

**CIRCULAR DATED 4 APRIL 2007**

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

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

If you have sold all your shares in SembCorp Marine Ltd (the "**Company**"), you should immediately forward this Circular and the attached Proxy Form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.



**SEMBCORP MARINE LTD**  
(Incorporated in the Republic of Singapore)  
(Company Registration No.: 196300098Z)

**CIRCULAR TO SHAREHOLDERS**

**in relation to**

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

**IMPORTANT DATES AND TIMES:**

Last date and time for lodgment of Proxy Form :	18 April 2007 at 11.15 a.m.
Date and time of Extraordinary General Meeting :	20 April 2007 at 11.15 a.m. (or as soon thereafter following the conclusion or adjournment of the 44 <sup>th</sup> Annual General Meeting of the Company to be held at 11.00 a.m. on the same day and at the same place)
Place of Extraordinary General Meeting :	29 Tanjong Kling Road Singapore 628054

---

## CONTENTS

---

	Page
<b>DEFINITIONS .....</b>	<b>1</b>
<b>LETTER TO SHAREHOLDERS.....</b>	<b>3</b>
1. INTRODUCTION .....	3
2. THE PROPOSED RENEWAL OF SHAREHOLDERS MANDATE.....	3
3. THE PROPOSED RENEWAL OF SHARE PURCHASE MANDATE .....	4
4. DISCLOSURE OF SHAREHOLDINGS .....	14
5. AUDIT COMMITTEE'S STATEMENT .....	15
6. DIRECTORS' RECOMMENDATION.....	15
7. SHAREHOLDERS WHO WILL ABSTAIN FROM VOTING.....	15
8. EXTRAORDINARY GENERAL MEETING .....	16
9. ACTION TO BE TAKEN BY SHAREHOLDERS.....	16
10. DOCUMENTS FOR INSPECTION .....	16
11. DIRECTORS' RESPONSIBILITY STATEMENT .....	16
<b>APPENDIX I: PROPOSED RENEWAL OF SHAREHOLDERS MANDATE.....</b>	<b>17</b>
<b>NOTICE OF EXTRAORDINARY GENERAL MEETING.....</b>	<b>26</b>
<b>PROXY FORM</b>	

---

## DEFINITIONS

---

The following definitions shall apply throughout unless otherwise stated in this Circular:-

### **General**

<b>“Articles”</b>	: the Articles of Association of the Company
<b>“Audit Committee”</b>	: the audit committee of the Company as at the date of this Circular, comprising Mr Tan Tew Han, Mr Ajaib Haridass and Mr Ron Foo Siang Guan
<b>“CDP”</b>	: the Central Depository (Pte) Limited
<b>“2006 Circular”</b>	: The Company’s Circular to the Shareholders dated 30th March 2006
<b>“Companies Act”</b>	: the Companies Act, Chapter 50, of Singapore as amended by the Companies (Amendment) Act
<b>“Companies Amendment Act”</b>	: the Companies (Amendment) Act 2005 of Singapore
<b>“Controlling Shareholder”</b>	: a person who:  (a) holds directly or indirectly 15% or more of the nominal amount of all voting Shares in the Company (unless the SGX-ST determines that such a person is not a Controlling Shareholder of the Company); or  (b) in fact exercises control over the Company
<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, notice of which is given on page 26 of this Circular
<b>“Group”</b>	: The Company, its subsidiaries and associated companies
<b>“Latest Practicable Date”</b>	: 28 March 2007, 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 up to the Latest Practicable Date
<b>“Market Day”</b>	: a day on which the SGX-ST is open for trading in securities
<b>“Minority Shareholders”</b>	: Shareholders who are not interested person as defined under Chapter 9 of the Listing Manual
<b>“Notice of EGM”</b>	: the notice of EGM as set out on page 26 of this Circular
<b>“NTA”</b>	: net tangible assets
<b>“Ordinary Resolution”</b>	: the ordinary resolution as set out in the Notice of EGM
<b>“Proxy Form”</b>	: proxy form in respect of the EGM as set out in this Circular
<b>“ROE”</b>	: return on equity
<b>“SCI”</b>	: SembCorp Industries Ltd

---

## DEFINITIONS

---

“SCM” or “Company”	: SembCorp Marine Ltd
“SGX-ST”	: Singapore Exchange Securities Trading Limited
“Shareholders”	: registered holders of Shares except that where the registered holder is the CDP, the term “Shareholders” shall, in relation to such Shares and where the context admits, mean the persons named as the Depositors in the Depository Register maintained by the CDP and into whose Securities Accounts those Shares are credited
“Shares”	: the ordinary shares in the capital of the Company
“Take-over Code”	: the Singapore Code on Take-overs and Mergers
“Temasek”	: Temasek Holdings (Private) Limited
“Threshold 2”	: 5% of the latest audited NTA of the Group
“S\$” or “\$” and “cents”	: Singapore dollars and cents respectively, the lawful currency of the Republic of Singapore
“%”	: per centum or percentage

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

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

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 and *vice versa*. Words importing persons shall include corporations.

Any reference in this Circular to “**Rule**” or “**Chapter**” is a reference to the relevant Rule or Chapter in the Listing Manual as for the time being.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or any modification thereof and used in this Circular shall have the meaning assigned to it under the Companies Act.

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

---

## LETTER TO SHAREHOLDERS

---

### SEMBCORP MARINE LTD

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

#### Directors:

Goh Geok Ling (*Chairman*)  
Tan Kwi Kin (*Group President & CEO*)  
Tan Pheng Hock  
Kiyotaka Matsuzawa  
Tan Tew Han  
Ajaib Haridass  
Tang Kin Fei  
Ron Foo Siang Guan  
Joseph Kwok Sin Kin  
Wong Weng Sun (*Alternate Director to Tan Kwi Kin*)  
Hirohiko Sakurai (*Alternate Director to Kiyotaka Matsuzawa*)

#### Registered Office:

29 Tanjong Kling Road  
Singapore 628054

4 April 2007

To: The Shareholders of the Company

Dear Sir/Madam

## 1. INTRODUCTION

### 1.1 EGM

The Directors are convening an EGM to be held on 20 April 2007 to seek Shareholders' approval for the proposed renewal of Share Purchase Mandate and the proposed renewal of Shareholders Mandate.

### 1.2 Circular

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

### 1.3 SGX-ST

The SGX-ST takes no responsibility for the accuracy of any statements or opinions made in this Circular.

## 2. THE PROPOSED RENEWAL OF SHAREHOLDERS MANDATE

### 2.1 Shareholders Mandate.

At the Extraordinary General Meeting ("**EGM**") of the Company held on 24 April 2006 (the "**2006 EGM**"), approval of the Shareholders was obtained for the renewal of a shareholders mandate (the "**Shareholders Mandate**") to enable the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9 of the Listing Manual) (the "**EAR Group**") to enter into certain interested person transactions (the "**Interested Person Transactions**") with the classes of interested persons (the "**Interested Persons**") as set out in the Shareholders Mandate. Particulars of the Shareholders Mandate are set out in Appendix II to the 2006 Circular to Shareholders.

---

## LETTER TO SHAREHOLDERS

---

The Shareholders Mandate was expressed to take effect until the conclusion of the next Annual General Meeting (“**AGM**”) of the Company, being the 44<sup>th</sup> AGM which is scheduled to be held on 20 April 2007. Accordingly, the Directors propose that the Shareholders Mandate be renewed at the EGM, to take effect until the 45<sup>th</sup> AGM of the Company.

### **2.2 Appendix I**

Details of the Shareholders Mandate, including the rationale for, and the benefits to, the Company, the review procedures for determining transaction prices with interested persons and other general information relating to Chapter 9 of the Listing Manual, are set out in Appendix I to this Circular.

## **3. THE PROPOSED RENEWAL OF SHARE PURCHASE MANDATE**

### **3.1 Background**

Shareholders had approved a Share Purchase Mandate at the 2006 EGM. The authority and limitations on the Share Purchase Mandate were set out in the 2006 Circular and Ordinary Resolution 2 set out in the Notice of the 2006 EGM.

The Share Purchase Mandate was expressed to take effect on the date of the passing of the Ordinary Resolution 2 at the 2006 EGM and will expire on the date of the forthcoming 44<sup>th</sup> AGM to be held on 20<sup>th</sup> April 2007. Accordingly, the Shareholders’ approval is sought for the renewal of the Share Purchase Mandate at the EGM, immediately following the 44<sup>th</sup> AGM of the Company to be held on the same date.

### **3.2 Rationale for the Share Purchase Mandate**

The Share Purchase Mandate will provide the Company the flexibility to undertake share repurchases at any time, subject to market conditions, during the period when the Share Purchase Mandate is in force. The rationale for the Company to undertake a purchase or acquisition of its Shares, as previously stated in the 2006 Circular, is as follows:

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

The purchase or acquisition of Shares will only be undertaken if it can benefit the Company and Shareholders. Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may not be carried out to the full limit as authorised. No purchase or acquisition of Shares will be made in circumstances which would have or may have a material adverse effect on the liquidity and capital adequacy position of the Group as a whole.

### **3.3 Authority and Limits of the Share Purchase Mandate**

The authority and limitations placed on the purchases or acquisitions of Shares by the Company under the Share Purchase Mandate, if approved at the EGM, are summarised below:

#### **3.3.1 Maximum number of Shares**

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. The total number of Shares which may be purchased or acquired by the Company is limited to that number of Shares representing not more than 10% of the issued Shares of the Company as at the date of the EGM at which the Share Purchase Mandate is approved. Following the introduction of the Companies Amendment Act, any Shares which are held as treasury shares will be disregarded for purposes of computing the 10% limit.

Purely for illustrative purposes, on the basis of 1,466,295,565 Shares in issue as at the Latest Practicable Date, and assuming that no further Shares are issued pursuant to the exercise of exercisable options on or prior to the EGM, not more than 146,629,557 Shares (representing 10% of the Shares in issue as at that date) may be purchased or acquired by the Company pursuant to the proposed Share Purchase Mandate.

The maximum number of Shares approved in the 2006 EGM was 7% as the amount which could be paid out of capital. To be in line with market practice, the maximum number of Shares to be approved for this year will be 10%.

#### **3.3.2 Duration of authority**

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

- (a) the date on which the next annual general meeting of the Company is held or required by law to be held; or
- (b) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied,

whichever is the earlier.

#### **3.3.3 Manner of purchases or acquisitions of Shares**

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

- (a) on-market purchases ("**Market Purchases**"), transacted through the SGX-ST or any other securities exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed dealers appointed by the Company for the purpose; and/or
- (b) off-market purchases ("**Off-Market Purchases**"), otherwise than on a securities exchange, in accordance with an equal access scheme.

The Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the Listing Manual and the Companies Act as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. An equal access scheme must, however, satisfy all the following conditions:

- (i) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;

---

## LETTER TO SHAREHOLDERS

---

- (ii) all of those persons shall be given a reasonable opportunity to accept the offers made; and
- (iii) the terms of all the offers are the same, except that there shall be disregarded (1) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements; (2) differences in consideration attributable to the fact that the offers relate to shares with different amounts remaining unpaid; and (3) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

If the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, it will issue an offer document that complies with the provisions of the Companies Act and the Listing Manual, containing at least the following information:

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

### 3.3.4 Purchase price

The purchase price (excluding related brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) to be paid for a Share will be determined by the Directors. The purchase price to be paid for the Shares as determined by the Directors pursuant to the Share Purchase Mandate must not exceed 105% of the Average Closing Price of the Shares, excluding related expenses of the purchase or acquisition, for Market Purchases, and not exceed 110% of the Average Closing Price of the Shares, excluding related expenses of the purchase or acquisition, for Off-Market Purchases (collectively, the “Maximum Price”).

For the above purposes:

“Average Closing Price” means the average of the closing market prices of a Share over the last five Market Days, on which the Shares are transacted on the SGX-ST or, as the case may be, such securities exchange on which the Shares are listed or quoted, immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the rules of the SGX-ST, for any corporate action that occurs after the relevant five-day period; and

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

### 3.4 Status of Purchased Shares

A Share purchased or acquired by the Company is deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Share will expire on such cancellation) unless such Share is held by the Company as a treasury share. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

### 3.5 Treasury Shares

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

---

## LETTER TO SHAREHOLDERS

---

### 3.5.1 Maximum Holdings

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

### 3.5.2 Voting and Other Rights

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

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

### 3.5.3 Disposal and Cancellation

Where Shares are held as treasury shares, the Company may at any time:

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

## 3.6 Source of Funds

Previously, any payment made by the Company in consideration of the purchase or acquisition of its own Shares may only be made out of the Company's distributable profits. The Companies Amendment Act now permits the Company to also purchase or acquire its own Shares out of capital so long as it is solvent, as well as from its distributable profits.

## 3.7 Financial Effects

The financial effects on the Company and the Group arising from purchases or acquisitions of Shares which may be made pursuant to the Share Purchase Mandate will depend on, inter alia, whether the Shares are purchased or acquired, the price paid for such Shares and whether the Shares purchased or acquired are held in treasury or cancelled. The financial effects on the Company and the Group, based on the audited financial statements of the Company and the Group for the financial year ended 31 December 2006, are based on the assumptions set out below.

### 3.7.1 Purchase or Acquisition out of Capital or Profits

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

---

## LETTER TO SHAREHOLDERS

---

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration (excluding related brokerage, goods and services tax, stamp duties and clearance fees) will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

### 3.7.2 Information as at Latest Practicable Date

As at the Latest Practicable Date, the issued capital of the Company comprised 1,466,295,565 Shares. In addition, as at the Latest Practicable Date, there were outstanding and remaining unexercised Share options to subscribe for up to an aggregate of 40,615,475 Shares. Except in respect of Shares which are issuable on exercise of the outstanding Share options, no Shares are reserved for issue by the Company as at the Latest Practicable Date.

Purely for illustrative purposes, on the basis of 1,466,295,565 Shares in issue as at the Latest Practicable Date and assuming no further Shares are issued and no Shares are held by the Company as treasury shares on or prior to the EGM, the purchase by the Company of 10% of its issued Shares will result in the purchase or acquisition of 146,629,557 Shares.

Assuming that the Company purchases or acquires the 146,629,557 Shares at the Maximum Price of S\$3.65 for market purchases and S\$3.83 for off-market purchases for one Share (being the price equivalent to 5% and 10% above the average of the closing market prices of the Shares for the five consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 146,629,557 Shares is S\$535,197,881 and S\$561,591,201 respectively.

### 3.7.3 Illustrative Financial Effects

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

For illustrative purpose only and on the basis of the assumptions set out in paragraph 3.7.2 above, the financial effects of the:

#### Market Purchases

- (a) acquisition of 146,629,557 Shares by the Company pursuant to the Share Purchase Mandate by way of purchases made 5% out of capital, 5% out of profits and held as treasury shares;
- (b) acquisition of 146,629,557 Shares by the Company pursuant to the Share Purchase Mandate by way of purchases made 5% out of capital, 5% out of profits and cancelled,

#### Off-Market Purchases

- (c) acquisition of 146,629,557 Shares by the Company pursuant to the Share Purchase Mandate by way of purchases made 5% out of capital, 5% out of profits and held as treasury shares; and
- (d) acquisition of 146,629,557 Shares by the Company pursuant to the Share Purchase Mandate by way of purchases made 5% out of capital, 5% out of profits and cancelled,

---

## LETTER TO SHAREHOLDERS

---

on the audited financial statements of the Group and the Company for the financial year ended 31 December 2006 are set out below:

### **Market Purchases**

#### **(a) Purchases made 5% out of capital, 5% out of profits and held as treasury shares**

	Group		Company	
	<b>Before Share Purchase (S\$'000)</b>	<b>After Share Purchase (S\$'000)</b>	<b>Before Share Purchase (S\$'000)</b>	<b>After Share Purchase (S\$'000)</b>
<b><u>As at 31 December 2006</u></b>				
Shareholders' Equity	1,338,339	1,337,377	933,646	932,684
Treasury Shares	–	(535,198)	–	(535,198)
Total Shareholders' Equity	1,338,339	802,179	933,646	397,486
Net Tangible Assets	1,324,682	788,522	933,524	397,364
Current Assets	2,186,652	1,683,164	145,763	72,921
Current Liabilities	(1,690,896)	(1,723,568)	(53,852)	(517,170)
Total Borrowings	(390,988)	(422,698)	(149,795)	(149,795)
Cash and Cash Equivalents	503,488	–	72,842	–
Number of Shares ('000) <sup>#</sup>	1,466,296	1,319,666*	1,466,296	1,319,666*

### **Financial Ratios**

Net Tangible Assets per Share (\$)	0.90	0.60	0.64	0.30
Gross Debt Gearing (%)	29.21	52.69	16.04	37.69
Current Ratio (times)	1.29	0.98	2.71	0.14
Basic Earnings per Share (cents)	16.39	18.16	8.24	9.09

#### **Note:**

<sup>#</sup> Based on the 1,466,295,565 Shares in issue as at the Latest Practicable Date.

<sup>\*</sup> Exclude 146,629,557 Shares that are held as treasury shares and is computed based on 1,466,295,565 Shares in issue as at the Latest Practicable Date.

---

**LETTER TO SHAREHOLDERS**

---

**(b) Purchases made 5% out of capital, 5% out of profits and cancelled**

	Group		Company	
	Before Share Purchase (S\$'000)	After Share Purchase (S\$'000)	Before Share Purchase (S\$'000)	After Share Purchase (S\$'000)
<b><u>As at 31 December 2006</u></b>				
Shareholders' Equity	1,338,339	802,179	933,646	397,486
Treasury Shares	–	–	–	–
Total Shareholders' Equity	1,338,339	802,179	933,646	397,486
Net Tangible Assets	1,324,682	788,522	933,524	397,364
Current Assets	2,186,652	1,683,164	145,763	72,921
Current Liabilities	(1,690,896)	(1,723,568)	(53,852)	(517,170)
Total Borrowings	(390,988)	(422,698)	(149,795)	(149,795)
Cash and Cash Equivalents	503,488	–	72,842	–
Number of Shares ('000) <sup>#</sup>	1,466,296	1,319,666*	1,466,296	1,319,666*
<b><u>Financial Ratios</u></b>				
Net Tangible Assets per Share (\$)	0.90	0.60	0.64	0.30
Gross Debt Gearing (%)	29.21	52.69	16.04	37.69
Current Ratio (times)	1.29	0.98	2.71	0.14
Basic Earnings per Share (cents)	16.39	18.16	8.24	9.09

**Note:**

<sup>#</sup> Based on the 1,466,295,565 Shares in issue as at the Latest Practicable Date.

\* Exclude 146,629,557 Shares cancelled and is computed based on 1,466,295,565 Shares in issue as at the Latest Practicable Date.

---

**LETTER TO SHAREHOLDERS**

---

**Off-Market Purchases**

**(c) Purchases made 5% out of capital, 5% out of profits and held as treasury shares**

	Group		Company	
	Before Share Purchase (S\$'000)	After Share Purchase (S\$'000)	Before Share Purchase (S\$'000)	After Share Purchase (S\$'000)
<b><u>As at 31 December 2006</u></b>				
Shareholders' Equity	1,338,339	1,336,576	933,646	931,883
Treasury Shares	–	(561,591)	–	(561,591)
Total Shareholders' Equity	1,338,339	774,985	933,646	370,292
Net Tangible Assets	1,324,682	761,328	933,524	370,170
Current Assets	2,186,652	1,683,164	145,763	72,921
Current Liabilities	(1,690,896)	(1,750,762)	(53,852)	(544,364)
Total Borrowings	(390,988)	(449,091)	(149,795)	(149,795)
Cash and Cash Equivalents	503,488	–	72,842	–
Number of Shares ('000) <sup>#</sup>	1,466,296	1,319,666*	1,466,296	1,319,666*

**Financial Ratios**

Net Tangible Assets per Share (\$)	0.90	0.58	0.64	0.28
Gross Debt Gearing (%)	29.21	57.95	16.04	40.45
Current Ratio (times)	1.29	0.96	2.71	0.13
Basic Earnings per Share (cents)	16.39	18.10	8.24	9.03

**Note:**

<sup>#</sup> Based on the 1,466,295,565 Shares in issue as at the Latest Practicable Date.

\* Exclude 146,629,557 Shares that are held as treasury shares and is computed based on 1,466,295,565 Shares in issue as at the Latest Practicable Date.

## LETTER TO SHAREHOLDERS

### (d) Purchases made 5% out of capital, 5% out of profits and cancelled

	Group		Company	
	Before Share Purchase (S\$'000)	After Share Purchase (S\$'000)	Before Share Purchase (S\$'000)	After Share Purchase (S\$'000)
<b>As at 31 December 2006</b>				
Shareholders' Equity	1,338,339	774,985	933,646	370,292
Treasury Shares	–	–	–	–
Total Shareholders' Equity	1,338,339	774,985	933,646	370,292
Net Tangible Assets	1,324,682	761,328	933,524	370,170
Current Assets	2,186,652	1,683,164	145,763	72,921
Current Liabilities	(1,690,896)	(1,750,762)	(53,852)	(544,364)
Total Borrowings	(390,988)	(449,091)	(149,795)	(149,795)
Cash and Cash Equivalents	503,488	–	72,842	–
Number of Shares ('000) <sup>#</sup>	1,466,296	1,319,666*	1,466,296	1,319,666*
<b>Financial Ratios</b>				
Net Tangible Assets per Share (\$)	0.90	0.58	0.64	0.28
Gross Debt Gearing (%)	29.21	57.95	16.04	40.45
Current Ratio (times)	1.29	0.96	2.71	0.13
Basic Earnings per Share (cents)	16.39	18.10	8.24	9.03

**Note:**

<sup>#</sup> Based on the 1,466,295,565 Shares in issue as at the Latest Practicable Date.

\* Exclude 146,629,557 Shares cancelled and is computed based on 1,466,295,565 Shares in issue as at the Latest Practicable Date.

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

### 3.8 Listing Rules

The Listing Manual specifies that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m. (a) in the case of a Market Purchase, on the Market Day following the day of purchase or acquisition of any of its shares and (b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptance of the offer. Such announcement currently requires the inclusion of details of the total number of shares purchased, the purchase price per share or the highest and lowest prices paid for such shares, as applicable.

While the Listing Manual does not expressly prohibit any purchase of shares by a listed company during any particular time or times, because the listed company would be regarded as an "insider" in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the proposed renewal of the Share Purchase Mandate at any time after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information has been publicly announced. In particular, in line with the best practices guide on securities dealings issued by the SGX-ST, the Company would not purchase or acquire any Shares through Market Purchases during the period of one month immediately preceding the announcement of the Company's full-year results and the period of two weeks before the announcement of the first quarter, second quarter and third quarter results.

---

## LETTER TO SHAREHOLDERS

---

The Listing Manual requires a listed company to ensure that at least 10% of any class of its listed securities must be held by public shareholders. As at the Latest Practicable Date, approximately 37.71% of the issued Shares are held by public Shareholders. Accordingly, the Company is of the view that there is a sufficient number of the Shares in issue held by public Shareholders which would permit the Company to undertake purchases or acquisitions of its Shares through Market Purchases up to the full 10% limit pursuant to the Share Purchase Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or to affect orderly trading.

### 3.9 Take-over Implications

Appendix 2 of the Take-over Code contains the Share Buy-Back Guidance Note applicable as at the Latest Practicable Date. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below:

#### 3.9.1 Obligation to make a Take-over Offer

If, as a result of any purchase or acquisition by the Company of its Shares, a Shareholder's proportionate interest in the voting capital of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. If such increase results in a change of effective control, or, as a result of such increase, a Shareholder or group of Shareholders acting in concert obtains or consolidates effective control of the Company, such Shareholder or group of Shareholders acting in concert could become obliged to make a take-over offer for the Company under Rule 14 of the Take-over Code.

#### 3.9.2 Persons Acting in Concert

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

Unless the contrary is established, the following persons will be presumed to be acting in concert:

- (a) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts); and
- (b) a company, its parent, subsidiaries and fellow subsidiaries, and their associated companies and companies of which such companies are associated companies, all with each other. For this purpose, a company is an associated company of another company if the second company owns or controls at least 20% but not more than 50% of the voting rights of the first-mentioned company.

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

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

In general terms, the effect of Rule 14 and Appendix 2 is that, unless exempted, Directors of the Company and persons acting in concert with them will incur an obligation to make a take-over offer for the Company under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or if the voting rights of such Directors and their concert parties fall

---

## LETTER TO SHAREHOLDERS

---

between 30% and 50% of the Company's voting rights, the voting rights of such Directors and their concert parties would increase by more than 1% in any period of six months.

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

Based on the shareholdings of the Directors in the Company as at the Latest Practicable Date, none of the Directors will become obligated to make a mandatory offer by reason only of the buy back of 146,629,557 Shares by the Company pursuant to the Share Purchase Mandate.

The Directors are not aware of any Shareholder or group of Shareholders acting in concert who may become obligated to make a mandatory offer in the event that the Directors exercise the power to repurchase Shares pursuant to the Share Purchase Mandate.

Shareholders are advised to consult their professional advisers and/or the Securities Industry Council at the earliest opportunity as to whether an obligation to make a take-over offer would arise by reason of any share purchases by the Company.

### 3.10 No Previous Purchases

The Company has not made any purchase or acquisition of its Shares pursuant to the Share Purchase Mandate approved by the Shareholders at the 2006 EGM.

## 4. DISCLOSURE OF SHAREHOLDINGS

### 4.1 Directors' Interests

As at the Latest Practicable Date, the interests of the Directors in the Shares as recorded in the Register of Directors' Shareholdings maintained by the Company are set out below:

Directors	No. of Shares comprised in outstanding share options	Direct Interests		Deemed Interests	
		No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(1)</sup>
Goh Geok Ling	140,000	–	–	–	–
Tan Kwi Kin	2,900,000	2,891,200	0.2	–	–
Tan Pheng Hock	98,750	131,250	0.01	–	–
Kiyotaka Matsuzawa	400,000	–	–	–	–
Tan Tew Han	487,000	18,000	NM <sup>(2)</sup>	–	–
Ajaib Haridass	240,000	90,000	0.01	–	–
Tang Kin Fei	85,000	5,000	–	–	–
Ron Foo Siang Guan	20,000	–	–	30,000	NM
Joseph Kwok Sin Kin	20,000	–	–	–	–

**Note:**

(1) Based on the issued share capital of the Company of 1,466,295,565 Shares as at the Latest Practicable Date

(2) Not Meaningful

---

## LETTER TO SHAREHOLDERS

---

### 4.2 Substantial Shareholders' Interests

As at the Latest Practicable Date, the interests of the Substantial Shareholders in the Shares as recorded in the Register of the Substantial Shareholders maintained by the Company are set out below:

Name of Substantial Shareholder	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
SembCorp Industries Ltd	900,231,260	61.39	–	–	900,231,260	61.39
Temasek Holdings (Private) Limited <sup>(1)</sup>	–	–	909,263,260	62.01	909,263,260	62.01

**Note:-**

(1) Temasek Holdings (Private) Limited is deemed to be interested in the 900,231,261 Shares held by SembCorp Industries as well as the balance of 9,032,000 Shares held by its other subsidiaries.

### 5. AUDIT COMMITTEE'S STATEMENT

The Audit Committee of the Company, comprising Messrs Tan Tew Han, Ajaib Haridass and Ron Foo Siang Guan, confirms that:

- the methods or procedures for determining the transaction prices under the Shareholders Mandate have not changed since the 2006 EGM; and
- the methods or procedures referred to in paragraph 5(a) above are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its Minority Shareholders.

### 6. DIRECTORS' RECOMMENDATION

#### 6.1 Proposed Renewal of Shareholders Mandate

The Directors are of the opinion that the proposed renewal of the Shareholders Mandate is in the best interest of the Company. Accordingly, they recommend that Shareholders vote in favour of Resolution 1, being the Ordinary Resolution relating to the proposed renewal of Shareholders Mandate.

#### 6.2 Proposed Renewal of Share Purchase Mandate

The Directors are of the opinion that the proposed renewal of the Share Purchase Mandate is in the best interest of the Company. Accordingly, they recommend that Shareholders vote in favour of Resolution 2, being the Ordinary Resolution relating to the proposed renewal of the Share Purchase Mandate.

### 7. SHAREHOLDERS WHO WILL ABSTAIN FROM VOTING

The Directors, chief executive officer(s) and Controlling Shareholders (other than Temasek, SCI and their respective associates) will abstain from voting their shareholdings, if any, and will procure that their respective associates will also abstain from voting their shareholdings, if any, in respect of Resolution 1, being the Ordinary Resolution relating to the renewal of the Shareholders Mandate at the EGM.

---

## LETTER TO SHAREHOLDERS

---

Temasek and SCI, being Interested Persons (as described in paragraph 5.1 of Appendix I to this Circular), will abstain from voting, and will procure that their respective associates will also abstain from voting, their shareholdings, if any, in respect of Resolution 1 at the EGM.

### 8. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on page 26 of this Circular will be held at 29 Tanjong Kling Road, Singapore 628054 on 20 April 2007 at 11.15 a.m. (or as soon thereafter following the conclusion or adjournment of the 44<sup>th</sup> AGM of the Company to be held at 11.00 a.m. on the same day and place) for the purpose of considering and, if thought fit, passing the Resolutions, with or without modifications, set out in the Notice of EGM.

### 9. ACTION TO BE TAKEN BY SHAREHOLDERS

If a Shareholder is unable to attend the EGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the attached Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to arrive at 29 Tanjong Kling Road Singapore 628054 not later than 11.15 a.m., on 18 April 2007.

Completion and return of the Proxy Form by a Shareholder will not prevent him from attending and voting at the EGM if he so wishes. In such event, the relevant Proxy Form will be deemed to be revoked.

### 10. DOCUMENTS FOR INSPECTION

Copies of the following documents may be inspected at the Company's registered office at 29 Tanjong Kling Road, Singapore 628054 during usual business hours on any weekday from the date of this Circular up to the date of the EGM:

- (a) the Shareholders Mandate; and
- (b) the Share Purchase Mandate

### 11. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors (including those who have delegated detailed supervision of this Circular) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this Circular, are fair and accurate and that no material facts have been omitted from this Circular which would make any statement in this Circular misleading in any material respect, and they collectively and individually accept full responsibility accordingly.

Yours faithfully  
For and on behalf of the Board of Directors  
SembCorp Marine Ltd

Goh Geok Ling  
Chairman

**PROPOSED RENEWAL OF SHAREHOLDERS MANDATE**

**1. Chapter 9 of the Listing Manual**

- 1.1. Chapter 9 of the Listing Manual of the SGX-ST governs transactions by a listed company, as well as transactions by its subsidiaries and associated companies that are considered to be at risk, with the listed company's interested persons. When this Chapter applies to a transaction and the value of that transaction alone or in aggregation with other transactions conducted with the interested persons during the financial year reaches, or exceeds, certain materiality thresholds, the listed company is required to make an immediate announcement, or to make an immediate announcement and seek its shareholders' approval for that transaction.
- 1.2. Except for certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested person and hence are excluded from the ambit of Chapter 9 of the Listing manual, immediate announcement and/or shareholders' approval would be required in respect of transactions with interested persons if certain financial thresholds (which are based on the value of the transaction as compared with the listed company's latest audited consolidated NTA) are reached or exceeded. In particular, shareholders' approval is required for an interested person transaction of a value equal to, or which exceeds:
- (a) 5% of the listed company's latest audited consolidated NTA; or
  - (b) 5% of the listed company's latest audited consolidated NTA, when aggregated with other transactions entered into with the same interested person (as such term is construed under Chapter 9 of the Listing Manual) during the same financial year.
- 1.3. Based on the latest audited consolidated accounts of the Group for the financial year ended December 31, 2006, the consolidated NTA of the Group was S\$1,324,682,000. In relation to the Company, for the purposes of Chapter 9 of the Listing Manual, in the current financial year and until such time as the consolidated audited accounts of the Group for the financial year ending December 31, 2007 are published, 5% of the latest audited consolidated NTA of the SembCorp Marine Group would be S\$66,234,100.
- 1.4. Chapter 9 of the Listing Manual permits a listed company, however, to seek a mandate from its shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials (but not in respect of the purchase or sale of assets, undertakings or businesses) that may be carried out with the listed company's interested persons.
- 1.5. Under the Listing Manual:
- (a) an "entity at risk" means:
    - (i) the listed company;
    - (ii) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or
    - (iii) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed company and/or its subsidiaries (the "listed group"), or the listed group and its interested person(s), has control over the associated company;
  - (b) an "interested person" means a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder;

---

## APPENDIX I

---

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

### 2. Rationale for the Shareholders Mandate

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

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

### 3. Scope of the Shareholders Mandate

- 3.1. The EAR Group engages in a wide range of activities which include the following principal activities for which the renewal of the Shareholders Mandate is sought:
  - (a) ship and rig conversion; ship and rig repair; ship and rig building; sale and purchase of vessels; offshore engineering; metal and steel fabrication; design and procurement services; project management services;

---

## APPENDIX I

---

- (b) ancillary services such as the supply of equipment rental services; bulk trading in materials and copper slag; the processing and distribution of copper slag for grit blasting and building; cleaning and maintenance of industrial premises and buildings; marine, general electronic and electrical works and general contracting services; and
  - (c) provision of turnkey engineering and construction services for oil and gas industries.
- 3.2. The Shareholders Mandate does not cover any transaction by a company in the EAR Group with an Interested Person that is below S\$100,000 in value as the threshold and aggregation requirements of Chapter 9 of the Listing Manual would not apply to such transactions.
- 3.3. Transactions with interested persons (including the Interested Persons) that do not fall within the ambit of the Shareholders Mandate will be subject to the relevant provisions of Chapter 9 of the Listing Manual and/or other applicable provisions of the Listing Manual.

#### 4. **Benefit to Shareholders**

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

#### 5. **Classes of Interested Persons**

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

#### 6. **Categories of Interested Person Transactions**

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

##### (a) **General Transactions**

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

---

## APPENDIX I

---

- (i) the provision of ship and rig building, ship and rig conversion and repair services;
- (ii) the provision of offshore oil and gas engineering, procurement, construction, installation and commissioning services for offshore platforms, modules and floating production systems services;
- (iii) the provision of complete Floating Production Storage and Offloading (“FPSO”) facilities, including FPSO hull conversion, topside, turret and mooring system fabrication and installation, integration of marine and process controls and instrumentation systems;
- (iv) the provision of project management services;
- (v) the sale and purchase of vessels;
- (vi) the obtaining and provision of construction and design consultancy services (covering architectural, structural, mechanical, civil, electrical and land/quantity surveying) for purposes of meeting the construction and engineering requirements of the Company;
- (vii) the fabrication of steelwork structure, pipe fittings and painting for the marine industry;
- (viii) the leasing and rental (as lessor and lessee) of equipment, land parcels or office space used in connection with the services provided;
- (ix) the provision of marine, general electronic and electrical works and general contracting services;
- (x) the provision of ancillary services such as bulk trading in materials and the cleaning and maintenance of industrial premises, buildings and installations;
- (xi) the obtaining or the purchase of electronic and engineering equipment, computer maintenance and systems, software licences and information technology services, logistic services and insurances;
- (xii) the collection and treatment of used copper slag and the processing and distribution of copper slag for blast cleaning purposes;
- (xiii) the production and sale of concrete products;
- (xiv) the provision of turnkey contracting services in marine automation, switchboard fabricators, motor and generators refurbishing, heating ventilation air conditioners and industrial electronic boards assembly and any of the businesses of engineering and electricians (metalwork specialists and machinery fitting);
- (xv) ship owning and the provision of specialist marine services;
- (xvi) the provision of corrosion control services (including blasting and painting) and equipment trading;
- (xvii) the provision of factoring services to in-house sub-contractors;
- (xviii) the provision of harbour tug services;
- (xix) the obtaining of electricity and steam and other power sources and utilities;
- (xx) the obtaining of industrial and commercial waste collection services;
- (xxi) the obtaining of printing or publishing services;

---

## APPENDIX I

---

(xxii) the purchase of airline tickets; and

(xxiii) the provision or the obtaining of such other products and/or services which are incidental to or in connection with the provision or obtaining of products and/or services in sub-paragraphs (i) to (xxii) above.

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

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

(b) **Treasury Transactions**

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

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

(c) **Management Support Services**

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

## 7. Review Procedures for Interested Person Transactions

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

### 7.1.1. General Transactions

#### Review Procedures

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

---

## APPENDIX I

---

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

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

The review procedures are:

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

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

The review procedures are:

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

### Threshold Limits

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

- (i) a Category 1 transaction is one where the EAR Group's proportionate share in a transaction with an Interested Person is in excess of S\$50 million, except that in the

---

## APPENDIX I

---

case of sale and purchase of vessels, the EAR Group's proportionate share in such a transaction with an Interested Person is one in excess of S\$5 million; and

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

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

### 7.1.2. Treasury Transactions

#### Review Procedures

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

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

(a) *Placements*

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

(b) *Borrowings*

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

(c) *Debt Securities and Preference Shares*

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

In relation to the issue or sale to Interested Persons of debt securities or preference shares, the EAR Group will only issue or sell such debt securities or preference shares to Interested Persons provided that the price(s) at which the EAR Group issues or sells such debt securities or preference shares will not be lower than the price(s) at

---

## APPENDIX I

---

which such debt securities or preference shares are issued or sold to third parties. The EAR Group will also comply with all applicable laws and regulations in connection with the issue or sale of such debt securities or preference shares to Interested Persons.

For the purposes of the Shareholders Mandate, the preference shares to be subscribed or purchased from Interested Persons, or to be issued or sold to Interested Persons, will not carry any voting rights, except in the circumstances set out in Section 180(2)(a), (b) and (c) of the Companies Act.

(d) *Forex, Swaps, Options*

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

### Threshold Limits

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

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

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

### 7.1.3. **Management Support Services**

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

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

---

## APPENDIX I

---

- 7.3. The Audit Committee of the Company shall review these internal audit reports on Interested Person Transactions to ascertain that the established review procedures to monitor Interested Person Transactions have been complied with.
- 7.4. If during these periodic reviews by the Audit Committee, the Audit Committee is of the view that the review procedures as stated above have become inappropriate or insufficient in view of changes to the nature of, or the manner in which, the business activities of the EAR Group are conducted, the Company will revert to Shareholders for a fresh mandate based on new guidelines and review procedures to ensure that Interested Person Transactions will be on an arm's length and on normal commercial basis.

### **8. Validity Period of the Shareholders Mandate**

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

### **9. Disclosure of Interested Person Transactions pursuant to Shareholders Mandate**

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

---

## NOTICE OF EXTRAORDINARY GENERAL MEETING

---

### SEMBCORP MARINE LTD

(Incorporated in Singapore)

(Company Registration No.: 196300098Z)

### NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of the Company will be held at 29 Tanjong Kling Road, Singapore 628054 on 20 April 2007 at 11.15 a.m. (or as soon thereafter following the conclusion or adjournment of the 44th Annual General Meeting of the Company to be held at 11.00 a.m. on the same day and at the same place) for the purpose of considering and, if thought fit, passing the following resolutions, with or without amendment:

#### **Resolution 1: Ordinary Resolution**

##### **The Proposed Renewal of Shareholders Mandate**

That:

- (a) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual ("**Chapter 9**") of the SGX-ST, for the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9), or any of them, to enter into any of the transactions falling within the types of interested person transactions described in Appendix I to the circular to Shareholders dated 4<sup>th</sup> April 2007 (the "**Circular**") with any party who is of the class of interested persons described in Appendix I to the Circular, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such interested person transactions;
- (b) the approval given in paragraph (a) above (the "**Shareholders Mandate**") shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company; and
- (c) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the Shareholders Mandate and/or this Resolution.

#### **Resolution 2: Ordinary Resolution**

##### **The Proposed Renewal of Share Purchase Mandate**

That:

- (a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 (the "**Companies Act**"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares each fully paid in the capital of the Company ("**Shares**") not exceeding in aggregate the Maximum Percentage (as hereafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:
  - (i) market purchase(s) on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and/or any other securities exchange on which the Shares may for the time being be listed and quoted ("**Other Exchange**"); and/or

---

## NOTICE OF EXTRAORDINARY GENERAL MEETING

---

- (ii) off-market purchase(s) (if effected otherwise than on the SGX-ST or, as the case may be, the Other Exchange) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

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

- (b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:

- (i) the date on which the next Annual General Meeting of the Company is held or is required by law to be held; or
- (ii) until it is varied or revoked by the Company in general meeting (if so varied or revoked prior to the next Annual General Meeting);

- (c) in this Resolution:

“**Average Closing Price**” means the average of the closing market prices of a Share over the five consecutive Market Days on which the Shares are transacted on the SGX-ST or, as the case may be, the Other Exchange immediately preceding the date of the market purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the off-market purchase, and deemed to be adjusted, in accordance with the rules of the SGX-ST, for any corporate action that occurs after the relevant five-day period;

“**date of the making of the offer**” means the date on which the Company makes an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the relevant terms of the equal access scheme for effecting the off-market purchase;

“**Market Day**” means a day on which the SGX-ST is open for trading in securities;

“**Maximum Percentage**” means that number of issued Shares representing 10% of the issued ordinary shares in the capital of the Company as at the date of the passing of this Resolution (excluding any Shares which are held as treasury shares as at that date); and

“**Maximum Price**” in relation to a Share to be purchased or acquired, means the purchase price (excluding related brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) which shall not exceed 105% of the Average Closing Price of the Shares for Market Purchases and not exceed 110% for Off-Market Purchases; and

- (d) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution.

By Order of the Board

Tan Yah Sze  
Company Secretary

Singapore  
4 April 2007

**IMPORTANT: Please read notes overleaf.**

---

## NOTICE OF EXTRAORDINARY GENERAL MEETING

---

**NOTES:**

1. A member of the Company entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint not more than two (2) proxies to attend and vote on his behalf and where a member appoints more than one (1) proxy, he shall specify the proportion of his shareholdings to be represented by each proxy. A proxy need not be a member of the Company.
2. The instrument appointing a proxy or proxies must be lodged at 29 Tanjong Kling Road, Singapore 628054 not later than 48 hours before the time of the meeting.

**SEMBCORP MARINE LTD**

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

**IMPORTANT**

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

**EXTRAORDINARY GENERAL MEETING  
PROXY FORM**

I/We\* \_\_\_\_\_ (Name)

of \_\_\_\_\_ (Address)

being a member/members of SembCorp Marine Ltd (the "**Company**") hereby appoint:

Name	Address	NRIC/ Passport No.	Proportion of Shareholding (%)

and/or (delete as appropriate)

--	--	--	--

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll, at the Extraordinary General Meeting of the Company to be held at 29 Tanjong Kling Road, Singapore 628054 on 20 April 2007 at 11.15 a.m. (or as soon thereafter following the conclusion or adjournment of the 44th Annual General Meeting of the Company to be held at 11.00 a.m. on the same day and at the same place) and at any adjournment thereof.

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

	For	Against
<b>Resolution 1: Ordinary Resolution</b> To approve the proposed renewal of Shareholders Mandate.		
<b>Resolution 2: Ordinary Resolution</b> To approve the proposed renewal of Share Purchase Mandate.		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2007

Total Number of Shares held

--

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

**IMPORTANT: PLEASE READ NOTES TO PROXY FORM OVERLEAF.**

## NOTES TO PROXY FORM

1. Please insert the total number of ordinary shares you hold. If you have ordinary shares entered against your name in the Depository Register (as defined in section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of ordinary shares. If you have ordinary shares registered in your name in the Register of Members, you should insert that number of ordinary shares. If you have ordinary shares entered against your name in the Depository Register as well as ordinary shares registered in your name in the Register of Members, you should insert the aggregate number of such ordinary shares. If you do not insert any number, this Proxy Form shall be deemed to relate to all the ordinary shares held by you.
2. A member of the Company entitled to attend and vote at a Meeting of the Company is entitled to appoint one or two proxies to attend and vote on his behalf. Such proxy need not be a member of the Company.
3. If the Chairman of the Meeting is appointed as proxy, this Proxy Form shall be deemed to confer on him the right to nominate a person to vote on his behalf on a show of hands.
4. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
5. This Proxy Form must be lodged at 29 Tanjong Kling Road Singapore 628054, not less than 48 hours before the time set for the Extraordinary General Meeting.

-----  
*Second fold along this line*

Affix Postage Stamp
---------------------------

### THE COMPANY SECRETARY

SembCorp Marine Ltd  
29 Tanjong Kling Road  
Singapore 628054

-----  
*First fold along this line*

6. This Proxy Form must be under the hand of the appointor or of his attorney duly authorised in writing. A corporation which is a member must execute this Proxy Form either under its seal or under the hand of a director or an officer or attorney duly authorised.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Extraordinary General Meeting, in accordance with section 179 of the Companies Act, Chapter 50 of Singapore.
8. The Company shall be entitled to reject this Proxy Form 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 this Proxy Form. In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject this Proxy Form if the member, being the appointor, is not shown to have such shares entered against his name in the Depository Register as at 48 hours before the time set for the Extraordinary General Meeting, as certified by The Central Depository (Pte) Limited to the Company.
9. There are no rights of appraisal or similar rights of dissenters.
10. Proxies may be revoked at any time prior to the Extraordinary General Meeting. Proxies are deemed to be revoked if a Shareholder attends and votes at the Extraordinary General Meeting.