



**SEMCORP MARINE LTD**  
 ("SCM" or the "Company")  
 (Incorporated in the Republic of Singapore)  
 (Company Registration No.:196300098Z)

If you are in any doubt about its contents or the action that you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

**CIRCULAR TO SHAREHOLDERS IN RELATION TO THE PROPOSED S\$2.1 BILLION RENOUNCEABLE UNDERWRITTEN RIGHTS ISSUE AND THE WHITEWASH RESOLUTION**

The Directors, having considered, *inter alia*, the rationale for the Transaction (including the Rights Issue), are of the opinion that the Rights Issue is in the best interests of the Company, and accordingly **recommend that Shareholders vote in favour of the Rights Issue Resolution.**

The Independent Directors, having considered, *inter alia*, the rationale for the Transaction and the **advice of the IFA**, are of the opinion that the terms of the Transaction taken as a whole are fair and reasonable, and the Whitewash Resolution, when considered in the context of the Transaction, is in the best interests of the Company and is not prejudicial to the interests of the Independent Shareholders. Accordingly, the Independent Directors **recommend that the Independent Shareholders vote in favour of the Whitewash Resolution.**



**YOUR  VOTE COUNTS**

Please vote by submitting your proxy forms

**IMPORTANT DATES AND TIMES FOR SHAREHOLDERS**

Due to the current COVID-19 situation in Singapore, Shareholders will not be allowed to attend the Extraordinary General Meeting ("EGM") in person. The EGM is being convened, and will be held, by way of electronic means. Shareholders must appoint the Chairman of the EGM as their proxy to attend, speak and vote on their behalf at the EGM.

<b>Last date and time for lodgement of Proxy Form</b>	<b>8 August 2020 at 10.00 a.m.</b>
<b>Date and time of EGM</b>	<b>11 August 2020 at 10.00 a.m.</b>
<b>EGM Venue</b>	<b>The EGM will be convened and held by way of electronic means</b>

If you have sold or transferred all your ordinary shares in the capital of the Company ("Shares"), please refer to the "Important Notice" section of this Circular gatefold on the next actions you should take.

The Singapore Exchange Securities Trading Limited ("SGX-ST") assumes no responsibility for the correctness or accuracy of any of the statements made, reports contained or opinions expressed in this Circular.

This Circular shall not constitute an offer to sell or a solicitation of an offer to buy shares or other securities, including the Rights and the Rights Shares. This Circular is issued to Shareholders solely for the purpose of providing Shareholders with the information pertaining to the EGM, convening the EGM and seeking Shareholders' approval for the resolutions to be proposed at the EGM.

The information in this gatefold is a summary of the Transaction and is qualified by, and should be read in conjunction with, the full information contained in the rest of this Circular. In the event of any inconsistency or conflict between the terms of this gatefold and this Circular, the terms set out in this Circular shall prevail.

The Chinese version of this gatefold is translated from the English version. If there are any discrepancies or conflicts between the English and Chinese versions, please refer to the English version.

此文件的中文版翻译自英文版。若中、英文版本之间存在任何差异或冲突，一切将以英文版为准。

All capitalised terms shall, if not otherwise defined, have the meanings ascribed to them in this Circular.

Sole Financial Adviser, Lead Manager and Underwriter for the Rights Issue



Independent Financial Adviser to the Independent Directors in respect of the Whitewash Resolution



# 1

## WHAT MUST I KNOW ABOUT THIS TRANSACTION?

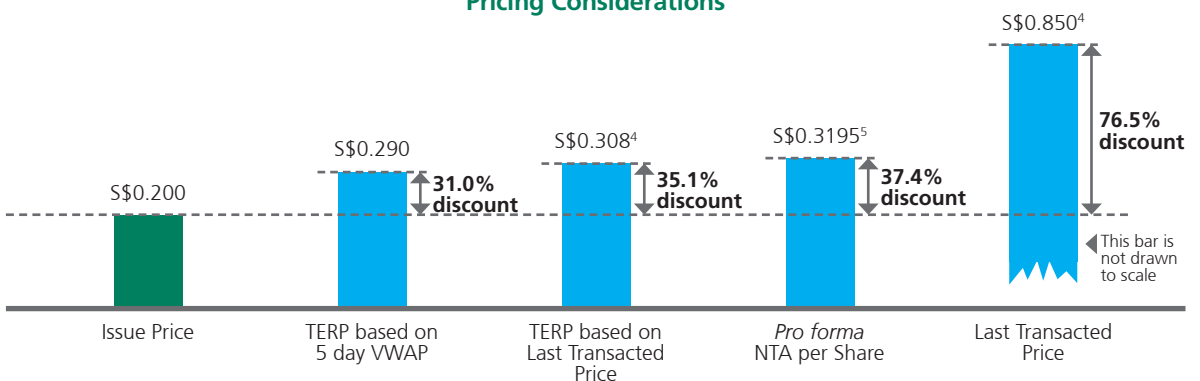
- SCM and Sembcorp Industries Ltd (“SCI”) are proposing a two-step Transaction comprising:



- The Rights Shares will be issued at S\$0.20 each, based on five (5) Rights Shares for every one (1) existing Share held at the Record Date. An Entitled Shareholder<sup>1</sup> holding 1,000 Shares at the Record Date can subscribe for 5,000 Rights Shares.
- The Issue Price is a discount of approximately 31.0%<sup>2</sup> to the theoretical ex-rights price of S\$0.290 based on a five-day volume weighted average price (“VWAP”) of S\$0.740 and a discount of approximately 76.5% to the last transacted price of S\$0.850 on the Last Trading Day<sup>3</sup>.

### ISSUE PRICE OF THE RIGHTS SHARES

#### Pricing Considerations



- SCI will subscribe for up to S\$1.5 billion of Rights Shares, which will be settled by setting off the outstanding principal of S\$1.5 billion under the Subordinated Loan extended to SCM.
- Temasek<sup>6</sup> will sub-underwrite the remaining S\$0.6 billion.
- As a result of the SCI Distribution, Temasek<sup>7</sup> (which is currently the single largest shareholder of SCI) will become a direct shareholder of SCM, and the Temasek Concert Party Group will hold more than 30% of SCM.
- In addition to approvals for the Rights Issue and SCI Distribution by the respective shareholders of SCM and SCI, approval by the Independent Shareholders of the Whitewash Resolution is being sought to waive their rights to receive a mandatory take-over offer from the Temasek Concert Party Group. The Whitewash Waiver, which has already been granted by the Securities Industry Council, is conditional upon, among other things, the Whitewash Resolution being approved at the EGM.

**SCM Directors, who are also SCM shareholders, have indicated to the Company that they intend to subscribe and pay for all their respective entitlements of Rights Shares.**

<sup>1</sup> Being Entitled Depositors and Entitled Scripholders.

<sup>2</sup> Calculated based on the VWAP of the Shares on the Main Board of the SGX-ST over the five-day period up to and including the Last Trading Day of S\$0.740.

<sup>3</sup> 3 June 2020, being the last trading day on which the Shares were traded on the SGX-ST prior to the Announcement.

<sup>4</sup> Based on the last transacted price of S\$0.850 on the Last Trading Day.

<sup>5</sup> NTA per Share = (Equity attributable to owners – Intangible assets) / Number of Shares outstanding (excluding treasury shares). The *pro forma* NTA per Share after the Rights Issue is for illustrative purposes only, based on the audited consolidated financial statements of SCM for FY2019 and assumes that the Rights Shares had been allotted and issued on 31 December 2019.

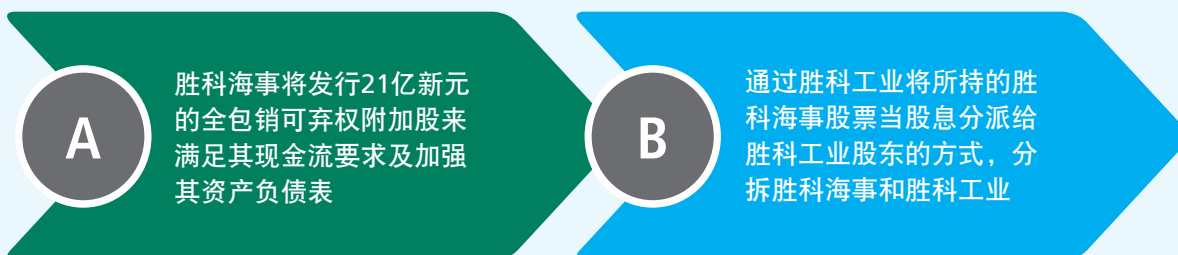
<sup>6</sup> The Sub-Underwriting Agreement was entered into by Startree, a wholly-owned subsidiary of Temasek and the Sole Financial Adviser, Lead Manager and Underwriter, on 8 June 2020. No sub-underwriting fees will be paid to Temasek or Startree.

<sup>7</sup> Including holdings of Temasek and its wholly-owned subsidiaries.

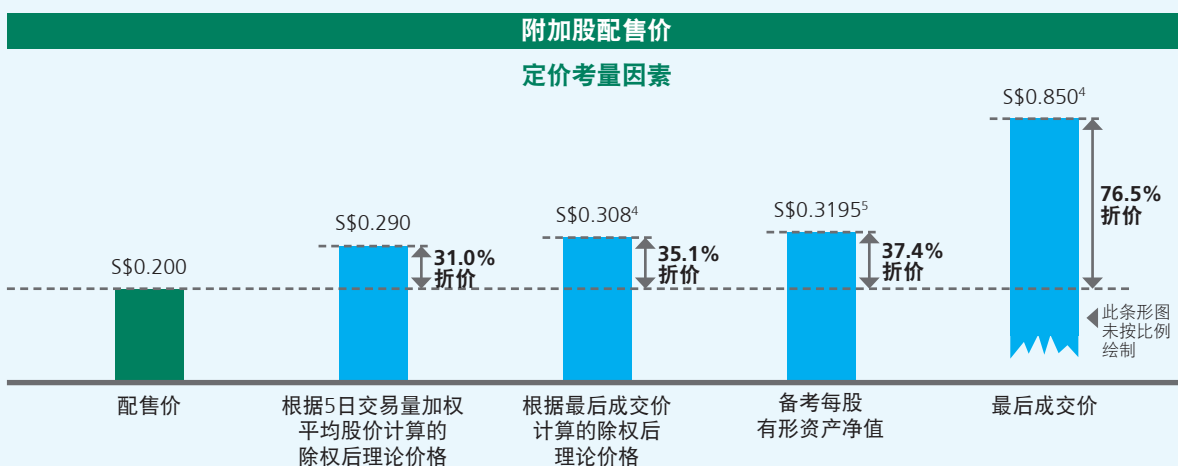
# 1

## 我需要知道有关交易的哪些事项？

- 胜科海事(SCM)和胜科工业(SCI)共同提出双步交易，分别为：



- 附加股将以每股0.20新元的配售价发行，于登记日持有的每一(1)股股份可获配售五(5)股附加股。于登记日持有1,000股的合格股东<sup>1</sup>可认购5,000股附加股。
- 配售价相较于根据五日交易量加权平均股价0.740新元所计算的除权后理论价格0.290新元折价约31.0%<sup>2</sup>，相较于最后交易日<sup>3</sup>的最后成交价0.850新元折价约76.5%。



- 胜科工业将通过抵消之前给予胜科海事的15亿新元未归还本金的附属贷款来认购高达15亿新元的附加股。
- 淡马锡<sup>6</sup>将分包销其余的6亿新元附加股。
- 有鉴于此，胜科工业派息将使淡马锡<sup>7</sup>(胜科工业目前的单一最大股东)成为胜科海事的直接股东，且淡马锡及其一致行动人最终将持有超过30%的胜科海事股权。
- 除附加股发行和胜科工业派息须取得胜科海事和胜科工业各自股东的批准之外，粉饰动议须取得胜科海事独立股东的批准，同意放弃其要求淡马锡及其一致行动人进行强制要约收购的权利。收购义务的豁免已获证券业理事会批准，而其中条件将包括粉饰动议于特别股东大会获批准。

**同时作为胜科海事股东的胜科海事董事已向公司表示他们有意认购和支付各自的附加股份额。**

1 即合格存户和合格持股人。  
 2 根据股票于新交所主板的最后交易日(含)前5日的交易量加权平均股价0.740新元计算。  
 3 2020年6月3日为公告前股票于新交所主板交易的最后交易日。  
 4 根据最后交易日0.850新元的最后成交价计算。  
 5 每股有形资产净值 = (公司股权持有人应占股本 - 无形资产) / 已发行股数(不包括库存股)。附加股发行后的备考每股有形资产净值仅供说明使用，是根据胜科海事2019财政年度的经审计合并财务报表计算，假设附加股已于2019年12月31日分配和发行。  
 6 分包销协议由淡马锡全资附属子公司，Startree，以及独家财务顾问、主要经办人和承销商于2020年6月8日签署。淡马锡或Startree将不会征收任何分包销费。  
 7 包括淡马锡及其全资子公司的持股。

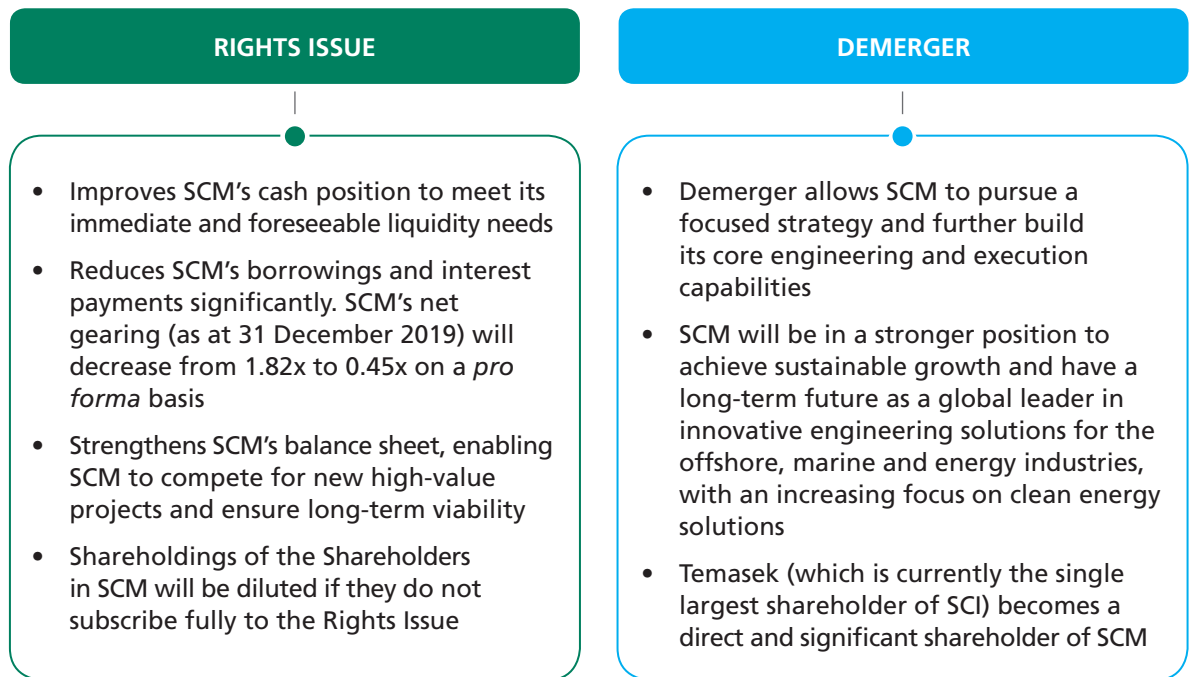
# 2

## WHY IS THE SCM RIGHTS ISSUE PROPOSED?

- Profound structural changes in the oil and gas sector and intensifying international competition have led to a severe downturn in the offshore and marine industry since 2015. This has significantly impacted SCM's financial performance, putting considerable pressure on SCM's liquidity and working capital requirements.
- In July 2019, SCI injected S\$1.5 billion in cash into SCM via the Subordinated Loan to strengthen SCM's financial position. Having positioned itself for recovery, SCM was unexpectedly hit by the COVID-19 pandemic and the sudden collapse in oil prices in 2020. This has led to massive capital expenditure cuts by oil and gas companies and deferrals of investment decisions.
- COVID-19 has disrupted supply chains, delayed SCM's project executions and added serious uncertainties going forward. With new orders likely to stay depressed, SCM now foresees that a recovery will be pushed out further to 2021 and beyond.
- SCM's cash flow and financial flexibility continue to be constrained by the challenging market dynamics and outlook. SCM urgently needs to recapitalise, address liquidity requirements, and strengthen its balance sheet.

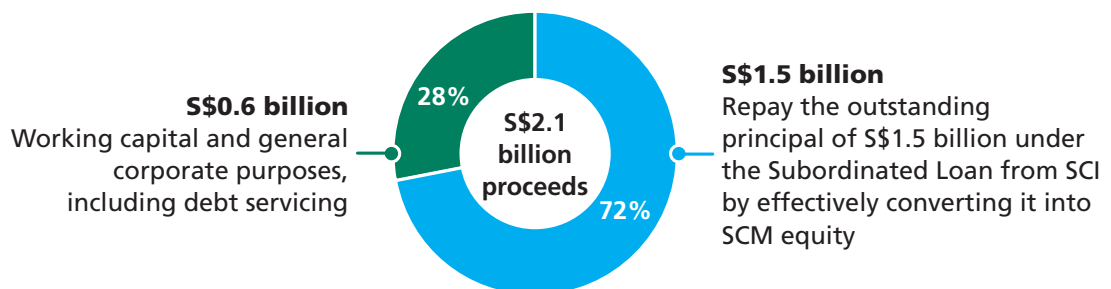
# 3

## HOW WILL THE PROPOSED TRANSACTION IMPACT SHAREHOLDERS?



# 4

## HOW WILL THE PROCEEDS BE USED?



# 2

## 为何要提议发行胜科海事附加股？

- 自2015年以来，油气行业的深层结构变化和加剧的国际竞争导致岸外与海事业严重衰退。这严重地影响了胜科海事的财务表现，使胜科海事的现金流和营运资金需求面对相当大的压力。
- 2019年7月，胜科工业通过附属贷款的形式向胜科海事提供15亿新元现金来加强胜科海事的财务状况。已定位于复苏的胜科海事却不料在2020年遭受到2019冠状病毒疫情爆发和油价暴跌的双重打击。这导致油气公司大幅削减资本支出以及延后其投资决定。
- 2019冠状病毒疾病已造成供应链中断，延迟了胜科海事的项目进展，并增加了未来严重的不确定性。有鉴于新订单可能将持续偏低，胜科海事预计业务复苏将延迟至2021年或之后。
- 胜科海事的现金流和财务灵活性继续受限于极具挑战的市场动态和展望。公司急需重组资本、满足现金流需求和加强其资产负债表。

# 3

## 交易提案将如何影响股东？

### 附加股发行

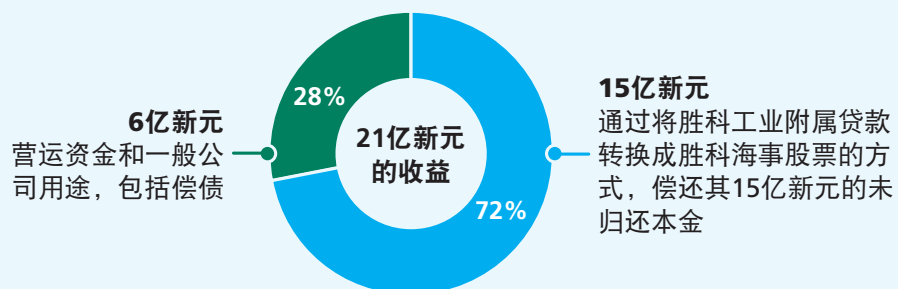
- 改善胜科海事的现金状况来满足当前和可预见未来的现金流要求。
- 显著减少胜科海事的借贷和利息开支。胜科海事截至2019年12月31日的净负债比率将从1.82倍下降至0.45倍(基于备考数据)。
- 加强胜科海事的资产负债表，让胜科海事有能力争取新的高值项目和确保其业务的长期可行性。
- 胜科海事的股东若不全额认购附加股，其持股比例将被摊薄。

### 分拆

- 分拆将促使胜科海事落实推行专注战略，以及进一步构建其核心工程和执行能力。
- 胜科海事能更稳健地取得可持续的增长，并具有成为能为岸外、海事和能源业提供创新工程解决方案的全球领先者的长远前景，同时增加对清洁能源方案的专注。
- 淡马锡(胜科工业目前的单一最大股东)将成为胜科海事的直接和主要股东。

# 4

## 所得收益将如何被分配使用？



# 5

## WHAT DOES THE IFA RECOMMEND?

An extract of the IFA Letter is set out below:

Overall, based on our analysis, the terms of the Transaction taken as a whole are **FAIR AND REASONABLE**, and the Whitewash Resolution, when considered in the context of the Transaction, is not prejudicial to the interest of the Independent Shareholders.

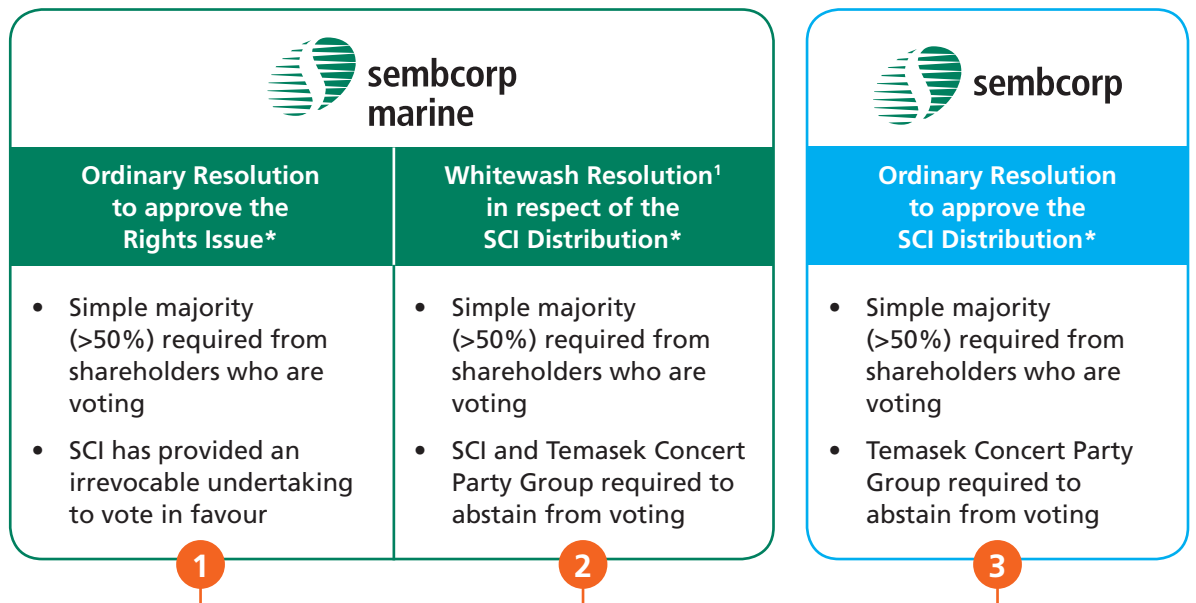
IT IS IMPORTANT THAT YOU READ THIS EXTRACT TOGETHER WITH AND IN THE CONTEXT OF THE IFA LETTER IN FULL, WHICH CAN BE FOUND IN APPENDIX 4 OF THIS CIRCULAR. YOU ARE ADVISED AGAINST RELYING SOLELY ON THIS EXTRACT WHICH IS MEANT ONLY TO DRAW YOUR ATTENTION TO THE ADVICE OF THE IFA.

# 6

## WHAT MUST HAPPEN FOR THE TRANSACTION TO SUCCEED?

The following Resolutions must **ALL** be approved at the EGMs of SCM and SCI respectively for the Rights Issue and the SCI Distribution to proceed.

If any of the Resolutions is **not approved**, the Rights Issue and the SCI Distribution **will not proceed**.



**ALL 3 RESOLUTIONS ARE INTER-CONDITIONAL<sup>2</sup>**  
If any of the Resolutions is **not approved**, the proposed Rights Issue and SCI Distribution **will not proceed**. SCM and SCI will then continue as they are today, and the critical need to address SCM’s liquidity requirements will fail.

\* The SCM and SCI EGMs are expected to be held on the same day.  
1 The SCI Distribution will result in the Temasek Concert Party Group holding more than 30% of the Shares. As such, the Temasek Concert Party Group will be required to make a mandatory take-over offer for SCM and the Whitewash Waiver is conditional upon, among other things, the Independent Shareholders approving the Whitewash Resolution to waive their rights to receive a mandatory take-over offer from the Temasek Concert Party Group.  
2 In the event that the Shareholders do not approve the Rights Issue Resolution and/or the Independent Shareholders do not approve the Whitewash Resolution, or the SCI Shareholders do not approve the SCI Distribution Resolution, neither the Rights Issue nor the SCI Distribution will proceed.

# 5

## 独立财务顾问的建议是什么？

独立财务顾问信函摘录如下：

整体而言，根据我们的分析，整体交易为**公平合理**，而且粉饰动议在整个交易背景中对独立股东利益无损。

请注意，此摘录须与完整的独立财务顾问信函一起阅读，独立财务顾问信函请见本通告的附件4。我们建议您切勿仅依据此摘录做出决定，此摘录仅意在提醒您注意独立财务顾问的建议。

# 6

## 必须通过哪些事项，交易才能成功进行？

以下所有动议均必须在胜科海事和胜科工业的各自特别股东大会中获批准通过，附加股发行和胜科工业派息才能进行。

若有任何动议**不获批准**，附加股发行和胜科工业派息都将**不会进行**。



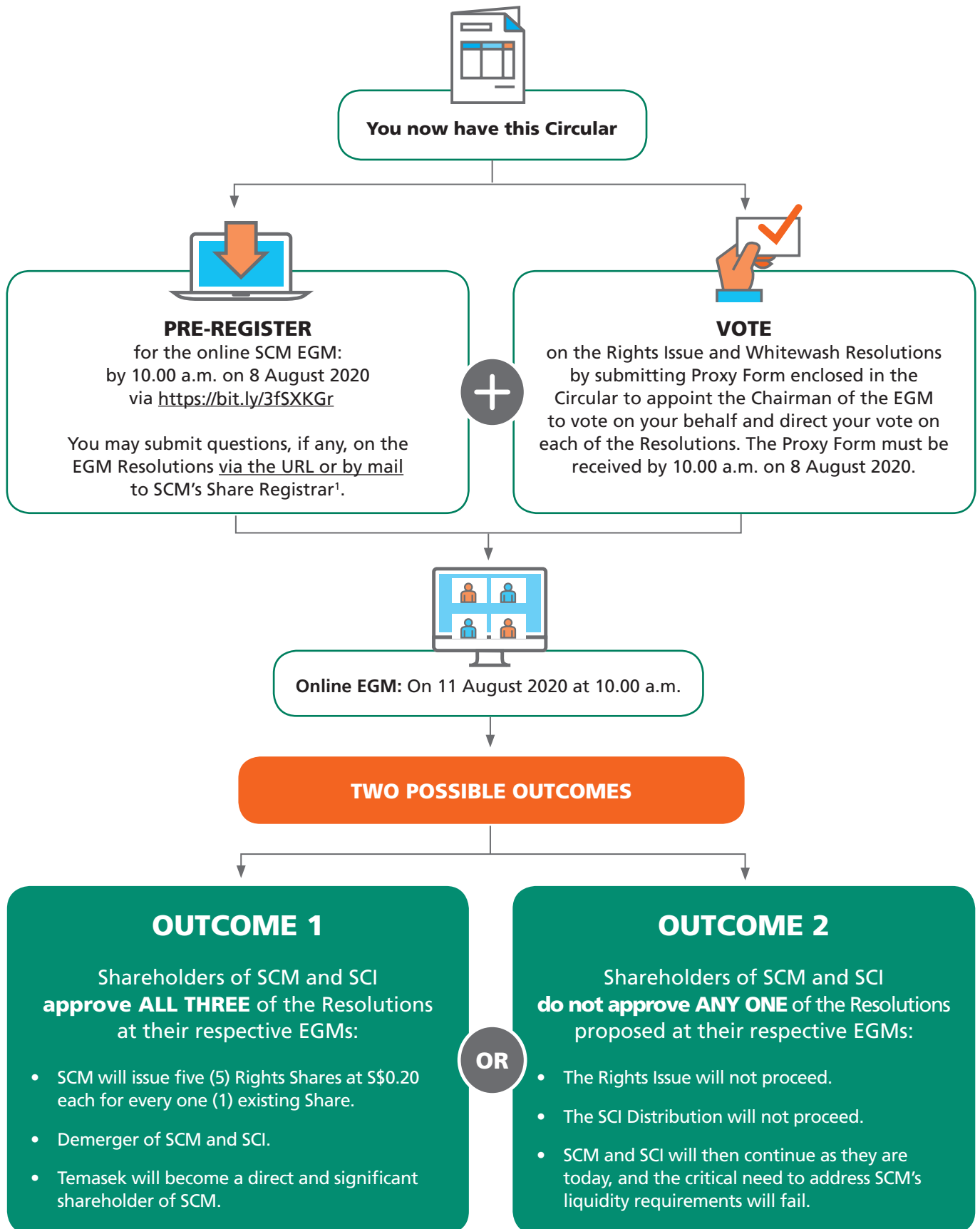
\* 胜科海事和胜科工业的特别股东大会预计将在同日举行。

1 胜科工业派息将使淡马锡及其一致行动人在胜科海事持股超过30%。因此，淡马锡及其一致行动人将会被要求对胜科海事进行强制要约收购。收购义务的豁免以独立股东批准粉饰动议，同意放弃其要求淡马锡及其一致行动人进行强制要约收购的权利及其他事项作为条件。

2 若股东不同意附加股发行动议及/或独立股东不同意粉饰动议，或者胜科工业股东不批准胜科工业派息动议，附加股发行和胜科工业派息都不会进行。

# 7

## WHAT DO I NEED TO DO?



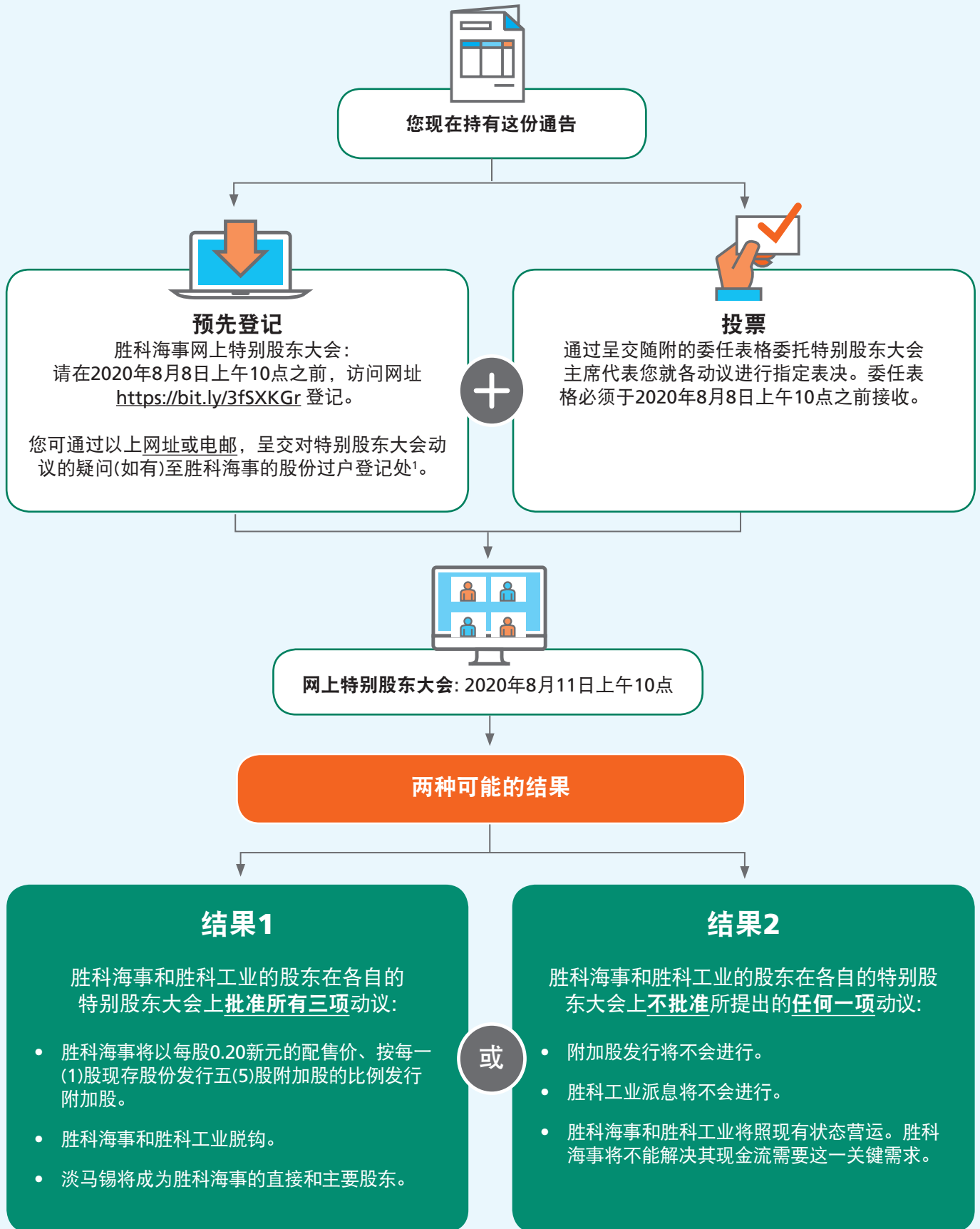
<sup>1</sup> KCK CorpServe Pte. Ltd., 333 North Bridge Road, #08-00, KH KEA Building, Singapore 188721

All capitalised terms shall, if not otherwise defined, have the meanings ascribed to them in this Circular.



# 7

## 我需要做什么？



<sup>1</sup> KCK CorpServe Pte. Ltd., 333 North Bridge Road, #08-00, KH KEA Building, Singapore 188721

此文件的中文版翻译自英文版。若中、英文版本之间存在任何差异或冲突，一切将以英文版为准。

# 8

## HOW CAN I VOTE ON THE RIGHTS ISSUE RESOLUTION AND WHITEWASH RESOLUTION?

To exercise your votes, you must submit a Proxy Form and appoint the Chairman of the EGM to vote on your behalf. You may direct your vote on specific resolutions.

### Step 1: Locate the Proxy Form

The Proxy Form is enclosed in this Circular and may be accessed on SCM's website at the URL <https://www.sembmarine.com/extraordinary-general-meeting>. It is also on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.

### Step 2: Complete the Proxy Form

**PROXY FORM**

**SEMBCORP MARINE LTD**  
Company Registration No. 18000982  
(Incorporated in the Republic of Singapore)

**IMPORTANT**

The Extraordinary General Meeting is being convened and will be held by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings) Regulations 2020 (Temporary Measures Regulations) and the Companies (Electronic Communications) Regulations 2018 (ECR Regulations). Please refer to the notes of the Extraordinary General Meeting on the back of this Proxy Form for details of the meeting and the procedures for attending the meeting. The Proxy Form is available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.

1. The Proxy Form must be completed and returned to the Chairman of the Meeting as indicated in the instructions on the back of this Proxy Form.

2. The Proxy Form must be completed and returned to the Chairman of the Meeting as indicated in the instructions on the back of this Proxy Form.

3. The Proxy Form must be completed and returned to the Chairman of the Meeting as indicated in the instructions on the back of this Proxy Form.

4. The Proxy Form must be completed and returned to the Chairman of the Meeting as indicated in the instructions on the back of this Proxy Form.

5. The Proxy Form must be completed and returned to the Chairman of the Meeting as indicated in the instructions on the back of this Proxy Form.

6. Please refer to the notes enclosed which contain instructions on how to complete the Proxy Form and the appointment of the Chairman of the Meeting as your proxy to attend, speak and vote on behalf of the Extraordinary General Meeting.

Name (Name) (NRIC / Passport / Co. Regn. No.)  
Address

Being a member(s) of Sembcorp Marine Ltd (the "Company"), hereby appoint:

The Chairman of the Meeting

as my proxy to attend, speak and vote for me on my behalf at the Extraordinary General Meeting of the Company, to be convened and held by way of electronic means on 11 August 2020 at 10.00 a.m. and at any adjournment thereof.

(Voting will be conducted by poll. If you wish the Chairman of the Meeting as your proxy to cast all your votes "For" or "Against" a resolution, please indicate with an "X" in the "For" or "Against" box provided in respect of that resolution. Alternatively, please indicate the number of votes "For" or "Against" in the "For" or "Against" box in respect of that resolution. If you wish the Chairman of the Meeting as your proxy to abstain from voting on a resolution, please indicate with an "X" in the "Abstain" box provided in respect of that resolution. Alternatively, please indicate the number of shares that the Chairman of the Meeting as your proxy is directed to abstain from voting in the "Abstain" box in respect of that resolution. In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the Meeting as your proxy for that resolution will be treated as invalid.)

	For	Against	Abstain
ORDINARY RESOLUTION 1: To approve the Rights Issue			
ORDINARY RESOLUTION 2: To approve the Whitewash Resolution			

Total Number of Shares held:

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

IMPORTANT: PLEASE READ THE NOTES OVERLEAF

- A** Fill in your name and particulars.
- B** You must appoint the Chairman of the EGM as your proxy to attend, speak and vote on your behalf at the EGM if you wish to exercise your voting rights at the EGM.
- C** Indicate in the box labelled **FOR, AGAINST** or **ABSTAIN** how the Chairman of the EGM should cast your votes or abstain from voting for each of the Resolutions.
- D** Indicate the number of Shares you hold.
- E** If you are an individual, you or your attorney **MUST SIGN** and indicate the date.

### Step 3: Submit the completed Proxy Form



If submitted by post, the Proxy Form must be lodged at the office of the Company's Share Registrar, **KCK CorpServe Pte. Ltd. at 333 North Bridge Road, #08-00, KH KEA Building, Singapore 188721**



If submitted electronically, the Proxy Form must be sent via email to the Company's Share Registrar at **shareregmeetings@kckcs.com.sg**

- The Proxy Form must reach the Company's Share Registrar by **10.00 a.m. on 8 August 2020, being 72 hours before the time appointed for the EGM.**
- CPFIS Members or SRS Investors who wish to appoint the Chairman of the EGM as proxy should approach their respective approved CPF agent banks or SRS Approved Banks to submit their votes by **10.00 a.m. on 5 August 2020.**

All capitalised terms shall, if not otherwise defined, have the meanings ascribed to them in this Circular.

# 8

## 我能如何投票表决附加股发行动议和粉饰动议？

欲行使您的投票权利，您须呈交一份委任表格来委托特别股东大会主席代表您投票。您可针对指定动议表明您的表决意见。

### 步骤1: 索取委任表格

委任表格附于本通告中，也可从胜科海事网站和新交所网站下载。网址如下：

<https://www.sembmarine.com/extraordinary-general-meeting>

<https://www.sgx.com/securities/company-announcements>。

### 步骤2: 填妥委任表格

- A** 请填写您的姓名和资料。
- B** 若您要在特别股东大会行使您的投票权利，您必须委任特别股东大会的主席为代表来出席、发言和投票。
- C** 请在**赞成**、**反对**或**弃权**的格子内针对各动议注明您要特别股东大会的主席如何代表您投票或放弃投票。
- D** 请注明您所持有的胜科海事股票数量。
- E** 若您是以个人身份投票，您或您的代理人**必须签名**和注明日期。

### 步骤3: 呈交填妥的委任表格



若通过邮寄方式呈交，委任表格必须寄至公司的股份过户登记处

**KCK CorpServe Pte. Ltd. at 333 North Bridge Road, #08-00, KH KEA Building, Singapore 188721**



若通过电子方式呈交，委任表格必须电邮至公司的股份过户登记处

**shareregmeetings@kckcs.com.sg**

- 委任表格必须于2020年8月8日上午10点(即特别股东大会举行时间前的72小时)之前呈交至公司的股份过户登记处。
- 有意委任特别股东大会主席为代理人的公积金投资计划或退休辅助计划投资者需联络各自的获批准公积金代理银行或退休辅助计划的获批准银行，指示他们于2020年8月5日上午10点之前代交表决。



**sembcorp  
marine**

**Your support will enable SCM to meet its immediate and foreseeable liquidity requirements, ride out the downturn, compete for new high-value projects and ensure its long-term viability. Please appoint the Chairman of the EGM to vote on your behalf. Thank you.**

**您的支持将帮助胜科海事满足当前和可预见未来的现金流要求；让公司有信心渡过低迷时期；并给予其能力去争取新的高值项目和确保业务的长期可行性。请委任特别股东大会的主席代表您投票表决。谢谢。**

**WHO CAN I CONTACT FOR ASSISTANCE?**

You may get in touch with us at:  
Tel: +65 6878 1456  
(From 9.00 a.m. to 6.00 p.m., Monday to Friday)

**我能联系谁来寻求协助?**

您能通过以下号码联系我们：  
电话：+65 6878 1456  
(星期一至星期五，早上9点至傍晚6点)



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# IMPORTANT NOTICE

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If you have sold or transferred all your ordinary shares in the capital of the Company, you should do the following:

- forward this Circular together with the Notice of EGM and the enclosed Proxy Form immediately to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee; and
- immediately inform the purchaser or transferee or the bank, stockbroker or other agent through whom the sale or transfer was effected for onward notification to the purchaser or transferee, that this Circular (together with the Notice of EGM and the Proxy Form) may also be accessed at the Company's website at the URL <https://www.sembmarine.com/extraordinary-general-meeting> and is also available on the Singapore Exchange Limited website at the URL <https://www.sgx.com/securities/company-announcements>.

Approval in-principle has been obtained from the SGX-ST for the listing of and quotation for the Rights Shares on the Main Board of the SGX-ST, subject to certain conditions. The Rights Shares will be admitted to the Official List of the SGX-ST and official quotation is expected to commence after all conditions imposed by the SGX-ST are satisfied, all certificates for the Rights Shares have been issued and the notification letters from The Central Depository (Pte) Limited ("CDP") have been despatched.

The SGX-ST assumes no responsibility for the correctness or accuracy of any of the statements made, reports contained or opinions expressed in this Circular. Approval in-principle granted by the SGX-ST for the listing of and quotation for the Rights Shares on the Main Board of the SGX-ST is not to be taken as an indication of the merits of the Rights Issue, the Rights Shares, the Rights, the Company, its subsidiaries and/or the Shares.

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular, and confirm, after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Rights Issue Resolution and the Whitewash Resolution (including the Transaction) and the Group which are relevant to the Rights Issue Resolution and the Whitewash Resolution (including the Transaction), and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this Circular 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 Circular in its proper form and context.

This Circular is not an offer of securities for sale into the United States of America (the "U.S." or "United States") (including its territories and possessions, any state of the U.S. and the District of Columbia), Canada or Japan. The provisional allotments of Rights Shares, the Rights Shares and the Excess Rights Shares referred to herein have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold in the U.S. or to, or for the account or benefit of, U.S. persons (as such term is defined in Regulation S under the Securities Act), except pursuant to an applicable exemption from registration. No public offering of securities is being made in the U.S.

This Circular shall not constitute an offer to sell or a solicitation of an offer to buy shares or other securities, including the Rights and the Rights Shares. This Circular may not be sent to any person or any jurisdiction in which it would not be permissible to deliver the Rights and the Rights Shares or make an offer of the Rights and the Rights Shares, and the Rights and the Rights Shares may not be offered, sold, resold, transferred or delivered, directly or indirectly, to any such person or in any such jurisdiction. This Circular is issued to Shareholders solely for the purpose of providing Shareholders with the information pertaining to the EGM, convening the EGM and seeking Shareholders' approval for the resolutions to be proposed at the EGM. Shareholders are authorised to use this Circular solely for the purpose of considering the approvals sought. Persons to whom a copy of this Circular has been issued shall not circulate to any other person, reproduce or otherwise distribute this Circular or any information herein for any purpose whatsoever nor permit or cause the same to occur.

The distribution of this Circular and/or the transfer of the Rights and the Rights Shares into jurisdictions other than Singapore may be prohibited or restricted by law. Persons into whose possession this Circular comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

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# IMPORTANT NOTICE

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The EGM is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of this Circular will be sent to Shareholders.

Alternative arrangements relating to attendance at the EGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the EGM in advance of the EGM, addressing of substantial and relevant questions before the EGM and voting by appointing the Chairman of the EGM as proxy at the EGM, are set out in the accompanying Company's announcement dated 22 July 2020. This announcement may be accessed at the Company's website at the URL <https://www.sembmarine.com/investor-relations/stock-exchange-announcements>, and will also be made available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.

**Due to the current COVID-19 situation in Singapore, a member will not be allowed to attend the EGM in person. A member (whether individual or corporate) must appoint the Chairman of the EGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the EGM if such member wishes to exercise his/her/its voting rights at the EGM.**

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## CONTENTS

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	Page
DEFINITIONS.....	2
INDICATIVE TIMELINE .....	11
CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS.....	12
<b>LETTER TO SHAREHOLDERS</b>	
1. INTRODUCTION .....	13
2. OVERVIEW OF THE COMPANY .....	15
3. PROPOSED RIGHTS ISSUE .....	17
4. RATIONALE FOR THE TRANSACTION .....	23
5. USE OF PROCEEDS.....	26
6. SCI UNDERTAKING AGREEMENT .....	27
7. UNDERWRITING .....	29
8. SUB-UNDERWRITING .....	29
9. <i>PRO FORMA</i> FINANCIAL EFFECTS OF THE RIGHTS ISSUE.....	30
10. REVIEW OF PAST PERFORMANCE, WORKING CAPITAL, PROSPECTS AND OTHER DEVELOPMENTS.....	30
11. RECORD DATE FOR THE RIGHTS ISSUE .....	30
12. OTHER MATTERS RELATING TO THE RIGHTS ISSUE .....	30
13. PROPOSED SCI DISTRIBUTION .....	31
14. WHITEWASH RESOLUTION .....	33
15. DIRECTORS AND SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS.....	41
16. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS.....	42
17. EXTRAORDINARY GENERAL MEETING .....	42
18. OFFER INFORMATION STATEMENT.....	42
19. ADJUSTMENTS TO SHARE AWARDS .....	42
20. ACTION TO BE TAKEN BY SHAREHOLDERS.....	42
21. DIRECTORS' RECOMMENDATION.....	43
22. ABSTENTION FROM VOTING .....	44
23. DIRECTORS' RESPONSIBILITY STATEMENT .....	44
24. STATEMENT BY THE SOLE FINANCIAL ADVISER, LEAD MANAGER AND UNDERWRITER.....	45
25. CONSENT.....	45
26. DOCUMENTS FOR INSPECTION .....	45
<b>APPENDIX 1</b>	
ELIGIBILITY OF SHAREHOLDERS TO PARTICIPATE IN THE RIGHTS ISSUE.....	46
<b>APPENDIX 2</b>	
<i>PRO FORMA</i> FINANCIAL EFFECTS OF THE RIGHTS ISSUE .....	49
<b>APPENDIX 3</b>	
REVIEW OF PAST PERFORMANCE, WORKING CAPITAL, PROSPECTS AND OTHER DEVELOPMENTS.....	51
<b>APPENDIX 4</b>	
INDEPENDENT FINANCIAL ADVISER'S LETTER.....	68
NOTICE OF EXTRAORDINARY GENERAL MEETING.....	102
<b>PROXY FORM</b>	

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## DEFINITIONS

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For the purposes of this Circular, the following definitions apply throughout unless the context requires otherwise:

<b>“1H”</b>	:	The six month period ended 30 June
<b>“2H”</b>	:	The six month period ended 31 December
<b>“Announcement”</b>	:	The announcement made by the Company on 8 June 2020 relating to, <i>inter alia</i> , the Rights Issue and the SCI Distribution
<b>“ARE”</b>	:	Application form for Rights Shares and Excess Rights Shares to be issued to Entitled Depositors in respect of their Rights under the Rights Issue
<b>“ARS”</b>	:	Application form for Rights Shares to be issued to Purchasers in respect of their purchase of Rights traded on the SGX-ST through the book-entry (scripless) settlement system
<b>“ATM”</b>	:	Automated teller machine of a Participating Bank
<b>“Board of Directors”</b>	:	The board of Directors
<b>“Brokerages”</b>	:	Has the meaning ascribed to it in paragraph 3.1 of this Circular
<b>“Cancellation”</b>	:	Has the meaning ascribed to it in paragraph 5.2(ii) of this Circular
<b>“CDP”</b>	:	The Central Depository (Pte) Limited
<b>“Circular”</b>	:	This circular to Shareholders dated 22 July 2020 in relation to the Rights Issue Resolution and the Whitewash Resolution
<b>“Closing Date”</b>	:	The time and date to be determined by the Directors, being the last time and date for acceptance of and/or excess application and payment for the Rights Shares under the Rights Issue
<b>“Code”</b>	:	The Singapore Code on Take-overs and Mergers, as amended or modified from time to time
<b>“Companies Act”</b>	:	Companies Act, Chapter 50 of Singapore, as amended or modified from time to time
<b>“Company” or “SCM”</b>	:	Sembcorp Marine Ltd
<b>“Concession Period”</b>	:	Has the meaning ascribed to it in paragraph 3.1 of this Circular
<b>“Concessionary Brokerage Rate”</b>	:	Has the meaning ascribed to it in paragraph 3.1 of this Circular
<b>“Constitution”</b>	:	The Constitution of the Company
<b>“CPF”</b>	:	Central Provident Fund
<b>“CPF Funds”</b>	:	CPF investible savings
<b>“CPF Investment Account”</b>	:	The investment account maintained with an approved CPF agent bank for the purpose of investment of CPF Funds under the CPFIS – Ordinary Account



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## DEFINITIONS

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<b>“CPFIS”</b>	:	CPF Investment Scheme
<b>“CPFIS Members”</b>	:	Shareholders who have previously purchased Shares using their CPF Funds under their CPF Investment Accounts
<b>“DBS Group”</b>	:	DBS Group Holdings Ltd
<b>“DBS Vickers”</b>	:	DBS Vickers Securities (Singapore) Pte Ltd
<b>“Directors”</b>	:	The directors of the Company, as at the date of this Circular
<b>“EGM”</b>	:	The extraordinary general meeting of the Company to be convened and held by way of electronic means at 10.00 a.m. on 11 August 2020, notice of which is set out on pages 102 to 104 of this Circular
<b>“Entitled Depositors”</b>	:	Shareholders with Shares standing to the credit of their Securities Accounts as at the Record Date and (i) whose registered addresses with CDP are in Singapore as at the Record Date, or (ii) who have, at least three Market Days prior to the Record Date, provided CDP with addresses in Singapore for the service of notices and documents, but excluding, subject to certain exceptions, Shareholders located, resident or with a registered address in any jurisdiction outside Singapore
<b>“Entitled Scripholders”</b>	:	Shareholders whose share certificates have not been deposited with CDP as well as transferees who have tendered to the Share Registrar registrable transfers of their Shares and the certificates relating thereto for registration up to the Record Date and (i) whose registered addresses with the Company are in Singapore as at the Record Date, or (ii) who have, at least three Market Days prior to the Record Date, provided the Share Registrar with addresses in Singapore for the service of notices and documents, but excluding, subject to certain exceptions, Shareholders located, resident or with a registered address in any jurisdiction outside Singapore
<b>“Entitled Shareholders”</b>	:	Entitled Depositors and Entitled Scripholders
<b>“EPS”</b>	:	Earnings/(loss) per Share
<b>“Excess Rights Shares”</b>	:	Rights Shares represented by provisional allotments of Rights Shares not accepted (whether by the persons to which the Rights Shares are provisionally allotted or by the Purchasers of “nil-paid” Rights), taken up or allotted for any reason and the fractional provisional allotments of Rights Shares not allotted in accordance with the terms of the Rights Issue
<b>“Foreign Purchasers”</b>	:	Purchasers of the Rights whose registered addresses with CDP are outside Singapore at the time of purchase through the book-entry (scripless) settlement system
<b>“Foreign Shareholders”</b>	:	Shareholders with registered addresses outside Singapore as at the Record Date and who have not, at least three Market Days prior thereto, provided the Share Registrar or CDP, as the case may be, with addresses in Singapore for the service of notices and documents

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## DEFINITIONS

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<b>“FY”</b>	:	Financial year ended or, as the case may be, ending 31 December
<b>“Group”</b>	:	The Company and its subsidiaries
<b>“GW”</b>	:	Has the meaning ascribed to it in paragraph 2.2 of this Circular
<b>“Heliconia”</b>	:	Has the meaning ascribed to it in Note (4) to paragraph 14.6 of this Circular
<b>“HVDC”</b>	:	Has the meaning ascribed to it in paragraph 2.2 of this Circular
<b>“IFA”</b>	:	Provenance Capital Pte. Ltd., the independent financial adviser appointed to advise the Independent Directors in relation to the Whitewash Resolution
<b>“IFA Letter”</b>	:	Has the meaning ascribed to it in paragraph 14.8 of this Circular
<b>“IFRS”</b>	:	Has the meaning ascribed to it in Appendix 3 of this Circular
<b>“Independent Directors”</b>	:	The Directors who are considered independent for the purposes of making the recommendation to Independent Shareholders in relation to the Whitewash Resolution, being the Directors, save for Tan Sri Mohd Hassan Marican and Koh Chiap Khiong
<b>“Independent Shareholders”</b>	:	The Shareholders who are deemed to be independent for the purpose of the Whitewash Resolution, being the Shareholders other than the Temasek Concert Party Group as well as parties not independent of them
<b>“Ineligible Shareholders”</b>	:	Shareholders other than the Entitled Depositors and the Entitled Scripholders
<b>“Issue Price”</b>	:	The issue price of the Rights Shares, being S\$0.20 for each Rights Share
<b>“Last Trading Day”</b>	:	3 June 2020, being the last trading day on which trades were done on the Shares prior to the Announcement
<b>“Latest Practicable Date”</b>	:	15 July 2020, being the latest practicable date prior to the printing of this Circular
<b>“Listing Manual”</b>	:	The listing manual of the SGX-ST, as amended or modified from time to time
<b>“LNG”</b>	:	Liquefied natural gas
<b>“Loan Repayment Date”</b>	:	Has the meaning ascribed to it in paragraph 5.2(iii) of this Circular
<b>“Market Day”</b>	:	A day on which the SGX-ST is open for trading in securities
<b>“MAS”</b>	:	The Monetary Authority of Singapore
<b>“Maximum Resultant Holding Scenario”</b>	:	Has the meaning ascribed to it in paragraph 14.5 of this Circular

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## DEFINITIONS

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<b>“Minimum Resultant Holding Scenario”</b>	:	Has the meaning ascribed to it in paragraph 14.4 of this Circular
<b>“Notice of EGM”</b>	:	The notice of EGM set out on pages 102 to 104 of this Circular
<b>“Novation”</b>	:	Has the meaning ascribed to it in paragraph 5.2(i) of this Circular
<b>“NTA”</b>	:	Net tangible assets
<b>“OCBC Securities”</b>	:	OCBC Securities Private Limited
<b>“Offer Information Statement”</b>	:	The offer information statement, together with the ARE, the ARS, the PAL and all other accompanying documents (where applicable, including any supplementary or replacement document thereof) to be issued by the Company and to be lodged with the MAS in connection with the Rights Issue
<b>“PAL”</b>	:	The provisional allotment letter to be issued to Entitled Scripholders, setting out the Rights of such Entitled Scripholders under the Rights Issue
<b>“Participating Banks”</b>	:	The banks that will be participating in the Rights Issue by making available their ATMs to Entitled Depositors and persons purchasing the Rights through the book-entry (scripless) settlement system whose registered addresses with CDP are in Singapore, for acceptances of the Rights Shares and applications for Excess Rights Shares, as the case may be, to be made under the Rights Issue
<b>“per cent.” or “%”</b>	:	Per centum or percentage
<b>“Phillip Securities”</b>	:	Phillip Securities Pte Ltd
<b>“Proxy Form”</b>	:	The proxy form in respect of the EGM as set out in this Circular and which may also be accessed at the Company’s website at the URL <a href="https://www.sembmarine.com/extraordinary-general-meeting">https://www.sembmarine.com/extraordinary-general-meeting</a> , and is also available on the SGX website at the URL <a href="https://www.sgx.com/securities/company-announcements">https://www.sgx.com/securities/company-announcements</a>
<b>“Purchaser”</b>	:	A purchaser of the Rights traded on the SGX-ST through the book-entry (scripless) settlement system
<b>“Record Date”</b>	:	The time and date (to be announced by the Company) at and on which, subject to the approval of the Rights Issue and the Whitewash Resolution being obtained at the EGM and the approval of the SCI Distribution Resolution being obtained at the SCI EGM, the Register of Members and the Share Transfer Books of the Company will be closed to determine the provisional allotments of Rights Shares of Entitled Shareholders under the Rights Issue. Please also refer to the section entitled “Indicative Timeline” of this Circular for the expected Record Date, which, for the avoidance of doubt, is only indicative
<b>“Relevant Temasek Entity(ies)”</b>	:	The Temasek Company(ies) that will be subscribing for the Underwritten Rights Shares on the terms and subject to the conditions of the Sub-Underwriting Agreement

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## DEFINITIONS

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<b>“Rigel Technology”</b>	:	Has the meaning ascribed to it in Note (4) to paragraph 14.6 of this Circular
<b>“Rights”</b>	:	Rights to subscribe for five (5) Rights Shares for every one (1) existing Share held by Entitled Shareholders as at the Record Date, fractional entitlements to be disregarded
<b>“Rights Issue”</b>	:	The proposed renounceable underwritten rights issue by the Company of 10,462,690,870 Rights Shares, at the Issue Price, on the basis of five (5) Rights Shares for every one (1) existing Share held by Entitled Shareholders as at the Record Date, fractional entitlements to be disregarded, on the terms and conditions of the Offer Information Statement
<b>“Rights Issue Conditions”</b>	:	Has the meaning ascribed to it in paragraph 3.2 of this Circular
<b>“Rights Issue Resolution”</b>	:	The resolution proposed to approve the issue of Rights Shares pursuant to the Rights Issue, as set out in the Notice of EGM
<b>“Rights Mailing Address”</b>	:	Has the meaning ascribed to it in Appendix 1 of this Circular
<b>“Rights Shares”</b>	:	The new Shares to be allotted and issued by the Company pursuant to the Rights Issue
<b>“S\$” and “cents”</b>	:	Singapore dollars and cents, respectively
<b>“SCI”</b>	:	Sembcorp Industries Ltd, the holding company of the Company
<b>“SCI 2019 Bondholders”</b>	:	The holders of the SCI 2019 Bonds
<b>“SCI 2019 Bonds”</b>	:	The S\$1.5 billion 3.55 per cent. guaranteed bonds due 2024 which were issued by SFS in 2019
<b>“SCI Circular”</b>	:	The circular to SCI Shareholders issued or to be issued by SCI in relation to the SCI Distribution
<b>“SCI Distribution”</b>	:	The proposed distribution <i>in specie</i> of up to all of the Shares held by SCI to SCI Entitled Shareholders on a <i>pro rata</i> basis to be undertaken after the completion of the Rights Issue
<b>“SCI Distribution Record Date”</b>	:	The time and date to be determined by the board of directors of SCI for the purposes of determining SCI Shareholders’ entitlements under the SCI Distribution
<b>“SCI Distribution Resolution”</b>	:	The resolution to approve the SCI Distribution to be proposed at the SCI EGM
<b>“SCI EGM”</b>	:	The extraordinary general meeting of SCI which is expected to be convened on the same day as the EGM
<b>“SCI Entitled Shareholders”</b>	:	SCI Shareholders who hold SCI Shares as at the SCI Distribution Record Date and who will be entitled to the SCI Distribution
<b>“SCI Excess Rights Shares”</b>	:	Up to 1,128,646,180 Excess Rights Shares required to be subscribed for by SCI pursuant to the SCI Undertaking Agreement

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## DEFINITIONS

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<b>“SCI Existing Shareholding”</b>	:	Has the meaning ascribed to it in paragraph 6.1 of this Circular
<b>“SCI <i>Pro Rata</i> Rights Shares”</b>	:	SCI’s <i>pro rata</i> entitlement under the Rights Issue in relation to the SCI Existing Shareholding, being 6,371,353,820 Rights Shares
<b>“SCI Shareholders”</b>	:	Shareholders of SCI
<b>“SCI Shares”</b>	:	Ordinary shares in the capital of SCI
<b>“SCI Undertaken Rights Shares”</b>	:	Up to 7,500,000,000 Rights Shares which SCI has undertaken to subscribe and pay for pursuant to the SCI Undertaking Agreement, comprising the SCI <i>Pro Rata</i> Rights Shares and the SCI Excess Rights Shares
<b>“SCI Undertaken Rights Shares Subscription Amount”</b>	:	Has the meaning ascribed to it in paragraph 1.1(a) of this Circular
<b>“SCI Undertaking Agreement”</b>	:	The undertaking agreement dated 8 June 2020 entered into between SCI and the Company, details of which are set out in paragraph 6 of this Circular
<b>“SCM PSP 2010”</b>	:	The Sembcorp Marine Performance Share Plan 2010 approved and adopted by the Shareholders on 20 April 2010
<b>“SCM RSP 2010”</b>	:	The Sembcorp Marine Restricted Share Plan 2010 approved and adopted by the Shareholders on 20 April 2010
<b>“Securities Account”</b>	:	Securities account maintained by a Depositor with CDP (but does not include a securities sub-account)
<b>“SFA”</b>	:	Securities and Futures Act, Chapter 289 of Singapore, as amended or modified from time to time
<b>“SFRS(I)”</b>	:	Has the meaning ascribed to it in Appendix 3 of this Circular
<b>“SFS”</b>	:	Has the meaning ascribed to it in paragraph 5.2 of this Circular
<b>“SGX”</b>	:	Singapore Exchange Limited
<b>“SGX-ST”</b>	:	Singapore Exchange Securities Trading Limited
<b>“Share Registrar”</b>	:	KCK CorpServe Pte. Ltd.
<b>“Shareholders”</b>	:	Registered holders of Shares in the Register of Members of the Company, except that where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares and where the context admits, mean the persons named as Depositors in the Depository Register maintained by CDP and into whose Securities Accounts those Shares are credited
<b>“Shares”</b>	:	The ordinary shares in the capital of the Company
<b>“SIC”</b>	:	Securities Industry Council

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## DEFINITIONS

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<b>“SIC Conditions”</b>	:	Has the meaning ascribed to it in paragraph 14.2 of this Circular
<b>“Singapore”</b>	:	The Republic of Singapore
<b>“SMFS”</b>	:	Has the meaning ascribed to it in paragraph 5.2 of this Circular
<b>“Sole Financial Adviser, Lead Manager and Underwriter”</b>	:	DBS Bank Ltd.
<b>“SRS”</b>	:	Supplementary Retirement Scheme
<b>“SRS Approved Banks”</b>	:	Approved banks with whom SRS Investors hold their accounts under the SRS
<b>“SRS Investors”</b>	:	Investors who have previously purchased Shares under the SRS
<b>“Startree”</b>	:	Startree Investments Pte. Ltd., a wholly-owned subsidiary of Temasek
<b>“Sub-Underwriting Agreement”</b>	:	The sub-underwriting agreement dated 8 June 2020 entered into between Startree and the Sole Financial Adviser, Lead Manager and Underwriter pursuant to which Startree has agreed to subscribe, or procure one or more Temasek Companies to subscribe, for the Underwritten Rights Shares to the extent that such Rights Shares are not successfully subscribed for under the Rights Issue, where such successful subscriptions shall include valid acceptances for provisional allotments of Rights Shares and valid subscriptions for Excess Rights Shares, provided always that the aggregate subscription amount for such Rights Shares shall not at any time exceed S\$0.6 billion, on the terms and subject to the conditions therein
<b>“Subordinated Credit Facility”</b>	:	The subordinated credit facility granted to SMFS by SFS in June 2019 (as supplemented and amended from time to time, including by the Subordinated Credit Facility Deed of Amendment), details of which are set out in paragraph 5 of this Circular
<b>“Subordinated Credit Facility Deed of Amendment”</b>	:	The deed of amendment dated 8 June 2020 entered into by SCI, SFS, the Company and SMFS to facilitate the set off arrangements in respect of SCI’s subscription and payment in full for the SCI Undertaken Rights Shares pursuant to the terms of the SCI Undertaking Agreement and the separation of the Company from SCI and its subsidiaries following the SCI Distribution, details of which are set out in paragraph 5 of this Circular
<b>“Subordinated Loan”</b>	:	The five-year subordinated loan of S\$2 billion pursuant to the Subordinated Credit Facility, of which S\$1.5 billion has been drawn down as at the Latest Practicable Date, details of which are set out in paragraph 5 of this Circular

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## DEFINITIONS

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<b>“Substantial Shareholder”</b>	:	A person who has an interest or interests in one or more voting shares in the Company and the total votes attached to that voting share, or those voting shares, is not less than five per cent. of the total votes attached to all the voting shares in the Company (excluding treasury shares)
<b>“Temasek”</b>	:	Temasek Holdings (Private) Limited
<b>“Temasek Companies”</b>	:	Temasek’s direct and indirect wholly-owned subsidiaries whose boards of directors or equivalent governing bodies comprise employees or nominees of (i) Temasek; (ii) TPL; and/or (iii) wholly-owned subsidiaries of TPL
<b>“Temasek Concert Party Group”</b>	:	Temasek and parties acting in concert with it in relation to the SCI Distribution, including SCI
<b>“TERP”</b>	:	Has the meaning ascribed to it in paragraph 3.1 of this Circular
<b>“TPL”</b>	:	Temasek Pte Ltd
<b>“Transaction”</b>	:	The Rights Issue and the SCI Distribution
<b>“Underwriting and Management Agreement”</b>	:	The underwriting and management agreement dated 8 June 2020 entered into between the Company and the Sole Financial Adviser, Lead Manager and Underwriter, pursuant to which the Sole Financial Adviser, Lead Manager and Underwriter will manage the Rights Issue and will underwrite the Underwritten Rights Shares at the Issue Price, on the terms and subject to the conditions therein
<b>“Underwritten Rights Shares”</b>	:	Based on the Rights Issue size of 10,462,690,870 Rights Shares, up to 2,962,690,870 Rights Shares (which excludes the SCI Undertaken Rights Shares) which the Sole Financial Adviser, Lead Manager and Underwriter has agreed to underwrite at the Issue Price on the terms and subject to the conditions of the Underwriting and Management Agreement
<b>“Unit Share Market”</b>	:	The unit share market of the SGX-ST which allows trading of shares in single shares
<b>“United States” or “U.S.”</b>	:	The United States of America
<b>“UOB Kay Hian”</b>	:	UOB Kay Hian Private Limited
<b>“VWAP”</b>	:	Has the meaning ascribed to it in paragraph 3.1 of this Circular
<b>“Whitewash Resolution”</b>	:	Has the meaning ascribed to it in paragraph 14.2(i)(a) of this Circular
<b>“Whitewash Waiver”</b>	:	Has the meaning ascribed to it in paragraph 14.2 of this Circular

The terms **“Depositor”**, **“Depository Agent”** and **“Depository Register”** shall have the meanings ascribed to them respectively in Section 81SF of the SFA.

The term **“subsidiary”** shall have the meaning ascribed to it in Section 5 of the Companies Act.

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## DEFINITIONS

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The terms “**acting in concert**”, “**concert parties**” and “**effective control**” shall have the meanings ascribed to them respectively in the Code.

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

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

Any reference in this Circular to any enactment is a reference to that enactment for the time being amended or re-enacted. Any word or term defined under the Companies Act, the SFA, the Listing Manual, the Code or any modification thereof and not otherwise defined in this Circular shall, where applicable, have the same meaning ascribed to it under the Companies Act, the SFA, the Listing Manual, the Code or such modification thereof, as the case may be, unless otherwise provided.

Any reference to a time of a day or date in this Circular shall be a reference to Singapore time and dates unless otherwise stated.

Any discrepancies in the figures included in this Circular between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures that precede them.

Where applicable, figures and percentages used in this Circular have been rounded to one decimal place for ease of reading.

Any reference to a website or any website directly or indirectly linked to such websites in this Circular is not incorporated by reference into this Circular and should not be relied upon.



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## INDICATIVE TIMELINE

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For illustrative purposes, the following are indicative dates and times for the proposed Rights Issue<sup>(1)</sup>:

<i>Expected date of announcement of the conditional Record Date</i>	:	<i>On or around 5 August 2020</i>
Last date and time for lodgement of Proxy Forms for the EGM	:	8 August 2020 at 10.00 a.m.
Date and time of the EGM	:	11 August 2020 at 10.00 a.m.
<i>Expected last date for Shares to trade "cum-rights" to the Rights Issue</i>	:	<i>On or around 12 August 2020</i>
<i>Expected first date for Shares to trade "ex-rights" to the Rights Issue</i>	:	<i>On or around 13 August 2020</i>
<i>Expected date of lodgement of the Offer Information Statement and accompanying application forms with the MAS</i>	:	<i>On or around 14 August 2020</i>
<i>Expected Record Date</i>	:	<i>On or around 14 August 2020 at 5.00 p.m.</i>
<i>Expected first date for commencement of trading of Rights</i>	:	<i>On or around 19 August 2020 from 9.00 a.m.</i>
<i>Expected first date for acceptance of and payment for the Rights Shares and/or application and payment for Excess Rights Shares<sup>(2)</sup></i>	:	<i>On or around 19 August 2020</i>
<i>Expected last date for splitting and trading of Rights</i>	:	<i>On or around 27 August 2020</i>
<i>Expected last date for acceptance of and payment for Rights Shares and/or application and payment for Excess Rights Shares<sup>(2)</sup></i>	:	<i>On or around 2 September 2020</i>
<i>Expected date of issuance of Rights Shares</i>	:	<i>On or around 11 September 2020</i>
<i>Expected date of commencement of trading of Rights Shares</i>	:	<i>On or around 11 September 2020</i>

**Notes:**

- (1) Save for the date and time by which the Proxy Forms must be lodged and the date and time of the EGM, the timetable above is only indicative and the actual dates of the events in italics will be announced by the Company in due course by way of SGXNET announcements released on the SGX-ST.
- (2) This does not apply to CPFIS Members, SRS Investors and investors who hold Shares through a finance company and/or Depository Agent. CPFIS Members, SRS Investors and investors who hold Shares through a finance company and/or Depository Agent should refer to the Offer Information Statement after the lodgement of the Offer Information Statement with the MAS for details relating to the application procedure for them.

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## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as “aim”, “seek”, “expect”, “anticipate”, “estimate”, “believe”, “intend”, “project”, “plan”, “strategy”, “forecast” and similar expressions or future or conditional verbs such as “will”, “if”, “would”, “should”, “could”, “may” and “might”. These statements reflect the Company’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of information available as at the Latest Practicable Date. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Shareholders should not place undue reliance on such forward-looking statements, and the Company assumes no obligation to update publicly or revise any forward-looking statement.

As there are risks and uncertainties that may cause the actual results, performance or achievements of the Company and/or the Group to be materially different than expected, expressed or implied by the forward-looking statements in this Circular, Shareholders are advised not to place undue reliance on those statements. Further, the Company disclaims any responsibility to update any of those forward-looking statements or publicly announce any revisions to those forward-looking statements to reflect future developments, events or circumstances for any reason, even if new information becomes available or other events occur in the future, subject to compliance with all applicable laws and/or any regulatory or supervisory body or agency.

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## LETTER TO SHAREHOLDERS

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### SEMBCORP MARINE LTD

(Incorporated in the Republic of Singapore)  
(Company Registration Number: 196300098Z)

#### Directors:

Tan Sri Mohd Hassan Marican (*Chairman*)  
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*)  
Koh Chiap Khiong (*Non-Executive and Non-Independent Director*)  
Wong Weng Sun (*President & CEO*)

#### Registered Office:

80 Tuas South Boulevard  
Singapore 637051

22 July 2020

To: The Shareholders of Sembcorp Marine Ltd

Dear Sir/Madam,

#### 1. INTRODUCTION

1.1 **Proposed Rights Issue.** On 8 June 2020, the Company announced that it proposes to carry out a renounceable underwritten Rights Issue to raise gross proceeds of approximately S\$2.1 billion. Pursuant to the Rights Issue, 10,462,690,870 Rights Shares will be offered at the Issue Price of S\$0.20 for each Rights Share, on the basis of five (5) Rights Shares for every one (1) existing Share held by Entitled Shareholders as at the Record Date, fractional entitlements to be disregarded.

SCI has entered into the SCI Undertaking Agreement with the Company pursuant to which it has irrevocably undertaken to, *inter alia*, subscribe and pay in full for all the SCI *Pro Rata* Rights Shares and subscribe and pay in full for, or procure the subscription and payment in full of, the SCI Excess Rights Shares, provided that the value for the SCI Excess Rights Shares shall not, based on the Issue Price, exceed an amount equivalent to the difference between (i) the SCI *Pro Rata* Rights Shares multiplied by the Issue Price; and (ii) S\$1.5 billion. Pursuant to the terms of the SCI Undertaking Agreement, SCI and the Company have also agreed, *inter alia*, that:

- (a) the aggregate price payable by SCI for the SCI *Pro Rata* Rights Shares and any SCI Excess Rights Shares (the “**SCI Undertaken Rights Shares Subscription Amount**”) shall not at any time exceed S\$1.5 billion (representing up to 7,500,000,000 Rights Shares, comprising 6,371,353,820 SCI *Pro Rata* Rights Shares and up to 1,128,646,180 SCI Excess Rights Shares); and
- (b) SCI’s obligation to pay the SCI Undertaken Rights Shares Subscription Amount shall be set off against an equivalent amount of the principal amount outstanding and due and owing to SCI by the Company under the Subordinated Credit Facility following the Novation.

In this regard, SCI will satisfy its obligations set out in paragraphs 1.1(a) and 1.1(b) of this Circular by submitting an application, on or prior to the Closing Date in accordance with the terms and conditions of the Rights Issue, to subscribe for (1) the SCI *Pro Rata* Rights Shares (for a total consideration of S\$1,274,270,764 based on the Issue Price) and (2) such number of SCI Excess Rights Shares equivalent to the difference between (A) S\$1.5 billion divided by the Issue Price and (B) the SCI *Pro Rata* Rights Shares (for a total consideration of S\$225,729,236 based on the Issue Price).

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## LETTER TO SHAREHOLDERS

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The Company has appointed DBS Bank Ltd. as the Sole Financial Adviser, Lead Manager and Underwriter for the Rights Issue. The Sole Financial Adviser, Lead Manager and Underwriter has agreed to underwrite the Underwritten Rights Shares, at the Issue Price on the terms and subject to the conditions of the Underwriting and Management Agreement. Pursuant to the Underwriting and Management Agreement, the Company will pay the Sole Financial Adviser, Lead Manager and Underwriter an underwriting commission of 0.15 per cent. of the Issue Price multiplied by the Underwritten Rights Shares (being a total of up to approximately S\$889,000).

Startree, a wholly-owned subsidiary of Temasek, has entered into the Sub-Underwriting Agreement with the Sole Financial Adviser, Lead Manager and Underwriter pursuant to which it has agreed, on the terms and subject to the conditions of the Sub-Underwriting Agreement, to subscribe, or procure one or more Temasek Companies to subscribe, for the Underwritten Rights Shares to the extent that such Rights Shares are not successfully subscribed for under the Rights Issue, where such successful subscriptions shall include valid acceptances for provisional allotments of Rights Shares and valid subscriptions for Excess Rights Shares, provided always that the aggregate subscription amount for such Rights Shares shall not at any time exceed S\$0.6 billion. Under the terms of the Sub-Underwriting Agreement, no sub-underwriting fees will be paid to Temasek or Startree.

As a result of the entry into the SCI Undertaking Agreement, the Underwriting and Management Agreement and the Sub-Underwriting Agreement, the Rights Issue is effectively fully underwritten and all of the Rights Shares to be allotted and issued by the Company under the Rights Issue will be fully subscribed and paid for.

The Rights Issue is subject to, *inter alia*, the approval of the Rights Issue Resolution at the EGM.

Please see paragraphs 3 to 12 and 18 of this Circular for further information on the proposed Rights Issue.

- 1.2 **Proposed SCI Distribution.** SCI, the holding company of the Company, is concurrently proposing a distribution *in specie* of up to all of the Shares held by SCI to SCI Entitled Shareholders, on a *pro rata* basis, to be undertaken after the completion of the Rights Issue. As a result of the SCI Distribution, Temasek (which is currently the single largest shareholder of SCI) will become a direct shareholder of the Company. As the Temasek Concert Party Group will hold more than 30 per cent. of the Company as a result of the SCI Distribution, the approval by the Independent Shareholders of the Whitewash Resolution at the EGM is required to waive their rights to receive a mandatory take-over offer from the Temasek Concert Party Group. Accordingly, the SCI Distribution will be subject to, *inter alia*, the approval of the Whitewash Resolution at the EGM.

Please see paragraphs 13 and 14 of this Circular for further information on the proposed SCI Distribution and the Whitewash Resolution.

- 1.3 **Conditionality.** The Rights Issue and the SCI Distribution are inter-conditional upon each other and subject to, *inter alia*:
- (i) the approval of Shareholders at the EGM for the Rights Issue Resolution, including the allotment and issue of the Rights Shares pursuant to the Rights Issue;
  - (ii) the approval of the Independent Shareholders at the EGM for the Whitewash Resolution; and
  - (iii) the approval of SCI Shareholders at the SCI EGM for the SCI Distribution Resolution.

**In the event that the Shareholders do not approve the Rights Issue Resolution and/or the Independent Shareholders do not approve the Whitewash Resolution, or the SCI Shareholders do not approve the SCI Distribution Resolution, neither the Rights Issue nor the SCI Distribution will proceed. In the event that the Rights Issue does not proceed or the Rights Shares are not allotted and issued, the SCI Distribution will not proceed.**

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## LETTER TO SHAREHOLDERS

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**It is therefore important to note that the Rights Issue is inter-conditional upon the SCI Distribution and the Whitewash Resolution, and in the event that any of the above-mentioned resolutions is not passed, no part of the Transaction can proceed. Consequently, all of the Company's strenuous efforts to recapitalise and strengthen its balance sheet will be negated and the critical need to address its liquidity requirements will fail.**

- 1.4 **Approval in-principle.** The Company also announced on 22 July 2020 that the SGX-ST had granted approval in-principle for the listing of and quotation for the Rights Shares on the Main Board of the SGX-ST, subject to certain conditions, the details of which are set out in paragraph 3.2 of this Circular. The Rights Shares will be admitted to the Official List of the SGX-ST and official quotation will commence after all conditions imposed by the SGX-ST are satisfied.

The SGX-ST assumes no responsibility for the correctness or accuracy of any of the statements made, reports contained or opinions expressed in this Circular. Approval in-principle granted by the SGX-ST for the listing of and quotation for the Rights Shares on the Main Board of the SGX-ST is not to be taken as an indication of the merits of the Rights Issue, the Rights Shares, the Rights, the Company, its subsidiaries and/or the Shares.

- 1.5 **EGM.** The purpose of this Circular is to provide Shareholders with information pertaining to, and to seek Shareholders' approval at the EGM for, the Rights Issue Resolution and the Whitewash Resolution. The Notice of EGM is set out on pages 102 to 104 of this Circular. This Circular has been prepared solely for the purpose set out herein and may not be relied upon by any persons (other than Shareholders) nor for any other purpose.
- 1.6 **Legal Advisers.** Allen & Gledhill LLP is the legal adviser to the Company as to Singapore law in relation to the Rights Issue and the Whitewash Resolution. Clifford Chance Pte. Ltd. is the legal adviser to the Sole Financial Adviser, Lead Manager and Underwriter as to Singapore law and United States federal securities laws in relation to the Rights Issue and the Whitewash Resolution.

## 2. OVERVIEW OF THE COMPANY

- 2.1 **Introduction.** The Company provides innovative engineering solutions to the global offshore, marine and energy industries. Headquartered in Singapore, the Company has close to 60 years of track record in the design and construction of rigs, floaters, offshore platforms and specialised vessels, as well as in the repair, upgrading and conversion of different ship types. Its solutions focus on the following areas: Gas Value Chain, Renewable Energy, Process, Advanced Drilling Rigs, Ocean Living and Maritime Security.

The Company's customers include major energy companies, owners of floating production units, shipping companies and cruise and ferry operators. They are supported by four commercial units: Rigs & Floaters; Repairs & Upgrades; Offshore Platforms; and Specialised Shipbuilding.

The Company operates shipyards and other facilities strategically located in Singapore, Indonesia, the United Kingdom, Norway and Brazil.

To successfully compete in the global arena, the Company has implemented three key strategies:

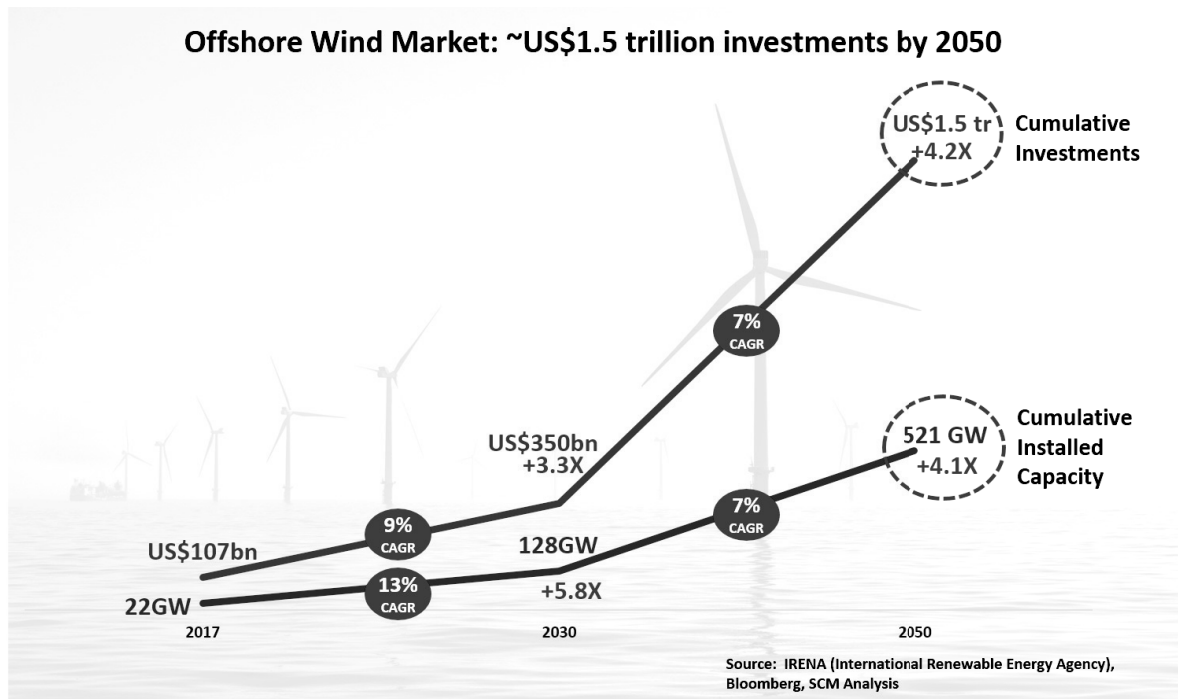
- (i) Proactive diversification and expansion into new and existing markets;
- (ii) Strategic strengthening of yard capabilities; and
- (iii) Innovation development through investment in intellectual property, technology and solutions that provide a differentiated edge.

## LETTER TO SHAREHOLDERS

**2.2 Proactive Diversification and Expansion into New and Existing Markets.** While oil and gas remain the dominant focus, the Company has proactively diversified its business and product segments towards the provision of clean energy solutions. Such solutions leverage its integrated marine and offshore engineering capabilities to provide the full value chain of offshore wind and offshore gas products and solutions. One such project undertaken by the Company is the ongoing construction of two substation platform topsides and accompanying jackets for Hornsea 2, the world's largest offshore wind farm with a 1.4 gigawatt ("GW") capacity, located in the United Kingdom North Sea.

In July 2020, RWE Renewables, the owner of the 1.4 GW Sofia Offshore Wind Farm which is also in the United Kingdom North Sea, selected the Company and its consortium partner GE's Grid Solutions as the preferred suppliers for the wind farm's High Voltage Direct Current ("HVDC") electrical transmission system. The Company's scope of work in this project includes the design, construction, installation and commissioning of an offshore converter platform. Early design works have started, ahead of the Sofia Offshore Wind Farm's final investment decision in the first quarter of 2021.

With significant growth expected in the offshore wind market over the next 30 years, the Company will focus on gaining further traction in this segment.



**Note:**

In the chart above, "CAGR" means compound annual growth rate, "GW" means gigawatt, "bn" means billion, "tr" means trillion and "US\$" means United States dollars.

The Company's diversification and expansion into other clean solutions segments (including gas value chain and renewable energy) serves to (i) increasingly align its business with the global shift towards cleaner products and solutions and strengthen its market share, and (ii) build greater resilience by reducing its exposure to the volatility of the offshore oil and gas sector.

This proactive diversification and expansion strategy is bearing fruit, with the Company achieving S\$530 million of new orders in FY2019 (about one-third of the year's total of S\$1.5 billion) from green energy solutions.

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## LETTER TO SHAREHOLDERS

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Further, the Company has built on its integrated marine and offshore engineering capabilities to move up the value chain and provide a wider suite of products and solutions for its existing business segments. The strategy is aimed at strengthening the Company's competitiveness in winning more orders and improving its overall profitability over the longer term. For example, as described in Appendix 3 of this Circular, the product areas for the Company's Specialised Shipbuilding commercial unit include gas value chain vessels (compressed gas liquid and LNG) and renewable energy support vessels and offshore support vessels (heavy-lift, pipe-lay and accommodation).

- 2.3 **Strategic Strengthening of Yard Capabilities.** In continuously strengthening its yard facilities and strategic capabilities to deliver optimal production flexibility and efficiency, the Company seeks to differentiate itself from its global competitors. An example is the Company's flagship Tuas Boulevard Yard, where its new 30,000-tonne capacity gantry cranes, the largest of its kind in the offshore industry, greatly enhances the Company's value proposition as a one-stop production centre capable of fabricating, assembling and installing larger and heavier integrated structures with greater cost-efficiency. This will also reduce the time to completion and improve execution quality and safety.

Tuas Boulevard Yard also has the region's longest and deepest ship repair dry docks that can accommodate ultra-large 18,000 twenty-foot equivalent unit (TEU) container carriers and the repair and upgrade of mega-size cruise vessels and LNG carriers. The Company is consistently ranked among the world leaders for the repair and upgrade of cruise ships and LNG carriers. In 2019, the Company carried out 55 LNG-related repair and upgrade jobs - a record high number of such contracts awarded to a single service provider in the global LNG segment. It also secured 16 cruise ship projects in the same year, retaining its decade-long position as Asia's top cruise vessel repair and upgrading company.

- 2.4 **Innovation Development through Investment in Intellectual Property, Technology and Solutions.** In recent years, the Company has strategically acquired intellectual property, technologies and engineering talent that provided access to innovative designs for specialised vessels such as fully battery-operated roll-on, roll-off passenger and vehicle ferries, and other green products and solutions. Coupled with long-term investments in research and development and disruptive technologies, these strategic innovation development initiatives position the Company at the forefront with an ability to offer and compete for a wider range of highly customised or repeatable products and solutions in its target business segments.

The Company's key strategies will fortify its resilience and competitive edge to ride through the current oil and gas industry downturn and subsequent recovery, and to seize opportunities in other business segments, especially in renewable energy and other green solutions. These strategies are aimed at improving the Company's financial performance and generating sustainable returns for Shareholders.

### 3. PROPOSED RIGHTS ISSUE

- 3.1 **Principal Terms.** The principal terms of the Rights Issue and the Rights Shares are summarised below.

**Basis of provisional allotment** : The Rights Issue will be made on a renounceable underwritten basis to Entitled Shareholders on the basis of five (5) Rights Shares for every one (1) existing Share held by Entitled Shareholders as at the Record Date, fractional entitlements to be disregarded.

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## LETTER TO SHAREHOLDERS

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**Issue Price** : S\$0.20 for each Rights Share. The Rights Shares are payable in full upon acceptance and/or application<sup>1</sup>.

The Issue Price represents a discount of approximately:

- (i) 31.0 per cent. to the theoretical ex-rights price (“**TERP**”) of S\$0.290<sup>2</sup> per Share as calculated based on the volume weighted average price (“**VWAP**”) of the Shares on the Main Board of the SGX-ST over the five-day period up to and including the Last Trading Day of S\$0.740<sup>3</sup>;
- (ii) 35.1 per cent. to the TERP of S\$0.308<sup>4</sup> per Share as calculated based on the last transacted price of the Shares on the Main Board of the SGX-ST on the Last Trading Day of S\$0.850; and
- (iii) 76.5 per cent. to the last transacted price of the Shares on the Main Board of the SGX-ST on the Last Trading Day of S\$0.850.

The Issue Price and discounts have been determined after taking into account precedent transactions, the transaction size and discussions with the Sole Financial Adviser, Lead Manager and Underwriter.

**Status of Rights Shares** : The Rights Shares will, upon allotment and issue, rank *pari passu* in all respects with the then existing Shares, except that they will not rank for any dividends, rights, allotments or other distributions the record date for which falls before the date of allotment and issue of the Rights Shares.

**Number of Rights Shares to be issued** : Based on the issued share capital of the Company as at the Latest Practicable Date of 2,092,538,174 Shares (excluding treasury shares)<sup>5</sup>, the Company will allot and issue 10,462,690,870 Rights Shares under the Rights Issue.

As a result of the entry into the SCI Undertaking Agreement, the Underwriting and Management Agreement and the Sub-Underwriting Agreement, the Rights Issue is effectively fully underwritten and all of the Rights Shares to be allotted and issued by the Company under the Rights Issue will be fully subscribed and paid for.

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<sup>1</sup> SCI's obligation to pay the SCI Undertaken Rights Shares Subscription Amount shall be set off against an equivalent amount of the principal amount outstanding and due and owing to SCI by the Company under the Subordinated Credit Facility following the Novation, as further described in paragraph 6.3(iii) of this Circular.

<sup>2</sup> Such TERP is the theoretical market price of each Share assuming the completion of the Rights Issue, and is calculated based on the VWAP of the Shares on the Main Board of the SGX-ST over the five-day period up to and including the Last Trading Day of S\$0.740, and the number of Shares following the completion of the Rights Issue.

<sup>3</sup> The Issue Price represents a discount of approximately 73.0 per cent. to the VWAP of the Shares on the Main Board of the SGX-ST over the five-day period up to and including the Last Trading Day of S\$0.740.

<sup>4</sup> Such TERP is the theoretical market price of each Share assuming the completion of the Rights Issue, and is calculated based on the last transacted price of the Shares on the Main Board of the SGX-ST on the Last Trading Day of S\$0.850, and the number of Shares following the completion of the Rights Issue.

<sup>5</sup> Subsequent to the Announcement, as announced by the Company on 24 June 2020, the Company allotted and issued an aggregate of 2,050,445 new Shares pursuant to the release of awards under the SCM RSP 2010 and for the payment of Directors' fees.

Save for the foregoing, the Company will not be allotting and issuing any additional new Shares pursuant to the release of awards under the SCM RSP 2010 or for the payment of Directors' fees prior to the Record Date.



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## LETTER TO SHAREHOLDERS

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**Use of proceeds** : The estimated amount of the gross proceeds from the Rights Issue is approximately S\$2.1 billion.

The estimated net proceeds from the Rights Issue (after deducting estimated expenses of approximately S\$9.0 million to be incurred in connection with the Rights Issue) are expected to be approximately S\$2.1 billion.

The Company intends to utilise S\$1.5 billion (or approximately 72%) of the net proceeds from the Rights Issue to repay (including by way of set off) the outstanding principal of S\$1.5 billion under the Subordinated Credit Facility, with the remaining S\$0.6 billion (or approximately 28%) of the net proceeds from the Rights Issue to be used for working capital and general corporate purposes, including debt servicing (which may in turn include payments related to the Subordinated Credit Facility such as intercompany loan fee and loan interest).

**Eligibility to participate in the Rights Issue** : As there may be prohibitions or restrictions against the offering of Rights Shares in certain jurisdictions, only Entitled Shareholders are eligible to participate in the Rights Issue. Please see Appendix 1 of this Circular for details on the eligibility of Shareholders to participate in the Rights Issue.

**Listing and trading of the Rights Shares** : On 22 July 2020, the SGX-ST granted approval in-principle for the listing of and quotation for the Rights Shares on the Main Board of the SGX-ST, subject to certain conditions, the details of which are set out in paragraph 3.2 of this Circular. The approval in-principle of the SGX-ST is not to be taken as an indication of the merits of the Rights Issue, the Rights Shares, the Rights, the Company, its subsidiaries and/or the Shares.

Upon the listing of and quotation for the Rights Shares on the Main Board of the SGX-ST, the Rights Shares will be traded on the Main Board of the SGX-ST under the book-entry (scripless) settlement system. All dealings in and transactions (including transfers) in relation to the Rights Shares effected through the SGX-ST and/or CDP shall be made in accordance with CDP's "*Terms and Conditions for Operation of Securities Account with The Central Depository (Pte) Limited*", as the same may be amended from time to time, copies of which are available from CDP.

For the purposes of trading on the Main Board of the SGX-ST, each board lot of Shares will comprise 100 Shares. Shareholders who hold odd lots of Shares (that is, lots other than board lots of 100 Shares) are able to trade odd lots of Shares in board lots of one Share on the Unit Share Market. Shareholders who hold odd lots of Shares may have difficulty and/or have to bear disproportionate transaction costs in realising the fair market price of such Shares.

In this regard, DBS Vickers, OCBC Securities, Phillip Securities and UOB Kay Hian (collectively, the "**Brokers**") will be offering concessionary brokerage rates for the trading in odd lots of Shares ("**Concessionary Brokerage Rate**") for a period of one calendar month from the date of commencement of trading of the Rights Shares ("**Concession Period**").

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## LETTER TO SHAREHOLDERS

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The brokerage fee payable by those who trade on the Unit Share Market during the Concession Period through the Brokerages are as follows:

	<b>DBS Vickers</b>	<b>OCBC Securities</b>	<b>Phillip Securities</b>	<b>UOB Kay Hian</b>
Minimum brokerage fee, provided the number of Shares traded in aggregate does not exceed 99 Shares in a single day	S\$5.00 per contract (via a broker).	S\$15.00 per contract (via a broker).	S\$5.00 per contract (via POEMS).	S\$5.00 per contract (via a broker).
			S\$10.00 per contract (via a broker).	

For trades of 100 Shares or more in aggregate in a single day, the usual brokerage fee applies. After the Concession Period, Shareholders who hold odd lots of Shares can continue to trade in odd-lots on the Unit Share Market and the Concessionary Brokerage Rate will no longer be applicable to any trades of the Shares in odd lots undertaken via the Brokerages.

Shareholders should note that notwithstanding the Concessionary Brokerage Rate for trades executed on the Unit Share Market during the Concession Period, they will be required to continue to bear clearing fees and other regular trading fees imposed by the SGX-ST (including any goods and services tax relating to such fees), which shall be based on customary rates imposed from time to time.

**Acceptance, excess application and payment**

: Entitled Shareholders will be at liberty to accept, decline or renounce their Rights and will be eligible to apply for additional Rights Shares in excess of their provisional allotments under the Rights Issue. Entitled Depositors will also be able to trade their Rights on the SGX-ST during the Rights trading period prescribed by the SGX-ST.

Fractional entitlements to the Rights Shares will be aggregated and used with provisional allotments which are not taken up or allotted for any reason to satisfy excess applications for Rights Shares (if any) or disposed of or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit for the benefit of the Company.

In the allotment of Excess Rights Shares, preference will be given to the rounding of odd lots, and Directors and Substantial Shareholders who have control or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Rights Issue, or have representation (direct or through a nominee) on the Board of Directors, will rank last in priority for rounding of odd lots and allotment of Excess Rights Shares.

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## LETTER TO SHAREHOLDERS

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The procedures for, and the terms and conditions applicable to, acceptances, renunciation and/or sales of the Rights and for the applications for Excess Rights Shares, including the different modes of acceptance or application and payment, will be set out in the Offer Information Statement.

**Use of CPF Funds** : CPFIS Members can only use, subject to applicable CPF rules and regulations, monies standing to the credit of their respective CPF Investment Accounts to pay for the acceptance of their Rights and (if applicable) application for Excess Rights Shares.

Such CPFIS Members who wish to accept their Rights and (if applicable) apply for Excess Rights Shares using their CPF Funds must have sufficient funds in their CPF Investment Accounts and will need to instruct their respective approved CPF agent banks with whom they hold their CPF Investment Accounts, to accept the Rights and (if applicable) apply for Excess Rights Shares on their behalf in accordance with the terms and conditions of the Offer Information Statement.

In the case of insufficient CPF Funds or stock limit, CPFIS Members could top-up cash into their CPF Investment Accounts before instructing their respective approved CPF agent banks to accept their Rights and (if applicable) apply for Excess Rights Shares on their behalf.

CPF Funds cannot, however, be used for the purchase of Rights directly from the market.

**Use of SRS Funds** : SRS Investors can only use, subject to applicable SRS rules and regulations, monies standing to the credit of their respective SRS accounts to pay for the acceptance of their Rights and (if applicable) application for Excess Rights Shares.

Such SRS Investors who wish to accept their Rights and (if applicable) apply for Excess Rights Shares using their SRS monies will need to instruct their respective SRS Approved Banks with whom they hold their SRS accounts, to accept the Rights and (if applicable) apply for Excess Rights Shares on their behalf in accordance with the terms and conditions in the Offer Information Statement.

SRS Investors who have insufficient funds in their SRS accounts could, subject to the SRS contribution cap, deposit cash into their SRS accounts with their respective SRS Approved Banks before instructing their respective SRS Approved Banks to accept the Rights and (if applicable) apply for Excess Rights Shares on their behalf.

SRS monies cannot, however, be used for the purchase of Rights directly from the market.

**SCI Undertaking Agreement** : Please refer to paragraph 6 of this Circular for details of the terms of the SCI Undertaking Agreement.

**Underwriting** : The Rights Issue will be underwritten. Please refer to paragraphs 7 and 8 of this Circular for details.

**Governing law** : Laws of Singapore.

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## LETTER TO SHAREHOLDERS

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The terms and conditions of the Rights Issue are subject to such changes as the Directors may, in consultation with the Sole Financial Adviser, Lead Manager and Underwriter, deem fit. The final terms and conditions of the Rights Issue will be contained in the Offer Information Statement to be lodged with the MAS and despatched or, as the case may be, disseminated by the Company to Entitled Shareholders in due course, subject to, *inter alia*, the Rights Issue Resolution and the Whitewash Resolution being approved at the EGM and the SCI Distribution Resolution being approved at the SCI EGM.

3.2 **Conditions for the Rights Issue.** Shareholders should note that the Rights Issue is subject to and conditional upon, *inter alia*, the satisfaction or waiver of the following conditions precedent (the “Rights Issue Conditions”):

- (i) the approval of Shareholders at the EGM for the Rights Issue Resolution, including the allotment and issue of the Rights Shares pursuant to the Rights Issue;
- (ii) the approval of the Independent Shareholders at the EGM for the Whitewash Resolution;
- (iii) the approval of SCI Shareholders at the SCI EGM for the SCI Distribution Resolution;
- (iv) the approval in-principle from the SGX-ST for the listing of and quotation for the Rights Shares on the Main Board of the SGX-ST, not having been withdrawn or revoked as at the date of completion of the Rights Issue;
- (v) the lodgement of the Offer Information Statement, together with all other accompanying documents, with the MAS;
- (vi) the Whitewash Waiver, which was granted by the SIC on 5 June 2020, not having been withdrawn, revoked or amended, and all conditions to which the Whitewash Waiver is subject having been fulfilled;
- (vii) the approval of the SCI 2019 Bondholders having been obtained either in writing or at a meeting of the SCI 2019 Bondholders for amendments to the terms and conditions of the SCI 2019 Bonds to, *inter alia*, waive and/or delete the requirement for the mandatory redemption of the SCI 2019 Bonds upon repayment of the Subordinated Loan. In this regard, the Company understands that SCI and SFS do not currently intend to redeem the SCI 2019 Bonds; and
- (viii) all other approvals of any government whether Singapore or foreign, any department, ministry or agency of any government and any other governmental, administrative, fiscal, monetary or judicial body, as well as all other third party consents, which SCI or SCM reasonably determines are necessary to implement the Rights Issue and the SCI Distribution having been obtained either unconditionally or on conditions satisfactory to SCI and SCM acting reasonably and any such approval or consent not having been withdrawn or revoked.

As at the date of this Circular, save for the Rights Issue Conditions set out in paragraphs 3.2(i), 3.2(ii), 3.2(iii), 3.2(iv), 3.2(v), 3.2(vi) and 3.2(viii) of this Circular above, all the other Rights Issue Conditions set out in this paragraph 3.2 have been satisfied or waived. In this regard, the approval in-principle from the SGX-ST set out in paragraph 3.2(iv) was granted on 22 July 2020. The approval in-principle of the SGX-ST is not to be taken as an indication of the merits of the Rights Issue, the Rights Shares, the Rights, the Company, its subsidiaries and/or the Shares.

**The Rights Issue and the SCI Distribution are inter-conditional. In the event that the Shareholders do not approve the Rights Issue Resolution and/or the Independent Shareholders do not approve the Whitewash Resolution, or the SCI Shareholders do not approve the SCI Distribution Resolution, neither the Rights Issue nor the SCI Distribution will proceed. In the event that the Rights Issue does not proceed or the Rights Shares are not allotted and issued, the SCI Distribution will not proceed.**

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## LETTER TO SHAREHOLDERS

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It is therefore important to note that the Rights Issue is inter-conditional upon the SCI Distribution and the Whitewash Resolution, and in the event that any of the above-mentioned resolutions is not passed, no part of the Transaction can proceed. Consequently, all of the Company's strenuous efforts to recapitalise and strengthen its balance sheet will be negated and the critical need to address its liquidity requirements will fail.

Pursuant to the SCI Undertaking Agreement, SCI has given an undertaking to, *inter alia*, vote or procure the voting of all the SCI Existing Shareholding in favour of the Rights Issue Resolution, including the allotment and issue of the Rights Shares pursuant to the Rights Issue, at the EGM.

- 3.3 On 22 July 2020, the SGX-ST granted approval in-principle for the listing of and quotation for the Rights Shares on the Main Board of the SGX-ST, subject to the following conditions:
- (i) compliance with the SGX-ST's listing requirements;
  - (ii) Shareholders' approval for the Rights Issue;
  - (iii) a written undertaking from the Company that it will comply with Rules 704(30), 877(8) and 1207(20) of the Listing Manual in relation to the use of proceeds from the Rights Issue and where proceeds are to be used for working capital purposes, the Company will disclose a breakdown with specific details on the use of proceeds for working capital in the Company's announcements on use of proceeds and in the annual report; and
  - (iv) a written undertaking from the Company that it will comply with the confirmation given in Rule 877(10) of the Listing Manual with regards to the allotment of any Excess Rights Shares.

The approval in-principle of the SGX-ST is not to be taken as an indication of the merits of the Rights Issue, the Rights Shares, the Rights, the Company, its subsidiaries and/or the Shares.

#### 4. RATIONALE FOR THE TRANSACTION

- 4.1 **Industry Context and Background.** The offshore and marine industry has seen a prolonged and severe downturn since 2015 due to profound structural changes in the oil and gas sector and intensifying international competition. In the three years prior to the downturn, the Company earned healthy pre-tax profits of over S\$600 million per year, on the back of strong order books for drilling rigs and other major offshore projects. Since then, with reduced order books, the Company's financial performance has suffered a steep slide, resulting in pre-tax losses of S\$16 million in 2017, S\$101 million in 2018 and S\$177 million in 2019. This puts significant pressure on the Company's liquidity and working capital requirements.

In July 2019, SCI injected S\$1.5 billion in cash into the Company via the Subordinated Loan to strengthen the Company's financial position. The Subordinated Loan was used to retire around S\$1.5 billion of borrowings to improve the Company's balance sheet.

In 2020, having positioned itself for recovery, the Company was unexpectedly hit by the COVID-19 pandemic and the sudden collapse in oil prices. This has led to massive capital expenditure cuts by oil and gas companies and deferrals of investment decisions. The Government's COVID-19 directives, which resulted in the temporary stand-down of yard activities, have caused project execution delays. COVID-19 has also disrupted supply chains and added further serious uncertainties going forward. With new orders likely to remain depressed for a prolonged period, the Company now foresees that recovery will be pushed out further to 2021 and beyond.

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## LETTER TO SHAREHOLDERS

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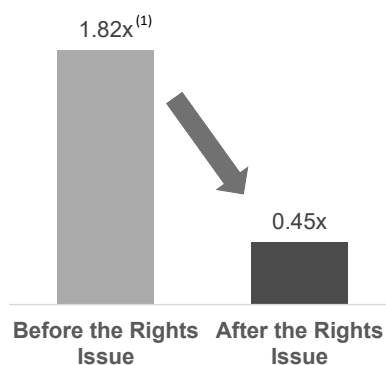
These developments have hit the Company's operating cash flows and financial situation. The Company has taken steps to right-size its resources in response to the business outlook and deferred all non-essential capital expenditure. However, these measures will not be sufficient. The Company's cash flow and financial flexibility continue to be impacted by the worsening market dynamics and outlook. The Company urgently needs to recapitalise, address liquidity requirements, and strengthen its balance sheet.

- 4.2 **S\$2.1 billion Recapitalisation: Strengthening Liquidity and Balance Sheet.** The Board of Directors has considered various financing options and believes that an equity rights issue at this point is critically needed to maintain sufficient liquidity to ride out the current industry downturn. The key aim of the S\$2.1 billion Rights Issue is to strengthen the Company's balance sheet and improve its liquidity position by converting the S\$1.5 billion Subordinated Loan into equity in the Company and to raise additional cash of approximately S\$0.6 billion to fund its ongoing operations.

To ensure deal certainty, the Rights Issue is "backstopped" (i.e. supported) by an undertaking from SCI to subscribe for up to S\$1.5 billion of the Rights Shares, with the remaining S\$0.6 billion fully backstopped by Temasek via the Sub-Underwriting Agreement entered into between its wholly-owned subsidiary, Startree<sup>6</sup> and the Sole Financial Adviser, Lead Manager and Underwriter. Under the terms of the Sub-Underwriting Agreement, no sub-underwriting fees will be paid to Temasek or Startree.

Post the Rights Issue, the Company's net gearing as at 31 December 2019 will be reduced from 1.82x to 0.45x on a *pro forma* basis, and its cash position will be improved by approximately S\$0.6 billion. The settlement of the Subordinated Loan as consideration for SCI's undertaking will deleverage the Company and reduce its interest expense.

### ***Pro Forma* Net Gearing as at 31 December 2019**



**Note:**

(1) Includes the S\$1.5 billion drawn down under the Subordinated Credit Facility.

If approved, the Rights Issue will improve the Company's cash position, meet immediate and foreseeable liquidity needs, fund ongoing commitments, strengthen its balance sheet, help compete for new high-value projects and ensure long-term viability.

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<sup>6</sup> The Rights Shares to be subscribed for under the Sub-Underwriting Agreement will be subscribed for by Startree or one or more Temasek Companies. Please refer to paragraph 8 of this Circular for further details of the Sub-Underwriting Agreement.

## LETTER TO SHAREHOLDERS

In this regard, further details of the Company's projects are set out below.

### New and Existing Projects Highlights – Nature and Contract Value<sup>(1)</sup>

- New orders won in FY2019: S\$1.5 billion, of which S\$530 million are for clean solutions
- Total contract value of new and existing projects under execution as at 30 June 2020: S\$6.5 billion
- Net order book (total contract value less portion already completed) as at 30 June 2020: S\$1.9 billion
- Delivery schedule for the new and existing projects under execution: FY2020 to FY2023

#### Nature of New and Existing Projects Under Execution as at 30 June 2020

##### **Renewables Solutions**

- Hornsea 2 Offshore Wind Farm - Foundation Jackets and Topsides
- Formosa 2 Offshore Wind Farm - Foundation Jackets

##### **Process Solutions**

- Equinor Johan Castberg – Newbuild Floating Production, Storage and Offloading Vessel
- Shell Vito – Newbuild Floating Production Unit (semi-submersible)
- Shell Whale - Newbuild Floating Production Unit (semi-submersible)
- Gallaf Batch 2 Wellhead Platforms
- Tupi P-71 - Newbuild Floating Production, Storage and Offloading Vessel
- Shapoorji – Conversion of Floating Production, Storage and Offloading Vessel

##### **Gas Solutions**

- MOL LNG Bunker Vessel
- Tyra Platforms and Bridges
- TechnipFMC Karish – Newbuild Floating Production, Storage and Offloading Vessel
- Upgrade of Major Floating Storage & Regasification Units (FSRU) and Floating Storage Units (FSU), including FSRU Karmol LNGT Powership Africa, FSRU Karmol LNGT Powership Asia, FSU CNTIC VPower Energy and Torman II (FSU)

##### **Ocean Living Solutions**

- Full Battery-operating Roll-on, Roll-off passenger ferries (3 units)

##### **Advanced Drilling Rig Solutions**

- Transocean 1 Drillship
- Transocean 2 Drillship

**Note:**

(1) Contract value is estimated based on conversion using prevailing exchange rates.

- 4.3 **Demerger of the Company and SCI via Distribution *In Specie*.** Following the Rights Issue and settlement of the Subordinated Loan, SCI proposes to effect a demerger of its core businesses from its Marine interests through the SCI Distribution of its shareholding in the Company. SCI Entitled Shareholders will hence own Shares directly, in addition to their existing SCI Shares.

Because of changing industry dynamics and reduced synergies between SCI and the Company, a clean separation will create two separate, focused companies. Post separation, the Company will be in a stronger position to achieve further sustainable growth.

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## LETTER TO SHAREHOLDERS

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As a result of the SCI Distribution, Temasek (which is currently the single largest shareholder of SCI) will become a direct Shareholder. As the Temasek Concert Party Group will hold more than 30 per cent. of the Company as a result of the SCI Distribution, the approval by the Independent Shareholders of the Whitewash Resolution at the EGM is required to waive their rights to receive a mandatory take-over offer from the Temasek Concert Party Group. The Rights Issue and the SCI Distribution are inter-conditional upon each other. The Sole Financial Adviser, Lead Manager and Underwriter's underwriting, and consequently, Temasek's sub-underwriting of S\$0.6 billion of the Rights Issue is also subject to and conditional upon, *inter alia*, the Rights Issue Resolution and the Whitewash Resolution being approved at the EGM.

4.4 **Summary of Benefits to the Shareholders.** In summary, the Shareholders will benefit from the Rights Issue in the following ways:

- (i) the Company will strengthen its liquidity position and balance sheet, enabling it to execute its existing projects and compete for high-value projects going forward;
- (ii) the demerger with SCI will enable the Company to pursue a focused strategy and further build its core engineering and execution capabilities;
- (iii) the Company will have a strong long-term future as a global leader in innovative engineering solutions for the offshore, marine and energy industries, with an increasing focus on clean energy solutions; and
- (iv) following the SCI Distribution, the Company will have Temasek as a direct and significant Shareholder.

4.5 **Rationale for Inter-Conditionality of the Rights Issue and the SCI Distribution.** Given that industry dynamics and challenges over recent years have reduced the synergies between SCI and the Company, it has been the intention of SCI to effect a demerger of its core businesses from its Marine interests (in the Company) through a distribution *in specie*.

The demerger from SCI will enable the Company to pursue a focused strategy and further build its core engineering and execution capabilities. The Company also understands that from SCI's perspective, SCI's future growth may be constrained by the current SCI group balance sheet which consolidates the Company's debt. As such, the demerger will lead to a deconsolidation of the Company's debt, and hence provide SCI flexibility in pursuing its future growth path following the completion of the Transaction.

In structuring the Transaction, consideration was given to the Company achieving its recapitalisation objective and that SCI Shareholders will receive Shares in a recapitalised SCM. Accordingly, the Rights Issue and the SCI Distribution are inter-conditional.

With the inter-conditionality, SCI agreed to the Rights Issue and to convert the S\$1.5 billion Subordinated Loan to equity. The Subordinated Loan was not intended to be a permanent source of capital and with this structure, the Company will benefit from the conversion of debt to permanent capital and the strengthening of its balance sheet.



## LETTER TO SHAREHOLDERS

### 5. USE OF PROCEEDS

- 5.1 The estimated amount of the gross proceeds from the Rights Issue is approximately S\$2.1 billion. The estimated net proceeds from the Rights Issue (after deducting estimated expenses of approximately S\$9.0 million to be incurred in connection with the Rights Issue) are expected to be approximately S\$2.1 billion.

The Company intends to utilise the net proceeds from the Rights Issue for the following purposes:

Purpose	Amount	Percentage of Proceeds
To repay (including by way of set off in the manner described in paragraph 6.3(iii) of this Circular) the outstanding principal of S\$1.5 billion under the Subordinated Credit Facility	S\$1.5 billion	Approximately 72%
Working capital and general corporate purposes, including debt servicing (which may in turn include payments related to the Subordinated Credit Facility such as intercompany loan fee and loan interest)	S\$0.6 billion	Approximately 28%
<b>Total</b>	<b>S\$2.1 billion</b>	<b>100%</b>

- 5.2 In this regard, in June 2019, Sembcorp Financial Services Pte. Ltd. (“**SFS**”), a subsidiary of SCI, entered into the Subordinated Credit Facility with Sembcorp Marine Financial Services Pte. Ltd. (“**SMFS**”), a subsidiary of the Company, as borrower and the Company as guarantor, pursuant to which SFS provided SMFS with the Subordinated Loan. On 4 June 2020, SFS and SMFS agreed to, *inter alia*, extend the availability period for the balance principal amount of S\$0.5 billion which remains undrawn. To facilitate the set off arrangements in respect of SCI’s subscription and payment in full for the SCI Undertaken Rights Shares pursuant to the terms of the SCI Undertaking Agreement and the separation of the Company from SCI and its subsidiaries following the SCI Distribution, SCI, SFS, the Company and SMFS have entered into the Subordinated Credit Facility Deed of Amendment, pursuant to which SCI, SFS, the Company and SMFS have agreed, *inter alia*, that subject to and conditional upon the terms of the Subordinated Credit Facility Deed of Amendment:

- (i) SFS will novate all of its rights, title, interests, duties and obligations under or in connection with the Subordinated Credit Facility to SCI and SMFS will novate all of its rights, title, interests, duties and obligations under or in connection with the Subordinated Credit Facility to the Company (the “**Novation**”);
- (ii) the terms of the Subordinated Credit Facility will be amended to cancel the availability of the balance commitment of S\$0.5 billion available to be drawn down under the Subordinated Credit Facility (the “**Cancellation**”); and
- (iii) the Company shall, on a date falling on or prior to the fifth business day after the date on which the Company receives the cash proceeds from the Rights Issue and the Rights Shares are issued (or such other date as may be agreed between the parties to the Subordinated Credit Facility Deed of Amendment) (the “**Loan Repayment Date**”), utilise either the cash proceeds from the Rights Issue or its available cash balances to repay all and any outstanding principal amounts under the Subordinated Credit Facility and all interest on the principal amount of the Subordinated Loan accrued and unpaid up to the Loan Repayment Date, as well as all other amounts acknowledged and agreed to be repaid by the Company to SCI as set out in the Subordinated Credit Facility Deed of Amendment, which have not been settled or otherwise repaid on or prior to the Loan Repayment Date. It is anticipated that as at the Loan Repayment Date, the other amounts acknowledged

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## LETTER TO SHAREHOLDERS

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and agreed to be repaid by the Company to SCI as set out in the Subordinated Credit Facility Deed of Amendment will comprise an intercompany loan fee payable under the Subordinated Credit Facility of approximately S\$50,000.

The terms of the Subordinated Credit Facility Deed of Amendment (including the Novation and the Cancellation) shall be subject to and conditional upon, and shall only become effective, upon the satisfaction or waiver (as the case may be) of, *inter alia*, the Rights Issue Conditions and the Closing Date having occurred.

- 5.3 The Company is of the view that the net proceeds raised from the Rights Issue will be sufficient to meet the Company's present funding requirements and to enable the Company to meet its obligations and continue to operate as a going concern.
- 5.4 Pending the deployment of the net proceeds from the Rights Issue, such net proceeds may be deposited with banks and/or financial institutions as the Directors may deem appropriate in the interests of the Group.
- 5.5 The Company will make periodic announcements on the utilisation of the proceeds from the Rights Issue, as the funds from the Rights Issue are materially disbursed and provide a status report on the use of the proceeds from the Rights Issue in the Company's annual report, in accordance with the rules of the Listing Manual.

### 6. SCI UNDERTAKING AGREEMENT

- 6.1 As at the Latest Practicable Date, SCI has a direct interest in an aggregate of 1,274,270,764 Shares (the "**SCI Existing Shareholding**"), representing approximately 60.9 per cent. of the issued share capital of the Company of 2,092,538,174 Shares (excluding treasury shares).
- 6.2 SCI has entered into the SCI Undertaking Agreement with the Company pursuant to which it has irrevocably undertaken to, *inter alia*:
- (i) subscribe and pay in full for all the SCI *Pro Rata* Rights Shares; and
  - (ii) subscribe and pay in full for, or procure the subscription and payment in full of, the SCI Excess Rights Shares, provided that the value for such SCI Excess Rights Shares shall not, based on the Issue Price, exceed an amount equivalent to the difference between (a) the SCI *Pro Rata* Rights Shares multiplied by the Issue Price; and (b) S\$1.5 billion.

Based on the issued share capital of the Company as at the Latest Practicable Date of 2,092,538,174 Shares (excluding treasury shares) and the Rights Issue size of 10,462,690,870 Rights Shares, the SCI *Pro Rata* Rights Shares will comprise 6,371,353,820 Rights Shares and the SCI Excess Rights Shares required to be subscribed for by SCI will comprise up to 1,128,646,180 Rights Shares.

In this regard, SCI will satisfy its obligations set out in paragraphs 6.2(i) and 6.2(ii) of this Circular by submitting an application, on or prior to the Closing Date in accordance with the terms and conditions of the Rights Issue, to subscribe for (a) the SCI *Pro Rata* Rights Shares (for a total consideration of S\$1,274,270,764 based on the Issue Price) and (b) such number of SCI Excess Rights Shares equivalent to the difference between (1) S\$1.5 billion divided by the Issue Price and (2) the SCI *Pro Rata* Rights Shares (for a total consideration of S\$225,729,236 based on the Issue Price).

In the allotment of Excess Rights Shares, preference will be given to the rounding of odd lots, and Directors and Substantial Shareholders (including SCI with respect to the SCI Excess Rights Shares) who have control or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Rights Issue, or have representation (direct or through a nominee) on the Board of Directors, will rank last in priority for the rounding of odd lots and the allotment of Excess Rights Shares.

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## LETTER TO SHAREHOLDERS

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6.3 Pursuant to the terms of the SCI Undertaking Agreement, SCI and the Company have also agreed, *inter alia*, that:

- (i) the SCI Undertaken Rights Shares Subscription Amount shall not at any time exceed S\$1.5 billion (representing up to 7,500,000,000 Rights Shares, comprising 6,371,353,820 SCI *Pro Rata* Rights Shares and up to 1,128,646,180 SCI Excess Rights Shares);
- (ii) the Company shall, on or prior to the Loan Repayment Date, utilise either the cash proceeds from the Rights Issue or its available cash balances to repay all and any outstanding principal amounts under the Subordinated Credit Facility and all interest on the principal amount of the Subordinated Loan accrued and unpaid up to the Loan Repayment Date, as well as all other amounts acknowledged and agreed to be repaid by the Company to SCI as set out in the Subordinated Credit Facility Deed of Amendment, as provided in paragraph 5.2(iii) of this Circular above, which have not been settled or otherwise repaid on or prior to the Loan Repayment Date;
- (iii) consistent with the use of proceeds from the Rights Issue, SCI's obligation to pay the SCI Undertaken Rights Shares Subscription Amount shall be set off against an equivalent amount of the principal amount outstanding and due and owing to SCI by the Company under the Subordinated Credit Facility following the Novation. In the event that the aggregate value of the Rights Shares subscribed for by Shareholders (other than SCI) and investors (if any), based on the Issue Price, exceeds S\$0.6 billion, such that the aggregate value of the SCI Undertaken Rights Shares which SCI is required to subscribe for pursuant to the SCI Undertaking Agreement is less than S\$1.5 billion, for the purposes of repayment of the outstanding principal of S\$1.5 billion under the Subordinated Credit Facility, the Company would utilise either the cash proceeds from the Rights Issue or its available cash balances to repay any such amounts not set off in the manner described in this sub-paragraph, as further described in paragraph 6.3(ii) above of this Circular;
- (iv) no commission or fee will be payable by the Company to SCI in connection with SCI's undertakings under the SCI Undertaking Agreement; and
- (v) to the extent not prohibited under applicable laws and regulations (including the Listing Manual), SCI irrevocably undertakes to the Company that it shall vote or procure the voting of all the SCI Existing Shareholding in favour of the Rights Issue Resolution, including the allotment and issue of the Rights Shares pursuant to the Rights Issue, at the EGM.

6.4 The undertakings of SCI and the agreements between SCI and the Company pursuant to the SCI Undertaking Agreement are subject to and conditional upon, *inter alia*:

- (i) the Rights Issue Conditions; and
- (ii) the entry into the Subordinated Credit Facility Deed of Amendment by SCI, SFS, the Company and SMFS, and the Subordinated Credit Facility Deed of Amendment (including the Novation) not having been terminated and remaining in full force and effect.

6.5 As SCI currently holds more than 50 per cent. of the Shares in issue, the obligations under the SCI Undertaking Agreement will not trigger an obligation under the Code to make a general offer for the Shares.

## 7. UNDERWRITING

7.1 The Sole Financial Adviser, Lead Manager and Underwriter has agreed to underwrite the Underwritten Rights Shares, at the Issue Price on the terms and subject to the conditions of the Underwriting and Management Agreement.

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## LETTER TO SHAREHOLDERS

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- 7.2 Pursuant to the Underwriting and Management Agreement, the Company will pay the Sole Financial Adviser, Lead Manager and Underwriter an underwriting commission of 0.15 per cent. of the Issue Price multiplied by the Underwritten Rights Shares (being a total of up to approximately S\$889,000).
- 7.3 The obligations of the Sole Financial Adviser, Lead Manager and Underwriter to subscribe for the Underwritten Rights Shares are subject to and conditional upon, *inter alia*, SCI having subscribed and paid for (or procured the subscription and payment for) all the SCI *Pro Rata* Rights Shares and the SCI Excess Rights Shares pursuant to the SCI Undertaking Agreement.

### 8. SUB-UNDERWRITING

- 8.1 Startree, a wholly-owned subsidiary of Temasek, has entered into the Sub-Underwriting Agreement with the Sole Financial Adviser, Lead Manager and Underwriter pursuant to which it has agreed, on the terms and subject to the conditions of the Sub-Underwriting Agreement, to subscribe, or procure one or more Temasek Companies to subscribe, for the Underwritten Rights Shares<sup>7</sup> to the extent that such Rights Shares are not successfully subscribed for under the Rights Issue, where such successful subscriptions shall include valid acceptances for provisional allotments of Rights Shares and valid subscriptions for Excess Rights Shares, provided always that the aggregate subscription amount for such Rights Shares shall not at any time exceed S\$0.6 billion.
- 8.2 Under the terms of the Sub-Underwriting Agreement, no sub-underwriting fees will be paid to Temasek or Startree.

### 9. PRO FORMA FINANCIAL EFFECTS OF THE RIGHTS ISSUE

For illustrative purposes only, the *pro forma* financial effects of the Rights Issue on the Group are set out in Appendix 2 of this Circular. **The *pro forma* financial effects are for illustrative purposes only and do not purport to be indicative or a projection of the results and financial position of the Group immediately after the completion of the Rights Issue.**

### 10. REVIEW OF PAST PERFORMANCE, WORKING CAPITAL, PROSPECTS AND OTHER DEVELOPMENTS

Further information on the consolidated income statements and the consolidated statements of cash flows of the Group for FY2017, FY2018, FY2019 and 1H2020, the balance sheet and the working capital position of the Group as at 31 December 2017, 31 December 2018, 31 December 2019 and 30 June 2020 and the prospects and certain other developments of the Group are set out in Appendix 3 of this Circular.

### 11. RECORD DATE FOR THE RIGHTS ISSUE

Subject to the Rights Issue Resolution and the Whitewash Resolution being approved at the EGM and the SCI Distribution Resolution being approved at the SCI EGM, the Register of Members and Share Transfer Books of the Company will be closed at a time and date to be announced by the Company, to determine the provisional allotments of Rights Shares of Entitled Shareholders under the Rights Issue. Please also refer to the section entitled "Indicative Timeline" of this Circular for the expected Record Date, which, for the avoidance of doubt, is only indicative.

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<sup>7</sup> The maximum number of Underwritten Rights Shares to be subscribed under the Sub-Underwriting Agreement (comprising up to 2,962,690,870 Rights Shares based on the Rights Issue size of 10,462,690,870 Rights Shares) represents approximately 141.6 per cent. of the issued share capital of the Company (excluding treasury shares) as at the Latest Practicable Date and approximately 23.6 per cent. of the enlarged issued share capital of the Company (excluding treasury shares) upon completion of the Rights Issue.

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## LETTER TO SHAREHOLDERS

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### 12. OTHER MATTERS RELATING TO THE RIGHTS ISSUE

- 12.1 **Previous Equity Fund Raising.** The Company has not undertaken any equity fund raising in the past 12 months prior to the date of the Announcement.
- 12.2 **Statement by the Directors.** The Directors are of the opinion that after taking into consideration the Group's present bank facilities and the net proceeds from the Rights Issue, the working capital available to the Group is sufficient to meet its present requirements. Notwithstanding the present sufficiency of working capital, the Directors are of the opinion that the Rights Issue will strengthen the financial position and capital base of the Group. The Rights Issue will also provide the Shareholders with an opportunity to maintain their equity participation in the Company. For the reasons outlined in paragraph 4 of this Circular, the Directors believe that the Rights Issue is in the interests of the Group.

In this regard, the Directors who are also Shareholders have indicated to the Company that they intend to subscribe and pay for all their respective entitlements of Rights Shares in accordance with the terms and conditions of the Rights Issue.

- 12.3 **Notification under Section 309B of the SFA.** The provisional allotments of Rights Shares and the Rights Shares are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in the MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).
- 12.4 **Public Float.** Rule 1303(1) of the Listing Manual provides that the SGX-ST may at any time suspend trading of the listed securities of an issuer if the percentage of an issuer's total number of issued shares (excluding treasury shares) held in public hands falls below 10 per cent. For illustrative purposes only, assuming that:
- (i) there is no change in the number of Shares in which SCI and Temasek have an interest since the Latest Practicable Date;
  - (ii) no Shareholders (other than SCI) or investors subscribe for the Rights Shares, such that SCI is required pursuant to the SCI Undertaking Agreement to subscribe for all of the SCI Undertaken Rights Shares; and
  - (iii) the Relevant Temasek Entity(ies) is/are required pursuant to the Sub-Underwriting Agreement to subscribe for all the Underwritten Rights Shares,

the resultant combined shareholding interest in the Company held by SCI and the Relevant Temasek Entity(ies) will be 11,736,961,634 Shares, representing approximately 93.5 per cent. of the Shares in issue (excluding treasury shares) immediately following the completion of the Rights Issue. This would result in the percentage of the Company's total number of issued Shares (excluding treasury shares) held in public hands falling below 10 per cent. In such situation, the SGX-ST may, under Rule 1303(1) of the Listing Manual, suspend trading of the Shares until such time that the percentage of the Company's total number of issued Shares (excluding treasury shares) held in public hands is restored to 10 per cent. or more. That said, it is anticipated that the SCI Distribution will have a resultant effect of restoring the percentage of the Company's total number of issued Shares (excluding treasury shares) held in public hands to at least 10 per cent. In this regard, it is further anticipated that the issuance of the Rights Shares will take place on the same day as the settlement date of the SCI Distribution and the date for crediting of the Shares to the Securities Accounts of SCI Entitled Shareholders pursuant to the SCI Distribution (which crediting is expected to take place before 9.00 a.m.) and accordingly, it is not expected that the Shares will be suspended from trading by the SGX-ST under Rule 1303(1) of the Listing Manual.

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## LETTER TO SHAREHOLDERS

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### 13. PROPOSED SCI DISTRIBUTION

13.1 **Method of Distribution.** Following settlement of the Rights Issue, SCI proposes to undertake the SCI Distribution, as set out in the announcement by SCI made on the date of the Announcement. The SCI Distribution, which will be subject to, *inter alia*, the approval of SCI Shareholders, will be effected by way of a distribution *in specie* to SCI Entitled Shareholders *pro rata* to their respective shareholdings in SCI. SCI Entitled Shareholders who hold SCI Shares as at the SCI Distribution Record Date will be entitled to the SCI Distribution.

13.2 **Distribution Ratio.** The number of Shares to be distributed by SCI pursuant to the SCI Distribution is subject to the number of Shares held by SCI following completion of the Rights Issue.

For illustrative purposes only, assuming that, as at the SCI Distribution Record Date, there are 1,786,431,697 SCI Shares in issue (excluding 1,116,035 treasury shares), SCI holds the SCI Existing Shareholding and:

- (i) all Rights Shares are subscribed for by the Shareholders and investors such that SCI subscribes only for the SCI *Pro Rata* Rights Shares and no SCI Excess Rights Shares are allocated to SCI, SCI's resultant holding in the Company, and the number of Shares to be distributed following completion of the Rights Issue will be 7,645,624,584 Shares, and the SCI Distribution will be effected on the basis of 4.279 Shares for each SCI Share held by SCI Entitled Shareholders at the SCI Distribution Record Date, fractional entitlements to be disregarded; or
- (ii) the aggregate value of the Rights Shares subscribed for by the Shareholders (other than SCI) and investors (if any), based on the Issue Price, does not exceed S\$0.6 billion such that SCI is required pursuant to the SCI Undertaking Agreement to subscribe for all of the SCI Undertaken Rights Shares, SCI's resultant holding in the Company, and the number of Shares to be distributed following completion of the Rights Issue will be 8,774,270,764 Shares, and the SCI Distribution will be effected on the basis of 4.911 Shares for each SCI Share held by SCI Entitled Shareholders at the SCI Distribution Record Date, fractional entitlements to be disregarded.

13.3 **Effects of the SCI Distribution.** On completion of the SCI Distribution, SCI will have distributed all or substantially all of its holdings of Shares. The Company will cease to be a subsidiary of SCI and SCI Entitled Shareholders will hold listed shares in both SCI and the Company.

**For the avoidance of doubt, there will be no change to the issued and paid-up share capital of the Company or to the number of SCI Shares held by each SCI Shareholder as a result of the SCI Distribution.**

13.4 **Conditions to the SCI Distribution.** The SCI Distribution is subject to and conditional upon, *inter alia*, the satisfaction or waiver of the following conditions precedent:

- (i) the approval of Shareholders at the EGM for the Rights Issue Resolution, including the allotment and issue of the Rights Shares pursuant to the Rights Issue;
- (ii) the approval of the Independent Shareholders at the EGM for the Whitewash Resolution;
- (iii) the Whitewash Waiver, which was granted by the SIC on 5 June 2020, not having been withdrawn, revoked or amended, and all conditions to which the Whitewash Waiver is subject having been fulfilled;
- (iv) the approval of the SCI 2019 Bondholders having been obtained either in writing or at a meeting of the SCI 2019 Bondholders for amendments to the terms and conditions of the SCI 2019 Bonds to, *inter alia*, waive and/or delete the requirement for the mandatory redemption of the SCI 2019 Bonds upon repayment of the Subordinated Loan. In this regard, the Company understands that SCI and SFS do not currently intend to redeem the SCI 2019 Bonds;

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## LETTER TO SHAREHOLDERS

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- (v) the approval of SCI Shareholders at the SCI EGM for the SCI Distribution Resolution;
- (vi) all other approvals of any government whether Singapore or foreign, any department, ministry or agency of any government and any other governmental, administrative, fiscal, monetary or judicial body, as well as all other third party consents, which SCI or SCM reasonably determines are necessary to implement the Rights Issue and the SCI Distribution having been obtained either unconditionally or on conditions satisfactory to SCI and SCM acting reasonably and any such approval or consent not having been withdrawn or revoked; and
- (vii) the closing of the Rights Issue having occurred and the allotment and issuance of the Rights Shares.

As at the date of this Circular, save for the conditions precedent set out in paragraphs 13.4(i), 13.4(ii), 13.4(iii), 13.4(v), 13.4(vi) and 13.4(vii) of this Circular above, all the other conditions precedent to the SCI Distribution set out in this paragraph 13.4 have been satisfied or waived.

Details of the Whitewash Waiver are set out in paragraph 14.2 of this Circular.

**The SCI Distribution and the Rights Issue are inter-conditional. In the event that the Shareholders do not approve the Rights Issue Resolution and/or the Independent Shareholders do not approve the Whitewash Resolution, or the SCI Shareholders do not approve the SCI Distribution Resolution, neither the Rights Issue nor the SCI Distribution will proceed. In the event that the Rights Issue does not proceed or the Rights Shares are not allotted and issued, the SCI Distribution will not proceed.**

**It is therefore important to note that the Rights Issue is inter-conditional upon the SCI Distribution and the Whitewash Resolution, and in the event that any of the above-mentioned resolutions is not passed, no part of the Transaction can proceed. Consequently, all of the Company's strenuous efforts to recapitalise and strengthen its balance sheet will be negated and the critical need to address its liquidity requirements will fail.**

**Pursuant to the SCI Undertaking Agreement, SCI has given an undertaking to, *inter alia*, vote or procure the voting of all the SCI Existing Shareholding in favour of the Rights Issue Resolution, including the allotment and issue of the Rights Shares pursuant to the Rights Issue, at the EGM.**

### 14. WHITEWASH RESOLUTION

- 14.1 **General Offer Requirement under the Code.** Under Rule 14.1 of the Code, where any person acquires, whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30 per cent. or more of the voting rights of a company, such person is required to make a mandatory general offer for all shares in the company which he and/or persons acting in concert with him do not already own or control.

Pursuant to Note 8 of Rule 14 of the Code, where an upstream company distributes, on a *pro rata* basis, its shareholding in a downstream company to shareholders in the upstream company, an upstream shareholder and his concert parties who acquire or consolidate effective control in the downstream company pursuant to such distribution will not incur a general offer obligation for the downstream company if, *inter alia*, the upstream shareholder and his concert parties own or control more than 50 per cent. of the voting rights in the upstream company.

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## LETTER TO SHAREHOLDERS

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As at the Latest Practicable Date, the Temasek Concert Party Group holds less than 50 per cent. of the issued share capital of SCI<sup>8</sup>. More details on the holdings of the Temasek Concert Party Group in SCI are set out in paragraph 14.3 of this Circular. As the distribution of the Shares held by SCI to the SCI Entitled Shareholders pursuant to the SCI Distribution upon completion of the Rights Issue will result in the Temasek Concert Party Group holding an aggregate interest in more than 30 per cent. of the issued Shares, the Temasek Concert Party Group will be required to make a mandatory general offer under Rule 14 of the Code for the Shares not already held by the Temasek Concert Party Group, unless such obligation is waived by the SIC.

14.2 **Whitewash Waiver.** SIC has, on 5 June 2020, confirmed that the Temasek Concert Party Group will be exempted from the requirement to make a general offer for all the Shares under Rule 14 of the Code as a result of it acquiring or consolidating effective control of the Company following the SCI Distribution (the “**Whitewash Waiver**”), subject to the following conditions being satisfied (collectively, the “**SIC Conditions**”):

- (i) in respect of the Company:
  - (a) a majority of the Independent Shareholders approving at the EGM before the SCI Distribution, a resolution (the “**Whitewash Resolution**”) by way of a poll, to waive their rights to receive a general offer from the Temasek Concert Party Group;
  - (b) the Whitewash Resolution being put to the vote of the Independent Shareholders separate from any other resolutions which may be proposed at the EGM;
  - (c) the Temasek Concert Party Group, as well as parties not independent of them, abstaining from voting on the Whitewash Resolution;
  - (d) the Temasek Concert Party Group not having acquired and are not to acquire any Shares (other than subscriptions for, rights to subscribe for, instruments convertible into or options in respect of the Shares which have been disclosed in this Circular) (1) during the period between the Announcement and the later of (I) the date the Independent Shareholders’ approval is obtained for the Whitewash Resolution and (II) the date the SCI Shareholders’ approval is obtained for the SCI Distribution Resolution; and (2) in the six months prior to the Announcement but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors of the Company in relation to the Transaction;
  - (e) the appointment by the Company of an independent financial adviser to advise the Independent Shareholders on the Whitewash Resolution;
  - (f) this Circular setting out:
    - (1) details of the proposed Rights Issue (including SCI’s undertaking to subscribe for the SCI Undertaken Rights Shares pursuant to the SCI Undertaking Agreement and Temasek’s agreement to subscribe for the Underwritten Rights Shares pursuant to the Sub-Underwriting Agreement) and the SCI Distribution;
    - (2) the dilution effect of issuing the Rights Shares pursuant to the Rights Issue and the SCI Distribution to existing Shareholders;
    - (3) the number and percentage of voting rights in the Company as well as the number of instruments convertible into, rights to subscribe for and options in respect of Shares held by the Temasek Concert Party Group as at the Latest Practicable Date;

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<sup>8</sup> For the avoidance of doubt, all references to the shareholding of the Temasek Concert Party Group in SCI exclude any SCI Shares held by SCI as treasury shares and all references to the percentage of SCI Shares held by the Temasek Concert Party Group have been calculated on the basis of 1,786,431,697 SCI Shares in issue (excluding any treasury shares) as at the Latest Practicable Date.



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## LETTER TO SHAREHOLDERS

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- (4) the number and percentage of voting rights in the Company that may be acquired by the Temasek Concert Party Group upon the issue of the Rights Shares as a result of the SCI Undertaking Agreement and the Sub-Underwriting Agreement;
  - (5) the number and percentage of voting rights in the Company that may be held by the Temasek Concert Party Group after the Rights Issue and the SCI Distribution;
  - (6) a specific and prominent reference to the fact that the Rights Issue and SCI Distribution could result in the Temasek Concert Party Group holding more than 49 per cent. of the voting rights in the Company, and that the Temasek Concert Party Group will be free to acquire further Shares without incurring any obligation to make a mandatory offer for the Company; and
  - (7) a specific and prominent reference to the fact that the Independent Shareholders, by voting for the Whitewash Resolution, will be waiving their rights to receive a general offer from the Temasek Concert Party Group at the highest price paid by any of them for Shares in the past six months prior to the commencement of the offer;
- (g) this Circular to state that the Whitewash Waiver is subject to compliance with the conditions set out above in paragraphs 14.2(i)(a) to 14.2(i)(f) of this Circular;
- (h) the Temasek Concert Party Group will obtain SIC's approval in advance for those parts of this Circular that refer to the Whitewash Resolution; and
- (i) to rely on the Whitewash Resolution, approval of the Whitewash Resolution must be obtained within three months of 5 June 2020 and the SCI Distribution must be completed within three months of the date on which the approval of the Independent Shareholders for the Whitewash Resolution is obtained; and
- (ii) in respect of SCI:
- (a) the SCI Circular shall (1) contain advice to the effect that by voting for the SCI Distribution, and if the Independent Shareholders approve the Whitewash Resolution, the SCI Shareholders are waiving their right to a general offer at the required price by the Temasek Concert Party Group, which would acquire or consolidate effective control of the Company after the SCI Distribution; and (2) disclose the names and voting rights of each member of the Temasek Concert Party Group which holds Shares as at the latest practicable date of the SCI Circular and after the Rights Issue and the SCI Distribution;
  - (b) the SCI Distribution Resolution being approved by a majority of the SCI Shareholders present and voting at the SCI EGM on a poll who could not become obliged to make an offer for the Company as a result of the SCI Distribution;
  - (c) the Temasek Concert Party Group will abstain from voting on the SCI Distribution Resolution;
  - (d) the directors of SCI who are acting in concert with the Temasek Concert Party Group shall abstain from making a recommendation on the SCI Distribution Resolution in the SCI Circular; and
  - (e) the Temasek Concert Party Group did not acquire or are not to acquire any SCI Shares during the period between (1) when they become aware that the Announcement is imminent and (2) the later of the date on which the SCI Shareholders' approval is obtained for the SCI Distribution Resolution and the date on which the Independent Shareholders' approval is obtained for the Whitewash Resolution.

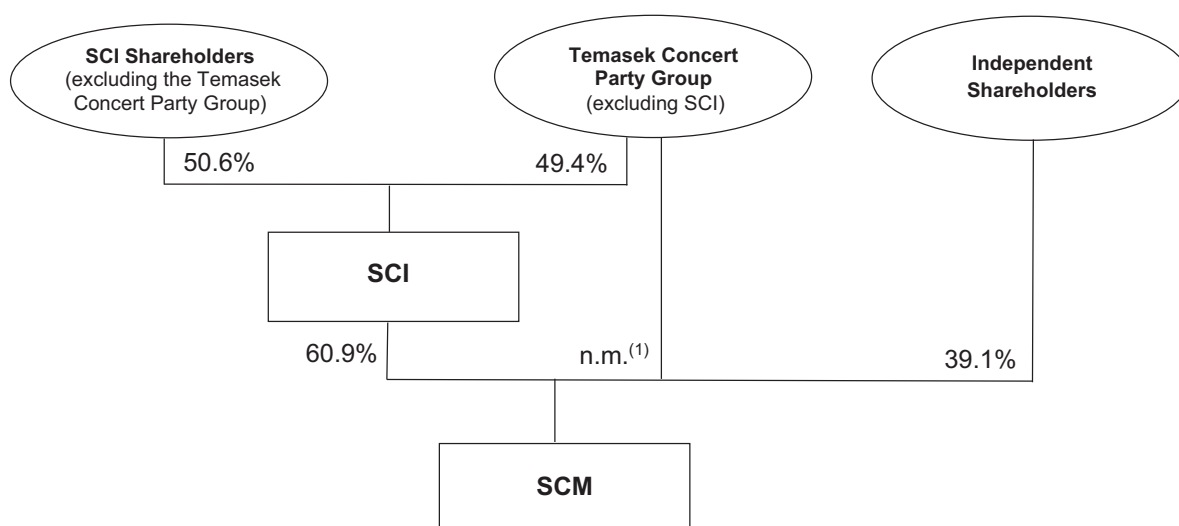
## LETTER TO SHAREHOLDERS

As at the date of this Circular, save for the conditions set out in paragraphs 14.2(i)(a), 14.2(i)(b), 14.2(i)(c), 14.2(i)(d), 14.2(i)(i), 14.2(ii)(b), 14.2(ii)(c) and 14.2(ii)(e) of this Circular, all the other SIC Conditions set out in paragraph 14.2 of this Circular have been satisfied.

**14.3 Interests of the Temasek Concert Party Group.** As at the Latest Practicable Date, based on information made available by Temasek to the Company:

- (i) **SCI.** The Temasek Concert Party Group holds an interest in an aggregate of 882,236,820<sup>9</sup> SCI Shares in issue, representing approximately 49.4 per cent. of the SCI Shares in issue (excluding treasury shares)<sup>10</sup>; and
- (ii) **Company.** The Temasek Concert Party Group holds an interest in an aggregate of 1,274,476,521<sup>11</sup> Shares in issue, representing approximately 60.9 per cent. of the Shares in issue (excluding treasury shares)<sup>12</sup>, which includes a deemed interest in an aggregate of 1,274,270,764 Shares held by SCI. The Temasek Concert Party Group does not hold any instruments convertible into, rights to subscribe for and options in respect of Shares.

An illustration of the interests of the Temasek Concert Party Group in SCI and the Company as at the Latest Practicable Date is also set out below:



**Note:**

(1) Not meaningful.

**14.4 Minimum Resultant Holding of the Temasek Concert Party Group immediately after the Rights Issue and the SCI Distribution.** Purely for illustrative purposes only, assuming that:

- (i) there is no change in the number of SCI Shares in which the Temasek Concert Party Group has an interest since the Latest Practicable Date;

<sup>9</sup> This comprises (i) 871,200,328 SCI Shares held by Temasek directly; (ii) 9,400,000 SCI Shares held by Startree; (iii) 844,275 SCI Shares held by DBS Group, an associated company of Temasek. DBS Group is an independently-managed Temasek portfolio company and Temasek is not involved in the business or operating decisions of DBS Group, including those regarding its position in SCI Shares; (iv) 161,800 SCI Shares held by certain directors of entities in the Temasek Concert Party Group (excluding SCI and DBS Group, and their respective subsidiaries and associated companies) who are deemed to be acting in concert with Temasek under the Code; (v) 129,800 SCI Shares held by Dr Teh Kok Peng, a director of SCI; and (vi) 500,617 SCI Shares held by certain directors of DBS Group, its subsidiaries and associated companies.

<sup>10</sup> Calculated based on 1,786,431,697 SCI Shares in issue (excluding 1,116,035 treasury shares) as at the Latest Practicable Date and rounded to the nearest one decimal place.

<sup>11</sup> As set out in detail at Note (4) to paragraph 14.6 of this Circular.

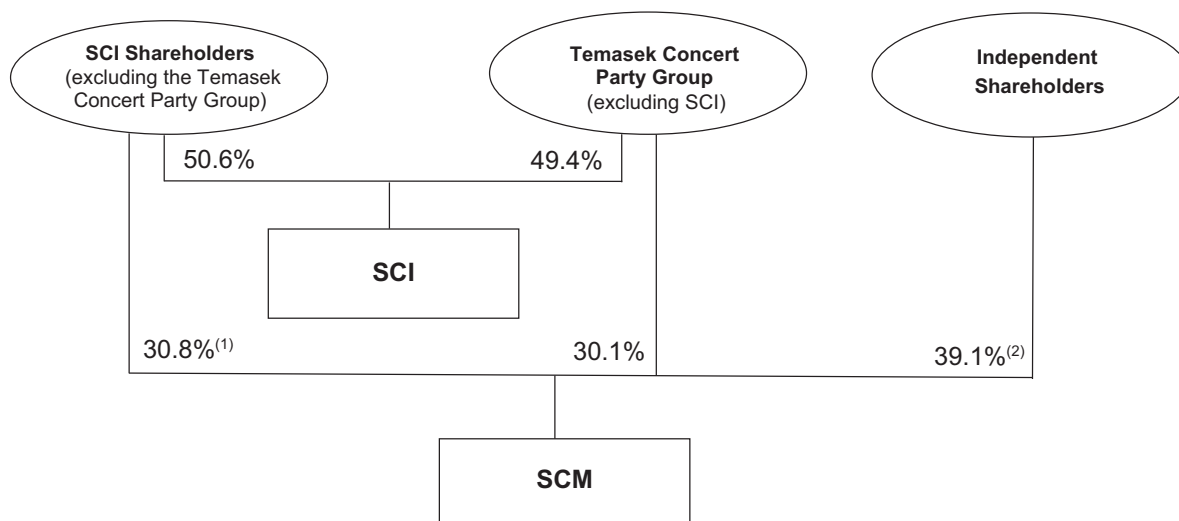
<sup>12</sup> Calculated based on 2,092,538,174 Shares in issue (excluding 416,840 treasury shares) as at the Latest Practicable Date and rounded to the nearest one decimal place.

## LETTER TO SHAREHOLDERS

- (ii) all Rights Shares are subscribed for by the Shareholders (including SCI which subscribes for the SCI *Pro Rata* Rights Shares but excluding the other members of the Temasek Concert Party Group) and investors such that SCI subscribes only for the SCI *Pro Rata* Rights Shares and no SCI Excess Rights Shares are allocated to SCI and the Relevant Temasek Entity(ies) is/are not required pursuant to the Sub-Underwriting Agreement to subscribe for any Underwritten Rights Shares; and
- (iii) there is no subscription of Rights Shares by any member of the Temasek Concert Party Group (other than SCI) for any of their respective *pro rata* entitlements under the Rights Issue,

and on the basis of 1,786,431,697 SCI Shares in issue (excluding 1,116,035 treasury shares) as at the SCI Distribution Record Date, the Temasek Concert Party Group would hold in aggregate 3,775,297,108 Shares, representing approximately 30.1 per cent. of the Shares in issue immediately following the Rights Issue and the SCI Distribution (the “**Minimum Resultant Holding Scenario**”).

An illustration of the interests of the Temasek Concert Party Group in SCI and the Company under the Minimum Resultant Holding Scenario is also set out below:



**Notes:**

- (1) This comprises Shares distributed to SCI Shareholders (excluding the Temasek Concert Party Group) pursuant to the SCI Distribution.
- (2) This excludes Shares distributed to SCI Shareholders pursuant to the SCI Distribution.

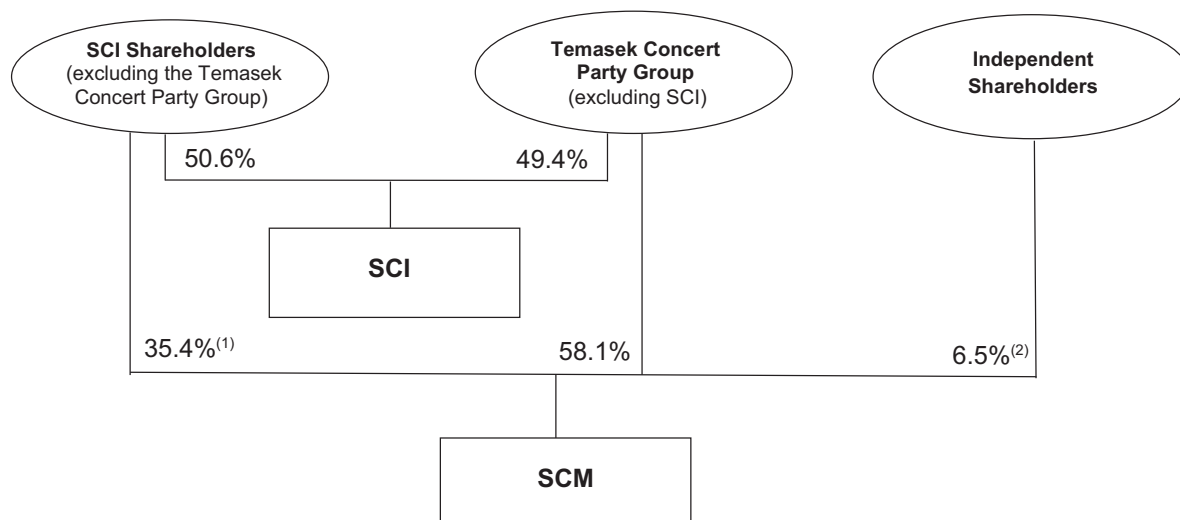
**14.5 Maximum Resultant Holding of the Temasek Concert Party Group immediately after the Rights Issue and the SCI Distribution.** Purely for illustrative purposes only, assuming that:

- (i) there is no change in the number of SCI Shares in which the Temasek Concert Party Group has an interest since the Latest Practicable Date;
- (ii) no Shareholders (other than SCI) or investors subscribe for the Rights Shares, such that SCI is required pursuant to the SCI Undertaking Agreement to subscribe for all of the SCI Undertaken Rights Shares; and
- (iii) the Relevant Temasek Entity(ies) is/are required pursuant to the Sub-Underwriting Agreement to subscribe for all the Underwritten Rights Shares,

and on the basis of 1,786,431,697 SCI Shares in issue (excluding 1,116,035 treasury shares) as at the SCI Distribution Record Date, the Temasek Concert Party Group would hold in aggregate 7,295,561,647 Shares, representing approximately 58.1 per cent. of the Shares in issue immediately following the Rights Issue and the SCI Distribution (the “**Maximum Resultant Holding Scenario**”).

## LETTER TO SHAREHOLDERS

An illustration of the interests of the Temasek Concert Party Group in SCI and the Company under the Maximum Resultant Holding Scenario is also set out below:



**Notes:**

- (1) This comprises Shares distributed to SCI Shareholders (excluding the Temasek Concert Party Group) pursuant to the SCI Distribution.
- (2) This excludes Shares distributed to SCI Shareholders pursuant to the SCI Distribution.

**14.6 Potential Dilution Effect.** The Rights Shares represent approximately 500.0 per cent. of the Company's issued share capital (excluding treasury shares) as at the Latest Practicable Date and will represent, after completion of the Rights Issue, 83.3 per cent. of the enlarged issued share capital of the Company (excluding treasury shares).

The dilution effect to the shareholdings of the existing Shareholders after the issue of the Rights Shares and the SCI Distribution is as set out below:

	Current Shareholding		After completion of the Rights Issue and the SCI Distribution <sup>(1)</sup>			
	No. of Shares	% <sup>(2)</sup>	No. of Shares (assuming a Minimum Resultant Holding Scenario)	% <sup>(3)</sup>	No. of Shares (assuming a Maximum Resultant Holding Scenario)	% <sup>(3)</sup>
The Temasek Concert Party Group	1,274,476,521 <sup>(4)</sup>	60.9	3,775,297,108 <sup>(5)</sup>	30.1	7,295,561,647 <sup>(6)</sup>	58.1
Independent Shareholders <sup>(9)</sup>	818,061,653	39.1	4,909,398,703 <sup>(7)</sup>	39.1	818,061,653 <sup>(7)</sup>	6.5
SCI Shareholders (excluding the Temasek Concert Party Group)	-	-	3,870,533,233 <sup>(8)</sup>	30.8	4,441,605,744 <sup>(8)</sup>	35.4
<b>Total</b>	<b>2,092,538,174</b>	<b>100</b>	<b>12,555,229,044</b>	<b>100</b>	<b>12,555,229,044</b>	<b>100</b>

**Notes:**

- (1) Based on the assumption that between the Latest Practicable Date and the date of completion of the SCI Distribution, no new Shares have been and/or will be issued or bought back by the Company and no instruments convertible into Shares have been and/or will be converted into Shares.
- (2) Based on a total of 2,092,538,174 Shares (excluding treasury shares) as at the Latest Practicable Date.
- (3) Based on a total of 12,555,229,044 Shares (excluding treasury shares), including 10,462,690,870 Rights Shares.

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## LETTER TO SHAREHOLDERS

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- (4) This comprises the following:
- (i) 1,274,270,764 Shares held by SCI, an independently-managed Temasek portfolio company;
  - (ii) 757 Shares held by DBS Group. DBS Group is an independently-managed Temasek portfolio company and Temasek is not involved in the business or operating decisions of DBS Group, including those regarding its position in the Shares;
  - (iii) 200,000 Shares held by Rigel Technology (S) Pte Ltd (“**Rigel Technology**”). Rigel Technology is an associated company of Heliconia Capital Management Pte. Ltd. (“**Heliconia**”), which in turn is an indirect wholly-owned subsidiary of Temasek and an independently-managed Temasek portfolio company. Accordingly, under the Code, Rigel Technology is deemed to be a concert party of Temasek. Temasek is not involved in the business or operating decisions of Rigel Technology or Heliconia, including those regarding their positions in the Shares; and
  - (iv) 5,000 Shares held by certain directors of DBS Group, its subsidiaries and associated companies.
- The Temasek Concert Party Group does not hold any instruments convertible into, rights to subscribe for and options in respect of Shares.
- (5) This comprises the following:
- (i) 3,768,088,803 Shares held by Temasek and Startree;
  - (ii) 3,613,409 Shares held by DBS Group, assuming (for illustrative purposes only) that it does not subscribe for its *pro rata* entitlement under the Rights Issue. As mentioned above, DBS Group is an independently-managed Temasek portfolio company and Temasek is not involved in the business or operating decisions of DBS Group, including those regarding its position in the Shares;
  - (iii) 200,000 Shares held by Rigel Technology, assuming (for illustrative purposes only) that it does not subscribe for its *pro rata* entitlement under the Rights Issue. As mentioned above, Rigel Technology is an associated company of Heliconia, which in turn is an indirect wholly-owned subsidiary of Temasek and an independently-managed Temasek portfolio company. Accordingly, under the Code, Rigel Technology is deemed to be a concert party of Temasek. Temasek is not involved in the business or operating decisions of Rigel Technology or Heliconia, including those regarding their positions in the Shares;
  - (iv) 555,414 Shares held by Dr Teh Kok Peng, a director of SCI;
  - (v) 692,342 Shares held by certain other directors of entities in the Temasek Concert Party Group (excluding SCI and DBS Group, and their respective subsidiaries and associated companies) who are deemed to be acting in concert with Temasek under the Code; and
  - (vi) 2,147,140 Shares held by certain directors of DBS Group, its subsidiaries and associated companies, assuming (for illustrative purposes only) that these directors do not subscribe for their *pro rata* entitlements under the Rights Issue (if applicable).
- (6) This comprises the following:
- (i) 7,287,319,080 Shares held by Temasek, Startree and the Relevant Temasek Entity(ies);
  - (ii) 4,146,991 Shares held by DBS Group, assuming (for illustrative purposes only) that it does not subscribe for its *pro rata* entitlement under the Rights Issue. As mentioned above, DBS Group is an independently-managed Temasek portfolio company and Temasek is not involved in the business or operating decisions of DBS Group, including those regarding its position in the Shares;
  - (iii) 200,000 Shares held by Rigel Technology, assuming (for illustrative purposes only) that it does not subscribe for its *pro rata* entitlement under the Rights Issue. As mentioned above, Rigel Technology is an associated company of Heliconia, which in turn is an indirect wholly-owned subsidiary of Temasek and an independently-managed Temasek portfolio company. Accordingly, under the Code, Rigel Technology is deemed to be a concert party of Temasek. Temasek is not involved in the business or operating decisions of Rigel Technology or Heliconia, including those regarding their positions in the Shares;
  - (iv) 637,447 Shares held by Dr Teh Kok Peng, a director of SCI;
  - (v) 794,599 Shares held by certain other directors of entities in the Temasek Concert Party Group (excluding SCI and DBS Group, and their respective subsidiaries and associated companies) who are deemed to be acting in concert with Temasek under the Code; and
  - (vi) 2,463,530 Shares held by certain directors of DBS Group, its subsidiaries and associated companies, and assuming (for illustrative purposes only) that these directors do not subscribe for their *pro rata* entitlements under the Rights Issue (if applicable).
- (7) This excludes Shares distributed to SCI Shareholders pursuant to the SCI Distribution.
- (8) This comprises Shares distributed to SCI Shareholders (excluding the Temasek Concert Party Group) pursuant to the SCI Distribution.
- (9) The shareholdings of the Independent Shareholders include the shareholdings of the Directors (including Tan Sri Mohd Hassan Marican and Koh Chiap Khiong as the SIC has confirmed that their shareholding in the Company need not be aggregated as part of the Temasek Concert Party Group).

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## LETTER TO SHAREHOLDERS

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### 14.7 Advice to Independent Shareholders. Independent Shareholders should note that:

- (i) by voting in favour of the Whitewash Resolution, they will be waiving their rights to receive a mandatory general offer for their Shares from the Temasek Concert Party Group at the highest price paid by the Temasek Concert Party Group in the six months preceding the commencement of the offer which they would have otherwise been obliged to make for the Shares in accordance with Rule 14 of the Code; and
- (ii) the completion of the Rights Issue and the SCI Distribution may result in the Temasek Concert Party Group holding Shares carrying over 49 per cent. of the voting rights of the Company based on the enlarged issued share capital of the Company and in such a scenario, the Temasek Concert Party Group will be free to acquire further Shares without incurring any obligation under Rule 14 of the Code to make a mandatory general offer for the Company.

### 14.8 Advice from the Independent Financial Adviser. Provenance Capital Pte. Ltd. has been appointed as the IFA to advise the Independent Directors in respect of the Whitewash Resolution.

A copy of the letter from the IFA to the Independent Directors dated 22 July 2020 (the “**IFA Letter**”), setting out its advice to the Independent Directors, is reproduced in full in Appendix 4 of this Circular.

The following is an extract from Section 8 of the IFA Letter to the Independent Directors and should be read by Shareholders in conjunction with, and in the full context of, the full text of the IFA Letter. All terms and expressions used in the extract below shall have the same meanings as those defined in the IFA Letter, unless otherwise stated.

*“In arriving at our opinion in respect of the Whitewash Resolution, we have reviewed and examined all factors which we consider to be pertinent in our assessment, including the following key considerations:*

- (a) rationale for the Transaction;*
- (b) the Rights Shares being offered to all entitled Shareholders on a pro rata basis;*
- (c) assessment of the Issue Price of the Rights Shares;*
- (d) financial effects of the Rights Issue;*
- (e) dilution impact of the Rights Issue on the Independent Shareholders;*
- (f) the SCI Distribution being offered to all entitled SCI Shareholders on a pro rata basis;*
- (g) shareholding interest of the Temasek Concert Party Group after the Transaction; and*
- (h) other relevant considerations.*

***Overall, based on our analysis, the terms of the Transaction taken as a whole are fair and reasonable, and the Whitewash Resolution, when considered in the context of the Transaction, is not prejudicial to the interest of the Independent Shareholders.”***

Shareholders are advised to read and consider the IFA Letter for the Whitewash Resolution in its entirety as reproduced in Appendix 4 of this Circular and consider carefully the recommendations of the Independent Directors for the Whitewash Resolution set out in paragraph 21.2 of this Circular.

## LETTER TO SHAREHOLDERS

### 15. DIRECTORS AND SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

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

Director	Number of Shares				Number of Shares comprised in outstanding share awards
	Direct Interest	% <sup>(1)</sup>	Deemed Interest	% <sup>(1)</sup>	
Tan Sri Mohd Hassan Marican	729,600	0.03	-	-	-
Bob Tan Beng Hai	241,700	0.01	-	-	-
Eric Ang Teik Lim	-	-	-	-	-
Gina Lee-Wan	172,000	0.01	-	-	-
William Tan Seng Koon	149,600	0.01	-	-	-
Patrick Daniel	92,500	n.m. <sup>(2)</sup>	-	-	-
Tan Wah Yeow	71,100	n.m. <sup>(2)</sup>	-	-	-
Koh Chiap Khiong	148,700	0.01	-	-	-
Wong Weng Sun	3,729,315	0.18	-	-	513,954 <sup>(3)</sup>

**Notes:**

- (1) Based on 2,092,538,174 Shares in issue (excluding 416,840 treasury shares) as at the Latest Practicable Date.
- (2) Not meaningful.
- (3) Of the 513,954 Shares:
  - (i) 481,000 Shares are comprised in conditional awards granted to Wong Weng Sun pursuant to the SCM PSP 2010 for a three year period from 2018 to 2020. Achievement of targets below threshold level will mean no Shares will be delivered, while achievement up to 150% will mean up to 1.5 times the number of conditional Shares awarded could be delivered; and
  - (ii) 32,954 Shares are comprised in awards granted to Wong Weng Sun pursuant to the SCM RSP 2010. These Shares will vest in year 2021.

In addition, as at the Latest Practicable Date, each of Tan Sri Mohd Hassan Marican, Eric Ang Teik Lim, Koh Chiap Khiong and Wong Weng Sun has an interest in SCI Shares. Save for the foregoing, none of the Directors has an interest in SCI Shares.

15.2 **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 and additionally, in the case of Temasek, based on information made available by Temasek to the Company are as follows:

Substantial Shareholder	Number of Shares			
	Direct Interest	% <sup>(1)</sup>	Deemed Interest	% <sup>(1)</sup>
SCI	1,274,270,764	60.9	-	-
Temasek <sup>(2)</sup>	-	-	1,274,471,521	60.9

**Notes:**

- (1) Based on 2,092,538,174 Shares in issue (excluding 416,840 treasury shares) as at the Latest Practicable Date.
- (2) Temasek is deemed to be interested in (i) 1,274,270,764 Shares held by SCI, its associated company and an independently-managed Temasek portfolio company; (ii) 757 Shares held by its associated company, DBS Group; and (iii) 200,000 Shares held by Rigel Technology, pursuant to Section 4 of the SFA. DBS Group is an independently-managed Temasek portfolio company and Temasek is not involved in the business or operating decisions of DBS Group, including those regarding its position in the Shares. Rigel Technology is an associated company of Heliconia, which in turn is an indirect wholly-owned subsidiary of Temasek and an independently-managed Temasek portfolio company. Temasek is not involved in the business or operating decisions of Rigel Technology or Heliconia, including those regarding their positions in the Shares.

In addition, as at the Latest Practicable Date, Temasek and Startree hold interests in SCI Shares. Temasek is also deemed interested in the SCI Shares held by DBS Group. Please refer to paragraph 14.3 of this Circular for details on Temasek's interests in SCI Shares.

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## LETTER TO SHAREHOLDERS

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### 16. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save for the SCI Undertaking Agreement and the Sub-Underwriting Agreement as set out in paragraphs 6 and 8 of this Circular and save as disclosed in paragraph 15 of this Circular, none of the Directors or Substantial Shareholders or their respective associates has any direct or indirect interest in the Rights Issue and the SCI Distribution other than through their respective shareholdings (direct or indirect) in the Company and SCI.

### 17. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on pages 102 to 104 of this Circular, will be convened and held by way of electronic means on 11 August 2020 at 10.00 a.m. (or any adjournment thereof), for the purpose of considering, and if thought fit, passing with or without any modifications, the ordinary resolutions set out in the Notice of EGM.

### 18. OFFER INFORMATION STATEMENT

The Offer Information Statement will be despatched or, as the case may be, disseminated by the Company to Entitled Shareholders subject to, *inter alia*, the approval of the Rights Issue Resolution and the Whitewash Resolution being obtained at the EGM and the approval of the SCI Distribution Resolution being obtained at the SCI EGM. Acceptances and applications under the Rights Issue can be made on the following (all of which will form part of the Offer Information Statement):

- (i) the PAL, in the case of Entitled Scripholders;
- (ii) the ARE, in the case of Entitled Depositors; and
- (iii) the ARS, in the case of Purchasers whose registered addresses with CDP are in Singapore,

and, in the case of Entitled Depositors or their renounees or Purchasers, additionally, the ATMs of the Participating Banks.

The procedures for, and the terms and conditions applicable to, the acceptances, renunciations and/or sales of the Rights and for the excess applications for the Rights Shares pursuant to the Rights Issue, including the different modes of acceptance or application and payment, will be set out in the Offer Information Statement.

### 19. ADJUSTMENTS TO SHARE AWARDS

The Company's Executive Resource and Compensation Committee may, at its sole discretion, determine whether any adjustments would be required with respect to the share awards granted under the SCM PSP 2010 and the SCM RSP 2010 to take into account the Rights Issue so that the participants under the SCM PSP 2010 and the SCM RSP 2010 will not be adversely affected thereby. Details of such adjustments (if any) will be communicated separately to such participants.

### 20. ACTION TO BE TAKEN BY SHAREHOLDERS

- 20.1 **EGM to be Convened by way of Electronic Means.** The EGM is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of this Circular will be sent to Shareholders. This Circular (together with the Notice of EGM and the Proxy Form) may also be accessed at the Company's website at the URL <https://www.sembmarine.com/extraordinary-general-meeting> and is also available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.



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## LETTER TO SHAREHOLDERS

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- 20.2 **Alternative Arrangements relating to Attendance at the EGM.** Alternative arrangements relating to attendance at the EGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the EGM in advance of the EGM, addressing of substantial and relevant questions before the EGM and voting by appointing the Chairman of the EGM as proxy at the EGM, are set out in the accompanying Company's announcement dated 22 July 2020. This announcement may be accessed at the Company's website at the URL <https://www.sembmarine.com/investor-relations/stock-exchange-announcements>, and will also be made available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.
- 20.3 **No Attendance in Person - Appointment of the Chairman of the EGM as Proxy. Due to the current COVID-19 situation in Singapore, a member will not be allowed to attend the EGM in person. A member (whether individual or corporate) must appoint the Chairman of the EGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the EGM if such member wishes to exercise his/her/its voting rights at the EGM.** Printed copies of this Circular (together with the Proxy Form) will be sent to Shareholders. The Proxy Form may also be accessed at the Company's website at the URL <https://www.sembmarine.com/extraordinary-general-meeting> and is also available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.

CPFIS Members or SRS Investors who wish to appoint the Chairman of the EGM as proxy should approach their respective approved CPF agent banks or SRS Approved Banks to submit their votes by 10.00 a.m. on 5 August 2020.

- 20.4 **Submission of Proxy Forms.** The instrument appointing the Chairman of the EGM as proxy must be submitted to the Company in the following manner:
- (i) if submitted by post, be lodged at the office of the Share Registrar, KCK CorpServe Pte. Ltd. at 333 North Bridge Road, #08-00, KH KEA Building, Singapore 188721; or
  - (ii) if submitted electronically, be submitted via email to the Share Registrar at [shareregmeetings@kckcs.com.sg](mailto:shareregmeetings@kckcs.com.sg),

in either case not less than 72 hours before the time appointed for the EGM.

A Shareholder who wishes to submit a Proxy Form must first download (where necessary), complete and sign the Proxy Form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above. In the alternative, a Shareholder may download, complete and authorise the Proxy Form by way of the affixation of an electronic signature, before sending it by email to the email address provided above.

## 21. DIRECTORS' RECOMMENDATION

### 21.1 Rights Issue Resolution

The Directors, having considered, *inter alia*, the rationale for the Transaction (including the Rights Issue) as set out in paragraph 4 of this Circular, are of the opinion that the Rights Issue is in the best interests of the Company, and accordingly recommend that Shareholders vote in favour of the Rights Issue Resolution, including the allotment and issue of the Rights Shares pursuant to the Rights Issue, to be proposed at the EGM.

### 21.2 Whitewash Resolution

Tan Sri Mohd Hassan Marican and Koh Chiap Khiong have abstained from deliberating and making any recommendation in respect of the Whitewash Resolution as Tan Sri Mohd Hassan Marican is also a director of SCI and Koh Chiap Khiong is a director on other subsidiaries and associated companies of SCI (besides the Company) and is regarded as a Non-Independent Director by virtue of his employment with SCI. The Independent Directors, having considered, *inter alia*, the rationale for the Transaction as set out in paragraph 4 of this Circular and the advice

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## LETTER TO SHAREHOLDERS

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of the IFA as set out in the IFA Letter in Appendix 4 of this Circular, are of the opinion that the terms of the Transaction taken as a whole are fair and reasonable, and the Whitewash Resolution, when considered in the context of the Transaction, is in the best interests of the Company and is not prejudicial to the interests of the Independent Shareholders. **Accordingly, the Independent Directors recommend that the Independent Shareholders vote in favour of the Whitewash Resolution to be proposed at the EGM.**

### 21.3 Note to Shareholders

Shareholders, in deciding whether to vote in favour of the Rights Issue Resolution and the Whitewash Resolution are advised to weigh the consequences of the outcome of their vote. Should any of the resolutions not be approved, none of the proposed transactions can proceed and the position of the Company will remain status quo. Voting against the resolutions will mean that the Company's liquidity and working capital requirements will continue to be under significant pressure. Voting for the resolutions will provide the Company with the much-needed liquidity and working capital to be in a better position to ride out the current industry downturn.

Shareholders are also advised to read this Circular carefully in its entirety, including the terms and conditions of the Rights Issue, the rationale for the Transaction and the financial effects of the Rights Issue.

In giving the above recommendation, the Directors have not had regard to the specific investment objectives, financial situation, tax position or unique constraints of any individual Shareholder. As Shareholders would have different investment objectives, the Directors recommend that any Shareholder who may require specific advice in relation to his or her specific investment objectives or portfolio should consult his or her stockbroker, bank, solicitor, accountant, tax adviser or other professional advisers.

### 22. ABSTENTION FROM VOTING

Pursuant to the SIC Conditions, the Temasek Concert Party Group, as well as parties not independent of the Temasek Concert Party Group, will abstain from voting in respect of their Shares on the Whitewash Resolution. As SCI is a member of the Temasek Concert Party Group for purposes of the Transaction, the directors of SCI and the directors of the subsidiaries and associated companies of SCI<sup>13</sup> will therefore abstain from voting in respect of their Shares, if any, on the Whitewash Resolution.

The Chairman of the EGM will accept appointment as proxy for any other Shareholder to vote in respect of the Rights Issue Resolution and the Whitewash Resolution 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 the Rights Issue Resolution and the Whitewash Resolution.

### 23. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular, and confirm, after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Rights Issue Resolution and the Whitewash Resolution (including the Transaction) and the Group which are relevant to the Rights Issue Resolution and the Whitewash Resolution (including the Transaction), and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named

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<sup>13</sup> Excluding the Company and its subsidiaries and associated companies, and excluding any associated company of SCI in respect of which the presumption that such associated company is acting in concert with SCI has been rebutted. For the avoidance of doubt, Tan Sri Mohd Hassan Marican and Koh Chiap Khiong will abstain from voting in respect of their Shares, if any, on the Whitewash Resolution.

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## LETTER TO SHAREHOLDERS

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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 Circular in its proper form and context.

### 24. STATEMENT BY THE SOLE FINANCIAL ADVISER, LEAD MANAGER AND UNDERWRITER

To the best of the Sole Financial Adviser, Lead Manager and Underwriter's knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Rights Issue Resolution and the Whitewash Resolution (including the Transaction) and the Group which are relevant to the Rights Issue Resolution and the Whitewash Resolution (including the Transaction), and the Sole Financial Adviser, Lead Manager and Underwriter is not aware of any facts the omission of which would make any statement in this Circular misleading.

### 25. CONSENT

DBS Bank Ltd., as the Sole Financial Adviser, Lead Manager and Underwriter for the Rights Issue, has given and has not withdrawn its written consent to the issue of this Circular, with the inclusion of its name and all references to itself in the form and context in which they appear in this Circular.

Provenance Capital Pte. Ltd., as the IFA, has given and has not withdrawn its written consent to the issue of this Circular, with the inclusion of (i) its name and all references to itself; (ii) the statements in paragraph 14.8 of this Circular; and (iii) the IFA Letter as set out in Appendix 4 to this Circular, in the form and context in which they appear in this Circular.

### 26. DOCUMENTS FOR INSPECTION

The following documents are available for inspection on the Company's website at the URL <https://www.sembmarine.com/extraordinary-general-meeting> up to the date of the EGM:

- (i) the Constitution;
- (ii) the Annual Reports of the Company for FY2017, FY2018 and FY2019;
- (iii) the letters of consent referred to in paragraph 25 of this Circular; and
- (iv) the IFA Letter as set out in Appendix 4 of this Circular.

Yours faithfully

for and on behalf of  
the Board of Directors of  
**Sembcorp Marine Ltd**

Tan Sri Mohd Hassan Marican  
Chairman

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## APPENDIX 1

### ELIGIBILITY OF SHAREHOLDERS TO PARTICIPATE IN THE RIGHTS ISSUE

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1. **Entitled Shareholders.** Entitled Shareholders will be entitled to participate in the Rights Issue and to receive the Offer Information Statement, together with the ARE or the PAL, as the case may be, at their respective Singapore addresses.

Entitled Depositors who do not receive the Offer Information Statement and the ARE may obtain them from CDP, the Share Registrar or any stockbroking firm during the period from the date the Rights Issue commences up to the Closing Date. Entitled Scripholders who do not receive the Offer Information Statement and the PAL may obtain them from the Share Registrar during the period from the date the Rights Issue commences up to the Closing Date.

Entitled Shareholders will be provisionally allotted Rights Shares under the Rights Issue on the basis of their shareholdings in the Company as at the Record Date. Entitled Shareholders will be at liberty to accept (in full or in part), decline, renounce or (in the case of Entitled Depositors only) trade on the SGX-ST (during the Rights trading period prescribed by the SGX-ST) their Rights and are eligible to apply for Excess Rights Shares in excess of their provisional allotments under the Rights Issue. Fractional entitlements to the Rights Shares will be disregarded in arriving at the Shareholders' entitlements and will, together with such Rights Shares that are not validly taken up by Entitled Shareholders or their respective renounee(s) or Purchaser(s), any unsold Rights of Foreign Shareholders and any Rights Shares that are not otherwise allotted for whatever reason in accordance with the terms and conditions contained in the Offer Information Statement, the ARE, the PAL and (if applicable) the Constitution, be aggregated and used to satisfy Excess Rights Shares applications (if any), or disposed of or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit for the benefit of the Company. In the allotment of Excess Rights Shares, preference will be given to the rounding of odd lots, and Directors and Substantial Shareholders who have control or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Rights Issue, or have representation (direct or through a nominee) on the Board of Directors, will rank last in priority for the rounding of odd lots and the allotment of Excess Rights Shares.

**All dealings in and transactions of the Rights through the SGX-ST will be effected under the book-entry (scripless) settlement system. Accordingly, the PALs, which will be issued to Entitled Scripholders, will not be valid for delivery pursuant to trades done on the SGX-ST.**

The procedures for, and the terms and conditions applicable to, acceptances, renunciation and/or sales of the Rights and for the applications for Excess Rights Shares, including the different modes of acceptance or application and payment, will be contained in the Offer Information Statement to be despatched or, as the case may be, disseminated by, and in the ARE, the ARS and the PAL to be despatched by, the Company in due course.

Scripholders are encouraged to open Securities Accounts if they have not already done so and to deposit their share certificates with CDP well in advance of the Record Date so that their Securities Accounts may be credited by CDP with their Shares prior to the Record Date and the Rights. Scripholders should note that their Securities Accounts will only be credited with their Shares on the twelfth (12<sup>th</sup>) Market Day from the date of lodgement of their share certificates with CDP or such later date as CDP may determine.

Depositors should note that all notices and documents will be sent to their last registered addresses with CDP.

Depositors who wish to maintain a mailing address in Singapore ("**Rights Mailing Address**") with CDP for the purpose of receiving the Rights Issue documents should inform CDP in writing at 11 North Buona Vista Drive, #01-19/20 The Metropolis Tower 2, Singapore 138589. Depositors are encouraged to submit any request to register a Rights Mailing Address or to effect any change in address well in advance of the Record Date to be eligible to participate in the Rights Issue. Any such request to register a Rights Mailing Address or to effect any change in address must reach CDP by not later than three Market Days before the Record Date.

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## APPENDIX 1

### ELIGIBILITY OF SHAREHOLDERS TO PARTICIPATE IN THE RIGHTS ISSUE

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Shareholders (not being Depositors) who do not presently have an address in Singapore for the service of notices and documents and who wish to be eligible to participate in the Rights Issue should provide such an address in Singapore by notifying in writing the Share Registrar, KCK CorpServe Pte. Ltd. at 333 North Bridge Road, #08-00, KH KEA Building, Singapore 188721, not later than three Market Days before the Record Date.

2. **Foreign Shareholders.** The Offer Information Statement and its accompanying documents have not been and will not be lodged, registered or filed in any jurisdiction other than Singapore. The distribution of the Offer Information Statement and its accompanying documents, and the purchase, exercise of or subscription for Rights and/or the Rights Shares by any persons who have registered addresses outside Singapore, or who are resident in, or citizens of countries other than Singapore, may be prohibited or restricted (either absolutely or subject to various relevant securities requirements, whether legal or administrative, being complied with) in certain jurisdictions under the relevant securities laws of those jurisdictions. For practical reasons and in order to avoid any violation of the securities legislation applicable in jurisdictions other than Singapore, the Offer Information Statement and its accompanying documents will not be despatched to Foreign Shareholders.

**Foreign Shareholders will not be entitled to participate in the Rights Issue. Accordingly, no provisional allotment of Rights Shares will be made to Foreign Shareholders and no purported acceptance or application for the Rights Shares by Foreign Shareholders will be valid. The Company may, in its sole discretion, permit participation in the Rights Issue by certain Foreign Shareholders in certain jurisdictions, subject in all cases to compliance with applicable laws in the relevant jurisdictions.**

The Offer Information Statement and its accompanying documents will also not be despatched to Foreign Purchasers. Foreign Purchasers who wish to accept the Rights credited to their Securities Accounts should make the necessary arrangements with their respective Depository Agents or stockbrokers in Singapore.

The Company reserves the right, but shall not be obliged, to treat as invalid any ARE, ARS or PAL which (i) appears to the Company or its agents to have been executed in any jurisdiction outside Singapore or which the Company believes may violate any applicable legislation of such jurisdiction, (ii) provides an address outside Singapore for the receipt of the share certificate(s) for the Rights Shares or which requires the Company to despatch the share certificate(s) to an address in any jurisdiction outside Singapore, or (iii) purports to exclude any deemed representation, warranty or confirmation. The Company further reserves the right to reject any acceptances of the Rights Shares and/or applications for Excess Rights Shares where it believes, or has reason to believe, that such acceptances and/or applications may violate any applicable legislation of any jurisdiction.

If it is practicable to do so, the Company may, at its absolute discretion, arrange for the Rights, which would otherwise have been provisionally allotted to Ineligible Shareholders to be sold “nil-paid” on the SGX-ST as soon as practicable after commencement of trading in the Rights. Such sales may, however, only be effected if the Company, in its absolute discretion, determines that a premium can be obtained from such sales, after taking into account the expenses expected to be incurred in relation thereto.

The net proceeds from all such sales, after deduction of all expenses therefrom, will be pooled and thereafter distributed to Ineligible Shareholders in proportion to their respective shareholdings or, as the case may be, the number of Shares entered against their names in the Depository Register as at the Record Date and sent to them **AT THEIR OWN RISK** by ordinary post, **provided that** where the amount of net proceeds to be distributed to any single Ineligible Shareholder or persons acting to the account or benefit of any such persons is less than S\$10.00, the Company shall be entitled to retain or deal with such net proceeds as the Directors may, in their absolute discretion, deem fit in the interests of the Company and no Ineligible Shareholder or persons acting to the

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## APPENDIX 1

### ELIGIBILITY OF SHAREHOLDERS TO PARTICIPATE IN THE RIGHTS ISSUE

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account or benefit of any such persons shall have any claim whatsoever against the Company, the Sole Financial Adviser, Lead Manager and Underwriter, CDP, the CPF Board or the Share Registrar and their respective officers in connection therewith.

Where such Rights are sold on the SGX-ST, they will be sold at such price or prices as the Company may, in its absolute discretion, decide and no Ineligible Shareholder or persons acting to the account or benefit of any such persons shall have any claim whatsoever against the Company, the Sole Financial Adviser, Lead Manager and Underwriter, CDP, the CPF Board or the Share Registrar and their respective officers in respect of such sales or the proceeds thereof, the Rights or the Rights Shares represented by such Rights.

If such Rights cannot be or are not sold on the SGX-ST as aforesaid for any reason by such time as the SGX-ST shall have declared to be the last day for trading in the Rights, the Rights Shares represented by such Rights will be issued to satisfy excess applications or dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company and no Ineligible Shareholder or persons acting to the account or benefit of any such persons shall have any claim whatsoever against the Company, the Sole Financial Adviser, Lead Manager and Underwriter, CDP, the CPF Board or the Share Registrar and their respective officers in connection therewith.

Shareholders should note that the special arrangements described above will apply only to Ineligible Shareholders.

**Notwithstanding the above, Shareholders and any other person having possession of the Offer Information Statement and/or its accompanying documents are advised to inform themselves of and to observe any legal requirements applicable thereto. No person in any territory outside Singapore receiving the Offer Information Statement and/or its accompanying documents may treat the same as an offer, invitation or solicitation to subscribe for any Rights Shares unless such offer, invitation or solicitation could lawfully be made without compliance with any registration or other regulatory or legal requirements in such territory.**

Further details will be set out in the Offer Information Statement.

**APPENDIX 2**  
**PRO FORMA FINANCIAL EFFECTS OF THE RIGHTS ISSUE**

**1. Assumptions**

The *pro forma* financial effects of the Rights Issue as presented herein:

- (i) are for illustrative purposes only and do not purport to be indicative or a projection of the results and financial position of the Group immediately after the completion of the Rights Issue;
- (ii) are based on the audited consolidated financial statements of the Group for FY2019 in calculating the *pro forma* financial effects as at 31 December 2019;
- (iii) are based on the unaudited results of the Group for 1H2020 in calculating the *pro forma* financial effects as at 30 June 2020;
- (iv) assume that the Rights Shares had been allotted and issued on 31 December 2019 and 30 June 2020 in calculating the *pro forma* financial effects on NTA and gearing as at 31 December 2019 and 30 June 2020 respectively;
- (v) assume that the Rights Shares had been allotted and issued on 1 January 2019 and 1 January 2020 in calculating the *pro forma* financial effects on EPS for FY2019 and 1H2020 respectively;
- (vi) assume that the amount of net proceeds from the issue of the Rights Shares, after deducting estimated expenses of approximately S\$9.0 million to be incurred in connection with the Rights Issue, is approximately S\$2.1 billion and further assuming all of the expenses from the Rights Issue are capitalised; and
- (vii) do not take into account any theoretical ex-rights adjustment factor.

**2. Share Capital**

	Number of Shares	S\$' million
Issued share capital (excluding treasury shares) as at the Latest Practicable Date	2,092,538,174	488.0
Add: Rights Shares to be allotted and issued	10,462,690,870	2,083.5
Issued share capital (excluding treasury shares) after the Rights Issue	12,555,229,044	2,571.6

**3. NTA**

	As at 31 December 2019	As at 30 June 2020
<b>NTA</b>		
NTA before the Rights Issue (S\$' million)	1,927.0	1,750.5
Net proceeds from the Rights Issue (S\$' million)	2,083.5	2,083.5
NTA after adjusting for the Rights Issue (S\$' million)	4,010.5	3,834.0
<b>NTA per Share</b>		
Number of Shares (excluding treasury shares) before the Rights Issue	2,090,487,729	2,092,538,174
NTA per Share before the Rights Issue (cents) <sup>(1)</sup>	92.18	83.65
Number of Shares (excluding treasury shares) after the Rights Issue	12,553,178,599	12,555,229,044
NTA per Share after the Rights Issue (cents) <sup>(1)</sup>	31.95	30.54

**Note:**

- (1) NTA per Share = (Equity attributable to owners – Intangible assets) / Number of Shares outstanding (excluding treasury shares).

**APPENDIX 2**  
**PRO FORMA FINANCIAL EFFECTS OF THE RIGHTS ISSUE**

4. **Gearing**

	As at 31 December 2019	As at 30 June 2020
<b>Before the Rights Issue</b>		
Total net borrowings (S\$' million) <sup>(1)</sup>	4,011.5	4,220.2
Total equity (S\$' million)	2,206.8	2,014.4
Net gearing (times) <sup>(2)</sup>	1.82x	2.10x
<b>After the Rights Issue</b>		
Total net borrowings (S\$' million)	1,928.0	2,136.7
Total equity (S\$' million)	4,290.3	4,097.9
Net gearing (times) <sup>(2)</sup>	0.45x	0.52x

**Notes:**

(1) Including the S\$1.5 billion principal amount outstanding under the Subordinated Credit Facility.

(2) Net gearing = (Gross Borrowings – Cash) / Total equity.

5. **EPS**

	FY2019	1H2020
<b>Before the Rights Issue</b>		
Net profit/(loss) attributable to Shareholders of the Company (S\$' million)	(137.2)	(192.1)
Weighted average number of Shares (excluding treasury shares) (million)	2,089.0	2,090.5
<b>After the Rights Issue</b>		
Net profit/(loss) attributable to Shareholders of the Company (S\$' million) <sup>(1)</sup>	(83.9)	(168.9)
Weighted average number of Shares (excluding treasury shares) (million)	12,551.7	12,553.2
<b>EPS</b>		
Basic EPS before the Rights Issue (cents) <sup>(2)</sup>	(6.57)	(9.19)
Basic EPS after the Rights Issue (cents) <sup>(2)</sup>	(0.67)	(1.35)

**Notes:**

(1) Includes assumed interest savings from debt repayment of S\$1.5 billion and interest income arising from bank deposit of S\$0.6 billion, calculated on a post-tax basis.

(2) EPS = Net profit/(loss) attributable to Shareholders / Weighted average number of Shares outstanding (excluding treasury shares).



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## APPENDIX 3

### REVIEW OF PAST PERFORMANCE, WORKING CAPITAL, PROSPECTS AND OTHER DEVELOPMENTS

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#### OVERVIEW OF BUSINESS SEGMENTS

The Company provides innovative engineering solutions to the global offshore, marine and energy industries. Headquartered in Singapore, the Company has close to 60 years of track record in the design and construction of rigs, floaters, offshore platforms and specialised vessels, as well as in the repair, upgrading and conversion of different ship types. Its solutions focus on the following areas: Gas Value Chain, Renewable Energy, Process, Advanced Drilling Rigs, Ocean Living and Maritime Security.

The Company's customers include major energy companies, owners of floating production units, shipping companies and cruise and ferry operators. They are supported by four commercial units: Rigs & Floaters; Repairs & Upgrades; Offshore Platforms; and Specialised Shipbuilding.

The Company operates shipyards and other facilities strategically located in Singapore, Indonesia, the United Kingdom, Norway and Brazil.

To successfully compete in the global arena, the Company has implemented three key strategies:

- (i) Proactive diversification and expansion into new and existing markets;
- (ii) Strategic strengthening of yard capabilities; and
- (iii) Innovation development through investment in intellectual property, technology and solutions that provide a differentiated edge,

as further described in paragraph 2 of this Circular.

#### Rigs & Floaters

By harnessing the Company's globally-integrated design and execution capabilities, Rigs & Floaters provides turnkey solutions for complex projects.

The product areas include design, engineering, procurement, construction and commissioning of:

- (i) Offshore newbuildings and conversions, including floating storage and offloading vessels (FSO), floating production, storage and offloading vessels (FPSO), floating drilling, production, storage and offloading vessels (FDPSO), floating production units (FPU) and mobile offshore production units (MOPU);
- (ii) Gas terminals (including Gravifloat nearshore modular terminal solutions), floating liquefied natural gas vessels (FLNG) and floating storage regasification units (FSRU);
- (iii) Jack-ups, semi-submersibles and drill ships; and
- (iv) Sevan SSP cylindrical hull solutions, tension leg platforms (TLP) and SPARs (floating oil platforms typically used in very deep waters).

#### Repairs & Upgrades

Repairs & Upgrades offers one-stop repair and upgrade solutions for all types of marine and offshore vessels and structures.

The product areas include:

- (i) Repair, refurbishment, retrofitting and life-extension of vessels, including gas carriers (LNG/LPG), cruise ships, ferries, mega-yachts, naval vessels, conventional tankers, container carriers and bulk carriers;

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### APPENDIX 3

## REVIEW OF PAST PERFORMANCE, WORKING CAPITAL, PROSPECTS AND OTHER DEVELOPMENTS

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- (ii) Turnkey upgrading and conversion of FPSOs, floating storage units (FSU), FSRUs, as well as marine and offshore structures (including floating production vessels and mobile offshore drilling units (MODU));
- (iii) Green technology retrofits, including scrubbers, ballast water management systems and fuel saving technologies;
- (iv) Specialised projects, including jumboisation and dejumboisation; and
- (v) Full range of afloat and emergency repairs and services, including underwater cleaning and repairs as well as riding crew and voyage repairs.

#### Offshore Platforms

Offshore Platforms provides design and construction solutions for a wide range of offshore platforms, catering to the highest technical specifications for a global customer base.

The product areas include turnkey engineering, procurement, construction, transportation, installation, offshore hook-up, commissioning and brownfield solutions for:

- (i) Offshore oil and gas fixed platforms (including integrated production facilities, utility and living quarters, compression and power generation, well head and risers, and jackets);
- (ii) Offshore wind energy fixed platforms (including substation platforms and wind turbine foundations); and
- (iii) Onshore LNG and process modules.

#### Specialised Shipbuilding

Specialised Shipbuilding provides design and construction solutions for high-performance, specialised vessels.

The product areas include:

- (i) Gas value chain vessels (compressed gas liquid and LNG);
- (ii) Passenger and car ferries, expedition ships and cruise vessels;
- (iii) Renewable energy support vessels and offshore support vessels (heavy-lift, pipe-lay and accommodation);
- (iv) Naval support and security vessels; and
- (v) Research and scientific survey vessels.

The solutions of the Company's four commercial units are underpinned by a number of technology subsidiaries in the Company's global network, including:

- (a) LMG Marin, a naval architecture and ship design firm with over 75 years of history and an extensive portfolio of leading-edge vessel designs;
- (b) Sevan SSP, known in the industry for its cylindrical hull solutions that are especially suited for harsh-environment operations; and
- (c) Gravifloat, with its unique modular nearshore solutions such as LNG export and import terminals for the gas value chain.

**APPENDIX 3**  
**REVIEW OF PAST PERFORMANCE, WORKING CAPITAL,  
PROSPECTS AND OTHER DEVELOPMENTS**

**CONSOLIDATED INCOME STATEMENTS**

The audited consolidated income statements of the Group for FY2017, FY2018 and FY2019 and the unaudited consolidated income statements of the Group for 1H2019 and 1H2020 are set out below.

	← Audited →			← Unaudited →	
	FY2017 <sup>(1)</sup> S\$'000	FY2018 S\$'000	FY2019 S\$'000	1H2019 S\$'000	1H2020 S\$'000
<b>Turnover</b>	<b>3,034,767</b>	<b>4,887,866</b>	<b>2,882,560</b>	<b>1,541,874</b>	<b>906,199</b>
Cost of sales	(2,689,004)	(4,884,772)	(2,974,378)	(1,515,444)	(1,100,784)
<b>Gross profit/(loss)</b>	<b>345,763</b>	<b>3,094</b>	<b>(91,818)</b>	<b>26,430</b>	<b>(194,585)</b>
Other operating income	63,705	49,608	44,879	21,668	93,150
Other operating expenses	(5,021)	(2,811)	(6,325)	(959)	(24,511)
General and administrative expenses	(98,737)	(102,214)	(85,526)	(44,469)	(46,827)
<b>Operating profit/(loss)</b>	<b>305,710</b>	<b>(52,323)</b>	<b>(138,790)</b>	<b>2,670</b>	<b>(172,773)</b>
Finance income	22,807	55,026	93,275	47,696	29,909
Finance costs	(95,522)	(101,356)	(130,027)	(65,516)	(79,000)
Non-operating income	64,803	141	185	-	501
Non-operating expenses	(13,309)	-	-	-	-
Share of results of associates and joint ventures, net of tax	(3,617)	(2,385)	(1,603)	(1,193)	550
<b>Profit/(Loss) before tax</b>	<b>280,872</b>	<b>(100,897)</b>	<b>(176,960)</b>	<b>(16,343)</b>	<b>(220,813)</b>
Tax (expense)/credit	(24,817)	22,531	36,773	7,572	26,476
<b>Profit/(loss) for the year/period</b>	<b>256,055</b>	<b>(78,366)</b>	<b>(140,187)</b>	<b>(8,771)</b>	<b>(194,337)</b>
<b>Profit/(loss) attributable to:</b>					
Owners of the Company	260,183	(74,131)	(137,174)	(6,830)	(192,146)
Non-controlling interests	(4,128)	(4,235)	(3,013)	(1,941)	(2,191)
<b>Profit/(loss) for the year/period</b>	<b>256,055</b>	<b>(78,366)</b>	<b>(140,187)</b>	<b>(8,771)</b>	<b>(194,337)</b>

**Note:**

- (1) In 2018, the Group adopted the Singapore Financial Reporting Standards (International) (“**SFRS(I)**”) and International Financial Reporting Standards (“**IFRS**”) frameworks, as well as the new accounting standards that are effective on 1 January 2018. SFRS(I) and IFRS are issued by the Accounting Standards Council and the International Accounting Standards Board respectively. SFRS(I) comprises standards and interpretations that are equivalent to IFRS. The new framework and accounting policies had been applied in preparing the financial statements for FY2018 and the comparative information presented for FY2017, subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

The Group had adopted SFRS(I) 15 in its financial statements for FY2018, using the retrospective approach. As a result, the Group applied all of the requirements of SFRS(I) 15 retrospectively, except for certain practical expedients, and the comparative period presented in the FY2018 financial statements were restated. Prior to adoption of SFRS(I) 15, the Group reported Loss before tax of S\$16 million and Profit attributable to Owners of the Company of S\$14 million for FY2017.

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### APPENDIX 3

## REVIEW OF PAST PERFORMANCE, WORKING CAPITAL, PROSPECTS AND OTHER DEVELOPMENTS

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A review of the past performance of the Group from FY2017 to 1H2020 is set out below.

#### **FY2018 compared to FY2017**

##### Turnover

The Group's revenue increased to S\$4.89 billion for FY2018 from S\$3.03 billion in FY2017. The higher revenue was led by stronger contributions from the Rigs & Floaters segment, while all other segments saw a year-on-year revenue decline.

On a segmental basis:

- (i) Revenue for Rigs & Floaters increased to S\$4.15 billion in FY2018, compared with S\$1.72 billion in FY2017. This was due to revenue recognition on the delivery of seven jack-up rigs to Borr Drilling and one jack-up rig to BOT Lease, the sale of the West Rigel (renamed Transocean Norge) semi-submersible rig and higher percentage recognition for ongoing drill ships and offshore production projects;
- (ii) Offshore Platforms revenue declined year-on-year, from S\$732 million in FY2017 to S\$184 million in FY2018 due to fewer contracts on hand, and completion of existing projects. Three topside modules for the Culzean platform projects were completed and delivered on schedule in June 2018.
- (iii) Revenue from Repairs & Upgrades fell from S\$499 million in FY2017 to S\$476 million in FY2018. Even though fewer vessels called at the Group's yards in FY2018, average spend per vessel was higher on improved vessel mix. A total of 296 ships and other vessels were repaired or upgraded in FY2018 compared with 390 units in FY2017. Average revenue per vessel was higher at S\$1.61 million compared with S\$1.28 million in FY2017 on improved vessel mix of higher-value works.

In FY2018, Rigs & Floaters continued to account for the largest share of revenue at 85%; Offshore Platforms contributed 4%; Repairs & Upgrades 10%; and other activities, the remaining 1%.

##### Earnings

The Group incurred an operating loss of S\$52 million and a net loss attributable to Shareholders of S\$74 million in FY2018, compared with S\$306 million operating profits and S\$260 million net profits attributable to Shareholders in FY2017. This was mainly due to the sale of a semi-submersible rig at a loss of S\$34 million and continued low overall business volume which impacted the absorption of overhead costs, offset by margin recognition from newly secured production floater projects and delivery of rigs. The FY2017 accounts recorded the net positive effect of contract terminations of S\$241 million which arose mainly from the entitlement to the down payments on termination of five rig contracts and a one-off gain of S\$65 million mainly arising from the disposal of Cosco Shipyard Group Co., Ltd.

#### **FY2019 compared to FY2018**

##### Turnover

The Group's revenue for FY2019 totalled S\$2.88 billion, compared with S\$4.89 billion booked in FY2018. This was mainly due to lower revenue recognition from Rigs & Floaters and Offshore Platforms projects, mitigated by higher revenue from Repairs & Upgrades.

On a segmental basis:

- (i) Revenue for Rigs & Floaters was S\$2.07 billion in FY2019, compared with S\$4.15 billion in FY2018. The higher revenue in FY2018 had been due to revenue recognition on delivery of seven jack-up rigs to Borr Drilling, one jack-up to BOT Lease and the sale of a semi-submersible rig.

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### APPENDIX 3

## REVIEW OF PAST PERFORMANCE, WORKING CAPITAL, PROSPECTS AND OTHER DEVELOPMENTS

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Revenue in FY2019 was mainly contributed by higher percentage recognition from ongoing drill ship and floater projects. They included the two Transocean drill ships, the Shell Vito FPU, the Johan Castberg FPSO and the Karish FPSO projects.

- (ii) Offshore Platforms revenue was S\$131 million in FY2019 with revenue recognition from the Hornsea 2 wind farm substations and Tangguh gas modules projects. FY2018 revenue of S\$184 million was higher on contributions from the Culzean platform projects, which were completed and delivered in June 2018.
- (iii) Revenue from Repairs & Upgrades totalled S\$605 million in FY2019, which was 27% higher than the S\$476 million in FY2018 with higher revenue per vessel at S\$2.16 million (as compared to S\$1.61 million in FY2018) on improved vessel mix of higher-value works. A total of 280 vessels were repaired or upgraded at the Group's yards in the year (as compared to 296 units in FY2018).

In FY2019, Rigs & Floaters continued to account for the largest share of revenue at 72%; Offshore Platforms contributed 5%; Repairs & Upgrades 21%; Specialised Shipbuilding 1%; and other activities, the remaining 1%.

#### Earnings

The Group's operating loss for FY2019 was S\$139 million, compared with FY2018's operating loss of S\$52 million. While margins continued to be recognised from newly secured floater projects, FY2019's operating loss was mainly due to continued low overall business volumes, and accelerated depreciation of S\$48 million arising from the Group's transformation and yard consolidation strategy.

The Group incurred net finance costs of S\$37 million, lower compared with S\$46 million for FY2018, due to higher interest income earned in FY2019.

FY2019's net loss attributable to Shareholders was S\$137 million, compared to the net loss of S\$74 million reported in FY2018. This was due mainly to the accelerated depreciation for the Tanjong Kling Yard of S\$48 million and continued low overall business volume. It was partly offset by profits from the Repairs & Upgrades business, which rose on improved margins and better product mix.

#### **1H2020 compared to 1H2019**

#### Turnover

The Group's revenue for 1H2020 totalled S\$906 million, compared with S\$1.54 billion booked in 1H2019. The revenue decline in 1H2020 was largely due to lower revenue from Rigs & Floaters projects, while revenue from Repairs & Upgrades, Offshore Platforms and Specialised Shipbuilding were higher.

On a segmental basis:

- (i) Revenue for the Rigs & Floaters segment was S\$459 million in 1H2020, compared with S\$1.22 billion in 1H2019. This was due to lower production activities arising from COVID-19 production stand-down at the yards in the second quarter. All existing projects were affected by the stand-down.
- (ii) Revenue from Repairs & Upgrades totalled S\$258 million in 1H2020, which was 5% higher than the S\$245 million in 1H2019, This was due to higher revenue per vessel at S\$3.49 million (1H2019: S\$1.60 million) on recognition of several upgrade projects for floating storage and regasification vessels (FSRU) and cruise ships. A total of 74 vessels were repaired or upgraded at the Group's yards in 1H2020 (1H2019: 153 vessels).
- (iii) Offshore Platforms revenue was S\$130 million in 1H2020, up 165% from 1H2019 with higher revenue recognition from the Hornsea 2 wind farm project and new projects secured in 2H2019. Offshore Platforms also successfully delivered the Tangguh gas modules project in June 2020 from the Group's Batam yard.

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### APPENDIX 3

## REVIEW OF PAST PERFORMANCE, WORKING CAPITAL, PROSPECTS AND OTHER DEVELOPMENTS

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(iv) Specialised Shipbuilding revenue was S\$35 million in 1H2020, up from S\$7 million in 1H2019 on higher percentage recognition from the Ropax ferries as well as the LNG bunker vessel projects.

In 1H2020, Rigs & Floaters continued to account for the largest share of revenue at 51%; Repairs & Upgrades 28%; Offshore Platforms contributed 14%; Specialised Shipbuilding 4%; and other activities, the remaining 3%.

#### Earnings

The Group posted an unaudited net loss attributable to Shareholders of S\$192 million for 1H2020, compared to the net loss attributable to Shareholders of S\$7 million for 1H2019.

Since April 2020, when the Singapore government imposed its COVID-19 “circuit breaker” measures, in particular movement restrictions that disallowed migrant workers from leaving their dormitories for work, there was a substantial reduction in the Group’s operating yard workforce (including sub-contractors) from about 20,000 to 850 persons. The Group’s Singapore yards had to stand down and discontinue production activities, resulting in significant delays to project executions.

As a consequence, all segments posted losses for the six months period, with the exception of Repairs & Upgrades which reported higher profits on better product mix of higher margin upgrade projects which were executed during the first quarter of 2020.

Besides the production stand down, other factors which contributed to the bigger losses were higher costs recognised for Rigs & Floaters and Specialised Shipbuilding projects, and lower margin recognition from Offshore Platforms projects mainly due to COVID-19 related factors.

#### **BALANCE SHEET**

The audited balance sheet of the Group as at 31 December 2017, 31 December 2018 and 31 December 2019 and the unaudited balance sheet of the Group as at 30 June 2020 are set out below.

	← Audited →			Unaudited
	31 December 2017 <sup>(1)</sup>	31 December 2018	31 December 2019 <sup>(2)</sup>	30 June 2020
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Non-current assets</b>				
Property, plant and equipment	3,995,019	4,179,257	4,250,971	4,281,101
Right-of-use assets	-	-	253,304	266,289
Interests in associates and joint ventures	67,965	66,533	14,887	15,399
Other financial assets	46,150	2,881	11,342	2,944
Trade and other receivables	168,740	1,136,124	1,087,631	1,116,342
Contract costs	128,399	-	-	-
Intangible assets	179,201	208,934	246,341	232,587
Deferred tax assets	13,919	23,223	29,195	66,668
	4,599,393	5,616,952	5,893,671	5,981,330

**APPENDIX 3**  
**REVIEW OF PAST PERFORMANCE, WORKING CAPITAL,**  
**PROSPECTS AND OTHER DEVELOPMENTS**

	← Audited →			Unaudited
	31 December 2017 <sup>(1)</sup>	31 December 2018	31 December 2019 <sup>(2)</sup>	30 June 2020
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Current assets</b>				
Inventories	95,773	80,171	113,108	132,163
Trade and other receivables	640,481	690,550	483,300	324,264
Contract costs	2,358,054	328,690	88,640	94,034
Contract assets	652,361	998,666	1,462,340	1,650,908
Tax recoverable	11,192	10,568	11,658	10,172
Assets held for sale	-	1,657	985	-
Other financial assets	33,571	12,283	15,820	4,673
Cash and cash equivalents	1,301,000	837,724	389,250	1,107,031
	5,092,432	2,960,309	2,565,101	3,323,245
<b>Total assets</b>	9,691,825	8,577,261	8,458,772	9,304,575
<b>Current liabilities</b>				
Trade and other payables	1,604,218	1,532,746	1,341,010	1,354,011
Contract liabilities	1,135,661	139,731	60,186	97,104
Provisions	27,755	16,875	16,433	18,625
Other financial liabilities	1,449	9,809	7,703	49,468
Current tax payable	24,868	7,591	3,758	8,836
Interest-bearing borrowings	852,737	1,055,496	1,421,620	2,031,750
Lease liabilities	-	483	23,978	22,940
	3,646,688	2,762,731	2,874,688	3,582,734
<b>Net current assets/(liabilities)</b>	1,445,744	197,578	(309,587)	(259,489)

**APPENDIX 3**  
**REVIEW OF PAST PERFORMANCE, WORKING CAPITAL,  
PROSPECTS AND OTHER DEVELOPMENTS**

	← Audited →			Unaudited
	31 December 2017 <sup>(1)</sup>	31 December 2018	31 December 2019 <sup>(2)</sup>	30 June 2020
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Non-current liabilities</b>				
Deferred tax liabilities	61,545	52,808	28,989	26,519
Provisions	70,014	120,861	106,821	100,774
Other financial liabilities	5,713	10,162	2,204	1,703
Interest-bearing borrowings	3,247,386	3,172,500	1,479,172	1,795,519
Subordinated loan	-	-	1,500,000	1,500,000
Lease liabilities	-	951	254,120	276,956
Contract liabilities	75,497	-	-	-
Other long-term payables	104,807	108,813	6,000	6,006
	3,564,962	3,466,095	3,377,306	3,707,477
<b>Total liabilities</b>	7,211,650	6,228,826	6,251,994	7,290,211
<b>Net assets</b>	<b>2,480,175</b>	<b>2,348,435</b>	<b>2,206,778</b>	<b>2,014,364</b>
<b>Equity attributable to owners of the Company</b>				
Share capital	484,288	484,288	486,217	488,787
Other reserves	(30,704)	(51,027)	(44,996)	(45,685)
Revenue reserve	1,985,392	1,878,423	1,732,087	1,539,941
	2,438,976	2,311,684	2,173,308	1,983,043
Non-controlling interests	41,199	36,751	33,470	31,321
<b>Total equity</b>	<b>2,480,175</b>	<b>2,348,435</b>	<b>2,206,778</b>	<b>2,014,364</b>

**Notes:**

- (1) In 2018, the Group adopted the SFRS(I) and IFRS frameworks, as well as the new accounting standards that are effective on 1 January 2018. SFRS(I) and IFRS are issued by the Accounting Standards Council and the International Accounting Standards Board respectively. SFRS(I) comprises standards and interpretations that are equivalent to IFRS. The new framework and accounting policies had been applied in preparing the financial statements for FY2018 and the comparative information presented for FY2017, subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.
- (2) The Group applied SFRS(I) 16 on 1 January 2019, using the modified retrospective approach. The Group recognises its existing operating lease arrangements as right-of-use assets with corresponding lease liabilities under SFRS(I) 16.



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### APPENDIX 3

## REVIEW OF PAST PERFORMANCE, WORKING CAPITAL, PROSPECTS AND OTHER DEVELOPMENTS

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A review of the financial position of the Group as at 31 December 2017, 31 December 2018, 31 December 2019 and 30 June 2020 is set out below.

#### **31 December 2018 compared to 31 December 2017**

The Group's total assets of S\$8.58 billion as at 31 December 2018 were 12% lower as compared with S\$9.69 billion as at 31 December 2017. This was mainly due to a decrease in contract costs, resulting from recognition of cost of sales upon the delivery and sale of rigs, as well as lower cash and cash equivalents mainly due to capital expenditures and working capital spent on ongoing projects, offset by an increase in trade and other receivables.

The Group's total liabilities of S\$6.23 billion as at 31 December 2018 were 14% lower as compared with S\$7.21 billion as at 31 December 2017. This was mainly due to a decrease in contract liabilities, resulting from recognition of sales upon the delivery and sale of rigs.

As at 31 December 2018, total capital employed of S\$2.35 billion comprised Shareholders' funds of S\$2.31 billion and non-controlling interests of S\$37 million.

#### **31 December 2019 compared to 31 December 2018**

The Group's Shareholders' funds decreased to S\$2.17 billion as at 31 December 2019, from S\$2.31 billion as at 31 December 2018.

On 1 January 2019, the Group applied SFRS(I) 16 Leases. It thus recognised land leases as right-of-use assets and lease obligations as lease liabilities in the balance sheet.

The Group's total assets of S\$8.46 billion as at 31 December 2019 were 1% lower as compared with S\$8.58 billion as at 31 December 2018. This was mainly due to a decrease in trade and other receivables from collections and a decrease in cash and cash equivalents, arising from capital expenditures and working capital for the ongoing projects. This was offset by an increase in contract assets mainly due to revenue recognised during the period and timing of billings to customers.

The Group's total liabilities of S\$6.25 billion as at 31 December 2019 were similar as compared with S\$6.23 billion as at 31 December 2018.

#### **30 June 2020 compared to 31 December 2019**

The Group's total assets of S\$9.30 billion as at 30 June 2020 were 10% higher compared with S\$8.46 billion as at 31 December 2019. This was mainly due to an increase in cash and cash equivalents, arising from net proceeds from borrowings and receipts from customers, offset by capital expenditures and working capital for ongoing projects. As at 30 June 2020, the Group remained in a net current liabilities position of S\$259 million, mainly due to term loans maturing in the next 12 months.

The Group's total liabilities of S\$7.29 billion as at 30 June 2020 were 17% higher compared with S\$6.25 billion as at 31 December 2019. This was mainly due to higher interest-bearing borrowings from the drawdown of new and existing facilities to strengthen liquidity during this COVID-19 period.

The Group's Shareholders' funds decreased to S\$1.98 billion as at 30 June 2020 from S\$2.17 billion as at 31 December 2019.

**APPENDIX 3**  
**REVIEW OF PAST PERFORMANCE, WORKING CAPITAL,**  
**PROSPECTS AND OTHER DEVELOPMENTS**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

The audited consolidated statements of cash flows of the Group for FY2017, FY2018 and FY2019 and the unaudited consolidated statement of cash flows of the Group for 1H2020 are set out below.

	← Audited →		Unaudited	
	FY2017 <sup>(1)</sup>	FY2018	FY2019	
	S\$'000	S\$'000	S\$'000	
			1H2020	
			S\$'000	
<b>Cash flows from operating activities:</b>				
Profit/(loss) for the year/period	256,055	(78,366)	(140,187)	(194,337)
Adjustments for:				
Finance income	(22,807)	(55,026)	(93,275)	(29,909)
Finance costs	95,522	101,356	130,027	79,000
Depreciation of property, plant and equipment, and right-of-use assets	170,048	170,752	214,938	86,633
Amortisation of intangible assets	22,868	24,694	27,530	13,970
Share of results of associates and joint ventures, net of tax	3,617	2,385	1,603	(550)
Loss/(gain) on disposal of property, plant and equipment	863	(2,371)	2,428	119
Loss on termination of lease liabilities	-	-	-	14
Loss/(gain) on disposal of intangible assets	13	(106)	-	-
Gain on disposal of subsidiaries	(753)	-	-	-
Gain on disposal of a joint venture	-	-	(185)	-
Gain on disposal of assets held for sale	(46,816)	-	-	(501)
Gain on disposal of other financial assets	-	(27)	-	-
Gain on disposal of available-for-sale financial asset	(17,200)	-	-	-
Negative goodwill	-	-	(4,999)	-
Assumption of liabilities on behalf of a joint venture	11,000	-	-	-
Changes in fair value of financial instruments	1,831	2,405	(2,619)	24,270
Net change in fair value of financial assets measured through profit or loss	-	(114)	-	-
Impairment losses on available-for-sale financial assets	2,275	-	-	-
Impairment losses on property, plant and equipment	-	4,663	541	-
Share-based payment expenses	6,149	5,833	2,268	733
Property, plant and equipment written off	500	58	3,042	-
Inventories written down/(back), net	56	432	(651)	1
Contract costs written back, net	(19,678)	-	-	-
Allowance for/(write-back of) doubtful debts and bad debts, net	167	2,673	(338)	214
Tax expense/(credit)	24,817	(22,531)	(36,773)	(26,476)
<b>Operating profit before working capital changes</b>	<b>488,527</b>	<b>156,710</b>	<b>103,350</b>	<b>(46,819)</b>

**APPENDIX 3**  
**REVIEW OF PAST PERFORMANCE, WORKING CAPITAL,**  
**PROSPECTS AND OTHER DEVELOPMENTS**

	← Audited →		Unaudited	
	FY2017 <sup>(1)</sup>	FY2018	FY2019	
	S\$'000	S\$'000	S\$'000	
			1H2020	
			S\$'000	
<b>Changes in working capital:</b>				
Inventories	(21,287)	15,170	(32,286)	(19,056)
Contract costs	140,789	2,157,763	190,539	(5,394)
Contract assets	(211,529)	(346,305)	(463,674)	(188,568)
Contract liabilities	302,793	(1,071,427)	(79,545)	36,918
Trade and other receivables	(182,719)	(1,023,301)	272,328	158,688
Trade and other payables	(372,628)	(10,076)	(245,898)	12,275
<b>Cash generated from/(used in) operations</b>	<b>143,946</b>	<b>(121,466)</b>	<b>(255,186)</b>	<b>(51,956)</b>
Dividend and interest income received	11,392	55,107	68,555	1,332
Interest paid	(93,081)	(97,899)	(108,192)	(70,490)
Tax paid	(12,610)	(5,726)	(1,346)	(858)
<b>Net cash generated from/(used in) operating activities</b>	<b>49,647</b>	<b>(169,984)</b>	<b>(296,169)</b>	<b>(121,972)</b>
<b>Cash flows from investing activities:</b>				
Purchase of property, plant and equipment	(177,892)	(343,395)	(316,270)	(57,801)
Proceeds from sale of property, plant and equipment	1,482	7,643	1,919	103
Purchase of intangible assets	-	-	-	(196)
Proceeds from sale of intangible assets	42	168	-	-
Acquisition of subsidiary and intellectual property rights, net of cash acquired	-	(54,594)	-	-
Proceeds from disposal of a subsidiary	50	-	-	-
Proceeds from disposal of equity investments at fair value through other comprehensive income	-	6,861	-	-
Proceeds from disposal of equity investments at fair value through profit or loss	-	835	-	-
Proceeds from disposal of available-for-sale financial asset	36,033	-	-	-
Proceeds from divestment of asset held for sale	205,690	-	-	1,467
Proceeds from disposal of a joint venture	-	-	55	-
Dividend received from associate	-	-	160	-
Dividend received from joint venture	-	-	2,404	-
<b>Net cash generated from/(used in) investing activities</b>	<b>65,405</b>	<b>(382,482)</b>	<b>(311,732)</b>	<b>(56,427)</b>
<b>Cash flows from financing activities:</b>				
Proceeds from borrowings	465,809	1,101,622	2,732,839	2,018,582
Repayment of borrowings	(441,039)	(990,635)	(2,547,941)	(1,110,201)
Payment of lease liabilities	(512)	(512)	(20,732)	(9,352)
Payment on termination of lease liabilities	-	-	-	(49)
Purchase of treasury shares	(5,942)	(916)	-	-
Dividends paid to owners of the Company	(41,794)	(20,888)	-	-
Dividends paid to non-controlling interests of subsidiaries	(279)	(78)	(78)	-
Unclaimed dividends	6	30	-	-
<b>Net cash (used in)/generated from financing activities</b>	<b>(23,751)</b>	<b>88,623</b>	<b>164,088</b>	<b>898,980</b>

**APPENDIX 3**  
**REVIEW OF PAST PERFORMANCE, WORKING CAPITAL,**  
**PROSPECTS AND OTHER DEVELOPMENTS**

	← Audited →		Unaudited	
	FY2017 <sup>(1)</sup>	FY2018	FY2019	
	S\$'000	S\$'000	S\$'000	
			1H2020	
			S\$'000	
<b>Net increase/(decrease) in cash and cash equivalents</b>	91,301	(463,843)	(443,813)	720,581
<b>Cash and cash equivalents at beginning of the year/period</b>	1,216,971	1,301,000	837,173	389,250
Effect of exchange rate changes on balances held in foreign currencies	(7,272)	16	(4,110)	(2,800)
<b>Cash and cash equivalents at end of the year/period</b>	<b>1,301,000</b>	<b>837,173</b>	<b>389,250</b>	<b>1,107,031</b>

**Note:**

- (1) In 2018, the Group adopted the SFRS(I) and IFRS frameworks, as well as the new accounting standards that are effective on 1 January 2018. SFRS(I) and IFRS are issued by the Accounting Standards Council and the International Accounting Standards Board respectively. SFRS(I) comprises standards and interpretations that are equivalent to IFRS. The new framework and accounting policies had been applied in preparing the financial statements for FY2018 and the comparative information presented for FY2017, subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

A review of the cash flow and liquidity of the Group from FY2017 to 1H2020 is set out below.

**FY2017**

The Group's total cash and cash equivalents stood at S\$1.30 billion as at 31 December 2017.

In FY2017, the Group generated a positive S\$144 million of operating cash flow attributed to the successful deliveries of key projects, achievement of scheduled milestones for projects under execution and advance payments of S\$377 million received from a customer.

The Group's net cash generated from investing activities for FY2017 was S\$65 million, mainly due to proceeds from divestment of Cosco Shipyard Group Co., Ltd and disposal of an available-for-sale financial asset, partially offset by purchase of property, plant and equipment for Tuas Boulevard Yard and Estaleiro Jurong Aracruz (Brazil yard).

The Group's net cash used in financing activities for FY2017 was S\$24 million, related mainly to dividends paid and offset by net proceeds from borrowings.

**FY2018**

The Group's total cash and cash equivalents stood at S\$837 million as at 31 December 2018.

Cash flows generated from operating activities before changes in working capital were S\$157 million in FY2018, compared with S\$489 million in FY2017 due to the effects of the termination of five rig contracts with customers in FY2017. Net cash used in operating activities for FY2018 at S\$170 million was mainly working capital for ongoing projects, offset by receipts from ongoing and completed projects.

Net cash used in investing activities for FY2018 was S\$382 million, mainly for the purchase of property, plant and equipment for Tuas Boulevard Yard, acquisition of subsidiary and intellectual property rights. This was offset by proceeds from disposal of equity investments at fair value through other comprehensive income and proceeds from sale of property, plant and equipment.

Net cash generated from financing activities for FY2018 was S\$89 million. This related mainly to net proceeds from borrowings, offset by dividends paid.

## APPENDIX 3

### REVIEW OF PAST PERFORMANCE, WORKING CAPITAL, PROSPECTS AND OTHER DEVELOPMENTS

#### **FY2019**

As at 31 December 2019, the Group's cash and cash equivalents stood at S\$389 million.

The Group's operating cash flow generated before working capital changes was S\$103 million in FY2019 compared with S\$157 million in FY2018. Net cash used in operating activities in FY2019 was S\$296 million, mainly for working capital for ongoing projects, offset by receipts for completed projects.

Net cash used for investing activities in FY2019 was S\$312 million, mainly due to the installation of certain new capabilities and completion of the Group's corporate office building at Tuas Boulevard Yard.

Net cash generated from financing activities in FY2019 was S\$164 million. This related mainly to net proceeds from borrowings.

#### **1H2020**

The Group's total cash and cash equivalents stood at S\$1.11 billion as at 30 June 2020.

Cash flows used in operating activities before changes in working capital were S\$47 million in 1H2020. For 1H2020, with the production stand-down for almost three months, net cash used in operating activities was S\$122 million, mainly due to working capital for ongoing projects and net interest paid, offset by receipts from projects.

Net cash used in investing activities for 1H2020 was S\$56 million, which was less than one-third of the amount incurred in 1H2019. This comprised mainly the installation of certain new capabilities at Tuas Boulevard Yard, offset by proceeds from disposal of a workshop in Malaysia.

Net cash generated from financing activities for 1H2020 was S\$899 million. This related mainly to net proceeds from borrowings.

#### **REVIEW OF WORKING CAPITAL**

The working capital of the Group as at 31 December 2017, 31 December 2018, 31 December 2019 and 30 June 2020 were as follows:

	← Audited →			Unaudited
	31 December 2017 S\$'000	31 December 2018 S\$'000	31 December 2019 S\$'000	
Total current assets	5,092,432	2,960,309	2,565,101	3,323,245
Total current liabilities	3,646,688	2,762,731	2,874,688	3,582,734
Net current assets/(liabilities)	1,445,744	197,578	(309,587)	(259,489)

A review of the working capital position of the Group as at 31 December 2017, 31 December 2018, 31 December 2019 and 30 June 2020 is set out below.

#### **31 December 2018 compared to 31 December 2017**

The Group's current assets decreased year-on-year by S\$2.13 billion from S\$5.09 billion as at 31 December 2017 to S\$2.96 billion as at 31 December 2018 mainly due to a decrease in contract costs, upon the delivery and sale of rigs under deferred payment terms and cash used for capital expenditures. The Group's current liabilities decreased year-on-year by S\$0.89 billion from S\$3.65 billion as at 31 December 2017 to S\$2.76 billion as at 31 December 2018. This was mainly due to a decrease in contract liabilities, resulting from recognition of revenue upon the delivery and sale of rigs.

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### **APPENDIX 3**

## **REVIEW OF PAST PERFORMANCE, WORKING CAPITAL, PROSPECTS AND OTHER DEVELOPMENTS**

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#### **31 December 2019 compared to 31 December 2018**

The Group's current assets decreased year-on-year by S\$0.39 billion from S\$2.96 billion as at 31 December 2018 to S\$2.57 billion as at 31 December 2019 mainly due to a decrease in contract costs, upon the delivery and sale of a rig under deferred payment terms and cash used for capital expenditures, offset by an increase in contract assets mainly due to revenue recognised during the period and timing of billings to customers. The Group's current liabilities increased year-on-year by S\$0.11 billion from S\$2.76 billion as at 31 December 2018 to S\$2.87 billion as at 31 December 2019 mainly due to reclassification of non-current borrowings that mature in FY2020 to current liabilities, offset by lower trade and other payables on payments made.

As at 31 December 2019, the Group had net current liabilities totalling S\$310 million, arising mainly from loans which mature in FY2020. The Group has adequate existing loan facilities to refinance current borrowings as they fall due.

#### **30 June 2020 compared to 31 December 2019**

The Group's current assets increased by S\$0.75 billion from S\$2.57 billion as at 31 December 2019 to S\$3.32 billion as at 30 June 2020 mainly due to an increase in cash and cash equivalents, arising from net proceeds from borrowings and receipts from customers, offset by capital expenditures and working capital for ongoing projects.

The Group's current liabilities increased by S\$0.71 billion from S\$2.87 billion as at 31 December 2019 to S\$3.58 billion as at 30 June 2020 mainly due to higher interest-bearing borrowings from the drawdown of new and existing facilities to strengthen liquidity during this COVID-19 period, offset by repayment.

As at 30 June 2020, the Group had net current liabilities totalling S\$259 million arising mainly from term loans maturing in the next 12 months. The Group has adequate existing loan facilities to repay or refinance current borrowings as they fall due.

### **PROSPECTS AND OTHER DEVELOPMENTS**

The Group posted an unaudited net loss attributable to Shareholders of S\$192 million in 1H2020, following the shutdown of production activities at all its Singapore yards since April 2020 as a result of the COVID-19 pandemic.

Since April 2020, when the Singapore government imposed its COVID-19 "circuit breaker" measures, in particular movement restrictions that disallowed migrant workers from leaving their dormitories for work, there was a substantial reduction in the Group's operating yard workforce (including sub-contractors). The Group's Singapore yards had to stand down and discontinue production activities, resulting in significant delays to project executions.

There were no significant new contracts secured in 1H2020. As of 30 June 2020, there had been no cancellation of any existing projects.

With the lifting of some COVID-19 measures in Singapore since June 2020, the Company was allowed to gradually resume yard operations on 6 July 2020, and this is being done safely and progressively. The Company is working closely with its customers to restart the execution of existing projects. While no significant new orders have been announced in 2020 as of 30 June 2020, discussions had resumed on several project opportunities. In July 2020, RWE Renewables, the owner of the 1.4 GW Sofia Offshore Wind Farm which is in the United Kingdom North Sea, selected the Company and its consortium partner GE's Grid Solutions as the preferred suppliers for the wind farm's HVDC electrical transmission system. The Company's scope of work in this project includes the design, construction, installation and commissioning of an offshore converter platform. Early design works have started, ahead of the Sofia Offshore Wind Farm's final investment decision in the first quarter of 2021. In May 2020, the Company's

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### APPENDIX 3

## REVIEW OF PAST PERFORMANCE, WORKING CAPITAL, PROSPECTS AND OTHER DEVELOPMENTS

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50%-owned technology company, Aragon AS, firmed up contracts with Yinson to undertake the engineering, procurement and construction of seven modules for gas treatment, gas compression, utilities and flare systems for the FPSO Anna Nery.

The Group's immediate priority is to address urgent liquidity needs to fund its operations and ride out the severe industry downturn which has been further worsened by the COVID-19 pandemic. Besides taking measures to right-size resources in response to the activities outlook, the Group has also deferred all non-essential capital expenditures to preserve cash flow and manage overall liquidity prudently.

As mentioned above, the Company is gradually resuming project executions safely and progressively. How soon the Group's workforce will be allowed to return to full strength will determine the business outlook in subsequent quarters. The Company will work to ensure adequate liquidity and financial strength to sustain its operations and ride through the severe industry downturn and COVID-19 pandemic. In this difficult business environment, the Group expects losses to continue into the foreseeable quarters.

#### Developments on "Operation Car Wash" in Brazil

Part of the Group's business activity is conducted in Brazil and there are ongoing investigations being conducted in connection with corruption allegations in Brazil, known as "Operação Lava Jato" ("**Operation Car Wash**"), as described below.

#### Chronology of Events

In 2012, the Group secured a number of drill rig construction contracts (the "**Contracts**") with the subsidiaries of Sete Brasil. Companies connected to Mr Guilherme Esteves de Jesus ("**GDJ**") were engaged by the Group as consultants in Brazil.

In February 2015, there were various media reports that, *inter alia*, Mr Pedro Jose Barusco ("**PJB**"), Petrobras' former engineering manager, had made statements to the effect that illegal payments had been made in connection with contracts entered into by Petrobras and/or Sete Brasil.

On 30 March 2015, the Group announced that it had received a copy of a plea bargain entered into between PJB and the Brazilian authorities in which PJB made allegations against GDJ in connection with the Contracts, and that GDJ was arrested by the Brazilian authorities in late March 2015. All contracts for consultancy services provided to the Group by companies connected to GDJ were suspended and remain suspended by the Group indefinitely. The Group has not had any dealings with GDJ or the companies connected to GDJ following such suspension.

In April 2017, GDJ was charged by the Brazilian authorities and he defended the charges when his trial commenced in 2018.

On 3 July 2019, the Group announced that the Brazilian authorities had executed a search warrant on Estaleiro Jurong Aracruz Ltda ("**EJA**"), the Group's Brazilian subsidiary, in connection with the ongoing investigations related to Operation Car Wash and against GDJ.

The Group also learnt that the investigations which led to the execution of the search warrant on EJA had been expanded to include Mr Martin Cheah Kok Choon ("**MCKC**"), the former president of EJA whose employment with the Group had been terminated in June 2015. EJA co-operated fully with the Brazilian Federal Police and provided material within the scope of the warrant. In light of the investigation by the Brazilian authorities into the activities of MCKC during the time he was in the Group's employment, the Group lodged a suspicious transaction report in respect of MCKC with the Commercial Affairs Department of the Singapore Police Force.

On 3 February 2020, the Group also announced that it had come to its attention on 1 February 2020 that the Ministério Público Federal in Brazil had filed new charges against GDJ for money laundering. The Group also learnt that the Ministério Público Federal in Brazil had filed charges against MCKC for

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### APPENDIX 3

## REVIEW OF PAST PERFORMANCE, WORKING CAPITAL, PROSPECTS AND OTHER DEVELOPMENTS

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money laundering and corruption in connection with the Contracts. In light of these developments, the Group lodged a further suspicious transaction report in respect of MCKC with the Commercial Affairs Department of the Singapore Police Force.

On 21 February 2020, the Group announced that it had come to its attention on 20 February 2020 that GDJ had been convicted by the Federal Court of Curitiba of the crimes of corruption, money laundering and participation in a criminal organisation. GDJ was sentenced to 19 years and 4 months in prison and was also fined.

On 4 June 2020, the Group announced that it had come to its attention that the Federal Court of Curitiba accepted the complaint offered by the Ministério Público Federal in Brazil against MCKC for money laundering and corruption in connection with the Contracts. The court also accepted the additional complaint against GDJ for money laundering.

The Group is continuing to monitor developments in Brazil on this matter.

#### SCM Board Special Committee

Since early 2015, the Group had formed a Special Committee to conduct independent investigations on the allegations, and to recommend decisions as considered appropriate in connection with the independent investigations.

Due to the evolving nature of the matters in Brazil, the internal investigations being conducted by the Company are still ongoing and have not yet been concluded. These internal investigations remain legally privileged.

#### The Group's Position

The above charges filed against MCKC and GDJ by the Ministério Público Federal in Brazil are in their personal capacities and not against EJA or the Company. Other than MCKC, the Group is not aware of any other of its employees past or present that is a subject of the current investigations being conducted by the Brazilian authorities in relation to Operation Car Wash. As at the Latest Practicable Date, the Brazil investigations are still ongoing and the Group's directors have determined that it is premature to predict the eventual outcome of this matter.

As stated in the Group's announcements on 3 July 2019, 8 July 2019, 3 February 2020 and 21 February 2020, the Group is committed to the highest standards of compliance with anti-corruption laws and does not condone, has not condoned and will not tolerate any improper business conduct. The Group has a strict compliance programme and continuously works to ensure that policies and procedures are in place to prevent any violation of any anti-corruption laws applicable to its operations.

#### Potential Outcome

The potential outcome of Operation Car Wash as well as other ongoing corruption-related investigations against other persons unconnected to the Group is uncertain and the outcome of any such investigations may have a negative impact on the Group's operations in Brazil, and on investor sentiments towards the Group's operations in Brazil. The Group has no control over and cannot predict the outcome of such investigations or allegations. The Group also has no control over and cannot predict whether such investigations by the Brazilian authorities will lead to new allegations or investigations.

At this point in time, the Group can give no assurance that such investigations will not result in fines and/or penalties imposed on the Group or whether such fines and/or penalties will not have a material adverse effect on the Group's operating results, businesses, assets, financial condition, performance or prospects.



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### APPENDIX 3

## REVIEW OF PAST PERFORMANCE, WORKING CAPITAL, PROSPECTS AND OTHER DEVELOPMENTS

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#### Audit Opinion

As announced on 15 July 2020, KPMG Auditores Independentes (“**KPMG AI**”), the Independent Auditors for EJA have issued a disclaimer of opinion in their Independent Auditors’ Report dated 13 July 2020 in relation to the financial statements of EJA for FY2019 (“**EJA FY2019 Financial Statements**”) (“**KPMG AI Opinion**”). It was noted that the Brazilian authorities executed a search warrant at the Company’s facilities on 3 July 2019, which was connected with the on-going investigations being conducted in connection with Operation Car Wash in Brazil. As the internal investigation being conducted by external counsel under the supervision of the Special Committee of the Group is still in progress, the KPMG AI Opinion was issued as KPMG AI was unable to obtain sufficient appropriate audit evidence from the ongoing work and from other sources about the potential impact of this matter on the EJA FY2019 Financial Statements.

As also announced on 15 July 2020, the KPMG AI Opinion does not have a material impact on the Group’s financial position or consolidated financial statements for FY2019. As stated in the announcement on 15 July 2020, the KPMG AI Opinion does not change the audit opinion issued by KPMG LLP, the Independent Auditors of the Group, on 3 March 2020 on the Group’s consolidated financial statements for FY2019.

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## APPENDIX 4 INDEPENDENT FINANCIAL ADVISER'S LETTER

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### PROVENANCE CAPITAL PTE. LTD.

(Company Registration Number: 200309056E)  
(Incorporated in the Republic of Singapore)  
96 Robinson Road #13-01 SIF Building  
Singapore 068899

22 July 2020

To: The Independent Directors of Sembcorp Marine Ltd  
(deemed to be independent in respect of the Whitewash Resolution)

Mr Bob Tan Beng Hai	(Independent Director)
Mr Eric Ang Teik Lim	(Independent Director)
Mrs Gina Lee-Wan	(Independent Director)
Mr William Tan Seng Koon	(Independent Director)
Mr Patrick Daniel	(Independent Director)
Mr Tan Wah Yeow	(Independent Director)
Mr Wong Weng Sun	(President & CEO)

Dear Sirs/Mdm,

#### THE WHITEWASH RESOLUTION IN CONNECTION WITH THE PROPOSED TRANSACTION

*Unless otherwise defined or the context otherwise requires, all terms used herein have the same meanings as defined in the circular to the shareholders of Sembcorp Marine Ltd ("**Shareholders**") dated 22 July 2020 ("**Circular**").*

*For ease of understanding, we have also in the relevant context referred to the Company, the Shares and EGM as SCM, SCM Shares and SCM EGM respectively.*

#### 1. INTRODUCTION

1.1 On 8 June 2020 ("**Announcement Date**"), Sembcorp Industries Ltd ("**SCI**") and Sembcorp Marine Ltd ("**SCM**" or "**Company**", together with its subsidiaries, "**Group**") made a joint media release on the proposed recapitalisation of SCM through a S\$2.1 billion renounceable rights issue ("**Rights Issue**"), followed by a proposed demerger of the two companies via a distribution in *specie* ("**SCI Distribution**") of SCI's stake in the recapitalised SCM to shareholders of SCI ("**SCI Shareholders**"). The boards and management teams of SCI and SCM believe, *inter alia*, that the Rights Issue and SCI Distribution (collectively, the "**Transaction**") will strengthen the two companies' financial positions and is in the best interests of their respective shareholders.

The Company also released its announcement on the Announcement Date setting out details of the Rights Issue and the SCI Distribution ("**Announcement**").

SCI, a company listed on the Singapore Exchange and Securities Trading Limited ("**SGX-ST**") with a market capitalisation of approximately S\$3.2 billion, is the single largest shareholder of the Company, which in-turn is also listed on the SGX-ST with a market capitalisation of approximately S\$1.0 billion as at the Latest Practicable Date. SCI holds 1,274,270,764 shares in the Company ("**Shares**"), representing 60.9% of the issued share capital of the Company as at the Latest Practicable Date.

Based on the issued share capital of the Company comprising 2,092,538,174 Shares in issue (excluding 416,840 treasury shares) as at the Latest Practicable Date, the Rights Issue will involve the issuance of 10,462,690,870 new ordinary shares in the capital of the Company ("**Rights Shares**") at the issue price of S\$0.20 ("**Issue Price**") for each Rights Share, on the basis of five Rights Shares for every one existing Share held by entitled Shareholders. The Rights Issue will raise gross proceeds of approximately S\$2.1 billion.

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## APPENDIX 4

### INDEPENDENT FINANCIAL ADVISER'S LETTER

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SCI has irrevocably undertaken, pursuant to the SCI Undertaking Agreement dated 8 June 2020, to, *inter alia*, subscribe and pay in full for its full entitlement of approximately S\$1.27 billion of Rights Shares under the Rights Issue ("**SCI Pro Rata Rights Shares**") and subscribe and pay in full for, or procure the subscription and payment in full of, if available, excess Rights Shares for up to an additional amount of approximately S\$0.23 billion ("**SCI Excess Rights Shares**"), provided the aggregate amount payable for these Rights Shares ("**SCI Undertaken Rights Shares**" and "**SCI Undertaken Rights Shares Subscription Amount**") will not exceed S\$1.5 billion. SCI's obligation to pay the SCI Undertaken Rights Shares Subscription Amount will be set-off against the equivalent amount of the principal amount of S\$1.5 billion outstanding subordinated loan owed to it by the Company ("**Subordinated Loan**"). In addition, the Company will utilise either the cash proceeds received from the Rights Issue or its available cash balances to settle the full repayment of the Subordinated Loan (including any outstanding interest and any other agreed amounts) by the Loan Repayment Date (as defined in the Circular).

The remaining amount of approximately S\$0.6 billion of the Rights Issue has been underwritten by DBS Bank Ltd ("**DBS Bank**"), the Financial Adviser, Lead Manager and Underwriter for the Rights Issue ("**Underwritten Rights Shares**"). DBS Bank has in-turn entered into a sub-underwriting agreement ("**Sub-Underwriting Agreement**") with Startree Investments Pte. Ltd. ("**Startree**"), a wholly-owned subsidiary of Temasek Holdings (Private) Limited ("**Temasek**"), to subscribe or procure one or more Temasek Companies (as defined in the Circular) to subscribe for the Underwritten Rights Shares, to the extent that there is a shortfall in the valid subscriptions to the Rights Issue after taking into consideration the SCI Undertaken Rights Shares.

Accordingly, all the Rights Shares to be issued pursuant to the Rights Issue, if proceeded with, will be fully subscribed.

The terms of the Rights Issue have been determined after taking into account precedent transactions, the transaction size and discussions with DBS Bank.

- 1.2 On the basis that all necessary approvals are obtained, following the Rights Issue, SCI will then proceed with the SCI Distribution. The SCI Distribution involves the distribution in *specie* of all the Shares held by SCI to the SCI Shareholders on a *pro rata* basis following the completion of the Rights Issue.

As at the Latest Practicable Date, Temasek and parties acting in concert with it ("**Temasek Concert Party Group**") hold an aggregate of 882,236,820 SCI Shares, representing 49.4% of the issued share capital of SCI comprising 1,786,431,697 SCI Shares in issue (excluding 1,116,035 treasury shares).

Following the completion of the Rights Issue and the SCI Distribution, it is envisaged that the Temasek Concert Party Group will hold in aggregate more than 30% of the enlarged issued share capital of the Company.

Pursuant to Rule 14.1 of the Singapore Code on Take-overs and Mergers ("**Code**"), where (a) any person who acquires whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30% or more of the voting rights in the company; or (b) any person who together with persons acting in concert with him, holds not less than 30% but not more than 50% of the voting rights in the company and such person, or any person acting in concert with him, acquires in any period of six months additional shares carrying more than 1% voting rights, he is required to make a mandatory general offer for all the shares in the company which he and/or persons acting in concert with him do not already own or control ("**Mandatory Offer**").

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## APPENDIX 4

### INDEPENDENT FINANCIAL ADVISER'S LETTER

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As the distribution of SCM Shares held by SCI to its shareholders pursuant to the SCI Distribution upon completion of the Rights Issue will trigger an obligation for the Temasek Concert Party Group to make a general takeover offer for SCM, an application was made to seek an exemption from the Securities Industry Council (“SIC”) to waive the obligation of the Temasek Concert Party Group to make the Mandatory Offer (“Whitewash Waiver”) by reason of the SCI Distribution.

On 5 June 2020, the SIC granted the Whitewash Waiver to the Temasek Concert Party Group, subject to the satisfaction of certain conditions including, *inter alia*, (i) the approval of the whitewash resolution (“Whitewash Resolution”) by a majority of the Shareholders who are independent of the Temasek Concert Party Group (“Independent Shareholders”) by way of a poll at an extraordinary general meeting of the Company (“EGM”); and (ii) the appointment by the Company of an independent financial adviser (“IFA”) to advise the Independent Shareholders on the Whitewash Resolution. To rely on the Whitewash Waiver, the Whitewash Resolution must be obtained within 3 months from 5 June 2020 and the SCI Distribution must be completed within 3 months from the date on which the approval of the Independent Shareholders for the Whitewash Resolution is obtained.

Provenance Capital Pte. Ltd. (“Provenance Capital”) has been appointed by the Company as the IFA to advise the directors of the Company who are considered independent for purposes of making the recommendation to Independent Shareholders in relation to the Whitewash Resolution (“Independent Directors”).

**1.3** The directors of the Company (“Directors”) are as follows:

- (i) Tan Sri Mohd Hassan Marican, Chairman & Independent Director
- (ii) Mr Bob Tan Beng Hai, Independent Director
- (iii) Mr Eric Ang Teik Lim, Independent Director
- (iv) Mrs Gina Lee-Wan, Independent Director
- (v) Mr William Tan Seng Koon, Independent Director
- (vi) Mr Patrick Daniel, Independent Director
- (vii) Mr Tan Wah Yeow, Independent Director
- (viii) Mr Koh Chiap Khiong, Non-Executive and Non-Independent Director
- (ix) Mr Wong Weng Sun, President & CEO

Tan Sri Mohd Hassan Marican is also an Independent Director of SCI. Mr Koh Chiap Khiong is a director on other subsidiaries and associated companies of SCI (besides the Company) and is regarded as a Non-Independent Director by virtue of his employment with SCI. They are therefore not considered independent in respect of the Whitewash Resolution. Accordingly, they will abstain from deliberating and making any recommendation as Directors in respect of the Whitewash Resolution.

Save for Tan Sri Mohd Hassan Marican and Mr Koh Chiap Khiong, the remaining Directors, namely, Mr Bob Tan Beng Hai, Mr Eric Ang Teik Lim, Mrs Gina Lee-Wan, Mr William Tan Seng Koon, Mr Patrick Daniel, Mr Tan Wah Yeow and Mr Wong Weng Sun are considered independent for purposes of making the recommendation to Independent Shareholders in relation to the Whitewash Resolution and will not be required to abstain from voting their Shares on the Whitewash Resolution.

**1.4** This letter (“Letter”) is therefore addressed to the Independent Directors and sets out, *inter alia*, our evaluation of the terms of the Transaction and opinion on the Whitewash Resolution (when considered in the context of the Transaction). This Letter forms part of the Circular which provides, *inter alia*, the details of the Transaction, the Whitewash Resolution and the recommendation of the Independent Directors.

**1.5** It should be noted that the Rights Issue and the SCI Distribution are inter-conditional upon each other.

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## APPENDIX 4

### INDEPENDENT FINANCIAL ADVISER'S LETTER

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The Rights Issue is subject to Shareholders' approval at the EGM, and in this respect, SCI, as the single largest Shareholder, has irrevocably undertaken to the Company, to the extent not prohibited under applicable laws and regulations (including the Listing Manual), to vote or procure the voting of all its Shares in favour of the resolution to approve the Rights Issue, including the allotment and issue of the Rights Shares pursuant to the Rights Issue. The Rights Issue is also conditional upon the Whitewash Resolution being approved by Independent Shareholders at the EGM, in which the Temasek Concert Party Group, including SCI, as well as parties not independent of them will need to abstain from voting on the Whitewash Resolution at the EGM.

The SCI Distribution is subject to approval by SCI Shareholders at the EGM of SCI ("**SCI EGM**") and is also conditional upon the approval of the Whitewash Resolution by the Independent Shareholders at the SCM EGM.

The Rights Issue and the SCI Distribution are inter-conditional upon each other and subject to, *inter alia*, the Rights Issue Resolution and the Whitewash Resolution being approved by the Shareholders at the SCM EGM, and the SCI Distribution Resolution being approved by the SCI Shareholders at the SCI EGM. In the event that any of the resolutions is not passed, neither the Rights Issue nor the SCI Distribution will be proceeded with.

## 2. TERMS OF REFERENCE

Provenance Capital has been appointed as the IFA to advise the Independent Directors in respect of the Whitewash Resolution. We are not and were not involved or responsible, in any aspect, in the negotiations in relation to the Transaction and/or the Whitewash Resolution nor were we involved in the deliberations leading up to the decision on the part of the Directors to propose the Transaction and/or the Whitewash Resolution or to obtain the approval of the Independent Shareholders for the Whitewash Resolution, and we do not, by this Letter, warrant the merits of the Transaction and/or the Whitewash Resolution other than to express an opinion on whether the terms of the Transaction taken as a whole are fair and reasonable, and the Whitewash Resolution, when considered in the context of the Transaction, is not prejudicial to the interest of the Independent Shareholders.

It is not within our terms of reference to evaluate or comment on the legal, strategic, commercial and financial merits and/or risks of the Transaction and/or the Whitewash Resolution or to compare its relative merits *vis-à-vis* alternative transactions previously considered by the Company (if any) or that may otherwise be available to the Company currently or in the future, and we have not made such evaluation or comment. Such evaluation or comment, if any, remains the sole responsibility of the Directors and/or the management of the Company ("**Management**") although we may draw upon the views of the Directors and/or the Management or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion as set out in this Letter.

In the course of our evaluation, we have held discussions with the Directors and Management and/or their professional advisers and have examined and relied on publicly available information collated by us as well as information provided and representations made to us, both written and verbal, by the Directors, the Management and the professional advisers of the Company, including information contained in the Circular. We have not independently verified such information or representations, whether written or verbal, and accordingly cannot and do not make any representation or warranty, express or implied, in respect of, and do not accept any responsibility for the accuracy, completeness or adequacy of such information or representations.

We have not independently verified and have assumed that all statements of fact, belief, opinion and intention made by the Directors in the Circular have been reasonably made after due and careful enquiry. Whilst care has been exercised in reviewing the information on which we have

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## APPENDIX 4

### INDEPENDENT FINANCIAL ADVISER'S LETTER

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relied on, we have not independently verified the information but nevertheless have made such reasonable enquiries and judgment as were deemed necessary and have found no reason to doubt the accuracy or reliability of the information and representations.

Save as disclosed, we would like to highlight that all information relating to the Transaction, the Whitewash Resolution, the Company and/or the Group that we have relied upon in arriving at our recommendation or advice has been obtained from publicly available information and/or from the Company. We have not independently assessed and do not warrant or accept any responsibility as to whether the aforesaid information adequately represents a true and fair position of the financial, operational and business affairs of the Company and/or the Group at any time or as at 15 July 2020, being the Latest Practicable Date referred to in the Circular. We have nevertheless made reasonable enquiries and exercised our judgment on the reasonable use of such information, as were deemed necessary, and have found no reason to doubt the accuracy or reliability of the information and representations.

The scope of our appointment does not require us to conduct a comprehensive independent review of the business, operations or financial condition of the Company and/or the Group, or to express, and we do not express, a view on the future growth prospects, value and earnings potential of the Company and/or the Group after the Transaction. Such review or comment, if any, remains the responsibility of the Directors and the Management, although we may draw upon their views or make such comments in respect thereof (to the extent required by the Code and/or the listing manual ("**Listing Manual**") of the SGX-ST and/or deemed necessary or appropriate by us) in arriving at our advice as set out in this Letter. We have not obtained from the Company and/or the Group any projection of the future performance including financial performance of the Company and/or the Group and further, we did not conduct discussions with the Directors and the Management on, and did not have access to, any business plan and financial projections of the Company and/or the Group. In addition, we are not expressing any view as to the prices at which the Shares may trade or the future value, financial performance or condition of the Company and/or the Group, upon or after the completion of the Transaction or if the Rights Issue Resolution and/or the Whitewash Resolution is not approved by Shareholders at the SCM EGM or the SCI Distribution Resolution is not approved by SCI Shareholders at the SCI EGM, as the case may be.

We have not made an independent evaluation or appraisal of the assets and liabilities of the Company and/or the Group, (including without limitation, property, plant and equipment) and we have not been furnished with any such evaluation or appraisal. As such, we will be relying on the disclosures and representations made by the Company on the value of the assets and liabilities, and profitability of the Company and/or the Group.

Our view as set out in this Letter is based upon the market, economic, industry, monetary and other conditions (if applicable) prevailing as of the Latest Practicable Date and the information provided and representations provided to us as of the Latest Practicable Date. In arriving at our opinion, with the consent of the Directors or the Company, we have taken into account certain other factors and have been required to make certain assumptions as set out in this Letter. We assume no responsibility to update, revise or reaffirm our opinion in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein. Shareholders should further take note of any announcements relevant to the Transaction and/or the Whitewash Resolution which may be released by the Company after the Latest Practicable Date.

In rendering our advice and giving our recommendations, we did not have regard to the specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints of any Independent Shareholder or any specific group of the Independent Shareholders. As each Independent Shareholder may have different investment objectives and profiles, we recommend that any individual Independent Shareholder or group of Independent Shareholders who may require specific advice in relation to his or their investment portfolio(s)

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## APPENDIX 4

### INDEPENDENT FINANCIAL ADVISER'S LETTER

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or objective(s) consult his or their stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

The Company has been separately advised by its own professional advisers in the preparation of the Circular (other than this Letter). We have had no role or involvement and have not and will not provide any advice (financial or otherwise) in the preparation, review and verification of the Circular (other than this Letter). Accordingly, we take no responsibility for and express no views, whether express or implied, on the contents of the Circular (other than this Letter).

Whilst a copy of this Letter may be reproduced in the Circular, neither the Company, the Directors nor any Shareholders may reproduce, disseminate or quote this Letter (or any part thereof) for any purpose, other than for the purpose of the EGM and for the purpose of the Whitewash Resolution, at any time and in any manner, without the prior written consent of Provenance Capital in each specific case.

We have prepared this Letter for the use of the Independent Directors in connection with their consideration of the Whitewash Resolution and their advice to the Independent Shareholders arising thereof. The recommendations made to the Independent Shareholders in relation to the Whitewash Resolution remain the responsibility of the Independent Directors.

**Our opinion in relation to the Whitewash Resolution should be considered in the context of the entirety of this Letter and the Circular.**

#### *Responsibility Statement by the Directors*

The Directors have confirmed that, having made all reasonable enquiries and to the best of their knowledge and belief, information and representations provided to us by the Company are accurate. They have also confirmed that, upon making all reasonable enquiries and to the best of their knowledge and belief, all material information available to them in connection with the Transaction, the Whitewash Resolution, the Company and/or the Group which are relevant to the Whitewash Resolution (including the Transaction) have been disclosed to us, that such information is true, complete and accurate in all material respects and that there is no other material information or fact, the omission of which would cause any information disclosed to us or the facts of or in relation to the Transaction, the Whitewash Resolution, the Company and/or the Group stated in the Circular to be inaccurate, incomplete or misleading in any material respect. The Directors have jointly and severally accepted full responsibility for such information described herein.

### **3. INFORMATION ON THE COMPANY AND THE GROUP**

#### **3.1 Overview**

The Company is listed on the Mainboard of the SGX-ST with a market capitalisation of approximately S\$1.0 billion as at the Latest Practicable Date.

The Company provides engineering solutions to the global offshore, marine and energy industries. Headquartered in Singapore, the Company has close to 60 years of track record in the design and construction of rigs, floaters, offshore platforms and specialised vessels, as well as the repair, upgrading and conversion of different ship types. The Company's customers include major energy companies, owners of floating production units, shipping companies, and cruise and ferry operators. The Company operates shipyards and other facilities strategically located in Singapore, Indonesia, the United Kingdom, Norway and Brazil.

The Board of Directors consists of 9 Directors, of whom 7 are considered independent for purposes of making the recommendation to Independent Shareholders in relation to the Whitewash Resolution as set out in Section 1.3 of this Letter.

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## APPENDIX 4

### INDEPENDENT FINANCIAL ADVISER'S LETTER

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As at the Latest Practicable Date, the Company has an issued share capital comprising 2,092,538,174 Shares (excluding 416,840 treasury shares).

Pursuant to the SCM PSP 2010 and SCM RSP 2010, there are outstanding awards in respect of a total of approximately 2.1 million Shares as at 30 June 2020 which the Company does not expect to release on or prior to the record date for the purpose of the determining entitlements to the Rights Issue ("**Record Date**").

The Company may, at its sole discretion, determine whether any adjustments would be required with respect to the share awards granted under the various shares schemes, including SCM PSP 2010 and SCM RSP 2010 to take into account the Rights Issue so that the participants under these schemes will not be adversely affected thereby.

Save for the above, the Company does not have any other outstanding instruments convertible into, rights to subscribe for, or options in respect of, Shares or securities which carry voting rights in the Company as at the Latest Practicable Date.

The Rights Issue will increase the number of existing issued Shares by 5-fold based on the 5-for-1 Rights Issue, and will raise new equity of approximately S\$2.1 billion for the Company's recapitalisation, of which S\$1.5 billion will be utilised to settle and/or repay the Subordinated Loan from SCI and the balance for working capital and general corporate purposes, including debt servicing.

Presently and prior to the SCI Distribution, the Company is a 60.9%-owned subsidiary of SCI, in which the Temasek Concert Party Group has a 49.4% shareholding interest. Following the completion of the Rights Issue and the SCI Distribution, SCI will cease to be a shareholder of the Company and the Company will cease to be a subsidiary of SCI. Instead, the Temasek Concert Party Group will own in aggregate more than 30% of the enlarged issued share capital of the Company.

Hence, the Whitewash Waiver has been sought and obtained from the SIC subject to, *inter alia*, the approval of the Whitewash Resolution by a majority of the Independent Shareholders by way of a poll at the EGM.

### 3.2 Financial information of the Group

The financial performance of the Group was affected by the prolonged and severe downturn in the offshore and marine industry since 2015 due to profound structural changes in the energy industry and intensifying international competition. Since then, with reduced order books for its drilling rigs and other major offshore projects, the Group's financial performance had suffered a steep decline, especially in the last 2 financial years ended 31 December 2018 ("**FY2018**") and 31 December 2019 ("**FY2019**"). This had put significant pressure on the Company's liquidity and working capital requirements.

In July 2019, SCI injected S\$1.5 billion in cash into the Company via the Subordinated Loan to strengthen the Company's financial position. The Subordinated Loan was used to retire around S\$1.5 billion of borrowings to improve the Company's balance sheet.

In the current financial year ending 31 December 2020 ("**FY2020**"), the Company was unexpectedly hit by the COVID-19 pandemic and the sudden collapse in oil prices. This led to massive capital expenditure cuts by oil and gas companies and deferrals of investment decisions. The Government's COVID-19 directives, which resulted in the temporary stand-down of yard activities, had caused project execution delays. COVID-19 also disrupted supply chains and added further serious uncertainties going forward. These developments have hit the Company's operating cash flows and financial situation. The Company therefore urgently needs to recapitalise, address its liquidity requirements and strengthen its balance sheet.



## APPENDIX 4 INDEPENDENT FINANCIAL ADVISER'S LETTER

The above had impacted the financial performance and financial position of the Group as shown below.

### 3.2.1 Financial performance of the Group

We set out below a summary of the financial results of the Group for the last two financial years, FY2018 and FY2019, and the latest interim financial results of the Group for the 6 months ended 30 June 2020 ("1H2020") (with the corresponding period in the preceding year for the 6 months ended 30 June 2019 ("1H2019")).

S\$'000	← Audited →		← Unaudited →	
	FY2018	FY2019	1H2019	1H2020
<b>Turnover</b>	<b>4,887,866</b>	<b>2,882,560</b>	<b>1,541,874</b>	<b>906,199</b>
Cost of sales	(4,884,772)	(2,974,378)	(1,515,444)	(1,100,784)
<b>Gross profit/(loss)</b>	<b>3,094</b>	<b>(91,818)</b>	<b>26,430</b>	<b>(194,585)</b>
Other operating income	49,608	44,879	21,668	93,150
Other operating expenses	(2,811)	(6,325)	(959)	(24,511)
General and administrative expenses	(102,214)	(85,526)	(44,469)	(46,827)
<b>Operating (loss)/profit</b>	<b>(52,323)</b>	<b>(138,790)</b>	<b>2,670</b>	<b>(172,773)</b>
Finance income	55,026	93,275	47,696	29,909
Finance costs	(101,356)	(130,027)	(65,516)	(79,000)
Non-operating income	141	185	-	501
Share of results of associates and joint ventures, net of tax	(2,385)	(1,603)	(1,193)	550
<b>Loss before tax</b>	<b>(100,897)</b>	<b>(176,960)</b>	<b>(16,343)</b>	<b>(220,813)</b>
Tax credit	22,531	36,773	7,572	26,476
<b>Loss for the year/period</b>	<b>(78,366)</b>	<b>(140,187)</b>	<b>(8,771)</b>	<b>(194,337)</b>
<b>Loss attributable to:</b>				
Owners of the Company	(74,131)	(137,174)	(6,830)	(192,146)
Non-controlling interests	(4,235)	(3,013)	(1,941)	(2,191)
<b>Loss for the year/period</b>	<b>(78,366)</b>	<b>(140,187)</b>	<b>(8,771)</b>	<b>(194,337)</b>
Earnings/(Loss) before interest, tax, depreciation and amortisation (" <b>EBITDA</b> ")	143,123	103,678	125,071	(72,170)

**Source:** Company's annual report for FY2019, results announcement for 1H2020 and Management

#### FY2019 vs FY2018

Turnover decreased by 41.0% from S\$4.89 billion in FY2018 to S\$2.88 billion in FY2019 due mainly to lower revenue recognition from rigs and floaters and offshore platform projects which was mitigated by higher repair and upgrade revenue.

The Group recorded a positive but lower EBITDA of S\$103.7 million in FY2019, a decline of 27.6% from the EBITDA of S\$143.1 million in FY2018.

However, at the operating and net level, the Group posted much higher losses in FY2019 compared to FY2018. Loss before tax for the year increased to S\$177.0 million in FY2019 compared to S\$100.9 million in FY2018 due mainly to the accelerated depreciation of S\$48 million arising from Tanjong Kling Yard and continued low overall business volume. Total depreciation and amortisation charges were S\$242.5 million in FY2019, an increase of 24.1% compared to S\$195.4 million in FY2018.

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## APPENDIX 4

### INDEPENDENT FINANCIAL ADVISER'S LETTER

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Financial results of the Group for FY2019 were also affected by finance cost net of finance income.

Finance income increased by 69.5% from S\$55.0 million in FY2018 to S\$93.3 million in FY2019 due mainly to interest income from a customer for deferred payments granted.

Finance cost increased by 28.3% from S\$101.4 million in FY2018 to S\$130.0 million in FY2019 due mainly to higher borrowings compared to the corresponding period in 2018 as well as recognition of interest expense on lease liabilities upon the adoption of SFRS(I) 16 - Leases on 1 January 2019. The Group had net debt of S\$4.01 billion as at 31 December 2019 compared to S\$3.39 billion as at 31 December 2018.

The loss for FY2019 was partly offset to some extent by profits from the Repairs and Upgrades business, which rose on improved margins and better product mix.

Notwithstanding the above, the Group recorded a loss attributable to owners of the Company of S\$137.2 million in FY2019 compared to the corresponding loss of S\$74.1 million in FY2018.

With the challenges facing the Group, in particular supply chain disruptions due to the COVID-19 virus outbreak which could affect execution of projects and intense competition, the Group expects the trend of losses to continue into FY2020.

#### *First quarter interim business update*

On 13 May 2020, the Company provided its interim business update for the first quarter ended 31 March 2020 ("1Q2020"). The Company expects the trend of losses to continue in the foreseeable quarters.

#### **1H2020 vs 1H2019**

Turnover decreased by 41.2% from S\$1.54 billion in 1H2019 to S\$0.91 billion in 1H2020 due mainly to lower revenue recognition from rigs and floaters which was mitigated by higher revenue recognition from offshore platforms, specialised shipbuilding as well as repairs & upgrades projects. The lower revenue recognition was attributed to the adverse impact from the COVID-19 pandemic resulting in delays in the execution and completion of existing projects.

The Group recorded a negative EBITDA of S\$72.2 million in 1H2020 compared to a positive EBITDA of S\$125.1 million in 1H2019, a significant deterioration in results in 1H2020 compared to 1H2019. This was due mainly to the gross loss of S\$194.6 million incurred in 1H2020 compared to a gross profit of S\$26.4 million in 1H2019. The gross loss for 1H2020 was due mainly to the COVID-19 pandemic delaying projects execution, higher costs recognised for rigs & floaters and specialised shipbuilding projects; and lower margin recognition from offshore platforms. It was partly offset by profit from repairs and upgrades business.

The overall net impact of interest, depreciation and amortisation of S\$149.7 million on EBITDA in 1H2020 is comparable to the net impact of interest, depreciation and amortisation of S\$140.2 million in 1H2019 as the increase in finance cost due to higher average borrowings and interest rates and lower interest income in 1H2020 was offset by lower depreciation (as the fixed assets at Tanjong Kling Yard was fully depreciated in FY2019) and the receipt of government grants for the COVID-19 pandemic.

Hence, the Group posted a severe deterioration in its bottomline results for 1H2020. Loss before tax increased to S\$220.8 million in 1H2020 compared to a loss of S\$16.3 million in 1H2019, and loss attributable to owners of the Company was S\$192.1 million in 1H2020 compared to a loss of S\$6.8 million in 1H2019.

## APPENDIX 4 INDEPENDENT FINANCIAL ADVISER'S LETTER

### Net Order Book

As at 30 June 2020, the Group's net order book for projects stood at S\$1.91 billion and the repairs & upgrades business has outstanding orders for execution totalling about S\$280 million.

### 3.2.2 Financial position of the Group

The financial positions of the Group as at 31 December 2019 and 30 June 2020, being the latest interim results announcement of the Group, are set out below:

S\$'000	Audited As at 31 December 2019	Unaudited As at 30 June 2020
<b>Non-current assets</b>		
Property, plant and equipment	4,250,971	4,281,101
Right-of-use assets	253,304	266,289
Interests in associates and joint ventures	14,887	15,399
Other financial assets	11,342	2,944
Trade and other receivables	1,087,631	1,116,342
Intangible assets	246,341	232,587
Deferred tax assets	29,195	66,668
	<b>5,893,671</b>	<b>5,981,330</b>
<b>Current assets</b>		
Inventories	113,108	132,163
Trade and other receivables	483,300	324,264
Contract costs	88,640	94,034
Contract assets	1,462,340	1,650,908
Tax recoverable	11,658	10,172
Assets held for sale	985	-
Other financial assets	15,820	4,673
Cash and cash equivalents	389,250	1,107,031
	<b>2,565,101</b>	<b>3,323,245</b>
<b>Total assets</b>	<b>8,458,772</b>	<b>9,304,575</b>
<b>Current liabilities</b>		
Trade and other payables	1,341,010	1,354,011
Contract liabilities	60,186	97,104
Provisions	16,433	18,625
Other financial liabilities	7,703	49,468
Current tax payable	3,758	8,836
Interest-bearing borrowings	1,421,620	2,031,750
Lease liabilities	23,978	22,940
	<b>2,874,688</b>	<b>3,582,734</b>
Net current liabilities	(309,587)	(259,489)
<b>Non-current liabilities</b>		
Deferred tax liabilities	28,989	26,519
Provisions	106,821	100,774
Other financial liabilities	2,204	1,703
Interest-bearing borrowings	1,479,172	1,795,519
Subordinated loan	1,500,000	1,500,000
Lease liabilities	254,120	276,956
Other long-term payables	6,000	6,006
	<b>3,377,306</b>	<b>3,707,477</b>
<b>Total liabilities</b>	<b>6,251,994</b>	<b>7,290,211</b>
<b>Net assets</b>	<b>2,206,778</b>	<b>2,014,364</b>
<b>Equity attributable to owners of the Company</b>		
Share capital	486,217	488,787
Other reserves	(44,996)	(45,685)
Revenue reserve	1,732,087	1,539,941
	<b>2,173,308</b>	<b>1,983,043</b>
Non-controlling interests	33,470	31,321
<b>Total equity</b>	<b>2,206,778</b>	<b>2,014,364</b>

## APPENDIX 4 INDEPENDENT FINANCIAL ADVISER'S LETTER

S\$'000	Audited As at 31 December 2019	Unaudited As at 30 June 2020
Net asset value (" <b>NAV</b> ") of the Group (S\$) (attributable to owners of the Company)	2,173,308,000	1,983,043,000
Net tangible assets (" <b>NTA</b> ") of the Group (S\$) (after deducting intangible assets)	1,926,967,000	1,750,456,000
Number of issued Shares (excluding treasury shares)		
- as at 31 December 2019	2,090,487,729	
- as at 30 June 2020		2,092,538,174
<b>NAV per Share</b>	<b>S\$1.0396</b>	<b>S\$0.9477</b>
<b>NTA per Share</b>	<b>S\$0.9218</b>	<b>S\$0.8365</b>

**Source:** Company's annual report for FY2019 and results announcement for 1H2020

### As at 31 December 2019

#### Assets

The assets of the Group totalling S\$8.46 billion comprised mainly property, plant and equipment of S\$4.25 billion (50.3% of total assets), trade and other receivables of S\$1.57 billion (18.6% of total assets) and contract assets of S\$1.46 billion (17.3% of total assets).

The property, plant and equipment relates to mainly shipyards assets in Singapore and Brazil.

Trade and other receivables consists of mainly non-current and current trade receivables from customers.

Contract assets relate mainly to the Group's rights to consideration for work completed but not yet billed at reporting date on the long-term contracts for ship and rig building, conversion and repair. The contract assets are transferred to trade receivables when the rights become unconditional.

#### Liabilities

The total liabilities of the Group of S\$6.25 billion comprised mainly interest-bearing borrowings of S\$2.90 billion (46.4% of total liabilities), the Subordinated Loan of S\$1.50 billion (24.0% of total liabilities), and trade and other payables of S\$1.35 billion (21.5% of total liabilities).

The Subordinated Loan is part of the five-year subordinated loan facility from SCI of S\$2 billion ("**Subordinated Credit Facility**"), of which S\$1.50 billion was drawn down on 8 July 2019 to retire the Group's short term borrowings and re-profile the Group's remaining borrowings with longer term maturities. As a result, as at 31 December 2019, the Group had current borrowings of S\$1.42 billion, non-current borrowings of S\$1.48 billion and the non-current Subordinated Loan of S\$1.50 billion, totalling S\$4.40 billion.

As a result of the above borrowings of S\$4.40 billion and after netting off cash and cash equivalents of S\$0.39 billion, the net gearing of the Group is 1.82 times.

As at 31 December 2019, the Group also has negative working capital based on its net current liabilities of S\$309.6 million.

Total equity of S\$2.21 billion comprised mainly equity attributable to the owners of the Company and a relatively insignificant non-controlling interest of S\$33.5 million.

NAV per Share as at 31 December 2019 was S\$1.0396.

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## APPENDIX 4

### INDEPENDENT FINANCIAL ADVISER'S LETTER

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After deducting the intangible assets of S\$246.3 million, the NTA of the Group was S\$1.93 billion as at 31 December 2019, representing NTA per Share of S\$0.9218. The intangible assets relate mainly to intellectual property rights and design under development.

#### **As at 30 June 2020**

The profile of the statement of financial position of the Group as at 30 June 2020 is relatively similar to the financial position as at 31 December 2019 except for the following main items:

- (a) Interest-bearing borrowings had increased by S\$926.5 million from 31 December 2019 to 30 June 2020. This has resulted in total borrowings increasing to S\$5.3 billion as at 30 June 2020 from S\$4.4 billion as at 31 December 2019.
- (b) Cash and cash equivalents had increased by S\$717.8 million to S\$1.1 billion as at 30 June 2020.

As a result, the net gearing of the Group has increased from 1.82 times as at 31 December 2019 to 2.10 times as at 30 June 2020.

- (c) Equity attributable to the owners of the Company and the NAV of the Group decreased by S\$190.3 million to S\$2.0 billion due mainly to the losses incurred by the Group in 1H2020.

Accordingly, NAV and NTA of the Group were S\$0.9477 and S\$0.8365 respectively as at 30 June 2020.

#### **4. SALIENT TERMS OF THE PROPOSED RIGHTS ISSUE**

**4.1** The detailed terms of the Rights Issue are set out in Section 3 of the Circular. We note the following salient terms of the Rights Issue:

- (i) the Rights Issue will be made on a renounceable and underwritten basis, on the basis of five Rights Shares for every one existing Share held by entitled Shareholders as at the Record Date to be determined at the Issue Price of S\$0.20 for each Rights Share;
- (ii) the Issue Price of S\$0.20 for each Rights Share. The Issue Price represents a discount of 35.1% to the theoretical ex-rights price ("**TERP**") of S\$0.308 per Share, based on the last transacted Share price of S\$0.850 on 3 June 2020, being the last trading day prior to the Announcement Date ("**Last Trading Day**");
- (iii) the Rights Shares are payable in full upon acceptance and/or application, and will, upon allotment and issuance, rank *pari passu* in all respects with the then existing Shares, except that they will not rank for any dividends, rights, allotments or other distributions the record date for which falls before the date of allotment of the Rights Shares;
- (iv) as at the Latest Practicable Date, the Company has an issued share capital comprising 2,092,538,174 Shares (excluding 416,840 treasury shares). Accordingly, 10,462,690,870 Rights Shares will be issued pursuant to the Rights Issue, which will raise gross and net proceeds of approximately S\$2.1 billion after deducting estimated expenses of approximately S\$9 million to be incurred in connection with the Rights Issue;
- (v) of the amount raised, S\$1.5 billion (72% of the proceeds from the Rights Issue) will be utilised to repay (including by way of set-off) the Subordinated Loan, with the balance (28% of the proceeds from the Rights Issue) to be utilised for working capital and general corporate purposes, including debt servicing;

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## APPENDIX 4

### INDEPENDENT FINANCIAL ADVISER'S LETTER

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- (vi) pursuant to the SCI Undertaking Agreement, SCI will subscribe to its full entitlement of approximately S\$1.27 billion and will also subscribe up to another approximately S\$0.23 billion of excess Rights Shares, and the aggregate amount payable for these Rights Shares will be set-off against the equivalent amount of the Subordinated Loan. The Company will also utilise either the cash proceeds received from the Rights Issue or its available cash balances to repay all and any outstanding principal amount, interest and any other agreed amounts on the Subordinated Loan. It is anticipated that as at the Loan Repayment Date, the other agreed amounts will comprise an intercompany loan fee payable under the Subordinated Credit Facility of approximately S\$50,000; and
- (vii) the Rights Issue is underwritten by DBS Bank which is, in-turn, sub-underwritten by Startree, a wholly-owned subsidiary of Temasek. Hence, the Company would be assured of raising an additional gross proceeds in cash of approximately S\$0.6 billion to fund its ongoing operations.

The final terms and conditions of the Rights Issue will be contained in the offer information statement ("**OIS**") to be lodged with the Monetary Authority of Singapore and despatched to entitled Shareholders.

- 4.2** The Rights Issue and the SCI Distribution are integral parts of the Transaction proposed by SCI and the Company, to recapitalise the Company prior to the demerger of the recapitalised Company from SCI. Hence the Rights Issue and SCI Distribution are inter-conditional upon each other. After the completion of the Transaction, the Company and SCI will become two separate listed companies, each with Temasek as a direct and significant shareholder.

As such, the Transaction is subject to various conditions as set out in Sections 3.2 and 13.4 of the Circular. Some of the key conditions include the following:

- (a) the Rights Issue is subject to Shareholders' approval at the EGM. In this regard, SCI, as the single largest Shareholder, has given its undertaking to the Company to vote in favour of the Rights Issue;
- (b) the Rights Issue is conditional upon a majority of the Independent Shareholders' approval for the Whitewash Resolution at the EGM. The SIC has granted the Whitewash Waiver subject to, *inter alia*, the Temasek Concert Party Group and parties not independent of them (including SCI) abstain from voting on the Whitewash Resolution;
- (c) the SCI Distribution, which is conditional on the Rights Issue and will proceed after the completion of the Rights Issue, is subject to the approval of SCI Shareholders at the SCI EGM. Upon completion of the SCI Distribution, SCI Shareholders will hold the Shares directly instead of through SCI. As a result of the SCI Distribution, Temasek (which is currently the single largest shareholder of SCI) will become a direct and significant Shareholder of SCM. As Temasek Concert Party Group will hold more than 30% of the Company, the Temasek Concert Party Group will be required to abstain from voting on the SCI Distribution; and
- (d) the SCI Distribution is also subject to the Whitewash Resolution being approved by the Independent Shareholders at the SCM EGM. Further details on the SCI Distribution are set out in Section 5 below.

On 22 July 2020, the Company received the approval in-principle for the listing of and quotation for the Rights Shares on the SGX-ST, subject to certain conditions which are set out in Section 3.3 of the Circular. The approval in-principle granted by the SGX-ST for the listing of and quotation for the Rights Shares is not to be taken as an indication of the merits of the Rights Shares, the Company and/or its subsidiaries.

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## APPENDIX 4

### INDEPENDENT FINANCIAL ADVISER'S LETTER

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The Rights Issue and the SCI Distribution are inter-conditional upon each other and subject to, *inter alia*, the Rights Issue Resolution and the Whitewash Resolution being approved by the Shareholders at the SCM EGM, and the SCI Distribution Resolution being approved by the SCI Shareholders at the SCI EGM. In the event that any of the resolutions is not passed, neither the Rights Issue nor the SCI Distribution will be proceeded with.

**It is therefore important to note that the Rights Issue, Whitewash Resolution and the SCI Distribution are all inter-conditional upon each other, and in the event that any of the resolutions is not passed, no part of the Transaction can proceed. Consequently, all of the Company's strenuous efforts to recapitalise and strengthen its balance sheet will be negated and the critical need to address its liquidity requirements will fail.**

#### 4.3 SCI Undertaking Agreement

As at the Latest Practicable Date, SCI is the single largest shareholder of the Company, holding 1,274,270,764 Shares which represents 60.9% of the issued share capital of the Company comprising 2,092,538,174 Shares (excluding 416,840 treasury shares).

Pursuant to the SCI Undertaking Agreement, SCI has undertaken and agreed with the Company on, *inter alia*, the following:

- (i) to subscribe and pay in full for its *pro rata* entitlement under the Rights Issue. Based on SCI's entitlement of the Rights Shares, the value of these entitled Rights Shares is approximately S\$1.27 billion;
- (ii) to subscribe and pay in full for excess Rights Shares, provided that the value of such excess Rights Shares will not exceed the amount equivalent to the difference between S\$1.5 billion and the value of the SCI's entitled Rights Shares. The value of excess Rights Shares is estimated to be up to approximately S\$0.23 billion. Hence, the maximum number of Rights Shares that SCI will be obliged to subscribe is 7,500,000,000 Rights Shares, which is equivalent to S\$1.5 billion;
- (iii) in respect of the subscription of the Rights Shares, to set-off the aggregate value of the Rights Shares payable by SCI against an equivalent amount of the Subordinated Loan, and the Company will, on the Loan Repayment Date, use the cash proceeds from the Rights Issue or its available cash balances to repay all and any outstanding principal amount and interest on the Subordinated Loan as well as any other agreed amounts, whereupon the Subordinated Loan Facility will be cancelled;
- (iv) to vote or procure the voting of all its Shares in favour of the Rights Issue, including the allotment and issuance of the Rights Shares, at the EGM; and
- (v) no commission or fee will be payable by the Company to SCI in connection with SCI's undertakings under the SCI Undertaking Agreement.

In compliance with Rule 877(10) of the Listing Manual, in the allotment of any excess Rights Shares, preference will be given to the rounding of odd lots, and Directors and Substantial Shareholders (including SCI) who have control or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Rights Issue, or have representation (direct or through a nominee) on the Board of Directors, will rank last in priority for the rounding of odd lots and the allotment of excess Rights Shares.

Details of the SCI Undertaking Agreement are set out in Section 6 of the Circular.

## APPENDIX 4 INDEPENDENT FINANCIAL ADVISER'S LETTER

### 4.4 Temasek's sub-underwriting

DBS Bank is the underwriter of the Rights Issue and has agreed to underwrite the balance amount of the Rights Shares that is not undertaken to be subscribed by SCI.

SCI's commitment under the SCI Undertaking Agreement is 7,500,000,000 Rights Shares or S\$1.5 billion as described in Section 4.3 above. Hence, the balance of the 2,962,690,870 Rights Shares or S\$592,538,174 will be underwritten by DBS Bank.

In-turn, Temasek, through its wholly-owned subsidiary, Startree, has entered into the Sub-Underwriting Agreement with DBS Bank to subscribe or procure one or more Temasek Companies to subscribe for the Underwritten Rights Shares, to the extent that there is a shortfall in the valid subscriptions to the Rights Issue after taking into consideration the SCI Undertaken Rights Shares.

No sub-underwriting fees will be paid to Temasek or Startree for the sub-underwriting arrangement.

Accordingly, all the Rights Shares to be issued pursuant to the Rights Issue, if proceeded with, will be fully subscribed.

### 4.5 Purely for illustration purposes, in the extreme scenario ("**Extreme Scenario**") where the entire Rights Issue is subscribed only by SCI and Startree or one or more Temasek Companies ("**Relevant Temasek Entity(ies)**"), pursuant to their respective undertaking and sub-underwriting commitments, the shareholding interests of SCI, Temasek and the remaining SCM Shareholders in SCM before and after the Rights Issue will be as follows:

For ease of reference for our analysis of shareholding interests in the table below and in this Letter, we have used the term "Temasek" to refer to Temasek Holdings (Private) Limited and the Relevant Temasek Entity(ies).

#### Extreme Scenario – only SCI and Temasek subscribe to the Rights Issue

	Before Rights Issue		Number of Rights Shares subscribed	After Rights Issue	
	Existing number of Shares	% shareholding		Enlarged number of Shares	% shareholding
SCI	1,274,270,764 <sup>(2)</sup>	60.90	7,500,000,000	8,774,270,764	69.89
Temasek	-	-	2,961,662,085	2,961,662,085	23.59
Other Temasek Concert Party Group <sup>(3)</sup>	205,757	0.01	1,028,785	1,234,542	0.01
<b>Sub-total</b>	<b>1,274,476,521</b>	<b>60.91</b>	<b>10,462,690,870</b>	<b>11,737,167,391</b>	<b>93.48<sup>(5)</sup></b>
Independent SCM Shareholders <sup>(4)</sup>	818,061,653	39.09	-	818,061,653	6.52
<b>Total</b>	<b>2,092,538,174<sup>(1)</sup></b>	<b>100.00</b>	<b>10,462,690,870</b>	<b>12,555,229,044</b>	<b>100.00</b>

#### Notes:

- (1) Based on SCM's issued share capital comprising 2,092,538,174 Shares (excluding treasury shares) as at the Latest Practicable Date;
- (2) Based on SCI's direct shareholding interest of 1,274,270,764 Shares (excluding treasury shares) as at the Latest Practicable Date;



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## APPENDIX 4

### INDEPENDENT FINANCIAL ADVISER'S LETTER

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- (3) Based on the assumption that other members of the Temasek Concert Party Group subscribe to their full entitlements of the Rights Issue;
- (4) The shareholdings of the Independent SCM Shareholders include the shareholdings of the SCM Directors (including Tan Sri Mohd Hassan Marican and Mr Koh Chiap Khiong as the SIC has confirmed that their shareholdings in SCM need not be aggregated as part of the Temasek Concert Party Group); and
- (5) Does not add up due to rounding.

In the above Extreme Scenario, arising from the sub-underwriting commitment, Temasek would have a direct interest of 23.6% in the Company, and through its 49.3% interest in SCI, would have another effective interest of 34.5% in the Company. Further analysis of Temasek's interest in the Company is shown in Sections 7.5 and 7.7 of this Letter.

#### 5. THE PROPOSED SCI DISTRIBUTION

Presently and prior to the SCI Distribution, the Company is a 60.9%-owned subsidiary of SCI. Temasek has a 49.3% interest in SCI and, together with parties deemed acting in concert with it, the Temasek Concert Party Group has a deemed interest of 49.4% in SCI.

As part of the Transaction, SCI is proposing the SCI Distribution following the completion of the Rights Issue. The SCI Distribution involves the distribution in *specie* of all the SCM Shares held by SCI after the completion of the Rights Issue to SCI Shareholders on a *pro rata* basis as dividends. As set out in Section 13.2 of the Circular, it is estimated that SCI Shareholders will receive between 4.279 and 4.911 SCM Shares for every SCI Share held, with no cash outlay. The SCI Distribution is subject to, *inter alia*, approval of SCI Shareholders at the SCI EGM.

After the completion of the SCI Distribution, SCM will cease to be a subsidiary of SCI. SCI Shareholders (including Temasek) will hold the listed shares in SCI and SCM directly. The SCI Distribution does not affect the number of SCI Shares held by each SCI Shareholder, as it only involves the distribution of SCM Shares held by SCI.

Following the SCI Distribution, Temasek will be a direct and significant shareholder of both SCI and SCM.

In view of the distribution of SCM Shares held by SCI to its shareholders pursuant to the SCI Distribution upon completion of the Rights Issue, which will result in the Temasek Concert Party Group holding more than 30% of the enlarged issued share capital of SCM and thereby triggering an obligation for the Temasek Concert Party Group to make a general takeover offer for SCM, the Whitewash Waiver was sought and obtained for the Temasek Concert Party Group, subject to, *inter alia*, the Whitewash Resolution being approved by a majority of the Independent Shareholders by way of a poll at the SCM EGM.

Besides Temasek becoming a direct shareholder of SCM, other existing SCI Shareholders will also become shareholders of SCM.

Details of the SCI Distribution are set out in Section 13 of the Circular.

Continuing from the Extreme Scenario illustrated in Section 4.5 above, following the completion of the SCI Distribution, the shareholding interests of Temasek, other SCI Shareholders and the Independent SCM Shareholders in SCM under this scenario would be as follows:

## APPENDIX 4 INDEPENDENT FINANCIAL ADVISER'S LETTER

### Extreme Scenario – after the Rights Issue and SCI Distribution

	Before the SCI Distribution but after the Rights Issue		Distribution in species of the SCM Shares held by SCI <sup>(1)</sup>	After the Rights Issue and SCI Distribution	
	Number of Shares	% share-holding	Number of Shares distributed	Number of Shares	% share-holding
SCI	8,774,270,764	69.89	N.A.	-	-
Temasek	2,961,662,085	23.59	4,324,628,210 <sup>(2)</sup>	7,286,290,295	58.03
Other Temasek Concert Party Group	1,234,542	0.01	8,036,812 <sup>(3)</sup>	9,271,354	0.07
<b>Sub-total</b>	<b>11,737,167,391</b>	<b>93.48<sup>(4)</sup></b>	<b>4,332,665,022</b>	<b>7,295,561,649</b>	<b>58.11<sup>(4)</sup></b>
Independent SCM Shareholders	818,061,653	6.52	N.A.	818,061,653	6.52
Other SCI Shareholders (excluding the Temasek Concert Party Group)	-	-	4,441,605,742	4,441,605,742	35.38
<b>Total</b>	<b>12,555,229,044</b>	<b>100.00</b>	<b>8,774,270,764</b>	<b>12,555,229,044</b>	<b>100.00<sup>(4)</sup></b>

**Notes:**

- (1) Under this Extreme Scenario, the subject of the SCI Distribution to the SCI Shareholders is based on SCI's direct shareholding interest of 8,774,270,764 SCM Shares (immediately after the Rights Issue but before the SCI Distribution) on the basis of 4.911 SCM Shares for every SCI Share held;
- (2) Based on Temasek's direct shareholding interest of 880,600,328 SCI Shares in SCI's issued share capital comprising 1,786,431,697 SCI Shares (excluding treasury shares) as at the Latest Practicable Date;
- (3) Based on Other Temasek Concert Party Group's aggregate interests of 1,636,492 SCI Shares; and
- (4) Does not add up due to rounding.

As mentioned earlier in this Letter, the Rights Issue and the SCI Distribution are inter-conditional upon each other and are integral parts of the Transaction. In the event that any of the resolutions being put forth for approvals by the respective shareholders at the SCM EGM and SCI EGM is not passed, neither the Rights Issue nor the SCI Distribution will be proceeded with.

## 6. THE WHITEWASH RESOLUTION

The Whitewash Waiver was sought and obtained for the Temasek Concert Party Group in view of the potential outcome arising from the Transaction where the Temasek Concert Party Group may incur a Mandatory Offer obligation under the Code.

The SIC had, on 5 June 2020, granted the Whitewash Waiver to the Temasek Concert Party Group subject to the satisfaction of various conditions ("**SIC Conditions**") in respect of the Company and in respect of SCI. The details of the SIC Conditions are set out in Section 14.2 of the Circular.

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## APPENDIX 4

### INDEPENDENT FINANCIAL ADVISER'S LETTER

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The SIC Conditions imposed on the Company include the following:

- (a) the Whitewash Resolution to be approved by a majority of the Independent Shareholders by way of a poll at the EGM, and the Temasek Concert Party Group and parties not independent of them will need to abstain from voting on the Whitewash Resolution;
- (b) the IFA to advise the Independent Shareholders on the Whitewash Resolution; and
- (c) to rely on the Whitewash Resolution, approval of the Whitewash Resolution must be obtained within 3 months of 5 June 2020 and the SCI Distribution must be completed within 3 months of the date on which the approval of the Shareholders for the Whitewash Resolution is obtained.

The Independent Shareholders are therefore asked to vote, on a poll, on the Whitewash Resolution set out as Ordinary Resolution 2 in the Notice of EGM included in the Circular.

In respect of SCI, SIC Conditions include the following:

- (i) the SCI Distribution being approved by a majority of the SCI Shareholders present and voting at the SCI EGM on a poll, and the Temasek Concert Party Group and parties not independent of them will need to abstain from voting on the SCI Distribution; and
- (ii) the SCI Circular to contain advice to the effect that by voting for the SCI Distribution, and if the Independent Shareholders approve the Whitewash Resolution at the SCM EGM, the SCI Shareholders are waiving their right to a general offer at the required price by the Temasek Concert Party Group, which would acquire or consolidate effective control of SCM after the SCI Distribution.

We have analysed the dilution effect on the Independent Shareholders and the respective shareholding interests in the enlarged issued share capital of the Company under the various scenarios arising from the Rights Issue and the SCI Distribution in Sections 7.5 and 7.7 below respectively.

**We wish to highlight to the Independent Directors to advise the Independent Shareholders that:**

- (a) by voting in favour of the Whitewash Resolution, they will be waiving their rights to receive a general offer for their Shares from the Temasek Concert Party Group at the highest price paid by any of them for the Shares in the past six months prior to the commencement of the offer which they would have otherwise been obliged to make for the Shares in accordance with Rule 14 of the Code;**
- (b) the Rights Issue and the SCI Distribution could result in the Temasek Concert Party Group holding more than 49% of the voting rights in the Company, and the Temasek Concert Party Group will thereafter be free to acquire further Shares without incurring any obligation to make a mandatory general offer for the Company; and**
- (c) the Rights Issue and the SCI Distribution are inter-conditional upon each other, and if any one of the above-mentioned resolutions is not passed by the shareholders at the respective SCM EGM and SCI EGM, neither the Rights Issue nor the SCI Distribution will be proceeded with.**

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## APPENDIX 4

### INDEPENDENT FINANCIAL ADVISER'S LETTER

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#### 7. EVALUATION OF THE WHITEWASH RESOLUTION

In our evaluation of the Whitewash Resolution, we have given due consideration to, *inter alia*, the following key factors:

- (a) rationale for the Transaction;
- (b) the Rights Shares being offered to all entitled Shareholders on a *pro rata* basis;
- (c) assessment of the Issue Price of the Rights Shares;
- (d) financial effects of the Rights Issue;
- (e) dilution impact of the Rights Issue on the Independent Shareholders;
- (f) the SCI Distribution being offered to all entitled SCI Shareholders on a *pro rata* basis;
- (g) shareholding interest of the Temasek Concert Party Group after the Transaction; and
- (h) other relevant considerations.

#### 7.1 Rationale for the Transaction

It is not within our terms of reference to comment or express an opinion on the merits of the Transaction or the future prospects of the Group after the Transaction. Nevertheless, we have reviewed the rationale for the Transaction as set out in Section 4 of the Circular.

In summary, we note the following rationale for the Transaction:

- (a) **Industry Context and Background.** The Company has been affected by the prolonged and severe downturn of the Offshore and Marine industry since 2015, and is also affected more recently by the COVID-19 pandemic and the sudden collapse in oil prices. These developments have hit the Company's operating cash flows and financial situation and the Company is now in urgent need to recapitalise, address its liquidity requirements and strengthen its balance sheet.
- (b) **S\$2.1 billion Recapitalisation: Strengthening Liquidity and Balance Sheet.** Among various financing options, the Directors believe that the Rights Issue to raise gross proceeds of S\$2.1 billion is critically needed to maintain sufficient liquidity to ride out the current industry downturn. The Rights Issue is fully supported by SCI and Temasek pursuant to the SCI Undertaking Agreement and Sub-Underwriting Agreement.  
  
As S\$1.5 billion of the proceeds from the Rights Issue will be used to settle the Subordinated Loan, the gearing of the Group and consequently interest expense will be reduced. The Rights Issue will also raise additional proceeds in cash of approximately S\$0.6 billion to, *inter alia*, fund the Company's ongoing commitments, strengthen its balance sheet, and help compete for new high-value projects and ensure long-term viability.
- (c) **Demerger of the Company and SCI via the SCI Distribution.** For strategic reasons, SCI proposes to effect a demerger of its core business from its Marine interests through the SCI Distribution of its shareholding in the Company. In structuring the Transaction, consideration was given to the Company achieving its recapitalisation objective and that SCI Shareholders will receive Shares in a recapitalised SCM. Accordingly, the Rights Issue and the SCI Distribution are inter-conditional.

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## APPENDIX 4

### INDEPENDENT FINANCIAL ADVISER'S LETTER

---

SCI Entitled Shareholders will hence own the SCM Shares directly, in addition to their existing SCI Shares. Temasek will be a direct and significant shareholder of both SCI and the Company.

In order to realise the objectives of the Transaction, the Rights Issue and SCI Distribution are inter-conditional upon each other. If any of the proposed resolutions is not passed, neither the Rights Issue nor the SCI Distribution will be proceeded with.

**It is therefore important to note that the Rights Issue, Whitewash Resolution and the SCI Distribution are all inter-conditional upon each other, and in the event that any of the resolutions is not passed, no part of the Transaction can proceed. Consequently, all of the Company's strenuous efforts to recapitalise and strengthen its balance sheet will be negated and the critical need to address its liquidity requirements will fail.**

#### 7.2 The Rights Shares being offered to entitled Shareholders on a *pro rata* basis

The Rights Shares are being offered on a *pro rata* basis to entitled Shareholders on the basis of five Rights Shares for every one existing Share held as at the Record Date. Entitled Shareholders will be at liberty to accept (in full or in part), decline or renounce their rights entitlements ("**Rights**") and will be eligible to apply for excess Rights Shares in excess of their provisional allotments under the Rights Issue. Entitled Depositors will also be able to trade their Rights on the SGX-ST during the Rights trading period prescribed by the SGX-ST.

Fractional entitlements to the Rights Shares will be disregarded in arriving at the Shareholders' entitlements and will, together with such Rights Shares that are not validly taken up, be aggregated and used to satisfy excess applications for Rights Shares (if any) or disposed of or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit for the benefit of the Company.

In the allotment of excess Rights Shares, preference will be given to the rounding of odd lots, and Directors and Substantial Shareholders who have control or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Rights Issue, or have representation (direct or through a nominee) on the Board of Directors, will rank last in priority for the rounding of odd lots and the allotment of excess Rights Shares.

In the case of foreign Shareholders who are not entitled to the provisional allotments of the Rights Shares, in order to avoid violation of securities legislation applicable in their countries, it is stated in Appendix 1 to the Circular that, if it is practicable to do so, the Company may, at its absolute discretion, arrange for the Rights, which would otherwise have been provisionally allotted to Foreign Shareholders to be sold "nil-paid" on the SGX-ST as soon as practicable after the commencement of trading in the Rights. The net proceeds arising from the above will be dealt with in accordance with the terms set out in the OIS to be issued by the Company for the Rights Issue.

Hence, the Independent Shareholders will be entitled to their full *pro rata* allocation to the Rights Issue and are not being prejudiced in the allocation of their applications for excess Rights Shares.

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## APPENDIX 4 INDEPENDENT FINANCIAL ADVISER'S LETTER

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### 7.3 Assessment of the Issue Price of the Rights Shares

The Issue Price for each Rights Share is S\$0.20.

In assessing the Issue Price, we have considered the following:

- (i) the historical trading performance of the Shares; and
- (ii) comparison of the discount of the Issue Price to the TERP with the salient statistics of selected completed rights issues of shares by companies listed on the SGX-ST.

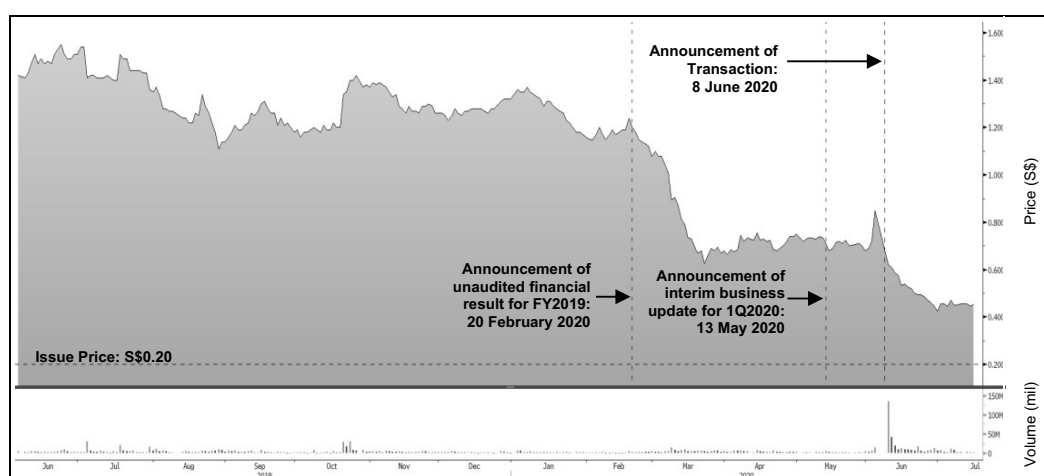
#### 7.3.1 Market quotation and trading activity of the Shares

Trading on the Shares was halted from 4 June 2020 to 8 June 2020, and the Announcement on the Transaction was released on 8 June 2020. Accordingly, the Last Trading Day when the Shares were last traded prior to the release of the Announcement is 3 June 2020.

In assessing the Issue Price, we have compared the Issue Price against the historical market price performance of the Shares and considered the historical Share trading volume from 4 June 2019, being the 1-year period prior to the Last Trading Day, and up to the Latest Practicable Date (“**Period Under Review**”).

Set out below is a chart showing the Issue Price relative to the daily last transacted prices and trading volume of the Shares for the Period Under Review.

**Price movement and trading volume of the Shares  
for the Period Under Review**



*Source: Bloomberg L.P.*

As seen from the share price chart above, for most parts of the Period Under Review since 4 June 2019 until February 2020, the Shares were trading well above the NAV and NTA per Share of S\$1.11 and S\$1.01 as at 31 December 2018 respectively. In February 2020, when the Company announced its unaudited financial results for FY2019, the Shares continued to trade mostly above its NAV and NTA per Share of S\$1.04 and S\$0.92 as at 31 December 2019 respectively. In the results announcement for FY2019, the Company had reported higher losses compared to FY2018 and had cautioned the trend of losses in view of the challenges facing the Group including the COVID-19 virus outbreak.

As the COVID-19 pandemic continued to spread globally in the ensuing months, particularly in February/March 2020, various extreme measures of lock-down and restrictions of movement

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## APPENDIX 4

### INDEPENDENT FINANCIAL ADVISER'S LETTER

---

of people were imposed by many countries. This had created a global crisis with great uncertainty. Financial markets reflected this uncertainty with benchmark stock indexes falling to bear territory. The Straits Times Index fell 17.5% in the month of March 2020.

The Share price fell 38% in the month of March 2020 from S\$1.10 to S\$0.68 based on the last transacted prices. From April 2020 to end of May 2020, the Share price had traded between S\$0.665 and S\$0.755 based on the daily last transacted prices. During this period, the Company released its business update for 1Q2020 on 13 May 2020 and continued to caution the impact of the challenging and weak business environment facing the Group.

The Shares were generally well traded during the Period under Review in terms of trading volume.

On 3 June 2020, the Share price spiked up by 17.2% to S\$0.85 (last transacted price) compared to the preceding day's last transacted Share price of S\$0.725. Trading volume on 3 June was 14.7 million Shares compared to 6.1 million Shares on 2 June 2020.

During the trading halt, on 8 June 2020, the Company released the Announcement on the Transaction.

The Issue Price for the Rights Shares represents:

- (a) a discount of 76.5% to the last transacted Share price of S\$0.85 on the Last Trading Day;
- (b) a discount of 35.1% to the TERP of S\$0.3083 per Share based on the last transacted Share price of S\$0.85 on the Last Trading Day; and
- (c) a discount of 31.0% to the TERP of S\$0.2900 per Share based on the volume weighted average price ("VWAP") of S\$0.7398 for each Share for the last 5 market days prior and up to the Last Trading Day.

Since the Announcement Date and up to the Latest Practicable Date, the Share prices appeared to be trending downwards from S\$0.62 on 9 June 2020 to S\$0.455 as at the Latest Practicable Date.

The Company released its financial results for 1H2020 after trading hours on the Latest Practicable Date.

#### 7.3.2 Statistics of selected completed rights issues of shares

In assessing the Issue Price, we have also looked at the salient statistics of selected completed renounceable rights issues of shares by companies (excluding real estate and business trusts) listed on the SGX-ST, that were announced since 1 January 2018 and up to the Latest Practicable Date, and with a market capitalisation of at least S\$50 million as at the respective announcement dates ("**Selected Rights Issues**"). There are 14 such Selected Rights Issues.

Shareholders should note that the business activities, size of operations, risk profile, geographical spread, operating and financial leverage, market capitalisation, cash flow requirement, track record, future prospects and other relevant criteria of each of the above companies are not identical to the Group. Accordingly, any inference that can be drawn from the comparison of the relevant discounts to TERP of the Selected Rights Issues may not be directly comparable to the Rights Issue and should not be conclusively relied upon.

## APPENDIX 4 INDEPENDENT FINANCIAL ADVISER'S LETTER

Name of Issuer	Date of announcement	Market capitalisation as at the respective announcement dates (S\$ million)	Terms of rights issue	Issue price of rights share (S\$)	Last trading price prior to announcement (S\$)	TERP (S\$)	Premium/ (Discount) to TERP (%)
MTQ Corporation Limited	30 Jan 2018	61.8	2 for 5	0.200	0.400	0.343	(42.0)
Singapore Medical Group Limited <sup>(1)</sup>	01 Mar 2018	257.3	1 for 20	0.480	0.560	0.556	(13.7)
3Energy Limited <sup>(1)</sup>	02 Mar 2018	61.3	1 for 1	0.022	0.040	0.031	(29.0)
AusGroup Limited	29 Mar 2018	72.2	1 for 2	0.035	0.048	0.044	(19.8)
Hotel Royal Limited	11 May 2018	336.0	1 for 5	3.000	4.000	3.833	(21.7)
Moya Holdings Asia Limited <sup>(1)</sup>	22 May 2018	266.1	1 for 2	0.095	0.095	0.095	(0.0)
Envictus International Holdings Limited	18 Jun 2018	52.5	4 for 5	0.160	0.370	0.277	(42.2)
Hong Leong Asia Ltd.	14 Aug 2018	306.6	1 for 1	0.540	0.820	0.680	(20.6)
OUE Lippo Healthcare Limited <sup>(1)</sup>	18 Sep 2018	266.6	1 for 1	0.0675	0.120	0.094	(28.0)
TEE International Limited	29 Nov 2018	91.9	38 for 100	0.100	0.183	0.160	(37.6)
Chip Eng Seng Corp Ltd	22 Aug 2019	425.7	1 for 4	0.630	0.680	0.670	(6.0)
The Trendlines Group Ltd. <sup>(1)</sup>	26 Sep 2019	62.7	1 for 9	0.105	0.088	0.085	24.2 <sup>(2)</sup>
Japfa Ltd	18 Dec 2019	1,071.4	1 for 10	0.500	0.575	0.570	(12.3)
Singapore Airlines Ltd	26 Mar 2020	7,703.3	3 for 2	3.000	6.500	4.400	(31.8)

<b>High</b>	<b>24.2</b>
<b>Low</b>	<b>(42.2)</b>
<b>Mean</b>	<b>(23.4)</b>
<b>Median</b>	<b>(21.7)</b>

<b>Company</b>	<b>08 June 2020 (Announcement Date)</b>	<b>1,776.9</b>	<b>5 for 1</b>	<b>0.200</b>	<b>0.850 (last transacted Share Price on the Last Trading Day)</b>	<b>0.308</b>	<b>(35.1)</b>
					<b>0.7398 (VWAP over the last 5 market days prior and up to the Last Trading Day)</b>	<b>0.290</b>	<b>(31.0)</b>

**Source:** Respective announcements and public documents of the above companies, the SGX-ST website and Bloomberg.

**Notes:**

- (1) These are SGX Catalist-listed companies; and
- (2) Excluded as statistical outlier in the mean and median computations.

As observed from the above statistics, the rights shares of the Selected Rights Issues were priced at a wide range, from a premium of 24.2% above the TERP (only one case) to a discount of 42.2% to the TERP, with the mean and median discounts of 23.4% and 21.7% respectively.

In comparison, we note the following:

- (a) the proposed Rights Issue on the basis of 5 for 1 is the largest proportion of rights shares for every share held, as compared to the Selected Rights Issues;



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## APPENDIX 4

### INDEPENDENT FINANCIAL ADVISER'S LETTER

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- (b) the Issue Price for the Rights Shares at the discount of 35.1% to the TERP is within the range of the Selected Rights Issues, and higher than the mean and median discounts of the Selected Rights Issues; and
- (c) in view of the Share price spike on the Last Trading Day which may cause the TERP to be skewed, the Company had used the VWAP over the last 5 market days prior and up to the Last Trading Day to compute the TERP of S\$0.290. On this basis, the Issue Price is at a slightly lower discount of 31.0% to the above TERP. While this discount of 31.0% is still higher than the mean and median discounts of the Selected Rights Issue, it is similar to the discount to the TERP in the rights issue recently announced by Singapore Airlines Ltd in March 2020 and completed in June 2020.

#### 7.4 Financial effects of the Rights Issue

The Company has computed *pro forma* financial effects of the Rights Issue in Appendix 2 to the Circular which are based on the audited financial statements of the Group for FY2019 and unaudited results for 1H2020, and various assumptions. The *pro forma* financial effects are for illustrative purposes only and do not purport to be indicative or a projection of the results and financial position of the Group immediately after the completion of the Rights Issue.

In summary, we note the following:

(a) *Issued share capital of the Company*

After the completion of the Rights Issue, the number of issued Shares will be increased by 5-fold and the issued share capital of the Company will be increased significantly by the net proceeds of the Rights Issue.

(b) *NTA of the Group and NTA per Share*

Similarly, the NTA of the Group will also increase by the amount of the net proceeds from the Rights Issue.

However, there will be a material dilution in the NTA per Share after the Rights Issue as the Issue Price of S\$0.20, which is at a significant discount to the NTA per Share of S\$0.92 as at 31 December 2019, and the size of the Rights Issue on the basis of 5:1 has the combined dilutive effect on the NTA per Share post the Rights Issue. The Company had estimated the *pro forma* NTA per Share as at 31 December 2019 to be S\$0.32 after the Rights Issue. Similarly, the *pro forma* NTA per Share as at 30 June 2020 would be S\$0.31 after the Rights Issue.

At the time of the Announcement, the VWAP of the Shares (over the last 5 market days prior and up to the Last Trading Date) was S\$0.74. This market Share price represents a price-to-book ratio of 0.80 times the NTA per Share of S\$0.92 as at 31 December 2019.

On a *pro forma* basis, under the Rights Issue, the TERP of S\$0.29 represents a higher price-to-book ratio of 0.91 times the *pro forma* NTA per Share as at 31 December 2019.

(c) *Loss per Share*

Overall, the Rights Issue will also have a dilutive effect on the loss per Share immediately after the Rights Issue due to the significant 5-fold increase in the number of issued Shares, although the Group would benefit from the interest savings following the full repayment of the Subordinated Loan.

## APPENDIX 4 INDEPENDENT FINANCIAL ADVISER'S LETTER

The future effect of the Rights Issue on the Group's earnings or losses (if any) will depend on the returns earned from the deployment of the remaining net proceeds from the Rights Issue and is not likely to be determinable at this point in time.

(d) *Gearing*

The present net gearing of the Group before the Rights Issue is relatively high, which is a reason for the Group to propose the Rights Issue. After the recapitalisation and together with the full repayment of the Subordinated Loan, the net gearing of the Group will be reduced significantly.

### 7.5 Dilution impact of the Rights Issue on the Independent Shareholders

As at the Latest Practicable Date, the Company has outstanding 2,092,538,174 issued Shares and the Temasek Concert Party Group is deemed to have an aggregate interest of 1,274,476,521 Shares, representing 60.9% of the existing number of issued Shares. The above Temasek Concert Party Group's interest is substantially held through SCI which holds 1,274,270,764 SCM Shares. The remaining 818,061,653 SCM Shares or 39.1% of the existing number of issued Shares not held by the Temasek Concert Party Group are therefore held by the Independent SCM Shareholders for the purpose of the Whitewash Resolution.

In view of the undertaking and sub-underwriting commitments, the Rights Issue will be fully subscribed, and based on the above existing number of Shares, 10,462,690,870 Rights Shares will be issued and allotted to the subscribers.

If all Shareholders subscribe to their full *pro rata* entitlements of the Rights Shares under the Rights Issue, their respective shareholding interests in the Company before and after the Rights Issue will not change, and Shareholders will not suffer any dilution impact on their shareholding interests in the Company after the Rights Issue.

However, if a Shareholder does not subscribe or subscribe to less than his full *pro rata* entitlement of the Rights Shares under the Rights Issue, he will suffer a dilution impact on his shareholding interest after the completion of the Rights Issue, as his entitled provisional allotment of the Rights Shares which he has not subscribed (in part or in full) will be made available for those who have applied for excess Rights Shares and ultimately subscribed by Temasek, as a sub-underwriter to the Rights Issue, should there be any shortfall in the subscription of the Rights Issue.

The following are the 3 main subscription scenarios under the Rights Issue which may have a dilution impact on the Independent Shareholders:

Scenario	Description	Dilution Impact on Independent Shareholders
Scenario A	<ul style="list-style-type: none"> <li>• all Shareholders subscribe to their full <i>pro rata</i> entitlements of the Rights Shares under the Rights Issue</li> </ul>	No impact
Scenario B	<ul style="list-style-type: none"> <li>• SCI subscribes to its full entitlement and apply for excess Rights Shares, totalling 7,500,000,000 Rights Shares;</li> <li>• Other Temasek Concert Party Group subscribes to their full entitlements;</li> <li>• Independent SCM Shareholders collectively subscribe to all the remaining Rights Shares not subscribed by SCI and the Temasek Concert Party Group; and</li> <li>• Hence, Temasek will <u>not</u> need to subscribe to any shortfall in valid subscriptions to the Rights Issue.</li> </ul>	Some impact

**APPENDIX 4**  
**INDEPENDENT FINANCIAL ADVISER'S LETTER**

Scenario	Description	Dilution Impact on Independent Shareholders
Scenario C, being the Extreme Scenario	<ul style="list-style-type: none"> <li>• SCI subscribes to its full entitlement and apply for excess Rights Shares, totalling 7,500,000,000 Rights Shares;</li> <li>• Other Temasek Concert Party Group subscribes to their full entitlements; and</li> <li>• Temasek subscribes to the remaining shortfall in valid subscriptions to the Rights Issue.</li> </ul>	Maximum impact

The dilution impact on the Independent Shareholders under the different scenarios are set out below:

**Scenario A – pro rata subscription by all Shareholders**

	Before the Rights Issue as at the Latest Practicable Date		Rights Issue		After the Rights Issue	
	Number of Shares held	%	Rights Shares subscribed	%	Enlarged number of Shares held	%
SCI	1,274,270,764	60.90	6,371,353,820	60.90	7,645,624,584	60.90
Temasek	-	-	-	-	-	-
Other Temasek Concert Party Group	205,757	0.01	1,028,785	0.01	1,234,542	0.01
<b>Sub-total</b>	<b>1,274,476,521</b>	<b>60.91</b>	<b>6,372,382,605</b>	<b>60.91</b>	<b>7,646,859,126</b>	<b>60.91</b>
Independent SCM Shareholders	818,061,653	39.09	4,090,308,265	39.09	4,908,369,918	39.09
<b>Total</b>	<b>2,092,538,174</b>	<b>100.00</b>	<b>10,462,690,870</b>	<b>100.00</b>	<b>12,555,229,044</b>	<b>100.00</b>

**APPENDIX 4**  
**INDEPENDENT FINANCIAL ADVISER'S LETTER**

**Scenario B – fully subscribed by Shareholders and hence, Temasek will not need to subscribe to any shortfall in valid subscriptions to the Rights Issue**

	Before the Rights Issue as at the Latest Practicable Date		Rights Issue		After the Rights Issue	
	Number of Shares held	%	Rights Shares subscribed	%	Enlarged number of Shares held	%
SCI	1,274,270,764	60.90	7,500,000,000	71.68	8,774,270,764	69.89
Temasek	-	-	-	-	-	-
Other Temasek Concert Party Group	205,757	0.01	1,028,785	0.01	1,234,542	0.01
<b>Sub-total</b>	<b>1,274,476,521</b>	<b>60.91</b>	<b>7,501,028,785</b>	<b>71.69</b>	<b>8,775,505,306</b>	<b>69.90</b>
Independent SCM Shareholders	818,061,653	39.09	2,961,662,085	28.31	3,779,723,738	30.10
<b>Total</b>	<b>2,092,538,174</b>	<b>100.00</b>	<b>10,462,690,870</b>	<b>100.00</b>	<b>12,555,229,044</b>	<b>100.00</b>

**Scenario C – Extreme Scenario, with Temasek subscribing to the shortfall in valid subscriptions to the Rights Issue**

	Before the Rights Issue as at the Latest Practicable Date		Rights Issue		After the Rights Issue	
	Number of Shares held	%	Rights Shares subscribed	%	Enlarged number of Shares held	%
SCI	1,274,270,764	60.90	7,500,000,000	71.68	8,774,270,764	69.89
Temasek	-	-	2,961,662,085	28.31	2,961,662,085	23.59
Other Temasek Concert Party Group	205,757	0.01	1,028,785	0.01	1,234,542	0.01
<b>Sub-total</b>	<b>1,274,476,521</b>	<b>60.91</b>	<b>10,462,690,870</b>	<b>100.00</b>	<b>11,737,167,391</b>	<b>93.48<sup>(1)</sup></b>
Independent SCM Shareholders	818,061,653	39.09	-	-	818,061,653	6.52
<b>Total</b>	<b>2,092,538,174</b>	<b>100.00</b>	<b>10,462,690,870</b>	<b>100.00</b>	<b>12,555,229,044</b>	<b>100.00</b>

**Note:**

(1) Does not add up due to rounding.

As illustrated in Scenario C above, under the Extreme Scenario where the Independent SCM Shareholders do not participate in the Rights Issue, the shareholding interests of these Independent SCM Shareholders will be diluted substantially from 39.1% prior to the Rights Issue to approximately 6.5% immediately after the Rights Issue.

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## APPENDIX 4

### INDEPENDENT FINANCIAL ADVISER'S LETTER

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Consequently, the shareholding interest of the Temasek Concert Party Group will increase significantly, due partly to the subscription of the Rights Shares by SCI pursuant to its undertaking commitment and partly from the take-up by Temasek of the shortfall in the valid subscriptions to the Rights Issue pursuant to the Sub-Underwriting Agreement.

At this stage before the SCI Distribution, the public float of the Company would fall below the minimum 10% public float requirement to remain listed on the SGX-ST, as the Temasek Concert Party Group would hold more than 90% of the enlarged issued share capital of the Company. Accordingly, the SGX-ST may suspend trading of the Shares until such time when the public float of the Company is restored to 10% or more.

The next stage of the corporate exercise is the SCI Distribution. Upon the completion of the SCI Distribution, the Company will cease to be a subsidiary of SCI. The effects on the shareholding interests of the Company under the different scenarios are set out in Section 7.7 below. It is anticipated that, following the SCI Distribution, the public float of the Company will be at least 10%. In addition, it is anticipated that the issuance of the Rights Shares and crediting of the SCM Shares under the SCI Distribution will be done concurrently, and accordingly, it is not expected that the Shares will be suspended from trading by the SGX-ST under Rule 1303(1) of the Listing Manual.

#### **7.6 The SCI Distribution being offered to all entitled SCI Shareholders on a *pro rata* basis**

Presently and prior to the SCI Distribution, the Company is a 60.9%-owned subsidiary of SCI. The Temasek Concert Party Group has a deemed interest of 49.4% in SCI which is held mainly by Temasek.

As part of the Transaction, SCI is proposing the SCI Distribution following the completion of the Rights Issue. The SCI Distribution involves the distribution in *specie* of all the SCM Shares held by SCI after the completion of the Rights Issue to entitled SCI Shareholders on a *pro rata* basis as dividends. As set out in Section 13.2 of the Circular, it is estimated that SCI Shareholders will receive between 4.279 and 4.911 SCM Shares for every SCI Share held, with no cash outlay. The SCI Distribution is subject to, *inter alia*, approval of SCI Shareholders at the SCI EGM and the approval of the Whitewash Resolution by a majority of the Independent Shareholders at the SCM EGM.

After the completion of the SCI Distribution, SCI will have distributed all or substantially all of its holding of SCM Shares and SCI Shareholders will hold listed shares in both SCI and SCM. SCM will cease to be a subsidiary of SCI.

#### **7.7 Shareholding interest of the Temasek Concert Party Group after the Transaction**

Under the three scenarios shown in Section 7.5 above, SCI's shareholding interest in the Company after the Rights Issue would vary between 60.9% and 69.9%. As Temasek's shareholding interest in SCI is 49.3%, Temasek's direct interest in the Company arising from the SCI Distribution would vary between 30.0% and 34.5% under the three scenarios. However, Temasek's aggregate interest in the Company would be further increased by the extent of subscription shortfall in the Rights Issue pursuant to the Sub-Underwriting Agreement.

The effects on the shareholding interests of the Company after the completion of the SCI Distribution under the three different scenarios are set out below:

**APPENDIX 4**  
**INDEPENDENT FINANCIAL ADVISER'S LETTER**

**Scenario A**

	After the Rights Issue		SCI Distribution of SCM Shares <sup>(1)</sup>		After the Rights Issue and SCI Distribution	
	Number of Shares held	%	Number of Shares distributed	%	Number of Shares held	%
SCI	7,645,624,584	60.90	N.A.	N.A.	-	-
Temasek	-	-	3,768,088,803 <sup>(2)</sup>	49.28	3,768,088,803	30.01
Other Temasek Concert Party Group	1,234,542	0.01	7,002,549 <sup>(3)</sup>	0.09	8,237,091	0.07
<b>Sub-total</b>	<b>7,646,859,126</b>	<b>60.91</b>	<b>3,775,091,352</b>	<b>49.38<sup>(4)</sup></b>	<b>3,776,325,894</b>	<b>30.08</b>
Independent SCM Shareholders	4,908,369,918	39.09	N.A.	N.A.	4,908,369,918	39.09
Other SCI Shareholders (excluding the Temasek Concert Party Group)	-	-	3,870,533,232	50.62	3,870,533,232	30.83
<b>Total</b>	<b>12,555,229,044</b>	<b>100.00</b>	<b>7,645,624,584</b>	<b>100.00</b>	<b>12,555,229,044</b>	<b>100.00</b>

**Notes:**

- (1) Under Scenario A, the subject of the SCI Distribution is based on SCI's direct shareholding interest of 7,645,624,584 SCM Shares (immediately after the Rights Issue but before the SCI Distribution) on the basis of 4.279 SCM Shares for every SCI Share held.

Under Scenario B and Scenario C, the subject of the SCI Distribution is based on SCI's direct shareholding interest of 8,774,270,764 SCM Shares (immediately after the Rights Issue but before the SCI Distribution) on the basis of 4.911 SCM Shares for every SCI Share held;

- (2) Based on Temasek's direct shareholding interest of 880,600,328 SCI Shares in SCI's issued share capital comprising 1,786,431,697 SCI Shares (excluding treasury shares) as at the Latest Practicable Date;
- (3) Based on Other Temasek Concert Party Group's aggregate interest of 1,636,492 SCI Shares; and
- (4) Does not add up due to rounding.

Under Scenario A, Temasek's interest in the enlarged issued share capital of the Company after the Transaction is slightly above 30.0%, and together with its concert parties, the Temasek Concert Party Group's interest would be 30.1%. Other SCI Shareholders (excluding the Temasek Concert Party Group) will also collectively hold an interest of approximately 30.9% in the enlarged issued share capital of the Company and existing Independent Shareholders' interest will remain at 39.1%.

**APPENDIX 4**  
**INDEPENDENT FINANCIAL ADVISER'S LETTER**

**Scenario B**

	After the Rights Issue		SCI Distribution of SCM Shares <sup>(1)</sup>		After the Rights Issue and SCI Distribution	
	Number of Shares held	%	Number of Shares distributed	%	Number of Shares held	%
SCI	8,774,270,764	69.89	N.A.	N.A.	-	-
Temasek	-	-	4,324,628,210	49.29	4,324,628,210	34.44
Other Temasek Concert Party Group	1,234,542	0.01	8,036,812	0.09	9,271,354	0.07
<b>Sub-total</b>	<b>8,775,505,306</b>	<b>69.90</b>	<b>4,332,665,022</b>	<b>49.38</b>	<b>4,333,899,564</b>	<b>34.52<sup>(4)</sup></b>
Independent SCM Shareholders	3,779,723,738	30.10	N.A.	N.A.	3,779,723,738	30.10
Other SCI Shareholders (excluding the Temasek Concert Party Group)	-	-	4,441,605,742	50.62	4,441,605,742	35.38
<b>Total</b>	<b>12,555,229,044</b>	<b>100.00</b>	<b>8,774,270,764</b>	<b>100.00</b>	<b>12,555,229,044</b>	<b>100.00</b>

Under Scenario B, as a result of SCI subscribing to its maximum commitment of the Rights Shares, and following the SCI Distribution, the Temasek Concert Party Group's interest in the enlarged issued share capital of the Company after the Transaction is approximately 34.5%, other SCI Shareholders (excluding the Temasek Concert Party Group) will collectively hold an interest of approximately 35.4% in the enlarged issued share capital of the Company and existing Independent Shareholders' interest will remain at 30.1%.

**APPENDIX 4**  
**INDEPENDENT FINANCIAL ADVISER'S LETTER**

**Scenario C**

	After the Rights Issue		SCI Distribution of SCM Shares <sup>(1)</sup>		After the Rights Issue and SCI Distribution	
	Number of Shares held	%	Number of Shares distributed	%	Number of Shares held	%
SCI	8,774,270,764	69.89	N.A.	N.A.	-	-
Temasek	2,961,662,085	23.59	4,324,628,210	49.29	7,286,290,295	58.03
Other Temasek Concert Party Group	1,234,542	0.01	8,036,812	0.09	9,271,354	0.07
<b>Sub-total</b>	<b>11,737,167,391</b>	<b>93.48<sup>(4)</sup></b>	<b>4,332,665,022</b>	<b>49.38</b>	<b>7,295,561,649</b>	<b>58.11<sup>(4)</sup></b>
Independent SCM Shareholders	818,061,653	6.52	N.A.	N.A.	818,061,653	6.52
Other SCI Shareholders (excluding the Temasek Concert Party Group)	-	-	4,441,605,742	50.62	4,441,605,742	35.38
<b>Total</b>	<b>12,555,229,044</b>	<b>100.00</b>	<b>8,774,270,764</b>	<b>100.00</b>	<b>12,555,229,044</b>	<b>100.00<sup>(4)</sup></b>

Under Scenario C, as explained in Section 7.5 above, Independent Shareholders would suffer a significant dilution in its collective shareholding interest in the enlarged issued share capital of the Company after the Rights Issue, and Temasek would acquire an interest of 23.6% in the Company as a result of taking up the shortfall in the subscription of the Rights Issue.

The above would add to Temasek's interest in the Company arising from the SCI Distribution.

Collectively, the Temasek Concert Party Group's interest in the enlarged issued share capital of the Company after the Transaction would reach approximately 58.1%, other SCI Shareholders (excluding the Temasek Concert Party Group) would collectively hold an interest of 35.4% in the enlarged issued share capital of the Company and existing Independent Shareholders' interest would be 6.5% after the Transaction.

**7.8 Other relevant considerations**

**7.8.1 The Rights Issue, Whitewash Resolution and SCI Distribution being inter-conditional upon each other**

The Rights Issue and the SCI Distribution are integral parts of the Transaction.

The Rights Issue, Whitewash Resolution and SCI Distribution are all inter-conditional upon each other. If any of the resolutions put forth for approval by the respective shareholders at the SCM EGM and SCI EGM is not passed, no part of the Transaction will be proceeded with and accordingly, there is no triggering of any takeover obligations by the Temasek Concert Party Group.



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## APPENDIX 4

### INDEPENDENT FINANCIAL ADVISER'S LETTER

---

With respect to the Whitewash Resolution and the SCI Distribution, the Temasek Concert Party Group and parties not independent of them will need to abstain from voting on these resolutions.

Independent Shareholders should note that by voting in favour of the Whitewash Resolution:

- (a) They will be waiving their rights to receive a general offer for their Shares from the Temasek Concert Party Group at the highest price paid by any of them for the Shares in the past six months prior to the commencement of the offer.

In view that the Temasek Concert Party Group had not acquired any Shares in the past six months prior to the commencement of the offer, if a hypothetical Mandatory Offer were to be made by the Temasek Concert Party Group, the hypothetical offer price would be at S\$0.20 for each Share. This is below the current market price of the Shares as at the Latest Practicable Date and below the TERP as at the Announcement Date.

- (b) The Rights Issue and the SCI Distribution could result in the Temasek Concert Party Group holding more than 49% of the voting rights in the Company, and in such a scenario, the Temasek Concert Party Group will thereafter be free to acquire further Shares without incurring any obligation to make a mandatory general offer for the Company.

To rely on the Whitewash Waiver, the Whitewash Resolution must be obtained within 3 months from 5 June 2020 and the SCI Distribution must be completed within 3 months from the above EGM.

#### **7.8.2 Support from Temasek and SCI**

The Rights Issue is "back-stopped" (i.e. supported) by Temasek and SCI pursuant to their respective sub-underwriting and undertaking commitments. No fees or commission is payable to Temasek or SCI in connection with the Sub-Underwriting Agreement and the SCI Undertaking Agreement. Following the demerger, Temasek (which is currently the single largest shareholder of SCI) will become a direct and significant shareholder of the Company.

We believe that the above underscores the support by SCI and Temasek for the Rights Issue and demonstrates Temasek's commitment to the Group.

Under certain scenarios, Temasek may become the single largest Shareholder holding more than 50% of the issued share capital of SCM and will be able to pass all ordinary resolutions of the Company, other than ordinary resolutions in relation to interested person transactions where Temasek and its associates are deemed as interested persons and will have to abstain from voting on these proposed transactions pursuant to the Listing Manual.

#### **7.8.3 Intentions of the Directors in relation to the Rights Issue**

In addition, to demonstrate their support and commitment to the Company, the Directors have expressed their intentions to subscribe in full to their respective *pro rata* entitlements under the Rights Issue.

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## APPENDIX 4 INDEPENDENT FINANCIAL ADVISER'S LETTER

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### 7.8.4 Commentary by the Company in its business outlook

On 15 July 2020, the Company made the following commentary in relation to its business outlook in its latest results announcement for 1H2020:

*“Sembcorp Marine is gradually resuming project executions safely and progressively. How soon the Group’s workforce will be allowed to return to full strength will determine the business outlook in subsequent quarters.*

*Sembcorp Marine will work to ensure adequate liquidity and financial strength to sustain its operations and ride through the severe industry and COVID-19 pandemic.*

*In this difficult business environment, the Group expects losses to continue into the foreseeable quarters.”*

### 8. OUR OPINION

In arriving at our opinion in respect of the Whitewash Resolution, we have reviewed and examined all factors which we consider to be pertinent in our assessment, including the following key considerations:

- (a) rationale for the Transaction;
- (b) the Rights Shares being offered to all entitled Shareholders on a *pro rata* basis;
- (c) assessment of the Issue Price of the Rights Shares;
- (d) financial effects of the Rights Issue;
- (e) dilution impact of the Rights Issue on the Independent Shareholders;
- (f) the SCI Distribution being offered to all entitled SCI Shareholders on a *pro rata* basis;
- (g) shareholding interest of the Temasek Concert Party Group after the Transaction; and
- (h) other relevant considerations.

**Overall, based on our analysis, the terms of the Transaction taken as a whole are fair and reasonable, and the Whitewash Resolution, when considered in the context of the Transaction, is not prejudicial to the interest of the Independent Shareholders.**

Our opinion, as disclosed in this Letter, is based solely on publicly available information and information provided by the Directors and the Management and does not reflect any projections of future financial performance of the Company and/or the Group after the completion of the Transaction. In addition, our opinion is based on the economic and market conditions prevailing as at the Latest Practicable Date and is solely confined to our views on the Whitewash Resolution.

This Letter is addressed to the Independent Directors for their benefit and for the purpose of their consideration of the Whitewash Resolution. The recommendation made by the Independent Directors to the Independent Shareholders shall remain their responsibility. Whilst a copy of this Letter may be reproduced in the Circular, neither the Company, the Directors nor any Shareholders may reproduce, disseminate or quote this Letter (or any part thereof) for any purpose, other than for the purpose of the EGM and for the purpose of the Whitewash

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**APPENDIX 4**  
**INDEPENDENT FINANCIAL ADVISER'S LETTER**

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Resolution, at any time and in any manner, without the prior written consent of Provenance Capital in each specific case.

Our opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully  
For and on behalf of  
**PROVENANCE CAPITAL PTE. LTD.**

Wong Bee Eng  
Chief Executive Officer

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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**SEMBCORP MARINE LTD**  
(Incorporated in the Republic of Singapore)  
(Company Registration Number: 196300098Z)

### NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Sembcorp Marine Ltd (the “**Company**”) will be convened and held by way of electronic means on 11 August 2020 at 10.00 a.m. for the purpose of considering and, if thought fit, passing with or without any modifications, the ordinary resolutions as set out below. All capitalised terms used in this Notice which are not defined herein shall have the meanings ascribed to them in the circular to shareholders of the Company dated 22 July 2020 (the “**Circular**”).

#### ORDINARY RESOLUTION 1: THE PROPOSED RENOUNCEABLE UNDERWRITTEN RIGHTS ISSUE

**RESOLVED THAT** subject to and contingent upon the passing of Ordinary Resolution 2 and the passing of the SCI Distribution Resolution by the SCI Shareholders deemed to be independent for the purpose of the SCI Distribution Resolution, being the SCI Shareholders other than the Temasek Concert Party Group, at the SCI EGM:

- (i) a renounceable underwritten rights issue of 10,462,690,870 new ordinary shares in the capital of the Company (the “**Rights Shares**”), at an issue price of S\$0.20 for each Rights Share (the “**Issue Price**”), on the basis of five (5) Rights Shares for every one (1) existing Share held by Entitled Shareholders as at the Record Date, fractional entitlements to be disregarded (the “**Rights Issue**”), be and is hereby approved;
- (ii) authority be and is hereby given to the Directors to undertake the Rights Issue, provisionally allot and issue the Rights Shares at the Issue Price on the basis of five (5) Rights Shares for every one (1) existing Share held by the Entitled Shareholders as at the Record Date, fractional entitlements to be disregarded, and allot and issue the Rights Shares at the Issue Price on the terms and conditions set out below and/or on such other terms and conditions (including the basis of provisional allotments of the Rights Shares) as the Directors may in their absolute discretion and from time to time think fit:
  - (a) the provisional allotment of the Rights Shares shall be made on a renounceable basis to Entitled Shareholders;
  - (b) no provisional allotment of the Rights Shares shall be made to Foreign Shareholders unless otherwise determined by the Directors that the Rights Shares may be offered based on applicable securities legislation;
  - (c) the provisional allotment of the Rights Shares which would otherwise accrue to Foreign Shareholders or Shareholders who are restricted or prohibited by the laws of the jurisdiction in which they are located or resident from participating in the Rights Issue may be disposed of, or dealt with, by the Company in such manner and on such terms and conditions as the Directors shall deem fit for the purpose of renouncing the provisional allotment relating thereto to purchasers thereof and to pool and thereafter distribute the net proceeds, if any, thereof (after deducting all expenses) among such Foreign Shareholders or Shareholders who are restricted or prohibited by the laws of the jurisdiction in which they are located or resident from participating in the Rights Issue in proportion to their respective shareholdings as at the Record Date provided that if the amount to be distributed to any single Foreign Shareholder or Shareholder who is restricted or prohibited by the laws of the jurisdiction in which it is located or resident from participating in the Rights Issue or persons acting to the account or benefit of any such persons is less than S\$10.00, such amount shall instead be retained or dealt with as the Directors may, in their absolute discretion, deem fit in the interests of the Company;

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- (d) fractional entitlements to the Rights Shares shall be aggregated and used with the provisional allotment of the Rights Shares which are not taken up or allotted for any reason to satisfy excess applications for the Rights Shares (if any) or disposed of or otherwise dealt with in such manner as the Directors may in their absolute discretion deem fit for the benefit of the Company (including the allotment and issue of Rights Shares to satisfy any subscription of unsubscribed Rights Shares under the Rights Issue pursuant to the Underwriting and Management Agreement and the Sub-Underwriting Agreement); and
  - (e) the Rights Shares when allotted and issued will rank *pari passu* in all respects with the then existing issued Shares, except that they will not rank for any dividends, rights, allotments or other distributions the record date for which falls before the date of allotment and issue of the Rights Shares; and
- (iii) the Directors be and are hereby authorised to take such steps, do all such acts and things (including but not limited to finalising, approving and executing all such documents as may be required in connection with the Rights Issue, the issue of the Rights and the issue of the Rights Shares, and making amendments to the terms and conditions of the Rights Issue (including the Issue Price)), and to exercise such discretion as the Directors may in their absolute discretion deem fit, advisable or to give full effect to this resolution, the Rights Issue and the allotment and issue of the Rights Shares.

### ORDINARY RESOLUTION 2: THE WHITEWASH RESOLUTION IN RELATION TO THE TEMASEK CONCERT PARTY GROUP

**RESOLVED THAT** subject to and contingent upon the passing of Ordinary Resolution 1 and the passing of the SCI Distribution Resolution by the SCI Shareholders deemed to be independent for the purpose of the SCI Distribution Resolution, being the SCI Shareholders other than the Temasek Concert Party Group, at the SCI EGM, the Independent Shareholders do hereby, on a poll taken, unconditionally and irrevocably waive their rights to receive a mandatory general offer from the Temasek Concert Party Group in accordance with Rule 14 of the Singapore Code on Take-overs and Mergers, for all the Shares not already owned or controlled by the Temasek Concert Party Group as a result of the SCI Distribution.

### BY ORDER OF THE BOARD

**Tan Yah Sze**

Company Secretary  
Singapore, 22 July 2020

### NOTES:

1. The Extraordinary General Meeting is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of the Circular (including this Notice) will be sent to members. This Notice may also be accessed at the Company's website at the URL <https://www.sembmarine.com/extraordinary-general-meeting> and is also available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.
2. Alternative arrangements relating to attendance at the Extraordinary General Meeting via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the Meeting in advance of the Extraordinary General Meeting, addressing of substantial and relevant questions before the Extraordinary General Meeting and voting by appointing the Chairman of the Meeting as proxy at the Extraordinary General Meeting, are set out in the accompanying Company's announcement dated 22 July 2020. This announcement may be accessed at the Company's website at the URL <https://www.sembmarine.com/investor-relations/stock-exchange-announcements>, and will also be made available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.
3. **Due to the current COVID-19 situation in Singapore, a member will not be allowed to attend the Extraordinary General Meeting in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Extraordinary General Meeting if such member wishes to exercise his/her/its voting rights at the Extraordinary General Meeting.** Printed copies of the Circular (including the Proxy Form) will be sent to members. The Proxy Form may also be accessed at the Company's website at the URL <https://www.sembmarine.com/extraordinary-general-meeting> and is also available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

CPFIS Members or SRS Investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective approved CPF agent banks or SRS Approved Banks to submit their votes by 10.00 a.m. on 5 August 2020.

4. The Chairman of the Meeting, as proxy, need not be a member of the Company.
5. The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:
  - (i) if submitted by post, be lodged at the office of the Company's Share Registrar, KCK CorpServe Pte. Ltd. at 333 North Bridge Road, #08-00, KH KEA Building, Singapore 188721; or
  - (ii) if submitted electronically, be submitted via email to the Company's Share Registrar at [shareregmeetings@kckcs.com.sg](mailto:shareregmeetings@kckcs.com.sg),  
in either case not less than 72 hours before the time appointed for the Extraordinary General Meeting.

A member who wishes to submit an instrument of proxy must first download (where necessary), complete and sign the Proxy Form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above. In the alternative, a member may download, complete and authorise the Proxy Form by way of the affixation of an electronic signature, before sending it by email to the email address provided above.

**In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed Proxy Forms by post, members are strongly encouraged to submit completed Proxy Forms electronically via email.**

### PERSONAL DATA PRIVACY:

By submitting an instrument appointing the Chairman of the Meeting as proxy to attend, speak and vote at the Extraordinary General Meeting and/or any adjournment thereof, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of the appointment of the Chairman of the Meeting as proxy for the Extraordinary General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Extraordinary General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines.

### IMPORTANT NOTICE:

This notice is for information only and does not constitute or form part of any offer or invitation to sell or issue or subscribe for, or any solicitation of any offer to acquire, any Rights Shares or to take up any entitlements to Rights Shares in any jurisdiction in which such an offer or solicitation is unlawful. No person should acquire any Rights Shares except on the basis of the information contained in an offer information statement to be lodged by the Company with the Monetary Authority of Singapore. The information contained in this notice should not be distributed, forwarded to or transmitted in or into any jurisdiction where to do so might constitute a violation of applicable securities laws or regulations. The issue, exercise or sale of Rights Shares and the acquisition or purchase of the Rights Shares are subject to specific legal or regulatory restrictions in certain jurisdictions. The Company assumes no responsibility in the event there is a violation by any person of such restrictions.

The distribution of this notice into jurisdictions other than Singapore may be restricted by law. Persons into whose possession this notice and such other documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. Neither the content of the Company's website nor any website accessible by hyperlinks on the Company's website is incorporated in, or forms part of, this notice.

## PROXY FORM

### SEMBCORP MARINE LTD

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

#### IMPORTANT

1. The Extraordinary General Meeting is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of the Notice of Extraordinary General Meeting will be sent to members. The Notice of Extraordinary General Meeting may also be accessed at the Company's website at the URL <https://www.sembmarine.com/extraordinary-general-meeting> and is also available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.
2. Alternative arrangements relating to attendance at the Extraordinary General Meeting via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the Meeting in advance of the Extraordinary General Meeting, addressing of substantial and relevant questions before the Extraordinary General Meeting and voting by appointing the Chairman of the Meeting as proxy at the Extraordinary General Meeting, are set out in the accompanying Company's announcement dated 22 July 2020. This announcement may be accessed at the Company's website at the URL <https://www.sembmarine.com/investor-relations/stock-exchange-announcements>, and will also be made available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.
3. **Due to the current COVID-19 situation in Singapore, a member will not be allowed to attend the Extraordinary General Meeting in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Extraordinary General Meeting if such member wishes to exercise his/her/its voting rights at the Extraordinary General Meeting.**
4. CPFIS Members/SRS Investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective approved CPF agent banks or SRS Approved Banks to submit their votes by 10.00 a.m. on 5 August 2020.
5. By submitting an instrument appointing the Chairman of the Meeting as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of Extraordinary General Meeting dated 22 July 2020.
6. **Please read the notes overleaf which contain instructions on, *inter alia*, the appointment of the Chairman of the Meeting as a member's proxy to attend, speak and vote on his/her/its behalf at the Extraordinary General Meeting.**

I/We, \_\_\_\_\_ (Name) \_\_\_\_\_ (NRIC / Passport / Co. Regn. No.)

of \_\_\_\_\_ (Address)

being a member/members\* of Sembcorp Marine Ltd (the "**Company**"), hereby appoint:

The Chairman of the Meeting

as my/our proxy to attend, speak and vote for me/us on my/our behalf at the Extraordinary General Meeting of the Company, to be convened and held by way of electronic means on 11 August 2020 at 10.00 a.m. and at any adjournment thereof.

(Voting will be conducted by poll. If you wish the Chairman of the Meeting as your proxy to cast all your votes "For" or "Against" a resolution, please indicate with an "X" in the "For" or "Against" box provided in respect of that resolution. Alternatively, please indicate the number of votes "For" or "Against" in the "For" or "Against" box in respect of that resolution. If you wish the Chairman of the Meeting as your proxy to abstain from voting on a resolution, please indicate with an "X" in the "Abstain" box provided in respect of that resolution. Alternatively, please indicate the number of shares that the Chairman of the Meeting as your proxy is directed to abstain from voting in the "Abstain" box in respect of that resolution. **In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the Meeting as your proxy for that resolution will be treated as invalid.**)

	For	Against	Abstain
ORDINARY RESOLUTION 1: To approve the Rights Issue			
ORDINARY RESOLUTION 2: To approve the Whitewash Resolution			

<b>Total Number of Shares held:</b>	
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\_\_\_\_\_  
Signature(s) of Member(s) or Common Seal

\_\_\_\_\_  
Date

IMPORTANT: PLEASE READ THE NOTES OVERLEAF



**Notes:**

1. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
2. **Due to the current COVID-19 situation in Singapore, a member will not be allowed to attend the Extraordinary General Meeting in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Extraordinary General Meeting if such member wishes to exercise his/her/its voting rights at the Extraordinary General Meeting.** This proxy form may be accessed at the Company's website at the URL <https://www.semmarine.com/extraordinary-general-meeting>, and will also be made available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>. Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.  
CPFIS Members / SRS Investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective approved CPF agent banks or SRS Approved Banks to submit their votes by 10.00 a.m. on 5 August 2020.
3. The Chairman of the Meeting, as proxy, need not be a member of the Company.
4. The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:
  - (i) if submitted by post, be lodged at the office of the Company's Share Registrar, KCK CorpServe Pte. Ltd., at 333 North Bridge Road, #08-00, KH KEA Building, Singapore 188721; or
  - (ii) if submitted electronically, be submitted via email to the Company's Share Registrar at [shareregmeetings@kckcs.com.sg](mailto:shareregmeetings@kckcs.com.sg), in either case not less than 72 hours before the time appointed for the Extraordinary General Meeting.

1st fold here

Glue all sides firmly. Stapling & spot sealing are disallowed.

Postage will be paid by addressee. For posting in Singapore only.

**BUSINESS REPLY SERVICE  
PERMIT NO. 09583**



**SEMBCORP MARINE LTD**  
C/O KCK CORPSERVE PTE. LTD.  
333 NORTH BRIDGE ROAD  
#08-00 KH KEA BUILDING  
SINGAPORE 188721

2nd fold here

A member who wishes to submit an instrument of proxy must first download (where necessary), complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above. In the alternative, a member may download, complete and authorise the proxy form by way of the affixation of an electronic signature, before sending it by email to the email address provided above.

**In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.**

5. Where the instrument appointing the Chairman of the Meeting as proxy is submitted by post, it must be under the hand of the appointor or of his attorney duly authorised in writing and where such instrument is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.

Where the instrument appointing the Chairman of the Meeting as proxy is submitted electronically, it must be authorised in the following manner:

- (i) by way of the affixation of an electronic signature by the appointor or of his attorney duly authorised in writing or, as the case may be, an officer or duly authorised attorney of a corporation; or
- (ii) by way of the appointor or his duly authorised attorney or, as the case may be, an officer or duly authorised attorney of a corporation signing the instrument under hand and submitting a scanned copy of the signed instrument by email.

Where an instrument appointing the Chairman of the Meeting as proxy is signed or, as the case may be, authorised on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company), if the instrument appointing the Chairman of the Meeting as proxy is submitted by post, be lodged with the instrument of proxy or, if the instrument appointing the Chairman of the Meeting as proxy is submitted electronically via email, be emailed with the instrument of proxy, failing which the instrument may be treated as invalid.

6. The Company shall be entitled to reject the instrument appointing the Chairman of the Meeting as proxy if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the Meeting as proxy (including any related attachment). In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing the Chairman of the Meeting as proxy lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Extraordinary General Meeting, as certified by The Central Depository (Pte) Limited to the Company.



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**sembcorp  
marine**

**SEMBCORP MARINE LTD**

(Incorporated in the Republic of Singapore)

(Company Registration No.:196300098Z)

80 Tuas South Boulevard, Singapore 637051  
Tel: +65 6265 1766

**[www.sebmarine.com](http://www.sebmarine.com)**