

Risk Factors

You should consider carefully the following risks and all of the other information set forth in this Consent Solicitation Statement, before casting your vote in favour of or against the Extraordinary Resolution proposed at the Meeting. The risk factors set out below do not purport to be complete or comprehensive of all the risks that may be involved in the business, financial condition, results of operations and/or prospects of the Issuer or the Group or any decision in respect of the Proposal. Additional risks which the Issuer is currently unaware of may also impair the business, financial condition, results of operations and/or prospects of the Issuer or the Group. If one or more of the following risks actually occur, the business, financial condition, results of operations of the Issuer or the Group, or the Issuer's ability to make interest and/or principal payments, instalment payments, or redeem the Notes under the Proposal could be materially adversely affected. In that event, you may lose all or part of your investment in the Notes.

Noteholders should not rely on the information set out herein as the sole basis for any decision in relation to the Proposal but should seek appropriate and relevant advice concerning the appropriateness of a decision in relation to the Proposal for their particular circumstances.

1. Risks Relating to the Group

There may be a substantial doubt about the Group's ability to continue as a going concern.

There cannot be any assurance that the Issuer or the Group will be able to continue as a going concern. The Issuer's unaudited consolidated financial statements as of and for the nine months ended 30 June 2016 have been prepared on the assumption that the Issuer will continue as a going concern. There cannot be any assurance that the Issuer's auditor will issue an unqualified audit report on the Issuer's consolidated financial statements as of and for the fiscal year ending 30 September 2016 or in the future, or that the audit report will not raise substantial doubt regarding the Issuer's or the Group's ability to continue as a going concern.

The Issuer has experienced and expects to continue to experience net losses.

The Group experienced net losses of S\$7.5 million (unaudited) as of and for the nine months ended 30 June 2016, and expects to record net losses for the fiscal year ending 30 September 2016, principally as a result of lower utilisation rates of the Group's vessels and lower charter rates, as well as decreased revenues from the Group's shipbuilding business. There cannot be any assurance that the Issuer will not incur additional impairments or net losses in the future, or that the net loss will not further increase when the audit for the financial statements for the fiscal year ending 30 September 2016 is completed or in the future, or that the Issuer will generate positive cash flow or achieve or sustain profitability in the future. Please refer to "Appendix E – Unaudited Financial Statements and Dividend Announcement of Marco Polo Marine Ltd and its Subsidiaries for the Third Financial Quarter and Nine Months Ended 30 June 2016" for a further discussion of the Issuer's results of operations and financial condition as of and for the nine months ended 30 June 2016.

The Issuer expects to be highly leveraged for the next several years and may not be able to generate sufficient cash flows to meet its debt service obligations, including payments under the Notes.

The Issuer is highly leveraged and has significant short-term liquidity requirements. As of 30 June 2016, the Issuer had approximately S\$186.5 million of current interest-bearing borrowings (including the Notes) and S\$67.3 million in non-current interest-bearing borrowings. If the Issuer successfully implements its restructuring pursuant to the Proposal, the Issuer will continue to have substantial indebtedness and expects to reclassify the outstanding principal amount of the Notes from current borrowings to non-current borrowings. In addition, the Issuer may incur additional bank borrowings.

This substantial indebtedness will have important consequences for the Issuer's creditors and shareholders. The Issuer will require substantial cash flow to meet its obligations under the restructured indebtedness, including the Notes. Therefore, a substantial part of its cash flow from operations will not be available for its business. The Issuer's substantial indebtedness could adversely affect its results of operations and could have important consequences for Noteholders and for the Group, including but not limited to:

- limiting the Group's ability to obtain necessary financing in the future for working capital, capital expenditures, debt service requirements or other purposes;
- requiring a substantial portion of the Group's cash flow from operations to be used for payments on its debt and therefore reducing its ability to reinvest its cash flow from operations in its business;
- limiting the Group's flexibility in planning for, or reacting to changes in its business and its ability to take advantage of future business opportunities;
- placing the Group at a competitive disadvantage to certain of its competitors with less indebtedness or greater resources; and
- limiting the Group's ability to react to changing market conditions, changes in the industries that it does business in or economic downturns.

The occurrence of any one of these events could have a material adverse effect on the Issuer's business, financial condition, results of operations, prospects, and its ability to satisfy its obligations under the Notes and any of its other indebtedness.

The Issuer's ability to service its debt will depend on its future performance, which, in turn, depends on the successful implementation of its strategy and on financial, competitive, regulatory, technical and other factors, general economic conditions, demand and selling prices for the Group's services, costs of raw materials and other factors specific to industry or specific projects, many of which are beyond the Issuer's control. The Issuer may not be able to generate sufficient cash flow from operations and future sources of capital may not be available to the Issuer in an amount sufficient to enable it to service its indebtedness, including the Notes, or to fund its other liquidity needs.

If the Issuer is unable to generate sufficient cash flow and capital resources to satisfy its debt obligations or other liquidity needs, it may have to undertake alternative financing plans, which may not be available on commercially reasonable terms or at all. Therefore, the Issuer could face substantial liquidity problems and might be required to dispose of material assets or operations to meet its debt service and other obligations. The Issuer's credit facilities and the Trust Deed relating to the Notes contain restrictions on the Issuer's ability to dispose of assets and the use of the proceeds of such disposition. The Issuer may not be able to consummate any dispositions or the proceeds from such disposition may not be adequate to meet any debt service obligations then due.

Claims of existing secured creditors of the Issuer will have priority with respect to their security over the claims of unsecured creditors to the extent of the value of the assets securing such indebtedness.

If the Extraordinary Resolution is passed and the Series 001 Security Documents are executed, Noteholders will be secured up to the value of the Shipyard Collateral which is intended to be mortgaged to them as first and second ranking mortgages (as the case may be). To the extent that Noteholder claims exceed the realisable value of the Shipyard Collateral, claims of the secured creditors of the Issuer will have priority with respect to the assets securing their indebtedness over the claims of Noteholders. Therefore, to the extent that Noteholder claims exceed the realisable value of the Shipyard Collateral, Notes will be effectively subordinated to any secured indebtedness and other secured obligations of the Issuer to the extent of the value of the assets securing such indebtedness or other obligations.

In the event of a foreclosure, winding up, liquidation, judicial management, receivership or other insolvency proceedings of the Issuer, holders of secured indebtedness will continue to have prior claims to the assets of the Group that constitute their collateral. To the extent that Noteholder claims exceed the realisable value of the Shipyard Collateral, Noteholders will participate on a pari passu basis with all other holders of the unsecured indebtedness of the Issuer based on the respective amounts owed to each holder or creditor, in the remaining assets of the Issuer.

If any of the secured indebtedness of the Issuer becomes due or the creditors thereunder proceed against the assets that secure such indebtedness, the Issuer's assets remaining after repayment of that secured indebtedness may not be sufficient to repay all remaining amounts owing in respect of the Notes. As a result, Noteholders may receive less than holders of other secured indebtedness of the Issuer.

Forward looking statements may not be realised.

This Consent Solicitation Statement contains forward-looking statements that relate to analyses and other information which are based on forecasts of future results and estimates of amounts not yet determinable. These forward-looking statements and information are based on the beliefs of the Issuer's management as well as assumptions made by and information currently available to it. These forward-looking statements may be identified by terms such as "expects", "believes", "plans", "intends", "estimates", "anticipates", "may", "will", "would" and "could" or similar words. However, it should be noted that these words are not the exclusive means of identifying forward-looking statements.

All statements regarding the Issuer's expected financial position, business strategy, debt restructuring, plans and prospects are forward-looking statements. These forward-looking statements, including statements as to:

- the Issuer's future revenue, profitability, results of operations and financial condition;
- the Issuer's ability to successfully restructure its outstanding indebtedness and other liabilities;
- the Issuer's ability to continue operations as a going concern;
- the Issuer's plans, objectives or goals, including those related to products or services and those related to cost reductions;
- expected growth in consumer demand, regional capacity and competition;
- other expected industry trends, including trends in the pricing of the Group's services;
- assumptions underlying such statements; and
- other matters of a prospective nature discussed in this Consent Solicitation Statement or in announcements made through SGXNET and press releases relating to the Consent Solicitation,

are only predictions.

By their very nature, forward-looking statements involve known and unknown inherent risks, uncertainties and other factors, both general and specific, that may cause the Issuer's actual results, performance or achievements or events affecting the Group to be materially different from any future results, performance, achievements or events expressed or implied by such forward-looking statements. These risks, uncertainties and other factors include, among others, the following:

- the effects of the restructuring of the Group's indebtedness and other liabilities and obligations on its business and operations;
- actions of creditors and shareholders of the Issuer and its subsidiaries;
- future claims and litigation which may be asserted against the Issuer and its subsidiaries;
- changes in political, social and economic conditions and the regulatory environment in the jurisdictions in which the Group operates;
- terrorist attacks;
- changes in currency exchange rates;
- growth strategies for and the success of the Group's marketing initiatives;

- changes in market prices for the Group's services;
- changes in the availability and prices of raw materials that the Group needs to provide its services;
- changes in customer preferences;
- changes in competitive conditions and the Group's ability to compete under these conditions;
- changes in the Group's future capital needs and the availability of financing and capital to fund these needs; and
- other factors beyond the Issuer's control.

It should be noted that the foregoing list of important risks and uncertainties is not exhaustive. Given the risks and uncertainties that may cause the Issuer's actual future results, performance or achievements or events affecting the Issuer to be materially different than expected, expressed or implied by the forward-looking statements in this Consent Solicitation Statement, we advise Noteholders not to place undue reliance on those statements. There is no representation or warranty that the Issuer's actual future results, performance or achievements or expected events affecting the Group will be as discussed in those forward-looking statements. In addition, those forward-looking statements speak only as of the date on which they are made, and the Issuer does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

2. Risks if the Extraordinary Resolution is Not Passed

The Issuer will continue to be in default on the Notes and may be in default on substantially all of its other existing indebtedness.

If the Extraordinary Resolution is not passed in the Consent Solicitation, the Notes will be in default, and the Issuer will likely not be in a position to pay any interest on, or repay the principal of, any of the Notes. Such default may also trigger cross default and/or cross acceleration clauses in the Issuer's loan agreements relating to a substantial amount of the Issuer's other indebtedness that may allow the creditors to accelerate repayment on such other indebtedness, and enforce on the Issuer's assets that constitute those creditors' security for their respective indebtedness. It is unclear whether Noteholders will be able to recover any or all of their investments in the Notes in such circumstances.

As mentioned above, secured creditors may enforce / foreclose on the assets over which security interests have been granted. Noteholders and other unsecured creditors may also commence litigation against the Issuer and its subsidiaries, which may adversely affect the Issuer's ability to meet its obligations under the Notes, and which could also materially and adversely affect its business, financial condition, results of operations and prospects. Judgments obtained against the Issuer and its subsidiaries from such litigation could also be enforced against the unsecured assets of the Issuer and its subsidiaries.

The Issuer would also, in all likelihood, be unable to pay its debts as they fell due, and hence deemed insolvent. In addition to the abovementioned risks of default, acceleration, enforcement and litigation, the Issuer would also be susceptible to issuances of statutory demands from its creditors, as well as winding up or judicial management proceedings being taken out against it by those creditors.

Noteholders may not realise any recovery if the Notes are accelerated.

If the Notes are accelerated and a demand is made on the Issuer to make payment of all amounts due under the Notes, it is likely that the Issuer would not be able to make such payment. Consequently, if a judicial manager or a liquidator is appointed with respect to the Issuer, there are likely to be various consequences that would make it more likely for Noteholders to recover less than what Noteholders would have recovered if the Extraordinary Resolution had been passed.

For example, it is likely that customers of the Group will begin to terminate contracts with the Group that are in effect, the Group would likely be subject to various liquidated damages, the Group would find it more difficult to collect its accounts payables, and the Group's contingent liabilities would likely crystallise. In addition, it would be difficult to sell the Group's assets at commercially reasonable prices and terms.

Any appointment of a judicial manager or liquidator would also create a new class of creditors that do not currently exist, including financial advisory, banking, liquidation, accounting, legal and other professionals that would be involved in any judicial management and liquidation proceedings.

In addition, judicial management and liquidation proceedings may take a substantial time period to complete before payments to the creditors (if any) are declared, and there is no assurance that Noteholders would be able to recover in a reasonable time period all amounts, or a reasonable amount due to Noteholders, or at all.

The possible returns to Noteholders resulting from the winding up of the Issuer and its subsidiaries is likely to be significantly less than the Proposal.

Any of the Issuer's creditors may institute winding up proceedings to recover the debts owed to them. Other than the Noteholders, the Issuer's largest bank creditor has granted various loans and other financings that are secured over various assets of the Issuer. Any secured creditor may foreclose upon the security and sell or otherwise deal with such secured assets in accordance with the terms of the security documents governing such security. Any sale of such assets in these circumstances is likely to be at a lower amount than the amount a seller would have received were such sale to take place in circumstances where such seller is not in financial difficulties. Therefore, it is unlikely for there to be significant surplus funds available for distribution to unsecured creditors (including Noteholders) in a winding up of the Issuer and its subsidiaries that would enable such creditors (including Noteholders) to recover in full all amounts owing to such creditors (including Noteholders).

The Issuer has not performed a liquidation analysis to compare the financial effects to Noteholders of the Proposal against the possible returns to Noteholders resulting from the winding up of the Issuer and its subsidiaries. Therefore, no comparison of the terms of the Proposal against a winding up of the Issuer and its subsidiaries is available.

3. Risks if the Extraordinary Resolution is Passed

The Extraordinary Resolution is binding on all Noteholders, including the waiver of all claims against the Issuer.

If passed, the Extraordinary Resolution will be binding on all Noteholders, even if a Noteholder did not vote for the Extraordinary Resolution. This includes all claims against the Issuer resulting from any breach of the financial covenants or any non-payment of the outstanding principal amount of the Notes on the Original Maturity Date, which will be waived if the Extraordinary Resolution is passed.

Noteholders may be required to hold the Notes for an extended period of time.

One of the effects of the approval of the Extraordinary Resolution would be that the maturity date of the Notes would be extended by three years, from 18 October 2016 to 18 October 2019. Therefore, if the Extraordinary Resolution is passed, Noteholders will not receive the Redemption Amount of the Notes on the original maturity date of 18 October 2016 and payment of the Redemption Amount of the Notes will only be due and payable on 18 October 2019. Accordingly, Noteholders will have to continue to bear the risks associated with investing in the Notes for three years unless the Notes are sold or the Issuer exercises its redemption option in full. There can be no assurance that there will be a market in the Notes, whether before or after the Consent Solicitation, or that Noteholders will be able to sell their Notes at a price that will not entail any losses to Noteholders or at all.

The effect of the Extraordinary Resolution may be limited or voidable if a winding up application is made subsequent to the consummation of the Consent Solicitation.

It is possible that creditors of the Issuer or its subsidiaries could commence winding up proceedings against the Issuer or its subsidiaries in Singapore or Indonesia or elsewhere after consummation of the Consent Solicitation, which could result in the consequences described below.

Singapore. Singapore insolvency law allows the liquidator of a debtor to void and seek a “claw-back” of transactions entered into by the debtor under certain circumstances during specified periods prior to a winding up of the debtor (i.e. transfer, mortgage, delivery of goods, payment, execution or other act relating to property made or done by or against the debtor).

- *Transaction at an undervalue* - Where a transaction is entered into by the debtor with another person where the consideration received by the debtor is significantly less than the value of the transaction. To be voidable, the undervalue transaction must be entered into within five years from the date of the winding up application.
- *Unfair preference* - Where a transaction is entered into by the debtor with one of its creditors which has the effect of putting that creditor in a position which, in the event of the debtor’s liquidation, will be better than the position that creditor would have been in if that transaction was not effected. To be voidable, the debtor must be shown to have been influenced by the desire to give the unfair preference, the debtor must be insolvent at the time of the unfair preference or insolvent as a consequence of the unfair preference, and the unfair preference must be given within six months from the date of the winding up application (2 years if the recipient is an “associate” as defined by the applicable statutes).

Therefore, on the application of the liquidator or any creditor or contributory of the Issuer in a winding up proceedings, a Singapore court may, if it is satisfied that the affairs of the Issuer have been conducted in a manner which gave rise to an undervalue transaction or an unfair preference, and that it is just and equitable to do so, order the Trustee and/or the Noteholders to pay to the liquidator of the Issuer the whole or part of any payments or consideration received, and an unravelling of the said transaction so as to restore the position that the Issuer would have been in had it not entered into the said transaction.

A floating charge on the undertaking or property of the debtor created within six months of the commencement of a winding up of the debtor shall, unless it is proved that the debtor immediately after the creation of the charge was solvent, be invalid except to the amount of any cash paid to the debtor at the time of or subsequently to the creation of and in consideration for the charge together with interest on that amount at the rate of 5 per cent. per annum.

One of the consequences of a successful Consent Solicitation is the amendment of the Trust Deed and the Notes and the grant of security over the Shipyard Collateral. We cannot assure you that the amendments contemplated by the Consent Solicitation will not be deemed by a Singapore court to be a voidable transaction as highlighted above in the event of a subsequent winding up of the Issuer.

Indonesia. Under the Indonesian Civil Code, a transaction entered into by a debtor may be annulled if the transaction prejudices the interests of creditors, provided that evidence is shown that, at the time the transaction was entered into, the debtor and the other party to the transaction knew or should have known that it would result in damage to the creditors. The Law No. 37 of 2004 on Bankruptcy and Suspension of Obligation for Payment of Debts adds that, in certain circumstances, where an act which causes damage to the creditors was performed within one year prior to the declaration of bankruptcy and the debtor was not legally obligated to perform the act, the debtor and the party with whom the act was performed are deemed to have known that the act would prejudice creditors, unless it can be proven otherwise (the onus of proof resting with the party seeking to resist annulment of the transaction).

Other jurisdictions. The insolvency laws of other countries may have similar provisions to those described above that may adversely affect Noteholders.

Any proceeds from the sale of the Shipyard Collateral may be insufficient to repay all amounts due under the Notes.

Based on a valuation conducted by Sarwono, Indrastuti & Rekan, as of 4 April 2016, the estimated value of the land with an approximate land area of 155,858 square metres, title to which is evidenced by HGB No. 226/Sungai Pelunggut (which is currently not the subject of any security interest) is Rp.93,514,800,000 (approximately S\$9.6 million, based on an exchange rate of S\$1.00 = Rp.9,748.50) and the estimated value of the land with an approximate land area of 152,720 square metres, title to which is evidenced by HGB No. 225/Sungai Pelunggut, together with the dry dock number 3 (which together are currently the subject of a first ranking mortgage in favour of PT OCBC NISP) is in aggregate Rp.213,207,800,000 (approximately S\$21.9 million, based on an exchange rate of S\$1.00 = Rp.9,748.50). Such valuations were conducted on the property and buildings/site improvements individually and not as part of a portfolio, and were based upon documentation provided by PT Marcopolo Shipyard. Such valuations are also subject to various limitations, including the fact that the valuers did not conduct any study or assessment of the structure of buildings nor conduct any tests on machinery and equipment located on the land.

Values for assets forming part of the Shipyard Collateral are inherently difficult to compute, and such valuations are based on various limitations and assumptions which, by their nature, are subjective and uncertain. There can be no assurance that such valuation (or any other valuation) will not be materially different from the sale price that may be obtained on the sale of the Shipyard Collateral, even in circumstances where such sale is not on a “fire sale” basis. There also cannot be any assurance that any future valuation of the portion of the shipyard forming part of the Shipyard Collateral will not be substantially lower than the valuation described above.

Moreover, the Issuer may be required to make impairment provisions in its future financial statements relating to the shipyard, based on any new valuation and/or circumstances existing at the relevant time, and any such provisions may be substantial.

The first ranking mortgage that has been granted to PT OCBC NISP secures indebtedness of up to S\$12,500,000. The grant of the second ranking mortgage is subject to the receipt of consent from PT OCBC NISP agreeing to such grant, which the Issuer will endeavour to obtain. However, there can be no assurance that such consent will be obtained prior to the date of the Meeting, after the date of the Meeting, or at all. If such consent is not granted, Noteholders will not have the benefit of the second ranking mortgage.

In addition, the value of the portion of the shipyard forming part of the Shipyard Collateral is lower than the outstanding principal amount of the Notes. Therefore, the enforcement proceeds of the Shipyard Collateral will not be sufficient to repay all amounts due under the Notes. Since the enforcement proceeds will be insufficient, any remaining balance will be unsecured debt, and Noteholders will rank equally with all of the Issuer’s other unsecured creditors, based on any amounts remaining, in the remaining assets of the Issuer. See also “*Risks Relating to the Group — Claims of existing secured creditors of the Issuer will have priority with respect to their security over the claims of unsecured creditors, such as Noteholders, to the extent of the value of the assets securing such indebtedness*” for additional information.

4. Risks Relating to the Continued Investment in the Notes

Noteholders may not be able to take any direct enforcement action against the Issuer or to enforce the security over the Shipyard Collateral.

Condition 10 of the Notes provides that at any time after an Event of Default occurs, or after the Notes have become due and payable, the Trustee may, in its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce repayment of the Notes. However, Condition 10 further provides that the Trustee is not bound to take any such proceedings unless (a) directed by an extraordinary resolution passed by Noteholders or the Trustee has been requested to do so in writing by holders of not less than 25 per cent. in principal amount of the Notes outstanding, and (b) the Trustee has been indemnified and/or secured and/or pre-funded by Noteholders to its satisfaction.

Accordingly, if Noteholders wish to instruct the Trustee to institute proceedings against the Issuer to enforce repayment of the Notes, the requisite threshold of instruction by the Noteholders must be met. In addition, the Trustee may request Noteholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before the Trustee takes any action on behalf of Noteholders. Negotiating and agreeing to such an indemnity, security or pre-funding can be a lengthy process and may have an impact on when such action can be taken.

Condition 10 also provides that Noteholders shall not be entitled to proceed directly against the Issuer unless the Trustee, having become bound to do so, fails or neglects to do so within a reasonable period and such failure or neglect is continuing.

5. Risks Relating to Indonesia

Enforcing the rights of Noteholders under the Trust Deed, the Notes and the Series 001 Security Documents across multiple jurisdictions may prove difficult.

The Notes have been issued by the Issuer and the Issuer is incorporated in Singapore. PT Marcopolo Shipyard is incorporated under the laws of Indonesia. The Trust Deed and the Notes are governed by the laws of Singapore, while the Series 001 Security Documents will be governed by the laws of Indonesia. In the event of a bankruptcy, insolvency or similar event, proceedings could be initiated in Indonesia and Singapore. Such multi-jurisdictional proceedings are likely to be complex and costly for creditors and otherwise may result in greater uncertainty and delay regarding the enforcement of Noteholders' rights. The rights of Noteholders under the Trust Deed, the Notes and the Series 001 Security Documents will be subject to the insolvency and administrative laws of several jurisdictions and there can be no assurance that Noteholders will be able to effectively enforce their rights in such complex multiple bankruptcy, insolvency or similar proceedings. In addition, the bankruptcy, insolvency, administrative and other laws of Indonesia and Singapore may be materially different from, or be in conflict with, each other and those with which may be familiar, including in the areas of rights of creditors, priority of governmental and other creditors, ability to obtain post-petition interest and duration of the proceeding. The application of these laws, or any conflict among them, could call into question whether any particular jurisdiction's laws should apply, adversely affect Noteholders' ability to enforce their rights under the Notes and the Guarantees in the relevant jurisdictions or limit any amounts that Noteholders may receive.

It may not be possible for Noteholders or the Trustee to effect service of process, or to enforce judgments of a foreign court, on the subsidiary that is a party to the Series 001 Security Documents in Indonesia.

The Issuer is a limited liability company incorporated in Singapore. PT Marcopolo Shipyard is a limited liability company incorporated in Indonesia operating within the framework of Indonesian laws, and all of its significant assets are located in Indonesia. As a result, it may be difficult for the Trustee, the Security Agent or the Noteholders to effect service of process, including judgments, on PT Marcopolo Shipyard or their respective commissioners and directors outside Indonesia, or to enforce judgments obtained in non-Indonesian courts against it or its commissioners and directors in Indonesia.

Judgments of non-Indonesian courts may not be enforceable in Indonesian courts, although such judgments could be admissible as non-conclusive evidence in a proceeding on the underlying claim in an Indonesian court. There is also doubt as to whether Indonesian courts will recognise judgments in original actions brought in Indonesian courts based only upon the civil liability provisions of the securities laws of other countries. In addition, an Indonesian court may refuse to hear an original action based on securities laws of other countries. As a result, the Trustee, the Security Agent or the Noteholders would be required to pursue claims against PT Marcopolo Shipyard or their respective commissioners, directors and executive officers in Indonesian courts.

The claims and remedies available under Indonesian law may not be as extensive as those available in other jurisdictions. No assurance can be given that the Indonesian courts will protect the interests of Noteholders in the same manner or to the same extent as would courts in countries outside of Indonesia.

Indonesian companies have filed suits in Indonesian courts to invalidate transactions involving offshore offering structures, and have brought legal action against lenders and other transaction participants. Such

legal actions have resulted in judgments against such lenders and other transaction participants invalidating all obligations under the applicable debt instruments and in damages against such lenders and other transaction participants in excess of the amounts borrowed.

In several cases in Indonesian courts, Indonesian companies which had defaulted on notes and other debt incurred through offshore financing entities using a structure involving a guarantee granted by an Indonesian company, have successfully sued creditors and other transaction participants obtaining, among other relief:

- a declaration that the entire debt obligation is null and void;
- disgorgement of prior payments made to noteholders on the notes;
- damages from lenders and other transaction participants in amounts exceeding the original proceeds of the debt issued; and
- injunctions prohibiting holders of the notes from enforcing rights under the transaction documents and trading in the notes.

The Indonesian legal system does not recognise the concept of “precedent” which is recognised in the common law system, but does acknowledge the concept of jurisprudence. This means that Indonesian court decisions are not binding precedents and do not constitute a source of law at any level of the judicial hierarchy as would be the case in common law jurisdictions such as the United States, the United Kingdom or Singapore. While lower courts are not bound by the Supreme Court decision, such decisions have persuasive force. The outcome of specific cases in the Indonesian legal system is subject to considerable discretion and uncertainty. Therefore, there can be no assurance that in the future a court will not issue an adverse decision in relation to the validity and enforceability of the Series 001 Security Documents, or grant additional relief to the detriment of Noteholders.

Furthermore, there can be no assurance that any similar cases currently on appeal will be resolved in favor of the creditors nor that a successful appeal would constitute a legal precedent disabling future cases on the same basis from being brought at the district court level.

Therefore, the Trustee, the Security Agent or the Noteholders may have difficulty in enforcing any rights under the Notes, Trust Deed, the Series 001 Security Documents or the other transaction documents in Indonesia, where substantially all of PT Marcopolo Shipyard’s assets are located. Moreover, depending on the recognition which non-Indonesian courts may grant to such Indonesian decisions, the Trustee, the Security Agent or the Noteholders may also be disabled from enforcing any rights under the Notes, the Trust Deed, the Series 001 Security Documents or the other transaction documents, or collecting on the Issuer’s or PT Marcopolo Shipyard’s assets, anywhere else in the world. In sum, the Trustee, the Security Agent or the Noteholders may have no effective or practical recourse or any assets or legal process in Indonesia to enforce any rights against us or the Issuer or PT Marcopolo Shipyard.

In addition, the participation of the Trustee, the Security Agent or the Noteholders as a creditor in this transaction may expose it to affirmative judgments (including damages) by Indonesian courts against it (beyond the value of the Notes such holder purchased). Moreover, affirmative relief granted against the Trustee, the Security Agent or the Noteholders by Indonesian courts may be enforced by non-Indonesian courts against the assets of the Trustee, the Security Agent or the Noteholders (or other transaction participants) located outside of Indonesia (and each holder of a Note should consult its own lawyer in that regard).

Through the Series 001 Security Documents, Noteholders may be exposed to a legal system subject to considerable discretion and uncertainty; it may be difficult or impossible for holders of the Notes to pursue claims under the Notes, the Trust Deed or the Series 001 Security Documents because of considerable discretion and uncertainty of the Indonesian legal system.

Indonesian legal principles relating to the rights of debtors and creditors, or their practical implementation by Indonesian courts, may differ materially from those that would apply within the jurisdictions of Singapore, the

United States, the European Union or other jurisdictions. Neither the rights of debtors nor the rights of creditors under Indonesian law are as clearly established or recognised as under legislation or judicial precedent in Singapore, the United States and most European Union member states. In addition, under Indonesian law, debtors may have rights and defenses to actions filed by creditors that these debtors would not have in jurisdictions with more established legal regimes such as those in Singapore, the United States and the European Union member states.

Indonesia's legal system is a civil law system based on written statutes in which judicial and administrative decisions do not constitute binding precedent and are not systematically published. Indonesia's commercial and civil laws, as well as rules on judicial process, were historically based on Dutch law as in effect prior to Indonesia's independence in 1945, and some have not been revised to reflect the complexities of modern financial transactions and instruments. Indonesian courts may be unfamiliar with sophisticated commercial or financial transactions, leading in practice to uncertainty in the interpretation and application of Indonesian legal principles. The application of Indonesian law depends upon subjective criteria such as the good faith of the parties to the transaction and principles of public policy, the practical effect of which is difficult or impossible to predict. Indonesian judges operate in an inquisitorial legal system, have very broad fact-finding powers and a high level of discretion in relation to the manner in which those powers are exercised. In practice, Indonesian court decisions may omit, or may not be decided upon, a legal and factual analysis of the issues presented in a case, and as a result, the administration and enforcement of laws and regulations by Indonesian courts and Indonesian governmental agencies may be subject to considerable discretion and uncertainty. Furthermore, corruption in the court system in Indonesian has been widely reported in publicly available sources.

Furthermore, on September 2, 2013 the holders of notes issued by BLD Investments Pte. Ltd. and guaranteed by PT Bakrieland Development Tbk. ("**Bakrieland**"), under a trust deed governed under English law, filed a postponement of debt payment petition with the Jakarta commercial court on certain grounds, including that Bakrieland had failed to comply with its obligation to repay the principal amount of the notes when noteholders exercised their put option under the terms of the notes. In its decision dated September 23, 2013, the Jakarta commercial court ruled, among other things, that the trust deed relating to the notes is governed by English law, all disputes arising out of or in connection with the trust deed must be settled by English courts and, accordingly, that the Jakarta commercial court does not have authority to examine and adjudicate this case.

Accordingly, it may be difficult for the Trustee, the Security Agent or the Noteholders to pursue a claim against the Issuer or PT Marcopolo Shipyard in Indonesia, which may adversely affect or eliminate entirely the ability of the Trustee, the Security Agent or the Noteholders to obtain and enforce a judgment against the Issuer or PT Marcopolo Shipyard in Indonesia or increase the costs incurred by the Trustee, the Security Agent or the Noteholders in pursuing, and the time required to pursue, claims against the Issuer or PT Marcopolo Shipyard.

An Indonesian law requiring agreements involving Indonesian parties to be written in the Indonesian language may raise issues as to the enforceability of agreements entered into in connection with the Extraordinary Resolution.

On July 9, 2009, the government enacted Law No. 24 of 2009 on Flag, Language, Coat of Arms and National Anthem ("**Law No. 24/2009**") requiring that agreements involving Indonesian parties be written in the Indonesian language. Where an agreement also involves foreign parties, it may also be executed in both the Indonesian language and a foreign language. Law No. 24/2009 is silent on the governing language if there is more than one language used in a single agreement. Article 40 of Law No. 24/2009 states that further stipulation on the use of Bahasa Indonesia shall be regulated by the implementing regulations to be issued. However, as of the date of this Consent Solicitation Statement, no implementing regulations have been issued. Accordingly, until such implementing regulations are issued, it is unclear whether Bahasa Indonesia will be stipulated as the governing language of agreements related to the Group's business or to the Notes, and when such implementing regulations are issued, English might not be recognised as the governing language of such agreements, even if agreed to by the contracting parties.

Although the Series 001 Security Documents to be entered into pursuant to the Extraordinary Resolution will be prepared in dual English and Indonesian versions as required under Law No. 24/2009, there cannot be any

assurance that, in the event of inconsistencies between the Indonesian language and English language versions of these agreements, an Indonesian court would hold that the English version would prevail. Some concepts in the English language may not have a corresponding term in the Indonesian language and the exact meaning of the English text may or may not be fully captured by such Indonesian version. If this occurs, there cannot be any assurance that the Series 001 Security Documents will be interpreted and enforced by the Indonesian courts as intended.

In addition, on June 20, 2013, the District Court of West Jakarta ruled in a decision No. 451/Pdt.E/2012/PN.Jkt Bar (the “**June 2013 Decision**”) that a loan agreement entered into between an Indonesian borrower, PT Bangun Karya Pratama Lestari, as plaintiff, and a non-Indonesian lender, Nine AM Ltd., as defendant, is null and void under Indonesian law. The governing law of the loan agreement was Indonesian law and the agreement was written in the English language. The court ruled that the agreement had contravened Article 31(1) of Law No. 24/2009 and declared it to be invalid. In arriving at this conclusion, the court relied on Articles 1320, 1335 and 1337 of the Indonesian Civil Code, which taken together render an agreement void if, *inter alia*, it is tainted by illegality. The court held that as the agreement had not been drafted in the Indonesian language, as required by Article 31(1), it therefore failed to satisfy the “lawful cause” (*sebab yang halal*) requirement and was void from the outset, meaning that a valid and binding agreement had never existed. On 7 May 2014, the Jakarta High Court rejected the appeal submitted by Nine AM Ltd. and affirmed the June 2013 Decision in its entirety. In its judgment, the Jakarta High Court was of the opinion that the District Court of West Jakarta’s judgment was correct and accurate. Indonesian court decisions are generally not binding precedents and do not constitute a source of law at any level of the judicial hierarchy, as would typically be the case in common law jurisdictions. However, there can be no assurance that a court will not, in the future, issue a similar decision to the June 2013 Decision in relation to the validity and enforceability of agreements which are made in the English language.

Detailed implementing regulations for Law No. 24/2009 have not been published and Law No. 24/2009 does not specify any sanction for non-compliance. We cannot predict as to how the implementation of this new law will impact the validity and enforceability of the Series 001 Security Documents under Indonesian laws. This creates uncertainty as to the ability of holders of Notes to enforce the Series 001 Security Documents in Indonesia.

Political and social instability in Indonesia may adversely affect the economy, which in turn could have a material adverse effect on the Group’s business, financial condition, results of operations and prospects.

Since the collapse of former President Soeharto’s regime in 1998, Indonesia has experienced a process of democratic change, resulting in political and social events that have highlighted the unpredictable nature of Indonesia’s changing political landscape. Direct elections were held in 2009 and 2014 in Indonesia to elect the President, Vice-President and representatives in the Indonesian Parliament. Increased political activity can be expected in Indonesia as a result of these democratic developments in its political system. Although the 2004, 2009 and 2014 elections were conducted peacefully, the current and any future political campaigns and elections may bring a degree of political and social uncertainty to Indonesia. As a new democratic country, Indonesia continues to face various socio-political issues and has, from time to time, experienced political instability and social and civil unrest. Such instances of unrest have highlighted the unpredictable nature of Indonesia’s changing political landscape. Indonesia also has many political parties, without any one party winning a clear majority to date. These events have resulted in political instability, as well as general social and civil unrest on certain occasions in the past few years.

For example, since 2000, thousands of Indonesians have participated in demonstrations in Jakarta and other Indonesian cities both for and against the former President Abdurrahman Wahid, former President Megawati and former President Susilo Bambang Yudhoyono, as well as in response to specific issues, including fuel tariff increases, fuel subsidy reductions, potential increases in electricity tariffs, labour matters, privatisation of state assets, anti-corruption measures, decentralisation and provincial autonomy, actions of former government officials and their family members and the U.S.-led military campaigns in Afghanistan and Iraq. Although these demonstrations were generally peaceful, some have turned violent.

Separatist movements and clashes between religious and ethnic groups have resulted in social and civil unrest in parts of Indonesia. In the provinces of Aceh and Papua (Irian Jaya), there have been clashes between supporters

of those separatist movements and the Indonesian military, resulting in casualties and displaced persons. There have also been many allegations of human rights violations, including by high-ranking military personnel, and demonstrations against the government's perceived failure to prosecute human rights violations more vigorously. In recent years, the government has made progress in negotiations with these troubled regions, but has not been able to reach a successful resolution of all the outstanding issues and there is no guarantee that the terms of any agreement reached between the government and the separatists will be upheld. Human rights violators, including those from high-ranking military positions, have recently begun to be more actively prosecuted in Indonesia, most notably with respect to alleged violations occurring in Timor Leste (formerly East Timor), Aceh, Papua and the Malukus. However, the success of these prosecutions has been mixed and many public commentators and demonstrators have criticised the government's failure to prosecute human rights violations in Indonesia more vigorously.

Political and social unrest may occur if the results of future elections, or future elections, are disputed or unpopular. Political and social developments in Indonesia have been unpredictable in the past and have caused confidence in the Indonesian economy to remain low. Any resurgence of political instability could lead to extended disruptions in the Group's operations and/or adversely affect the Indonesian economy, which could adversely affect the Group's business. Social and civil disturbances could occur in the future and on a wider scale, directly or indirectly, have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Indonesia is located in an earthquake zone and is subject to significant geological risk that could lead to social unrest and economic loss.

The Indonesian Archipelago is one of the most volcanically active regions in the world. Because it is located in the convergence zone of three major lithospheric plates, it is subject to significant seismic activity that can lead to destructive volcanoes, earthquakes and tsunamis, or tidal waves. In recent years, a number of natural disasters have occurred in Indonesia, including major earthquakes, which resulted in tsunamis and volcanic activity. In addition to these geological events, Indonesia has also been struck by other natural disasters such as heavy rains and flooding. All of the above disasters have resulted in loss of life, displacement of large numbers of people and widespread destruction of property.

While recent seismic events and meteorological occurrences have not had a significant economic impact on Indonesian capital markets, the government has had to spend significant amounts on emergency aid and resettlement efforts. Most of these costs have been underwritten by foreign governments and international aid agencies. However, such aid may not continue to be forthcoming, and may not be delivered to recipients on a timely basis. If the government is unable to timely deliver foreign aid to affected communities, political and social unrest could result. Additionally, recovery and relief efforts are likely to continue to impose a strain on the government's finances, and may affect its ability to meet its obligations on its sovereign debt. Any such failure on the part of the government, or declaration by it of a moratorium on its sovereign debt, could trigger an event of default under numerous private-sector borrowings, including the Group's, thereby materially and adversely affecting the Group's business, financial condition, results of operations and prospects.

In addition, future geological or meteorological occurrences may significantly harm the Indonesian economy. A significant earthquake or other geological disturbance or weather-related natural disasters in any of Indonesia's more populated cities and financial centres could severely disrupt the Indonesian economy and undermine investor confidence, thereby materially and adversely affecting the Group's business, financial condition, results of operations and prospects.

Terrorist attacks and terrorist activities, and certain destabilising events, have led to substantial and continuing economic and social volatility in Indonesia, which may materially and adversely affect the Group's business and/or property.

In Indonesia during the last ten years, there have been numerous bombing incidents directed towards the Government, foreign governments and public and commercial buildings frequented by foreigners. For example, in July 2009, two separate bomb explosions occurred at the JW Marriott Hotel and the Ritz Carlton Hotel in

Jakarta, killing at least nine people and injuring 40 others. Indonesian and foreign government officials have indicated that these bombings may be linked to an international terrorist organisation. While in response to the terrorist attacks, the government has institutionalised certain security improvements and undertaken certain legal reforms which seek to better implement anti-terrorism measures, and some suspected key terrorist figures have been arrested and tried, there can be no assurance that further terrorist acts will not occur in the future.

Following military involvement of the United States and its allies in Iraq, a number of governments have issued warnings to their citizens in relation to a perceived increase in the possibility of terrorist activities in Indonesia, targeting foreign, particularly U.S., interests. Such terrorist activities could destabilise Indonesia and increase internal divisions within the government as it considers responses to such instability and unrest, thereby adversely affecting investors' confidence in Indonesia and the Indonesian economy. Violent acts arising from and leading to instability and unrest have in the past had, and could continue to have, a material adverse effect on investment and confidence in, and the performance of, the Indonesian economy, and in turn the Group's business. The Group's projects may be particularly vulnerable to, and adversely affected by, terrorist attacks because of the large numbers of people they attract and the general public access provided. Political unrest in Indonesia may disrupt the operation of the Group's developments or make them less attractive to buyers. There cannot be any assurance that the properties of the Group (including the Shipyard Collateral) will not be subject to acts of terrorism, violent acts and adverse political developments which may have a material adverse effect on the Issuer, the Group's business, financial condition, results of operations and prospects.

Regional autonomy may adversely affect the Group's business through imposition of local restrictions, taxes and levies.

Indonesia is a large and diverse nation covering a multitude of ethnicities, languages, traditions and customs. During the administration of former-President Soeharto, The Central government controlled and exercised decision-making authorities on almost all aspects of national and regional administration, including the allocation of revenues generated from extraction of national resources in the various regions. This control led to a demand for greater regional autonomy, in particular with respect to the management of local economic and financial resources.

In response to such demand, the Indonesian Parliament in 1999 passed Law No. 22 of 1999 on Regional Government ("**Law No. 22/1999**") and Law No. 25 of 1999 on Fiscal Balance between The Central and the Regional Governments ("**Law No. 25/1999**"). Law No. 22/1999 has been revoked and replaced by the provisions of Regional Government Law No. 32 of 2004 ("**Law No. 32/2004**") as amended by Law No. 8 of 2005 on the First Amendment of Law No. 32/2004 on Regional Autonomy and Law No. 12 of 2008 on the Second Amendment of Law No. 32/2004 which has been revoked by Law No. 23 of 2014 on Regional Government, as further amended by Government Regulation in lieu of Law No. 2 of 2014 on First Amendment of Law No. 23 of 2014. Law No. 25/1999 has been revoked and replaced by Law No. 33 of 2004 on the Fiscal Balance between The Central and the Regional Governments, respectively.

Under these regional autonomy laws, regional autonomy was expected to give the regional governments greater powers and responsibilities over the use of "national assets" and to create a balanced and equitable financial relationship between central and regional governments. However, under the pretext of regional autonomy, certain regional governments have put in place various restrictions, taxes and levies which may differ from restrictions, taxes and levies put in by other regional governments and/or are in addition to restrictions, taxes and levies stipulated by The Central government. Currently, there is uncertainty in respect of the balance between the local and The Central governments and the procedures for obtaining land use rights, renewing licenses and approvals and monitoring compliance with environmental regulations and, in addition, some local authorities have sought to levy additional taxes or obtain other contributions. The Group's business and operations are located throughout Indonesia and may be adversely affected by conflicting or additional restrictions, taxes and levies that may be imposed by the applicable regional authorities. There can be no assurance that a balance between local governments and The Central government will be effectively established or that the Group's financial position or operations will not be adversely affected by dual compliance obligations and further uncertainty as to legal authority to levy taxes or promulgate other regulations affecting the Group's business.

Company Information Memorandum

Overview

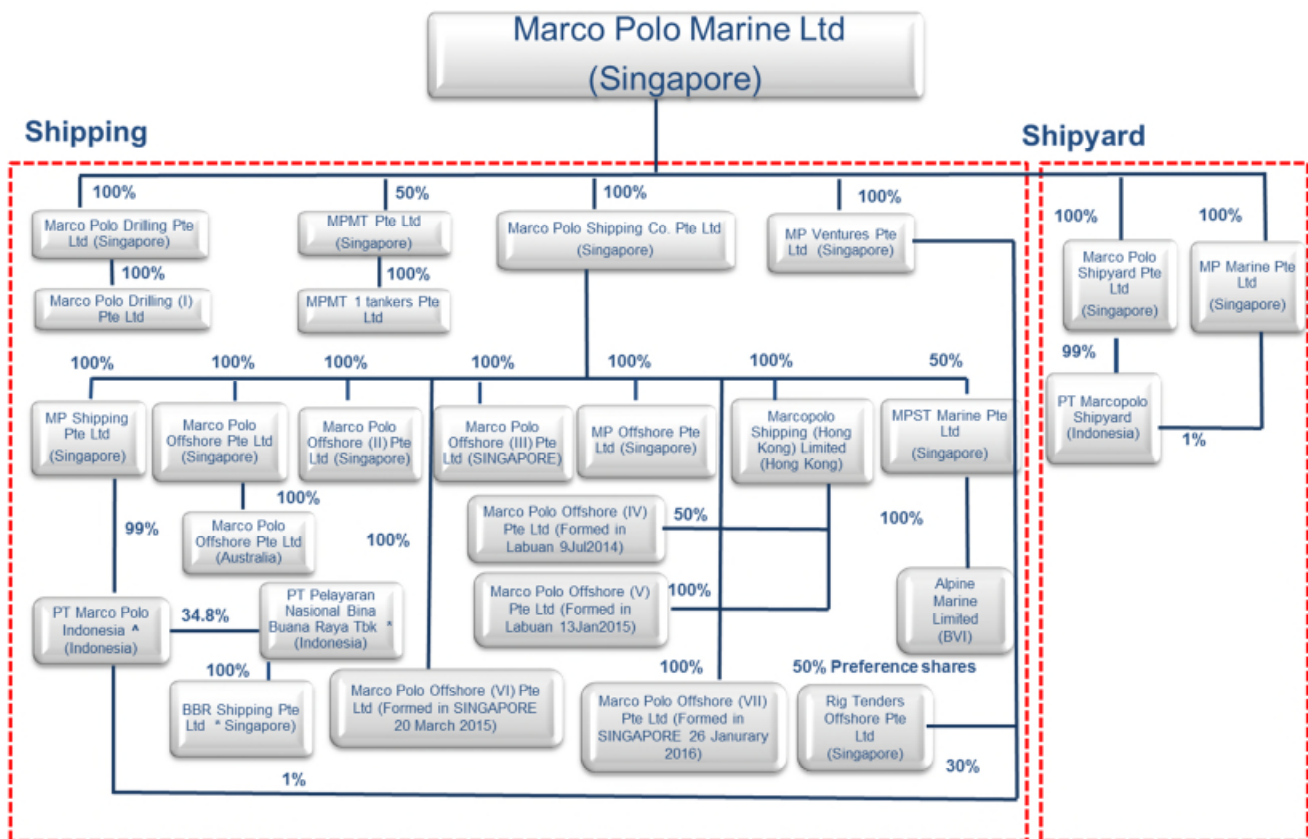
The Group is an integrated marine logistics services provider which has expanded to become a reputable player in the marine industry Asia. The Group is principally engaged in the following businesses:-

- the ship chartering business, which includes the provision of chartering, re-chartering and transshipment services of (i) OSVs, comprising mostly AHTS vessels and AHT vessels which are deployed in regional waters including Australia, the Gulf of Thailand and Indonesia, (ii) tugboats and barges, especially in the mining, commodities, construction, infrastructure, land reclamation and oil and gas industries, and (iii) bunker vessels; and
- the shipyard business, which includes the provision of ship building, repair and maintenance, as well as outfitting and conversion services, and offshore oil and gas fabrication works, for ships in Batam, Indonesia.

In April 2012, the Group entered into a joint venture agreement with Marine Tankers Holdings Pte. Ltd. to establish a joint venture company, the principal activities of which relate to the ownership and management of bunkering vessels with a view to provide bunkering logistics services primarily within the vicinity of the Singapore waters.

In January 2013, PT Pelayaran Nasional Bina Buana Raya Tbk (“**BBR**”), of which 49% was held by the Issuer, successfully listed on the Indonesia Stock Exchange (“**IDX**”). On 29 September 2014, the Company announced that it had signed a binding head of agreement with Nam Cheong Limited (“**Nam Cheong**”, and together with its subsidiaries, the “**NCL Group**”) whereby the Issuer would renounce and Nam Cheong would invest amounts up to 30% on an enlarged basis in BBR, as part of a rights issue exercise proposed by BBR. Thereafter, the Issuer’s shareholding in BBR decreased to 34.8%.

Group Structure



Business Activities

The Group is principally engaged in the following businesses:-

- Ship chartering
- Shipyard services

Ship Chartering

The Group has built up an established shipping track record marked by quality service and timely deliveries. The Group's ship chartering business provides OSVs as well as tugboats and barges which are deployed in regional waters to its customers, especially in the offshore oil and gas, mining, commodities, construction and infrastructure sectors. The offshore division was established at the end of 2010 with the objective of venturing into the offshore oil and gas sector. Since then, the Group has expanded its fleet of OSVs to 21 (with eight owned through joint ventures entities). As for its tugboats and barges, this division offers customized solutions for bulk handling and transportation (coal, steel scrap, iron ores, sand, aggregates and other commodities), as well as chartering and transshipment services.

The following table shows the revenue contribution from the Group's Ship Chartering and Shipyard business accounted in FY 2013 up to the nine month period ended 30 June 2016 (figures are in S\$, in millions, except for percentages):

	<u>2013</u>	%	<u>2014</u>	%	<u>2015</u>	%	<u>1H2016</u>	%	<u>9M2016</u>	%
Shipping	57.0	61	64.7	57	32.4	34	10.9	38	13.5	35
Shipbuilding	36.6	39	48.4	43	61.5	66	18.1	62	24.6	65
	93.5	100	113.1	100	93.9	100	29.0	100	38.1	100

Chartering services

The Group presently charters its OSVs, tugboats and barges mainly to customers which request for the provision of transportation services on an *ad-hoc* basis, as and when they need to ship cargo. The Group's acceptance of such services is dependent on, inter alia, vessel availability and pricing. The Group may also charter-in vessels from other ship-owners for re-charter to its customers where there is an excessive demand for its vessels.

Ship chartering process

Generally, the process for ship chartering is as follows:



(i) Receipt of customer orders

The Group's Sales and Marketing Team receives and attends to enquiries from prospective customers. Upon receipt of customer orders, this team will establish an understanding of the customers' requirements and budget. Thereafter, such orders will be forwarded to the Group's Operations Team for assessment.

(ii) Assessment and quotation

The Group's Operations Team will assess customer orders based on factors such as the level of risk faced by its vessels when plying the requested routes, the distance of the plying routes, the size of

vessels required, the cargo loading and discharging time, as well as the types of vessels and materials to be transported. For routes where the probability of facing rough sea conditions is high, the Group may refrain from providing its vessels for charter altogether. After careful assessment by the Group's Operations Team that it is able to provide vessels for charter based on the routes indicated by its customers, the Group's Sales and Marketing Team will proceed with providing a price quotation.

(iii) Contract confirmation

Once the Group's customers have confirmed that the Group's quotations are acceptable to them, the Group will enter into a charter contract with them. The type of charter contract entered into will depend on the Group's customers' preferences and needs.

(iv) Scheduling

The Group's Operations Team is responsible for overseeing the overall vessel scheduling for its fleet and crew placement. Schedules are carefully planned in accordance with its customers and regulatory requirements, in order to achieve optimal utilisation rates for each of its vessels and to maximise time and cost savings for each voyage undertaken by its vessels.

(v) Commencement of Charter

Upon execution of the charter contract, the Group will commence the deployment of its vessels or deliver its vessels to its customers at the specified time and to the designated destination for their use, based on the terms and conditions stipulated in the charter contract.

For time charter contracts, prior to handing over of vessels to its customers, the Group conducts an "onhire" survey jointly with its customers to document the condition of the vessels. This is to ensure that these vessels are returned to the Group in similar conditions as they were in before the commencement of the charter and to minimise any disputes arising therefrom.

Charter Arrangements

The Group charters its vessels to customers under the following types of charter arrangements:-

Voyage charter

Under this arrangement, the Group transports a specific amount and type of cargo from one place to a destination designated by its customers for a fee which may be calculated by reference to the quantity and type of cargo carried and the distance of voyage covered. The Group's customers will determine the dates for the ship's arrival at the loading port, the estimated time for loading and discharge, and the duration of the voyage. With this arrangement, unless agreed otherwise, the chartering party typically pays only the charter fee, while the Group generally bears all expenses including voyage, fuel costs and port charges, crew expenses and other operating costs. As at the Latest Practicable Date, the bulk of the Group's chartering arrangements with respect to tugs and barges are through voyage charters.

Time charter

Under time charter contracts, the Group's vessels are chartered to its customers for fixed periods of time at a negotiated charter fee that is generally also fixed. During the time charter period, the chartering party is directly responsible for paying any voyage expenses including the fuel and port charges, as well as any agency fees. On the other hand, as the shipowner, the Group would typically be responsible for its operational crew, along with all maintenance services, supplies, spare parts, crew meals and other operational costs, all of which are factored into the negotiated charter fee. However, these items may sometimes be passed to the charterer under the terms of the contract. Essentially, under a time charter, a customer rents a fully operational vessel and crew for a

period of time during which he can direct where the vessel will go and what cargo it will carry, while he pays for the fuel and port charges during that time.

Bareboat charter

Bareboat charters are similar to time charters, except that under a bareboat charter contract, the charterer is responsible for the provision of its own operational crew and all maintenance services, supplies, spare parts, crew meals and other operational costs that may be incurred.

For each type of charter contract, the Group provides its customers with short-term or spot charters which typically range from three days to six months, and long-term charters of up to two years. In general terms, the longer-term charters are less volatile as they reflect the fact that the vessel is fixed for a longer period of time. In the spot market, rates will reflect the immediate underlying conditions in vessel supply and demand and are thus more volatile. The longer-term charter contracts allow the Group to better manage its cash flow and protect it against short-term industry downturns. While spot charter contracts may increase its risks in relation to short-term market fluctuations, they also allow the Group to take advantage of short-term increases in charter rates from market fluctuations to grow its revenue.

For the Group's tugs and barges operations, these transport mainly mining products, such as coal and granite mix aggregates, for use by the construction, infrastructure, property development and land reclamation industries. From time to time, the Group also transports heavy equipment, machineries and finished goods for its customers. Serving mainly Singaporean and Indonesian customers, the Group's vessels mainly ply Singaporean, Indonesian, Malaysian and Vietnamese waters.

The Group's Fleet

Over the years, the Group, together with its associated companies and joint venture companies, has expanded its fleet through the acquisition of OSVs with greater capacity and tailored for specific purposes. As at the Latest Practicable Date, the Group owns ten OSVs (including one offshore utility boat) and 23 Singapore-flagged tugboats and barges through Marco Polo Shipping Co Pte Ltd, one OSV through Rig Tenders Offshore Pte Ltd (a joint venture company), two bunker vessels through MPMT Pte Ltd (a joint venture company), one workboat through Marco Polo Offshore (IV) Pte Ltd (a joint venture company) as well as six OSVs and sixty three Indonesia-flagged tugboats and barges (including a self-propelled barge) through BBR, which mainly ply Singaporean, Indonesian, the Gulf of Thailand, and to a lesser extent, Australian and Malaysian waters. The Group enjoys the tax-exempt shipping income status provided for under Section 13A of the Income Tax Act, Chapter 134 of Singapore (the "ITA") in respect of all its Singapore-flagged vessels.

The table below provides a breakdown of the types of vessels the Group owns as of the Latest Practicable Date:-

Type of vessel	Number of Units	Footnote
Tugboat	43	(4)
Barge	42	(4)
AHTS vessel	12	(4)(1)
AHT vessel	2	
PSV	1	(4)
Workboat	2	(3)
Offshore utility boat	1	
Self-propelled barge	1	(4)
Bunker vessel	2	(2)

(1) One AHTS vessel is held by the Group through Rig Tenders Offshore Pte Ltd (a joint venture company).

(2) Two bunker vessels held by the Group through MPMT Pte Ltd (a joint venture company).

(3) One workboat is held by the Group through Marco Polo Offshore (IV) Pte Ltd (a joint venture company)

(4) 31 tugboat, 31 barges, one self-propelled barge, five OSVs and one PSV held by the Group through BBR (a joint venture company)

Utilisation Rates

The utilisation rates for the Group's vessels for each of FY2013, FY2014, FY2015 and HY2016 are estimated as follows:-

	FY2013	FY2014	FY2015	HY2016
Fleet average utilisation rate of tugboats and barges (approximately)	74	63	57	40
Fleet average utilisation rate of OSVs (approximately)	96	95	88	48

The Group's fleet utilisation is calculated based on the number of days in which its operating vessels are in operation over the number of actual calendar days. During the days when the Group's operating vessels are not in operation, they mainly undergo maintenance and repair works or statutory audit by the classification societies as required by the International Management Code for the Safe Operation of Ships and for Pollution Prevention, promulgated by the International Maritime Organisation.

The Group continually monitors the markets in which it operates to assess any acquisition opportunities. Before acquiring any vessels, it will assess the development and outlook of the market in which it operates and analyse, among other things, the value and earning potential of the vessels and the time required to recoup its capital investment.

IDX-listed BBR

BBR was incorporated in February 1998 principally to provide ship agency functions. It has been awarded various Indonesian business licences for sea transportation over the years. On 29 September 2014, the Company announced that it had signed a binding head of agreement with Nam Cheong Limited ("**Nam Cheong**", and together with its subsidiaries, the "**NCL Group**") whereby the Issuer would renounce and Nam Cheong would invest amounts up to 30% on an enlarged basis in BBR. The investment would be undertaken via a proposed rights issue of new shares in BBR where the Group would renounce its rights entitlements to subscribe for BBR shares in favour of Nam Cheong or its nominees. Following this, BBR, which is owned indirectly by the Issuer's subsidiary, would then cease to be a subsidiary of the Group. As at the financial year ended 30 September 2015, the Group held 34.8% of BBR and BBR was equity accounted for as a joint venture.

Through BBR, the Group is able to tap on the Indonesian equities market and avoid the potentially detrimental effects that the cabotage principle may otherwise have on a non-Indonesian ship charterer.

Shipyards Services

The Group's shipyard activities are carried out through PT Marcopolo Shipyard, which is one of the largest shipyards in Indonesia.

While the Group carries out the planning, preparation, procurement, supervisory and quality control aspects of a ship building job in-house, it generally outsource the tasks of design and construction of its vessels to sub-contractors, which include fabrication, assembly, machining, mechanical, piping and electrical outfitting, carpentry and hull testing.

The Group sells its vessels to external customers as well as build vessels to support its ship chartering operations. The Group may also, from time to time, sell vessels which it had originally built for its ship chartering operations to third parties. This enables the Group to improve its cash flow management.

Description of Shipyard

The Group's shipyard is spread across an approximately 34-hectare land area and an approximately 650-metre seafront in Batam, and is well-equipped to carry out ship building, ship repairs and conversions, as well as oil and gas fabrications. Equipped with three units of graving docks (minimum 150 metres x 40 metres x 8.5 metres, maximum 190 metres x 40 metres x 9.0 metres), building berth, sheltered workshops, and modern equipment, the Group's shipyard is able to perform ship building, ship conversion, dry-docking and repair works for commercial and offshore vessels, as well as offshore fabrication and installation works. Managed by an experienced management team and staff with extensive track records in the marine sector, the Group's shipyard has capabilities in building and repairing sophisticated vessels.

PT Marcopolo Shipyard has equipped itself with the requisite facilities to build vessels of higher values that can reap better profit margins. The shipyard is fitted with workshops equipped with CNC plasma cutting machines, overhead and modern gantry cranes and the necessary modern equipment to enable it to carry out steel panel assembly and fabrication inside the workshops. Such workshops enable works to be carried out under stringent and controlled working environments, thereby enhancing the quality of the end products.

The shipyard is situated on land with a land area of 308,608 square metres comprising two plots of land. The first plot of land is evidenced by land title HGB No. 225 with an area of 152,750 square metres and the second plot by land title HGB No.226 with an area of 155,858 square metres. The shipyard is located approximately 14.4 kilometres from Simpang Jam, approximately 21.6 kilometres from Hang Nadim International Airport, approximately 17.2 kilometres from Batam Centre Ferry Terminal and approximately 8.4 kilometres from Marina City Ferry Terminal.

Vessels Constructed

The vessels constructed or to be constructed by the Group are mainly for use in the offshore oil and gas industry and for commodities transport, and they include the following types of vessels:

OSVs

OSVs are vessels of more than 500 gross tons that are typically used to transport goods, supplies or equipment in support of exploration or production of offshore mineral or energy resources.

The OSVs constructed or to be constructed by the Group comprise mostly AHTS vessels and AHT vessels. AHTS and AHT vessels are designed to provide anchor handling for offshore drilling rigs, tow offshore drilling rigs, barges and other types of offshore supply vessels, and also transport supplies and equipment to and from offshore drilling rigs, production platforms and other types of offshore support vessels and installations. The Group's AHTS vessels range from 5,000 bhp to 8,080 bhp, which can produce between 60 and 130 tonnes of bollard pull. The AHTS vessels are generally between 60 metres and 70 metres long. The Group's AHT vessels are about 5,000 bhp, which can produce between 55 and 70 tonnes of bollard pull. The AHT vessels are about 50 metres long.

Offshore construction vessels

Offshore construction vessels are vessels which are usually used in the offshore oil and gas industry to perform offshore construction, installation and maintenance work, which may include heavy lift operations, pipe-laying and offshore subsea installation as well as diving support. Offshore construction vessels are significantly larger and more specialised than other offshore vessels.

Tugboats

Tugboats are usually small but extremely powerful boats whose main role is to pull or push much larger vessels, non-self-propelled units, or other floating structures. Their scope of work includes towage, salvage and

assistance. Modern tugs have also fire-fighting, ice-breaking and oil dispersal capabilities. However, their main offshore use is for towing barges, structures and rigs as well as for the accurate positioning of offshore jackets and jack-up drilling rigs.

Barges

Barges are flat-bottomed, non-self-propelled units of shallow draft, designed for the transport of heavy or voluminous cargo on deck. Barges range in length from around 30 metres to 200 metres and need to be towed to and from their locations. Some barges are submersible so cargo can be floated on and off and then transported in a 'dry tow' mode with a tug towing the barge.

Swamp rig barges

Swamp rig barges are smaller rigs consisting of a barge upon which the drilling equipment is constructed and is optimised for inland, shallow water drilling, usually in lakes, swamps, rivers and canals. Swamp rig barges are large, floating platforms which normally come with accommodation facilities and are towed by tugboat from location to location.

Accommodation work barges

Accommodation barges are vessels specifically designed to house and accommodate crew. Depending on the size and specifications, the capacity of accommodation barges may vary from 150 to 500 people.

Ship building process

(i) Receipt of customer enquiries

Upon receipt of enquiries from prospective customers by the Group's Sales and Marketing Team, it will forward such enquiries to the Commercial Team, which will then hold meetings with such customers to establish an understanding of their requirements and budget. Based on information provided by customers such as the type of cargo to be transported by the vessel, the deadweight capacity required, the distance the vessel is expected to ply without refuelling and the speed at which the vessel is expected to travel, the Commercial Team will seek the Engineering Team's or external consultants' advice to determine the dimensional and design specifications of the vessels to be built. The Commercial Team will then provide an estimate of the cost of building the vessel before submitting its quotation for the customer's consideration.

(ii) Design and contract

In most instances, the Group's customers will provide it with the vessel designs, and the Group will, where applicable, recommend changes to the drawings so as to improve on the functionality of the design as well as to achieve optimal production efficiency. In certain instances, the Commercial and Engineering Teams together with an appointed external naval architect, undertake the actual conceptualisation and design of vessels. In such an event, the external naval architect will produce detailed engineering drawings of the vessel in accordance with the agreed dimensional and design specifications, taking into account the machinery, equipment, parts and materials to be fitted in the vessel.

Upon approval of the designs by customers and the relevant classification societies, the Group will enter into formal contracts with customers, upon which project planning and preparation works will commence.

(iii) Project planning and preparation

After reviewing the technical aspects of the design to ensure that it is consistent with customers' requirements, the Engineering Team will submit the drawings to customers for pre-approval. Thereafter, the drawings will be submitted to the relevant classification societies for final approval.

The project planning and preparation function of the Group's ship building process is overseen by the Project Team. The Project Team will develop a ship building schedule which will indicate a timetable for each stage of the ship building process. This schedule is strictly adhered to, in order to ensure that the vessel may be delivered to customers on time. Depending on the complexity of the ship building requirements, the Group may appoint an external consultant to assist it in its projects.

(iv) Procurement

Upon receiving the schedule of works for the project, the Group's Procurement Team obtains from its Commercial and/or Engineering Teams the list of machinery, equipment, parts and materials required and makes the necessary arrangements for their procurement. Upon receipt of the machinery, equipment, parts and materials, such as steel, cables and engines, the Group commences the construction of the vessel through the appointed sub-contractors to fabricate and assemble the steel structures of the vessel and to undertake the electrical, mechanical and piping installation as well as joinery works.

(v) Fabrication and assembly

Steel plates are cut into different shapes and sizes, in accordance with design specifications. These pieces of steel are then fitted and welded together to form panels, and strengthened by angle bars. These panels are then assembled into major block structures, which are then welded together to form the hull of the vessel. Thereafter, for the self-propelled vessels such as AHTS vessels, the propulsion systems, engine machinery as well as electrical and piping systems are installed in the hull of the vessel. The vessel is then fitted with ancillary equipment such as navigational, surveillance and communications systems, purifiers and air-conditioning. The living quarters of the vessel is then fitted with carpentry works, furnishing and fixtures.

(vi) Hull testing, blasting and painting

Various tests, such as x-rays, ultrasonic and magnetic particle inspection, air and hydro tests, are undertaken to assess the structural integrity of the hull. After the tests are completed, high pressure blasting equipment is used to prepare the hull for blasting and painting. Thereafter, the vessel is prepared for launching.

(vii) Launching

The vessel is launched from dryland to water using either steel launching beams or air bags. After launching, the vessel is brought to the berth for outfitting and for commissioning.

(viii) Outfitting and commissioning

The vessel is then outfitted with other ancillaries such as mooring machines, steering gear, anchor chains and towing hooks. The vessel, together with its various systems, is then commissioned. A dock trial is also undertaken to ensure that the vessel conforms to the contractual design specifications and requirements, as well as the design specifications and requirements of the relevant classification society.

(ix) Testing and trial

Two separate trials are carried out on the newly constructed vessel. The first trial, conducted by the shipyard, is to ensure that the vessel's speed and maneuverability is in accordance with specifications. It also tests the workability of the various systems in the vessel.

An official trial is then conducted on the vessel at sea, in the presence of the Group's customers' representatives and a surveyor from the relevant classification society. The purpose of the official trial is to ascertain the seaworthiness and performance of the vessel, its machinery and equipment and to determine if the vessel was built in accordance with customers' specifications. If the results of the trials show that the vessels deviate from customers' specifications, the Group will carry out the necessary works to rectify such non-conformities. Upon the completion of the works, a re-trial is conducted to ensure that the vessel fully conforms to all relevant requirements. Upon a successful trial, statutory certificates are issued by the relevant classification societies, certifying that the vessel conforms to specifications and the standards and requirements set out in the various international conventions governing the maritime industry.

(x) Vessel delivery

After the issuance of the certificates by the classification societies, the vessel is delivered to customers.

(xi) Quality inspection and testing

Quality control is monitored at all stages of the ship building process. Since the shipyard commenced operations in December 2005 up to the Latest Practicable Date, the Group has completed the construction of more than 140 vessels.

Vessels under construction

As at the Latest Practicable Date, the Group has one vessel under construction at its shipyard. The table below provides a brief description of the types of vessels the Group is currently constructing:-

Type of Vessel	Year of Commencement of Construction	Expected Delivery Period
6,500 LTDW Production Oil Tanker	2016	2017

Major Customers

Over the years, the Group has established good working relationships with its broad base of customers.

For its ship chartering business, the Group's customers and end-users are mainly companies involved in the offshore oil and gas (for OSVs), and mining, commodities, construction and infrastructure industries (for tugboats and barges). For its ship building business, the Group's customers are mainly companies involved in industries or sectors similar to the abovementioned.

For FY2015 and HY2016, the Group's major customers (i.e. customers which accounted for 5% or more of the Group's total revenue) included (for ship chartering, specifically of OSVs) major and/or national oil companies operating in Thailand, Vietnam and Malaysia, and (for shipyard services) returning and new customers operating in the region.

Major Suppliers

As the Group procures from a broad group of suppliers, it is generally not directly dependent on any one major supplier except for some equipment supplied by one or a few manufacturers or where the equipment brand is specified by customers. The Group selects suppliers that offer competitive terms and quality products.

For the Group's new shipbuilding contracts, generally, upon the signing of these contracts with its customers, the Group will enter into supply contracts with suppliers for purchases of major equipment and components such as engines and propellers. The Group continually purchases and keeps in stock steel materials (such as steel plates and angles) required for its shipbuilding operation. In respect of new shipbuilding contracts for larger vessels, the Group will also place orders for the purchase of steel materials required under these contracts.

Sales and Marketing

Reporting directly to the Group CEO, Mr Sean Lee Yun Feng, the Group has a dedicated Sales and Marketing Team which is responsive to market developments and the needs of its customers.

The Group's Sales and Marketing Team receives and attends to enquiries from prospective customers and seeks to establish an understanding of their budget and requirements. It is also responsible for soliciting feedback from existing customers of the services rendered and/or vessels delivered and maintaining and building relationships with such customers. To ensure customer satisfaction, the Group's Sales and Marketing Team also follows up with customers for the entire duration of their ship chartering or ship building contracts and addresses any queries, complaints or difficulties that they may face during that period of time.

As the Group constantly provides quality and reliable services at competitive prices and maintains good relationships with its customers, it is able to secure new contracts through referrals from existing customers.

Ship chartering

For the Group's ship chartering operations, the Group has stepped up its sales and marketing efforts in recent years to further expand and diversify its customer base. The Group has been successful in sourcing for new customers in other parts of Asia other than Indonesia and has broadened its end-customer base by extending its ship chartering services to customers in the commodity trading and marine logistics industries.

Shipyard services

For the Group's shipyard operations, the Group markets its services mainly to local and overseas customers involved in the shipping industry. The Group constantly makes inquiries with existing or prospective customers as to whether they have plans to expand their fleet through the construction of additional vessels, as well as their docking and/or ship repair plans.

As part of the Group's sales and marketing strategy, it participates in exhibitions in order to promote its ship building and ship repair capabilities and to increase its exposure and awareness of the development in the industry. Such exhibitions provide the Group with a platform to collate relevant market information and further provide it with an opportunity to meet potential customers and suppliers, to increase its profile as well as to gain publicity.

Quality Assurance and Maintenance

The Group believes that quality control is important to its business and it places a strong emphasis on all aspects of quality. The Group observes quality control at all stages of the ship chartering and ship building processes and has implemented stringent quality control procedures in order to provide quality service to its customers and achieve maximum customer satisfaction. For the Group's ship chartering operations, they have been certified to

be in compliance with ISO 9001:2000 in 2007 and ISO 9001:2008 in 2009. For its shipyard operations, the Group was certified to be in compliance with ISO 9001:2008 in 2008.

Ship chartering

In the Group's ship chartering operations, the Group has stringent quality controls in place which emphasise the proper maintenance of vessels, as required by the Merchant Shipping Act, Chapter 179 of Singapore, and improving efficiency in the use of its vessels.

Regular inspection and maintenance of vessels

A log book is maintained by the Group's Operations Team for each and every one of the vessels operated by the Group, to record the movement of vessels. The Master and Chief Engineer are responsible for ensuring that the Group's vessels are in operational condition at all times. Regular inspection and maintenance is carried out onboard the Group's vessels by its personnel, to ensure that they are in good working condition. The Chief Engineer is responsible for monitoring and updating the Operations Team on the condition of the vessels. This is achieved through keeping records and, if requested, submitting status reports to the Operations Team, setting out any repair or maintenance work that might be required for the vessels.

Routine maintenance and repair works on hull machinery and equipment are performed by the Group's Chief Engineer and vessel crew. For more complex or major repairs, the Chief Engineer will, in consultation with the Operations Team, assess the condition of the vessel and decide on the relevant follow-up or remedial actions to be undertaken when the vessel returns to port.

In addition, the Group's superintendents inspect the vessels regularly when the vessels return to port. Thereafter, the superintendents will make a recommendation and seek approval for any repairs from the Group's Operations Team. All substantial modifications, repairs or additions to the Group's fleet are properly documented for future reference.

Classification of vessels

All the Group's vessels are subject to classification by a member of the International Association of Classification Societies. These classification societies certify that the vessels have been built and maintained in accordance with the rules of the classification society. In addition, they also certify that the vessels comply with all applicable rules and regulations of the flag state as well as with international conventions of which that state is a member. Such certifications are required as evidence that the vessels are class maintained and in seaworthy condition. Annual inspections are conducted on the Group's vessels by the classification societies to fulfill the requirements of these classification societies and the respective Flag of Registry. In addition to these annual inspections, the Group's vessels are drydocked for inspections every two and half years and are subject to special inspections every five years. The Group is required to undergo the above inspections in order to maintain the class certificates for its vessels, which in turn are required for submission to the respective Flag Administrations if the certificates of registration of the Group's vessels are to be maintained. Without the inspections, the Group will not be able to maintain the relevant class certificates and its vessels will be de-registered and prohibited from operating.

Fleet renewal policy

The Group has adopted a policy of continually renewing its fleet of vessels, with the majority of its vessels being less than five years old. This fleet renewal policy has allowed the Group to minimise expenditure on major repair and maintenance work, and as such, the Group's vessels are more cost efficient and are less prone to breakdowns, thereby ensuring reliable quality services to its clients. The policy would also allow the Group to dispose of any vessels which are in excess of its requirements.

Shipyard services

Ship building process

Quality control is observed at all stages of the ship building process. At each stage of construction, the Group's project manager will liaise with the Group's customers' representatives, contractors, the external naval architect and surveyors of the classification societies on the finalisation of the design of the vessel as well as to update them on the progress of all the works in the yard and workshops, including those undertaken by the Group's subcontractors as well as the engineering aspects of the project. The Group's project manager as well as the Group's customers' representatives, contractors and surveyors of the classification societies are frequently present on-site to supervise the ship building process to ensure that the works are carried out in accordance with relevant standards and approved specifications and drawings. Mindful in keeping customers' dissatisfaction to a minimum, the Group will rectify any non-conformity in construction, materials or workmanship to its customers' specifications, when notified by its customers' representatives and ensure that such rectifications are incorporated in a safe and cost-effective manner. Throughout the period of construction, the necessary inspections of the vessel, its machinery, equipment and outfittings are carried out by classification societies to ensure that the construction of the vessel is constructed in accordance with the contract and is fit for the purpose intended. Furthermore, to ensure the upkeep and optimum usage of the Group's equipment and machinery, periodic inspections are carried out to ensure that such equipment and machinery are in good working condition as well as operated safely.

As a result of the Group's quality control measures, none of the vessels built by it have been rejected by its customers since the Group's shipyard commenced operations in December 2005.

After-sales service and customer support

As part of the Group's quality assurance, the Group also provides after-sales service and customer support. After the delivery of a newly constructed vessel to the Group's customers, the Group will assist its customers should they have any queries or encounter any problems with the vessel.

Insurance

The Group has obtained insurance coverage for all its vessels in respect of hull and machinery, war risks and loss of vessel as well as P & I insurance. The Group's Marine Hull policy covers, inter alia, physical damage to the vessel and its machinery and equipment. The Group's War Risks policy covers, inter alia, damage to the vessel caused by wars, strikes and riots. The Group's P & I policy covers personal injury and illness, cargo claims, collision, third parties' liabilities and oil pollution. The Group has also obtained workmen's compensation insurance to provide coverage for its direct hired workers and employees working in Singapore (as stipulated under the Work Injury Compensation Act, Chapter 354 of Singapore). As the Group's shipyard has more than ten employees, PT Marcopolo Shipyard is covered under JAMSOSTEK, a protection scheme for employees under which employees receive compensation in cash or remuneration for a portion of income which was lost or reduced due to work accident, illness, pregnancy, giving birth, old age or death.

The Group maintains insurance against fire for the office premises in Singapore. The Group also maintains property all-risk and civil commotion insurance but excluding earthquakes, volcanic eruptions and tsunamis, for its shipyard in Batam, Indonesia.

The Group does not separately obtain insurance for all workers hired by PT Marcopolo Shipyard's subcontractors in Batam, Indonesia as the sub-contractors are required to provide insurance for such workers. The Group would ask such sub-contractors for verification of their insurance coverage.

The Group performs an annual review on the insurance coverage to ensure that it adequately satisfies both the regulatory and business requirements, and may increase the coverage if the Group deems it necessary and appropriate.

The Group has not experienced any major difficulties obtaining or renewing its insurance policies. The Group has not as at the Latest Practicable Date made any material claims under its insurance policies save for claims made in respect of a damaged barge due to vessel drifting in December 2011 and two barges being stranded aground on two separate occasions in January 2013 and March 2013, all of which were attributable to inclement weather and poor visibility. The Group claimed against its insurance in respect of the aforementioned claims for aggregate amounts of US\$zero million in FY2015 and US\$1.1 million in HY2016, for which the relevant insurers have agreed in-principle to reimburse the Group.

Industry Outlook

The Group expects the market conditions of oil and gas industry to remain tough and challenging for the next 12 months. Against this transition period, the Group will continue to focus on improving its fleet utilisation and implementing a more stringent control on costs to mitigate the impact of this inevitable external environmental pressure.

Directors and Senior Management

Board of Directors

The Issuer's board of directors is responsible for protecting and enhancing shareholder value and the financial performance of the Group. Its duties include the management of the Issuer's business, the review and approval of the Issuer's corporate strategies and annual budgets, the appointment of key executives, major financing plans and investment proposals and the review and monitoring of the Issuer's financial performance. The Issuer's articles of association provide that its board of directors must consist of no fewer than two directors. As of the Latest Practicable Date, the Issuer's board of directors comprises seven directors, comprising three executive directors, one non-independent non-executive directors and three independent non-executive directors as set out in the table below.

<u>Name</u>	<u>Position</u>
Mr Lee Wan Tang.....	Executive Chairman
Mr Sean Lee Yun Feng.....	Chief Executive Officer
Ms Liely Lee.....	Chief Financial Officer
Mdm Lai Qin Zhi.....	Non-Executive Director
Mr Lim Han Boon	Lead Independent Director
Mr Peter Sim Swee Yam	Independent Director
Mr Kelvin Lee Kiam Hwee.....	Independent Director

Mr Lee Wan Tang is the Executive Chairman of the Group and was appointed to the Board in July 2006. He is responsible for the strategic positioning and business expansion of the Group. Mr Lee has been instrumental in the development of the Group's ship chartering operations and, having recognised the region's demand for ship building and ship repair and maintenance services, the initial planning and setting up of PT Marcopolo Shipyard in 2005. Prior to his involvement with the Group, from 1979 to 1990, he was principally involved in the formulation of the business directions and strategies of other companies controlled by the Lee Family.

Mr Sean Lee Yun Feng is the Group's CEO and was appointed to the Board in July 2006. He is responsible for the overall management and day-to-day operations of the Group as well as the formulation of the business directions, strategies and policies of the Group. Mr Sean Lee Yun Feng is instrumental in initiating and penetrating new markets for both the Group's shipping and shipyard operations. On the operational front, he introduced a slew of strategic operational measures which greatly improved the efficiency of the Group's fleet of vessels. He also spearheads the Group's shipyard operations since it commenced operations in December 2005. He graduated with a Bachelor of Commerce degree from Murdoch University (Western Australia) in 1999. He also has a Masters of Business degree from INSEAD and a Masters of Business degree from Tsinghua University (Beijing).

Ms Liely Lee is the Group's Executive Director and was appointed to the Board on 10 July 2007. As the Director (Finance) of the Group, Ms Lee oversees treasury, human resource and administration matters. Prior to joining the Group, she co-founded Gelare, a food and beverage chain in Singapore with 13 outlets where she oversaw the finance, accounting, legal, taxation and human resource matters of the Gelare chain for seven years. Ms Lee graduated with a Bachelor of Commerce degree from Murdoch University (Western Australia) in 1995 and a Masters degree (Accounting) from Curtin University (Western Australia) in 2008.

Mr Lim Han Boon is the Group's Lead Independent Director and was appointed to the Board on 1 September 2007. He is concurrently an independent director and audit committee chairman of Addvalue Technologies Ltd and China Mining International Limited (formerly known as Sunshine Holdings Limited). Mr Lim is presently a director of Winvest Management Pte Ltd, which is principally engaged in the provision of consultancy services. Prior to which, he held various positions with several financial institutions in the corporate banking, corporate finance and private equity industries. Mr Lim obtained a Bachelor of Accountancy Degree from the National

University of Singapore in 1987 and a Master of Business Administration (Finance) degree from the City University, UK in 1992. He is also a Fellow Member of the Institute of Certified Public Accountants of Singapore and a Full Member of the Singapore Institute of Directors since 2001.

Mr Peter Sim Swee Yam is the Group's Independent Director and was appointed to the Board on 1 September 2007. He is concurrently an independent director of British and Malayan Trustees Ltd, Lum Chang Holdings Ltd, Mun Siong Engineering Ltd, Latitude Tree International Group Ltd and Haw Par Corporation Ltd. Mr Sim also sits on the board of Young Men's Christian Association of Singapore (YMCA) as well as Singapore Heart Foundation. Mr Sim is a practising lawyer and a director of his own law corporation, Sim Law Practice LLC. He graduated from the University of Singapore (now known as the National University of Singapore) in 1980 with a degree in law and was admitted to the Singapore Bar in 1981. He was awarded the Pingkat Bakti Masyarakat in August 2000 and the Bintang Bakti Masyarakat in August 2008.

Mr Kelvin Lee Kiam Hwee is the Group's Independent Director and was appointed to the Board in July 2009. He is concurrently an independent director and audit committee chairman of HTL International Holdings Limited and an independent director of AusGroup Limited. Mr Lee began his career with Coopers and Lybrand, an international audit firm, for 15 years from 1979 to 1994. He joined IMC Holdings Ltd, a shipping company from 1994 to 2003 as the group's Financial Controller where he contributed towards the strategic business planning and overall financial management. He next moved on to Pan United Corporation as its Chief Financial Officer until March 2007. Mr Lee is a Fellow of the Association of Chartered Certified Accountants (UK), a Fellow of the Institute of Certified Public Accountants and a Full Member of the Singapore Institute of Directors since 2004.

Mdm Lai Qin Zhi is the Group's Non-Executive Director and was appointed to the Board in July 2006. She has been a director of MP Shipping since 2001, where she oversaw the financial and taxation matters of MP Shipping. Prior to her involvement with MP Shipping, she was a director of other companies controlled by the Lee Family and was responsible for the financial and taxation matters of these companies, a role she presently assumes.

Senior Management

As of the Latest Practicable Date, details of the Executive Management Team are as follows:

<u>Name</u>	<u>Position</u>
Mr Cheam Yeow Cheng	Director of Shipyard Division
Mr Loo Hin Loy.....	Director of Offshore Division
Ms Grace Khaw	Group Finance Manager

Mr Cheam Yeow Cheng is the Director of the Group's Shipyard Division. Having been with the Group since April 2008, he is responsible for overseeing the well-being of its Shipyard Division, which includes shipbuilding, ship repair and other marine engineering services, production scheduling, facilities planning and operational matters. Mr Cheam has more than 24 years of experience in the marine industry. He was a General Manager (Ship Building) in Pan United Marine Ltd from 1994 to 2008 and an Engineering Manager with ST Marine Ltd from 1986 to 1994. Mr Cheam holds an Honours degree in Naval Architecture from the University of Strathclyde, Glasgow, UK.

Mr Loo Hin Loy is the Senior General Manager of the Group's Offshore Division and joined the Group in May 2013. Prior to this, he was the General Manager of Fleet Management at EMAS Offshore Pte Ltd from 2008 to 2013, the Fleet Manager at Miclyn Express Offshore Pte Ltd in 2008, the Country Manager at Express Offshore Transport Pte Ltd from 2007 to 2008, the Regional Operation Manager at Svitzer Middle East Ltd from 2004 to 2007 and the Country/Technical Manager at MISC Bhd Liaison Office from 2002 to 2004.

Ms Grace Khaw is the Group Finance Manager. She joined our Group in August 2015. She assists the executive director in the accounting, financial, secretarial and tax related matters of our Group. She is in the accounting profession for more than 10 years. Prior to joining the Group, she was the finance manager of several listed companies. She is fellow member of Association of Chartered Certified Accountants and is a chartered accountant (Singapore) of the Institute of Singapore Chartered Accountants.

Appointment and Remuneration

The Group may terminate the service contracts of any of the executives, if among other things, the executives commit any serious and persistent breach of the provision of the service contracts, become of unsound mind, become bankrupt or found guilty of conduct with the effect of bringing themselves or the Group into disrepute. The service contracts cover the terms of employment, specifically salaries and bonuses. Executives are also entitled to participate in any short-term incentive scheme program established by the Group during their term of service.

All travelling and travel-related expenses, entertainment expenses and other out-of-pocket expenses reasonably incurred by each executive in the process of discharging his or her duties on behalf of the Group will be borne by the Group.

The Issuer's remuneration and human capital committee decides on the remuneration policy for directors and executive management team, taking into account the Issuer's performance and profitability and individual contribution.