issued Shares purchased or acquired by the Company by way of a Market Purchase of such Shares undertaken by the Company on the SGX-ST during the period when a Share Purchase Mandate granted by Shareholders (including any renewal of such mandate) is in force, shall not normally be regarded as a circumstance requiring adjustment.

---

## LETTER TO SHAREHOLDERS

---

Any adjustment (except in relation to a bonus issue) must be confirmed in writing by the auditors of the Company (acting only as experts and not as arbitrators) to be in their opinion, fair and reasonable. Further, any adjustment must be made in such a way that a Participant will not receive a benefit that a holder of Shares does not receive.

### 4.9.2 **Modifications**

Each of the New Share Plans may be modified and/or altered at any time and from time to time by a resolution of the Committee, subject to the prior approval of the SGX-ST and such other regulatory authorities as may be necessary.

However:

- (a) in relation to the SCM PSP 2020, no modification or alteration shall adversely affect the rights attached to any Award granted prior to such modification or alteration except with the consent in writing of such number of Participants who, if their Awards were released to them upon the performance condition(s) for their Awards being satisfied in full, would become entitled to not less than three-quarters in number of all the Shares which would fall to be vested upon release of all outstanding Awards upon the performance condition(s) for all outstanding Awards being satisfied in full; and
- (b) in relation to the SCM RSP 2020:
  - (i) in the case of a performance-related Award, no modification or alteration shall adversely affect the rights attached to any such Award granted prior to such modification or alteration except with the consent in writing of such number of Participants who have been granted performance-related Awards and who, if such Awards were released to them upon the performance condition(s) for such Awards being satisfied in full, would become entitled to not less than three-quarters in number of all the Shares which would fall to be vested upon release of all such outstanding Awards upon the performance condition(s) for all such outstanding Awards being satisfied in full; and
  - (ii) in the case of an Award other than a performance-related Award, no modification or alteration shall adversely affect the rights attached to any such Award granted prior to such modification or alteration except with the consent in writing of such number of Participants who have been granted Awards other than performance-related Awards and who, if their Awards were released to them on the applicable vesting dates relating to their Awards, would become entitled to not less than three-quarters in number of all the Shares which would fall to be vested upon release of all outstanding Awards upon the expiry of all the vesting periods (if any) applicable to all such outstanding Awards.

No alteration shall be made to rules of the New Share Plans which relate to matters contained in Listing Rules 844 to 849 and Listing Rules 853 to 854 of the Listing Manual to the advantage of Participants except with the prior approval of Shareholders in general meeting.

4.10 **Disclosures in Annual Reports.** The Company will make such disclosures or appropriate negative statements (as applicable) in its annual report for so long as the New Share Plans continue in operation as from time to time required by the Listing Manual including the following (where applicable):

- (a) the names of the members of the Committee administering the New Share Plans;
- (b) in respect of the following Participants of the New Share Plans:
  - (i) Directors of the Company; and
  - (ii) Participants (other than those in sub-paragraph (i) above) who have received Shares pursuant to the release of Awards granted under the New Share Plans which, in aggregate, represent 5% or more of the total number of Shares available under the New Share Plans collectively,

---

## LETTER TO SHAREHOLDERS

---

the following information:

- (aa) the name of the Participant; and
- (bb) the following particulars relating to Shares delivered pursuant to Awards released under the New Share Plans:
  - (i) the number of new Shares issued to such Participant during the financial year under review; and
  - (ii) the number of existing Shares transferred to such Participant during the financial year under review; and
- (c) in relation to the New Share Plans, the following particulars:
  - (i) the aggregate number of Shares comprised in Awards granted under the New Share Plans since the commencement of the New Share Plans to the end of the financial year under review;
  - (ii) the aggregate number of Shares comprised in Awards which have been released under the New Share Plans during the financial year under review and in respect thereof, the proportion of:
    - (1) new Shares issued; and
    - (2) existing Shares transferred and, where existing Shares were purchased for delivery, the range of prices at which such Shares have been purchased,upon the release of Awards granted under the New Share Plans; and
  - (iii) the aggregate number of Shares comprised in Awards granted under the New Share Plans which have not been released, as at the end of the financial year under review.

4.11 **Role and Composition of the Committee.** The ERCC will be designated as the Committee responsible for the administration of the New Share Plans. The ERCC currently comprises Tan Sri Mohd Hassan Marican, Mr Eric Ang Teik Lim, Mr William Tan Seng Koon and Mr Patrick Daniel, all of whom are non-executive and independent Directors of the Company.

In compliance with the requirements of the Listing Manual, a Participant of the New Share Plans who is a member of the ERCC shall not be involved in its deliberations in respect of Awards to be granted to or held by that member of the ERCC.

4.12 **Financial Effects.** Singapore Financial Reporting Standards (International) 2, Share-based payment (“**SFRS(I) 2**”), is effective for the financial statements of the Group and the Company for the financial year beginning 1 January 2018 in connection with the Group’s first time adoption of Singapore Financial Reporting Standards (International) and International Financial Reporting Standards. Participants may receive Shares or their equivalent cash value, or combinations thereof. In the event that the Participants receive Shares, the Awards would be accounted for as equity-settled share-based transactions, as described in the following paragraphs.

The fair value of employee services received in exchange for the grant of the Awards would be recognised as a charge to the profit and loss account with a corresponding increase in equity over the vesting period during which the employees become unconditionally entitled to the equity instrument. The total amount of the charge over the vesting period is determined by reference to the fair value of each Award granted at the grant date and the number of Shares vested at the vesting date, with a corresponding credit to reserve account. Before the end of the vesting period, at each balance sheet date, the estimate of the number of Awards that are expected to vest by the vesting date is revised, and the impact of the revised estimate is recognised in the profit and loss account with a corresponding adjustment to equity. After the vesting date, no adjustment to the charge to the profit and loss account is made.



---

## LETTER TO SHAREHOLDERS

---

The amount charged to the profit and loss account would be the same whether the Company settles the Awards using new Shares or existing Shares. The amount of the charge to the profit and loss account also depends on whether or not the performance target attached to an Award is a “market condition”, that is, a condition which is related to the market price of the Shares. If the performance target is a market condition, the probability of the performance target being met is taken into account in estimating the fair value of the Shares granted at the grant date, and no adjustments to amounts charged to the profit and loss account is made if the market condition is not met. On the other hand, if the performance target is not a market condition, the probability of the target being met is not taken into account in estimating the fair value of the Shares granted at the grant date. Instead, it is subsequently considered at each accounting date in assessing whether the Awards would vest. Thus, where the vesting conditions do not include a market condition, there would be no charge to the profit and loss account if the Awards do not ultimately vest.

The following sets out the financial effects of the New Share Plans.

### **4.12.1 Share Capital**

The New Share Plans will result in an increase in the Company’s issued ordinary share capital only if new Shares are issued to Participants. The number of new Shares issued will depend on, *inter alia*, the size of the Awards granted under the New Share Plans. In any case, the New Share Plans provide that the total number of new Shares to be issued and existing Shares delivered under the New Share Plans will be subject to the maximum limit of 5% of the issued Shares (excluding treasury shares and subsidiary holdings) preceding the date of grant of the relevant Award. If, instead of issuing new Shares to Participants, existing Shares are purchased for delivery to Participants on vesting, the New Share Plans will have no impact on the Company’s issued ordinary share capital.

### **4.12.2 NTA**

As described below in the paragraph on earnings per Share (“**EPS**”), the New Share Plans are likely to result in a charge to the Company’s profit and loss account over the vesting period. The amount of the charge will be computed in accordance with SFRS(I) 2. If new Shares are issued under the New Share Plans, there would be no effect on the net tangible assets (“**NTA**”). However, if instead of issuing new Shares to Participants, existing Shares are delivered to Participants or the Company pays the equivalent cash value, the NTA would decrease by the cost of the existing Shares delivered or the cash payment, respectively.

Nonetheless, it should be noted that, other than in the case of Awards granted to Non-Executive Directors under the SCM RSP 2020 as described in paragraph 4.4.2 above, the delivery of Shares to Participants under the New Share Plans will generally be contingent upon the Participants meeting prescribed performance targets and conditions.

### **4.12.3 EPS**

The New Share Plans are likely to result in a charge to earnings over the vesting period, computed in accordance with SFRS(I) 2.

Nonetheless, it should again be noted that, other than in the case of Awards granted to Non-Executive Directors under the SCM RSP 2020 as described in paragraph 4.4.2 above, the delivery of Shares to Participants of the New Share Plans will generally be contingent upon the Participants meeting prescribed performance targets and conditions.

### **4.12.4 Dilutive Impact**

It is expected that the dilutive impact of the New Share Plans on the NTA per Share and EPS will not be significant.

The Previous Share Plans provided for a maximum limit of 7% of the Company’s issued Shares (excluding treasury shares) on the date preceding the date of the relevant Award. Accordingly, there will be no significant dilution of Shareholders’ shareholding percentages as a result of the introduction of the New Share Plans, as the New Share Plans provide for a reduced maximum limit of 5% of the Company’s issued Shares (excluding treasury shares and subsidiary holdings) on the date preceding the date of the relevant Award.

## LETTER TO SHAREHOLDERS

### 5. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

5.1 **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	Direct Interest	Number of Shares		Number of Shares comprised in outstanding share awards
		% <sup>(1)</sup>	Deemed Interest	
Tan Sri Mohd Hassan Marican	466,500	0.022	–	–
Wong Weng Sun	3,686,812	0.176	–	556,457 <sup>(2)</sup>
Ron Foo Siang Guan	302,180	0.014	42,000 <sup>(3)</sup>	n.m. <sup>(4)</sup>
Bob Tan Beng Hai	135,600	0.006	–	–
Eric Ang Teik Lim	–	–	–	–
Gina Lee-Wan	100,100	0.005	–	–
William Tan Seng Koon	54,700	n.m. <sup>(4)</sup>	–	–
Patrick Daniel	19,500	n.m. <sup>(4)</sup>	–	–
Tan Wah Yeow	1,000	n.m. <sup>(4)</sup>	–	–
Neil McGregor	15,700	n.m. <sup>(4)</sup>	–	–
Koh Chiap Khiong	148,700	0.007	–	–

**Notes:**

- (1) Based on 2,090,904,569 Shares in issue (and disregarding 416,840 Shares held in treasury) as at the Latest Practicable Date.
- (2) Of the 556,457 Shares:
- (a) 481,000 Shares are comprised in conditional awards granted to Wong Weng Sun pursuant to the SCM 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;
  - (b) 9,550 Shares are comprised in awards granted to Wong Weng Sun pursuant to the SCM RSP 2010. These Shares will vest in year 2020;
  - (c) 19,307 Shares are comprised in awards granted to Wong Weng Sun pursuant to the SCM RSP 2010. These Shares will vest in year 2020/2021; and
  - (d) 46,600 Shares are comprised in awards granted to Wong Weng Sun pursuant to the SCM RSP 2010. These Shares will vest in year 2020/2021.
- (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.

5.2 **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	Number of Shares		%
		% <sup>(1)</sup>	Deemed Interest	
SCI	1,274,270,764	60.9557	–	–
Temasek	–	–	1,274,271,521 <sup>(2)</sup>	60.9557

**Notes:**

- (1) Based on 2,090,904,569 Shares in issue (and disregarding 416,840 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 757 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.

### 6. DIRECTORS' RECOMMENDATIONS

6.1 **Proposed Renewal of the IPT Mandate.** All the Directors are interested persons (as described in paragraph 5.1 of the Appendix to this Letter). Accordingly, they have refrained from making any voting recommendation to Shareholders in respect of Ordinary Resolution No. 7, being the Ordinary Resolution relating to the proposed renewal of the IPT Mandate to be proposed at the 2020 AGM.

---

## LETTER TO SHAREHOLDERS

---

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. 7, being the Ordinary Resolution relating to the proposed renewal of the IPT Mandate to be proposed at the 2020 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. 7. The Chairman of the 2020 AGM will accept appointment as proxy for any other Shareholder to vote in respect of Ordinary Resolution No. 7, where such Shareholder has given specific instructions in a validly completed and submitted Proxy Form as to voting, or abstentions from voting, in respect of Ordinary Resolution No. 7.

6.2 **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 Ordinary Resolution No. 8, being the Ordinary Resolution relating to the proposed renewal of the Share Purchase Mandate to be proposed at the 2020 AGM.

6.3 **Proposed Adoption of the New Share Plans.** The Directors are of the opinion that the proposed adoption of the New Share Plans is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of Ordinary Resolution No. 9, being the Ordinary Resolution relating to the proposed adoption of the SCM PSP 2020, and Ordinary Resolution No. 10, being the Ordinary Resolution relating to the proposed adoption of the SCM RSP 2020, to be proposed at the 2020 AGM.

Any Shareholder who is eligible to participate in the New Share Plans must abstain from voting his Shares on Ordinary Resolution Nos. 9 and 10 relating to the proposed adoption of the New Share Plans, and the Company will disregard any votes cast by such Shareholder in respect of his Shares on Ordinary Resolution Nos. 9 and 10. The Chairman of the 2020 AGM will accept appointment as proxy for any other Shareholder to vote in respect of Ordinary Resolution Nos. 9 and 10, where such Shareholder has given specific instructions in a validly completed and submitted Proxy Form as to voting, or abstentions from voting, in respect of Ordinary Resolution Nos. 9 and 10.

### 7. 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.

### 8. INSPECTION OF DOCUMENTS

The proposed rules of the New Share Plans are available for inspection on the Company's website at the URL <https://www.sembmarine.com/investor-relations/annual-general-meeting> from the date of this Letter up to the date of the 2020 AGM.

The Annual Report 2019 and the 2019 Letter to Shareholders may be accessed on the Company's website 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

---

### 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 2019, the consolidated NTA of the Group was S\$1,926,967,000. 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 2020 are published, 5% of the latest audited consolidated NTA of the Group would be S\$96,348,350.
- 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. The SGX-ST may also deem any person or entity to be an interested person if the person or entity has entered into, or proposes to enter into (i) a transaction with an entity at risk, and (ii) an agreement or arrangement with an interested person in connection with that transaction;

---

## APPENDIX

---

- (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

- 21. 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.
- 22. 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

- 31. 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; 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.

---

## APPENDIX

---

32. 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. The IPT Mandate would, however, cover Interested Person Transactions with values below S\$100,000 entered into during the same financial year and which are aggregated by the SGX-ST under Chapter 9 of the Listing Manual and treated as if they were one Interested Person Transaction which has a value of S\$100,000 or more.

33. 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 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;

---

## APPENDIX

---

- (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.

---

## APPENDIX

---

### (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 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.



---

## APPENDIX

---

(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.

## **7.12 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.

---

## APPENDIX

---

(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;
- (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.

---

## APPENDIX

---

### 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:

<b>Type of Treasury Transaction</b>	<b>Treasury Limit (S\$ million)</b>
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.
- 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.

---

## APPENDIX

---

### 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~~ 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.