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 and the Shipping Industry

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

The Group experienced net losses of S$309.0 million (unaudited) as of and for the nine months ended 30 June 2017, and expects to record net losses for the fiscal year ending 30 September 2017, principally as a result of lower utilisation rates of the Group's vessels and lower charter rates, decreased revenues from the Group's shipbuilding business and various impairment charges, including impairment of property, plant and equipment (principally vessels), investments in joint ventures, inventories and recoverable amounts from customers. 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 2017 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 H – 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 2017*" for a further discussion of the Issuer's results of operations and financial condition as of and for the nine months ended 30 June 2017.

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

The Issuer is highly leveraged and has significant short-term liquidity requirements. As of 30 June 2017, the Issuer had approximately S$247.9 million of current interest-bearing borrowings (including the Notes). While immediately after the Issuer successfully implements its restructuring, the Issuer will not have substantial indebtedness except for normal trade debts, the Issuer may incur new bank borrowings in the future and such borrowings may be substantial.

Any 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 such indebtedness. 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 Shareholders 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 any of its 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 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 future credit facilities may 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.

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 2017 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 2017 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.

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 effect the Proposed Investment by the Investors;
- 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 consummation of the Proposed Investment by the Investors;
- 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.

The Group is exposed to the credit risks of its customers.

The Group may grant credit terms to its customers, and are therefore exposed to payment delays and/or default by its customers. For FY2014, FY2015, FY2016 and 3Q2017, the Group's debtors' turnover days for third-party customers were 52 days, 48 days, 98 days and 150 days (annualised) respectively. There is no assurance that the Group will be able to collect such debts on time or at all. If the Group's customers experience cash flow difficulties or a decline in their business performance, they may default in their payments to the Group. Further, during economic downturns, including over the past year, the Group's customers were and may continue to be

adversely affected financially and the possibility of defaults in payment will be greater. As a result, the Group may experience payment delays or, in more severe cases, non-recovery of debts from its customers. The Group would then have to make substantial provisions for doubtful debts, or incur debt write-offs. For example, the Group recorded impairment of recoverable amount of about S$8.7 million in 3Q2017, of which about S$6 million primarily relates to amounts due from customers from the ship chartering segment. There can be no assurance that any such future provisions or debt write-offs will not be significant in the future, or have a material adverse effect on its business, financial condition, results of operations and prospects.

Values of the Group's vessels may fluctuate substantially and any impairment in such values may result in volatility to the Group's business, financial condition, results of operations and prospects.

Values of the Group's vessels are volatile and may fluctuate substantially over time due to a number of different factors, including, but not limited to:

- supply and demand for similar types of vessels;
- prevailing economic conditions in the markets in which the Group's vessels operate;
- a substantial or extended decline in oil and gas activity;
- competition from other offshore marine companies;
- the age and condition of the Group's vessels;
- increases in the supply of vessels; and
- the cost of retrofitting or modifying existing vessels as a result of technological advances in vessel design or equipment, changes in applicable environmental or other regulations or standards, or otherwise.

These factors could substantially reduce the values of the Group's vessels and put the Group in a position of not being able to otherwise satisfy loan covenants, which may result in adverse liquidity, or other financial or legal developments, including but not limited to events of default, cross defaults, acceleration of debts and forward-looking enforcement of security over the Group's assets. These factors could also affect the Group's ability to renew or obtain charters as well as the rates it will be able to charge for such charters at the termination of the existing charters and the price of its vessels at the time of sale.

The Group regularly reviews the carrying amount of its assets, including its vessels, to determine whether there is any indication of impairment. Indicators of such impairment include the Group's ability to renew or obtain charters as well as the rates it will be able to charge for such charters. If the Group is unable to renew or obtain charters, or if the rates that it is able to charge decreases, the Group will have to estimate the recoverable amount of the relevant vessels and will recognise an impairment loss whenever the carrying amount exceeds its recoverable amount, and any such impairment loss may be substantial. Conversely, the Group reverses an impairment loss in relation to a vessel if there has been a change in the estimates used to determine the recoverable amount, including a renewal or the entry into a new charter or if the rates that it is able to charge increases. See Note 2.14 to the notes to the Group's FY2016 financial statements for further details of the Group's policy on impairments. As a result, the Group's financial condition and results of operations could be volatile. For example, the Group incurred impairments of property, plant and equipment of US$153.3 million in 3Q2017, principally in relation to the Group's vessels.

Furthermore, if for any reason, including, but not limited to, the Group's inability to re-charter a vessel at favourable rates at the termination of its charter, the Group elects to dispose one or more vessels, the sales prices of such vessels are expected to reflect prevailing market rates, which could be below the vessels' carrying value. Therefore, the Group's inability to dispose of vessels at reasonable prices could result in losses and have a material adverse effect on its business, financial condition, results of operations and prospects.

The Group faces the risks of termination of contracts with customers.

The ship chartering business is conducted based on contracts with customers, which range between three months and five years. Contracts can be extended prior to their expiration. On the contrary, contracts may be terminated

prior to expiration if there are force majeure events or default by one party in performing its obligations as set out in the contracts. Failure to extend expiring contracts or to secure new contracts with other customers with similar or better terms as compared to the expiring contracts could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group is dependent on a few major customers.

The Group's five largest customers and their affiliated companies excluding BBR accounted for approximately 40%, 49%, 49% and 57% of the Group's revenue for FY2014, FY2015, FY2016 and 3Q2017, respectively. There is no assurance that the Group's major customers will continue to engage the relevant entities in the Group or that the Group will continue to sustain the general level of revenues that it has been securing from these customers. If any of the Group's major customers cease to have business dealings with the Group or materially reduce the level and/or frequency of jobs that they engage the Group for, the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

The Group is exposed to fluctuations in freight and charter rates.

The Group's results of operations are dependent on the prevailing charter rates in a given time period, which are based on the supply of and demand for vessels and are extremely competitive. The Group generally provides its customers with short-term or spot charters, wherein its customers may approach it to provide chartering services on an immediate or ad hoc basis. Such charters will be based on the prevailing market rates and are usually for a short duration ranging from three to six months. Short-term charters give the Group the flexibility in managing fleet capacity in response to the demand for its vessels. However, it may expose the Group to short-term fluctuations in charter rates. In the event of a decline in the charter rates, this may adversely affect the Group's business, financial condition, results of operations and prospects.

The Group is subject to increases in costs of materials and equipment for its shipyard operations.

Some of the major cost components for the Group's shipyard operations include steel and other materials as well as equipment such as pumps, propellers and engines. Should there be any price increase in the materials and equipment for the Group's shipyard operations, especially steel or equipment such as engines, and if the Group is unable to pass on these increases in costs to its customers in the fulfilment of its contractual agreements or when negotiating for new contracts, the Group's gross profit margin would be reduced and its business, financial condition, results of operations and prospects may be adversely affected. In addition, any significant increase in the costs of materials and equipment will affect the price of vessels which the Group sells to its ship chartering operations. This will increase the costs of sales of the Group's ship chartering operations due to higher depreciation and reduce the gain that may be realised upon the disposal of the vessels.

The Group's operations may be adversely affected if there is any significant downtime of its shipyard equipment or vessels.

The Group's manufacturing processes depend on certain critical shipyard facilities, such as steel cutting machinery and cranes that may be subject to unexpected interruptions, including from natural disasters and man-made accidents. In order to reduce the risk of shipyard facility production interruptions, the Group maintains a maintenance and loss prevention program, has onsite maintenance and repair facilities, and keeps an inventory of key spare parts and machinery. Its shipyard operations could be adversely affected by events such as the breakdown of equipment, difficulties or delays in obtaining spare parts and equipment, labour disputes, raw material shortages, extended power shortages, fire, natural disasters, civil disorders, industrial accidents and the need to comply with government directives concerning matters such as hygiene, safety and environmental protection.

Any material breakdown, failure or sub-standard performance of machinery or the Group's vessels may result in operational disruptions and downtime. In particular, such disruption may occur when the Group operates at or close to maximum capacity, and if its equipment or vessels have to be taken out for extensive servicing or repair instead of being utilised for its business. Where such equipment needs to be replaced, the common lead-time would be approximately three months. In such circumstances, the Group may be unable to meet its contractual obligations to its customers. Any such major disruption or disaster at its production facilities could have a material adverse effect on its business, financial condition, results of operations and prospects.

The Group may not be able to complete its contractual obligations to its customers.

In the Group's ship chartering and shipyard operations, inclement weather may result in a delay in the transportation of goods to its customers in the case of a voyage charter or a delay in its delivery of vessels to its customers for their use in the case of a time charter. In such an event, the Group may be required to pay liquidated damages which may adversely affect the Group's business, financial condition, results of operations and prospects.

The Group's shipbuilding contracts are usually on a fixed price basis and it may incur losses as a result of cost overruns.

Most of the Group's shipbuilding projects are fixed price contracts, with any change to the price subject to an agreement with its customer. The Group typically enters into these contracts between two and three years prior to the scheduled delivery of a vessel. The Group attempts to forecast its costs of labour and supplies when the Group enters into its contracts. The actual costs incurred and profits the Group realises on a contract may vary from its estimates due to factors including:

- underestimation of its costs and construction time at the initial project bidding stage;
- unanticipated variations in costs of labour, equipment productivity, supplies, materials, parts, subcontracting and overheads, which may result from factors such as unforeseeable general cost increases, inflation, shortages, increased demand from shipbuilding companies and companies in other industries, regulatory changes and unfavourable weather conditions;
- unanticipated delays in delivery of equipment, components and supplies for construction of vessels;
- failures or defaults by suppliers and defects in components and supplies for construction of vessels;
- delays and corrective measures due to poor workmanship or any other failure to meet customer specifications, including as a result of design defects; and
- unanticipated unfavourable foreign exchange movements.

Under its fixed price contracts, the Group retains all cost savings on completed contracts but is also liable for the full amount of all cost overruns unless these were due to modifications requested by the customer. The pricing of fixed price contracts is crucial to its profitability, as is its ability to quantify risks to be borne by the Group and to provide for contingencies in such contracts accordingly. In particular, with respect to contracts with extended delivery times, it is more difficult to accurately estimate the prices of raw materials and other costs at the time the contract is entered into. Significant cost overruns or unanticipated cost increases and/or shortages in the supply of materials and components may materially and adversely affect its business, financial condition, results of operations and prospects.

The Group may face claims for defects and warranties.

The Group typically provides a warranty period of 12 months from the date of delivery for all vessels built by the Group. Any defects in these vessels that are discovered during the warranty period and that are due to defective materials and/or bad workmanship will be remedied by the Group. In addition, the Group may face claims and/or rescission of contracts by its customers in respect of poor workmanship and non-conformance to vessel specifications and/or non-execution of the project.

The Group may also be required to incur additional costs as new materials and additional labour will be needed to rectify such claims to the satisfaction of its customers. These additional costs are generally not recoverable from its clients and, if such amounts are large, would result in a material reduction in the Group's profit margin for the project, thereby adversely affecting the Group's financial condition and results of operations.

The Group is subject to subcontracting risks.

For the Group's shipyard operations, the Group outsources works such as fabrication, assembly, machining, mechanical and electrical fittings, carpentry and hull testing to sub-contractors. If the Group's subcontractors are unable to carry out their contractual obligations in accordance with the specifications and time schedule, and the Group is unable to find suitable alternative sub-contractors in a timely manner and on comparable commercial

terms, the Group may not be able to complete the construction of the vessel within the budget and time schedule. As a result, there may be cost overruns and the Group may incur liquidated damages, which may result in its business, financial condition, results of operations and prospects being materially and adversely affected.

In addition, the Group's sub-contractors are required to provide insurance coverage for all workers hired by them, including workers who are deployed in the Group's yard by them. In the event that a subcontractor fails and/or neglects to provide such insurance or an accident which is not covered by such policies occurs or if the number of workers and/or the amount claimed exceeds the insurance coverage, the Group may have to bear liabilities arising from such accidents. In such an event, the Group's business, financial condition, results of operations and prospects will be adversely affected.

Further, if the Group's sub-contractors fail to pay for the workers they have contracted, these workers may look to the Group for compensation and/or disrupt the Group's operations. In the event that there is a disruption to the Group's operations and/or it is compelled to compensate these workers from the Group's own funds, its business, financial condition, results of operations and prospects will be adversely affected.

The Group is exposed to foreign exchange risk.

The Group's revenue is denominated principally in Singapore dollars and U.S. dollars while its purchases are denominated in Singapore dollars, U.S. dollars, Euro or Japanese yen. As the currency denomination of the Group's revenue stream and its costs differs, the Group has a net foreign exchange exposure. To the extent that there is a mismatch between the currency of the Group's sales and the currency of its purchases and expenses, the Group is exposed to any adverse fluctuation of the Indonesian rupiah and/or Singapore dollar against the U.S. dollar.

The Group is also exposed to fluctuations in foreign exchange arising from the difference in timing between its receipt and payment of funds. Accordingly, any significant foreign currency fluctuations will have an impact on the Group's financial condition and results of operations. The Group may suffer foreign exchange transaction/ translation losses if there is a weakening of the Indonesian rupiah against the Singapore dollar, and this will have an adverse impact on the Group's financial condition and results of operations.

The Group has Singapore dollar, Indonesian rupiah, Australian dollar and US dollar denominated bank accounts. As the Group's reporting currency is in Singapore dollars, it may face translation risks in that any significant fluctuation in the exchange rate between the Indonesian rupiah and/or the US dollar against the Singapore dollar will have an effect on its financial statements, which are presented in S$. In addition, given that the reporting currency of the Group's consolidated financial statements is the Singapore dollar, in order to prepare its consolidated financial statements, it translates the financial statements of its Group companies in Indonesia from Indonesian rupiah to Singapore dollars based on the relevant average exchange rates prevailing as at the relevant period of the respective financial statements. Any such translation gains or losses will be recorded as translation reserves or deficits as part of the Group's shareholders' equity. Movements in the exchange rates may adversely affect the Group's financial condition and results of operations.

The Group may engage in hedging transactions, which can limit gains and increase exposure to losses.

The Group may enter into hedging transactions to protect itself from the effects of interest rate and currency exchange fluctuations on floating rate debt. Hedging transactions may include entering into interest rate hedging instruments, purchasing or selling futures contracts, purchasing put and call options or entering into forward agreements. Hedging involves various risks, including, without limitation, risks associated with the creditworthiness of the hedge counterparty. There is no assurance that the Group would be able to adequately manage its risks through hedging transactions. Consequently, the interest cost to the Group for the floating interest rate debt will be subject to fluctuations in interest rates. Hedging policies may not adequately cover the Group's exposure to interest rate fluctuations which could potentially affect the Group's business, financial condition, results of operations and prospects.

The Group is exposed to the risk of increases in fuel oil price.

The price and supply of fuel is unpredictable and fluctuates as a result of events which are beyond the Group's control. An increase in fuel oil costs will affect the Group's business. Fuel is required to operate machinery in the Group's shipyard and any increase in fuel prices will correspondingly increase the Group's shipyard operational costs. Further, in a voyage charter arrangement, the Group generally bears the operating costs of its vessels,

including fuel costs. If the Group is unable to pass on the higher fuel costs to its customers, the Group's profit margin will be significantly reduced and its financial performance will be affected. This may have a larger impact on the Group's longer-term contracts, such as its long-term charter contracts for transshipment services where the charter rates have been fixed. In such contracts, the Group would have to assume the risk of any increase in the price of fuel oil. Should the Group increase its charter rates, the demand for its chartering services may be significantly reduced, thereby adversely affecting its business, financial condition, results of operations and prospects.

The Group's success is dependent on its key management personnel and crew.

The Group is managed by a number of key senior management, including its directors, and employees who have in-depth experience in the shipping industry. If the Group loses senior management or personnel for health or other reasons, and is not able to recruit a competent replacement expeditiously, this could impact negatively on the Group's business, financial condition, results of operations and prospects. In addition to management personnel, the Group is also dependent on the crew which operates its vessels. In the absence of suitable crew members who can manage the Group's vessels, the Group's business operations may be disrupted.

Further, the Group believes that a critical factor for the success of its business depends on its ability to retain competent, qualified and experienced employees and maintain its crew. If the Group is not able to do so or has to do so by offering higher levels of compensation, whether due to increased competition for qualified personnel or any other reason, this could result in a significant increase in the Group's cost of hiring, which will in turn reduce the Group's income.

The Group may not have sufficient insurance and may be unable to maintain its existing insurance coverage.

In operating its fleet, the Group is exposed to inherent risks and external factors which are outside of its control, such as sinking, collision and other marine disasters, environmental pollution, cargo and property loss or damage, war, piracy or terrorism attacks, and disruption of operations caused by mechanical failure, human error, political action, labour strikes, adverse weather conditions and other circumstances or events. Any such circumstance or event could result in loss of revenue or increased costs.

The Group has arranged for insurance against certain of these risks. However, there can be no assurance that all risks are insured or adequately insured against. The insurance policies that the Group has currently obtained do not cover, inter alia, the following risks: (i) cancellation of contracts; (ii) loss of hire; (iii) loss or damage from terrorism, radioactive and chemical contamination, or cyber-attacks on any software programmes or electronic systems; (iv) nuclear risks or blockade; and (v) labour disputes. The Group has not purchased the type of insurance covering loss of revenue due to delay or detention caused by political unrest, labour strikes, arrest, crew desertion, crew illness, infectious diseases, stowaways, drug seizure, inability to load or discharge cargo which are considered as trading risks. There are applicable deductibles under the insurance policies obtained by the Group, where certain excess amounts of loss or damage or liability suffered or incurred by it cannot be claimed from the insurance companies but must be borne by it. In addition, the Group will not be able to maintain the existing insurance coverage if it is in wilful breach of warranties. If any of the above-mentioned risks materialise for which there is inadequate insurance coverage or none at all, the Group's business, financial condition, results of operations and prospects would be adversely affected.

The Group's vessels may be detained or arrested, which could interrupt its operations.

Crew members, suppliers of goods and services to a vessel, shippers of cargo and other parties may be entitled to a maritime lien against that vessel (and, in some jurisdictions, any vessel owned or controlled by the same owner) for unsatisfied debts, claims or damages. In many jurisdictions, a maritime lienholder may enforce its lien by arresting a vessel and commencing foreclosure proceedings. The Group's vessels may also be detained by authorities for investigations relating to breaches of laws or regulations. The arrest or detention of one or more of the Group's vessels would mean that it is unable to charter the vessel and could require it to pay a substantial sum of money to have the arrest lifted, thus adversely affecting its business, financial condition, results of operations and prospects.

The Group is dependent on its suppliers.

The Group purchases materials and equipment such as steel, pumps, propellers and engines from its major suppliers. There is no assurance that it will be able to continue sourcing these materials and equipment from its

suppliers at favourable prices. In addition, the Group may face an increase in the cost of supply should it switch to new suppliers. If the Group's suppliers terminate the supply of their materials and equipment to it, the Group may not be able to seek alternative sources in a timely manner and/or at reasonable prices. This will cause the Group's production to be delayed, thereby affecting delivery to its customers and which could materially and adversely affect the Group's business, financial condition, results of operations and prospects.

Certain entities in the Group currently enjoy tax incentives that they may not enjoy in the future and the requisite approvals for any tax exempt status applied for may not be obtained.

BBR currently enjoys tax incentives such as exemption from customs duties, import and export taxes, and value-added tax based on current government regulations. Should this tax incentive exemption not be extended by the Indonesian government or be cancelled for any reason, the Group may have to pay the aforementioned taxes. If the Group is unable to pass on such increased costs to its customers, its business, financial condition, results of operations and prospects may be adversely affected.

In relation to the vessels owned by the Group which are registered in Singapore, the Group enjoys tax exempt shipping income status sanctioned under Section 13A of the ITA in respect of all Singapore flagged vessels. In addition, the Group's ship chartering operations have been awarded the Approved International Shipping Enterprise ("**AIS**") status by the Maritime and Port Authority of Singapore subject to certain terms and conditions, which will exempt qualifying shipping income of certain subsidiaries of the Group from tax with effect from 1 April 2010 (Year of Assessment 2011). Should this tax incentive not be extended by the Singapore government any further or be cancelled for any reason, the tax payable by the Group will be increased and correspondingly, the Group's results of operations will be adversely affected.

The outbreak of an infectious disease or any other serious public health concerns in Asia and elsewhere could adversely impact the business, results of operations and financial condition of the Group.

As most of the Group's business activities are concentrated in Asia, the outbreak of an infectious and/or communicable disease such as the avian influenza, Severe Acute Respiratory Syndrome or the Influenza A virus and its variants in Asia and elsewhere, together with any resulting restrictions on travel and/or imposition of quarantines, could have a negative impact on the economy and business activities in Asia, and could thereby adversely impact the revenues and results of operations of the Group. For example, should a significant number of crew members or shipyard personnel be diagnosed with an infectious and/or communicable disease, the operations of that vessel or shipyard may be interrupted. Such disruptions may adversely affect the Group's business, financial condition, results of operations and prospects; in particular, if such outbreak becomes uncontrolled and has a material adverse economic effect in the countries where the Group operates and conducts business.

The Group is exposed to potential liability arising from damages, injury or death due to accidents.

Due to the nature of its ship chartering and shipyard operations, the Group is subject to the risks of its employees or third parties being involved with accidents. These accidents may occur as a result of fire, explosions or other incidents. Further, the Group's vessels may be involved in collisions, resulting in damage to the cargo or vessel or loss of lives, for which it may be exposed to claims from third parties. Accidents and disruptions to the Group's business operations will have a material adverse impact on its corporate image and financial performance. In the event that there are any accidents which are not covered by the Group's insurance policies or workmen's compensation, or if claims arising from such accidents which are in excess of its insurance coverage are made against it, and/or any of its insurance claims are contested by the insurance companies, the Group will be required to pay for such compensation and its results of operations may be adversely affected.

The Group faces risks in re-delivery of vessels.

In the re-delivery or re-deployment of vessels from one job to another, particularly for offshore vessels where the rental rate is higher and is charged on a daily basis, the possibility of non-deployment of vessels caused by the vessels or the customers not being ready will result in loss of revenue while vessel operating expenses including crew and interest expense will have to continue to be paid. In addition, the Group will suffer opportunity costs of depreciation and insurance while the vessel is non- productive.

The Group faces the risk of unexpected expenses.

The Group may incur unexpected expenses in its operations. For instance, the maintenance cost of a vessel in order to ensure that it is able to operate properly will generally increase along with the vessel's age. However, it

is difficult to provide for accurate estimates of such costs. If the maintenance cost of vessels is higher than what the Group had initially estimated and budgeted for, this may result in an increase in the Group's expenses and adversely affect its business, financial condition, results of operations and prospects.

The Issuer's ability to comply with its obligation to repay the Notes may be dependent upon the earnings of, and distributions by, the members of the Group and future performance of the Group.

The Issuer's ability to comply with its obligation to repay the Notes depends on the earnings of the Group and the distribution of funds amongst members of the Group, primarily in the form of dividends. Whether or not the members of the Group can make distributions to the Issuer will depend on distributable earnings, cash flow conditions, restrictions that may be contained in the debt instruments of its members, applicable law and other arrangements. These restrictions could reduce the amount of distributions that the Issuer receives from its members, which would restrict the Issuer's ability to fund its business operations and to comply with its payment obligations under the Notes.

Further, the ability of the Issuer to make scheduled principal or interest payments on its indebtedness, including the Notes, and to fund its growth aspirations, will depend on the Group's future performance and its ability to generate cash, which to a certain extent is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors, as well as other factors discussed in this "Risk Factors" section, many of which are beyond the control of the Issuer. If the Issuer's future cash flow from operations and other capital resources are insufficient to pay its debt obligations, including the Notes, or to fund its other liquidity needs, it may be forced to sell assets, attempt to restructure or refinance its existing indebtedness. No assurance can be given that the Issuer would be able to accomplish any of these measures on a timely basis or on satisfactory terms or at all.

The shipping industry is subject to cyclical and seasonal fluctuations and volatility.

The shipping industry is highly cyclical and subject to seasonal fluctuations primarily due to changes in the supply of and demand for shipping capacity which result in the volatility of sales, profitability and vessel values. The demand for and supply of ship chartering are influenced by, *inter alia*, global and regional economic conditions, developments in international trade, changes in seaborne and other transportation patterns, weather conditions, fuel prices, port locations, the impact of port congestions, the number of vessels in efficient operating condition as well as strikes, armed conflicts, riots, social unrest and other political situations in the countries within the shipping routes plied by the vessels. Many of the factors influencing the supply of and demand for shipping capacity are beyond the Group's control, and the nature, timing and degree of changes in industry conditions are unpredictable.

The Group is also affected by a downturn in its customers' business. For example, in the event of inclement weather, quarry or mining operations of the Group's customers may be adversely affected, thereby resulting in a reduction in demand for the Group's vessels for the purposes of charter and transshipment. Significant downturns in the shipping industry may lead to significantly lower charter rates, reduced volume and/or substantial decline in the value of the Group's vessels, which could have a material adverse effect on its financial condition and results of operations. Should such a downturn occur in the future, the Group's business, financial condition and results of operations are likely to be materially and adversely affected.

Global and regional economic, social and political conditions may reduce the demand for shipping services.

The shipping industry is generally dependent on the global and regional economic, social and political conditions. Generally weak global economic conditions or unfavourable social and political conditions such as terrorist attacks, war, political and social unrests and riots, trade sanctions and embargoes may result in a downturn in the shipping industry. In the ship chartering industry, a general economic slowdown may affect the demand for specific goods which the Group transports. In the shipyard industry, ship owners may postpone the building or acquisition of new vessels and/or the execution of maintenance and repair work on existing vessels. Hence, an occurrence of any unfavourable economic, social and political events may adversely affect the Group's financial results.

The shipping industry is highly regulated.

The shipping industry is highly regulated, and the Group's operations are affected by extensive and evolving environmental protection laws and other regulations in the form of various international conventions, national, state and local laws and national and international regulations in force in the jurisdictions in which its vessels

operate, as well as in the countries in which such vessels are registered. Subject to arrangements with the charterer concerned, compliance with such laws and regulations may entail significant expenses on the Group's part, including expenses for ship modifications, maintenance and inspection requirements, changes in operating procedures, compliance with environmental, health and human safety requirements, and renewal of required certificates and permits. As these international conventions, laws and regulations are often revised, the Group is unable to predict the long-term costs of compliance. Additional laws and regulations may be adopted, which could limit the Group's ability to do business and which could have a material adverse effect on its business, financial condition and results of operations.

The Group may also incur substantial costs in order to comply with the existing and future environmental and health and human safety requirements, including, among others, obligations relating to air emissions, maintenance and inspection, development and implementation of emergency procedures and insurance coverage. The Group could also face substantial liability for penalties, fines, damages and remediation costs associated with hazardous substance spills or other discharges into the environment involving its shipping operations under such laws and regulations. These costs and penalties could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's vessels' operating certificates and licences are renewed periodically. However, government regulations relating to vessels, particularly in the areas of safety and environmental impact, may change in the future and require the Group to incur significant capital expenditure on its vessels to ensure that they are compliant. In addition, the Group is required by various regulatory bodies to obtain permits and licenses required for the operation of its business. These permits may become costly or difficult to obtain or renew.

In the event that any of these international conventions, laws and regulations, codes, guidelines and standards become more stringent and/or additional regulations requiring the Group's compliance are introduced, its costs of operations may increase further. Also, non-compliance with such regulations may result in penalties, sanctions as well as revocation of certain business licenses and permits. This would limit the Group's ability to do business and may have an adverse effect on its business and financial position.

The shipping industry is highly competitive.

The ship chartering industry is fragmented with many charterers, owners and operators of vessels. Hence, the Group faces intense competition from both large and small companies in the ship chartering business. The Group's competitors and potential new entrants to the ship chartering and shipyard industries may have lower costs of operations and better access to financial, technological and/or other resources than the Group does, which may enable them to build a diverse range of vessels of various types and sizes and at competitive prices. Some of the Group's competitors, who may have lesser resources and capabilities than the Group, may compete with it through aggressive pricing in order to gain market share and fulfill customer requirements. In the event that the Group's competitors are able to provide comparable services at a lower price and/or better turnaround time, the Group may have to lower its prices significantly in order to secure a contract, thus resulting in a lower profit margin. Furthermore, the Group may not be able to secure contracts that the Group is prospecting.

The Group expects this intense competition to continue, and there is no assurance that the Group will be able to compete successfully against these competitors in future. If the Group is unable to compete successfully against its existing and potential competitors, the Group may experience a loss of market share, which could materially and adversely affect its financial performance.

The Group is affected by independent assessments by shipowners.

Business conditions in the shipping industry are generally affected by the independent assessment of shipowners of future demand for ship chartering services. Optimistic assessments by these shipowners may result in surplus orders for new vessels, which may in turn result in the oversupply of vessels. This will cause a depression in freight and charter rates as well as a decline in the values of vessels. In such an event, the Group's business and financial performance will be adversely affected.

The Group is exposed to inherent risks in the shipping business.

In the shipping business, the Group is constantly exposed to inherent risks and external factors which are outside of its control such as pollution incidents, collisions, mechanical breakdown of its vessels, adverse weather conditions, fire or other calamity. Any of these factors may cause disruptions to its operations and result in loss

and/or damage to its vessels or cargo. The Group may also be liable for damages or compensation payable to third parties arising from vessel collisions in cases where the Group's negligence or contributory negligence is proved against it. In the event that the Group is liable for payment of any such costs, damages or compensation, and its existing insurance coverage does not cover, or is insufficient to pay for, the total amounts incurred, the Group's financial performance may be materially and adversely affected. In addition, the Group's insurance premium costs may increase as a result, thereby leading to an increase in the cost of its operations, which may adversely affect its financial performance.

The Group's vessels are vulnerable to pirate or terrorist attacks.

The Group's vessels are vulnerable to attacks by pirates or terrorists as these vessels ply vital shipping lines around the region, where the probability of such attacks occurring is high. There is no assurance that the Group's vessels will not be attacked, destroyed or stolen by pirates or be subject to terrorist attacks in the future. In the event of such attacks, the Group's vessels and cargo may be damaged and/or lost and the Group's crew may be injured. If such damages exceed the Group's existing insurance coverage or are not covered by the existing insurance policies the Group has taken up, the Group's business and financial conditions will be adversely affected. In addition, pirate or terrorist attacks may result in substantial increases in the Group's insurance premiums, thereby affecting its financial performance.

2. Risks Relating to the Group's Operations in Indonesia

The Group faces risks associated with the introduction of new laws or changes or strict enforcement to existing laws by the Indonesian government.

While Indonesia has opened up its economy to foreign investors and companies, the political, regulatory and economic outlook for investors and businesses in Indonesia remains uncertain. Also, it may be difficult to obtain a consistent or predictable outcome for dispute resolution as compared to other more developed jurisdictions and it may be difficult to obtain swift enforcement of the laws in Indonesia. Judgments by a court of another jurisdiction will not be recognised and enforced in the courts of Indonesia while foreign arbitration awards may be recognised and enforced in Indonesia, subject to certain requirements, which include that the subject matter of the awards must relate to commerce, do not conflict with Indonesian public policy and has been issued in a country which enforces Indonesian arbitration awards on a reciprocal basis.

The Indonesian-incorporated companies within the Group are subject to the cabotage principle, whereby domestic sea transportation is to be conducted only by Indonesian-flagged vessels, which in turn may only be owned by Indonesian companies. This has been implemented since 2005. In addition, the shipping industry has been included in the negative list of investments by Presidential Decree No. 36/2010 where foreign ownership in companies engaged in container, cargo, heavy equipment transportation, as well as water and air transportation services, is restricted to 49%, and such foreign-owned companies must own at least one vessel of more than 5,000 gross tonnes.

In the event that the Indonesian government introduces new laws or regulations (such as those pertaining to foreign ownership requirements, laws or regulations) or changes or strictly enforces certain existing laws or regulations which may restrict the Group's shipping activities in Indonesia, its business and financial condition may be adversely affected.

The Group may be affected by adverse changes in the political, economic, regulatory or social conditions in Indonesia.

Political and social instability in Indonesia may adversely affect the economy, which in turn could have a material adverse effect on the business, prospects, financial condition and results of the Group's operations. 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. These events have resulted in political instability, as well as general social and civil unrest on certain occasions in recent years. Past political instability has continued to have an adverse effect on investor confidence in the Indonesian economy. Separatist movements and clashes between religious and ethnic groups have resulted in social and civil unrest in parts of Indonesia. Should unstable political, economic, regulatory or social conditions in Indonesia disrupt the Group's operations, its business and financial condition may be adversely affected.

Labour problems may disrupt the Group's operations in Batam.

Currently, about 80 per cent. of the Group's workers in Batam, Indonesia, are unionised. In the event of any concerted union actions such as work stoppages, work at the Group's Batam shipyard may be disrupted. In such a case, the Group's operations would be adversely affected. The Group is also subject to laws governing its relationship with its employees, including minimum wage requirements and work permit requirements. Failure to comply with these laws and regulations could adversely affect the Group's business.

In addition, should the Group's sub-contractors fail to pay the workers whom they have contracted to work for the Group's Batam shipyard, these sub-contractors' workers may look to the Group for compensation and/or disrupt the Group's operations. In the event that there is a disruption to the Group's operations and/or the Group is compelled to compensate them from its own funds, the Group's operating results and financial performance will be adversely affected.

The Group is exposed to risks associated with foreign exchange controls.

Currently, remittances flowing out of Indonesia require the provision of a notice, or approval of Bank Indonesia, Indonesia. While the Group's operations in Indonesia are not currently affected by foreign exchange controls in a material way, in the event that the Indonesian government tightens or otherwise adversely changes the foreign exchange rules/policies, the Group's operations would be affected in that its ability to convert the relevant currencies when the Group is required to make payments or the ability of its Indonesian-incorporated Group companies to repatriate dividends and profits may be impeded. As a result, the Group's cash flows and correspondingly the financial results of the Group may be adversely affected.

The Group may be vulnerable in sourcing for sufficient skilled personnel.

The Group's shipyard operations in Batam and BBR's offshore business require skilled personnel such as engineers, mechanics and heavy equipment operators. In particular, BBR's offshore business is still relatively new and with the implementation of the cabotage principle requiring the use of Indonesian crew, it may be more difficult to hire the required personnel. If the Group is unable to source for sufficient skilled personnel to meet its customers' orders, or the Group is required to pay substantially higher salaries to procure such skilled personnel, its financial performance would be adversely affected.

3. Risks if the Extraordinary Resolution is Not Passed or if the Restructuring is Not Completed

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.

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 is Rp.93,514,800,000 (approximately S$9.6 million, based on an exchange rate of S$1.00 = Rp.9,748.50 used in the valuation) and the estimated value of the land with an approximate land area of 152,750 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 to secure indebtedness of up to S$12,500,000) 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 used in the valuation). 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 value of the portion of the shipyard forming part of the Shipyard Collateral is lower than the outstanding principal amount of the Notes. Therefore, if the Security Agent successfully forecloses on the Shipyard Collateral, the net 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. PTMS is undergoing the PKPU, the terms of which has not been finalised as of the Latest Practicable Date. There can be no assurance that the PKPU will not have a material adverse effect on the ability of Noteholders to receive payment of any remaining balance due under the Notes. See also "*Risks if the Extraordinary Resolution is Not Passed or if the Restructuring is Not Completed — 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.

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

The security documents relating to the Shipyard Collateral provides for the mortgage of such assets to the Noteholders on a first and second ranking basis (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 of the Issuer over the claims of Noteholders for any remaining outstanding amounts under the Notes. 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 of the Issuer securing such indebtedness or other obligations of the Issuer.

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.

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 crystalise. 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.

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.

4. 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 will hold equity instruments rather than debt instruments.

One of the effects of the approval of the Extraordinary Resolution would be to insert a call option whereby the Issuer is entitled to redeem the Notes partially for Shares. The Issuer intends to exercise such a call option. Therefore, if the Extraordinary Resolution is passed and the call option exercised, Noteholders will receive, *inter alia*, equity securities in place of debt securities. The characteristics of investing in equity securities are different from an investment in debt securities. For example:

- interest is payable on a regular basis for debt securities, whereas dividends may or may not be payable on equity securities;
- the principal amount of debt securities is repayable to investors upon the final maturity date of debt securities, whereas the amount invested in equity securities is generally not repayable to the investor;
- investors of equity securities rank behind investors of debt securities with respect to payments on such securities upon a liquidation of the issuer of such securities; and
- investors of debt securities are creditors of the issuer and have rights of creditors, whereas investors of equity securities are not creditors of the issuer and have relatively more limited rights as shareholders of a company.

Accordingly, Noteholders will have to bear the risks associated with investing in equity securities until such time such equity securities are sold.

5. Risks Relating to the Shares

Noteholders will bear the risk of fluctuations in the price of Shares.

It is impossible to predict whether the price of Shares will rise or fall. Trading prices of Shares will be influenced by, among other things, the Group's business, financial condition, results of operations and prospects and political, economic, financial and other factors that can affect the markets in which Shares are traded and industry in which the Group operates.

Shareholders may experience substantive dilution in the future.

If the Restructuring is successful (which assumes that 1. the Extraordinary Resolution is approved, 2. up to 778,183,000 shares under the PKPU Restructuring, the MPML Scheme and/or the MPSY Scheme are issued, 3. up to 2,142,857,142 new Investor Shares are issued, and 4. the up to 336,548,600 warrants to be issued to existing Shareholders are fully exercised), Noteholders will hold approximately 5.4% of the total enlarged share capital of the Issuer, based on the existing share capital of the Issuer as of the Latest Practicable Date. While each of the MPML Scheme Placement Shares, the MPSY Scheme Placement Shares, and the Shares issued under the PKPU Restructuring and the warrants are priced at S$0.035, being equal to the issue price of the Noteholders Restructuring Shares, the Issuer plans to issue up to 2,142,857,142 new Investor Shares to the Investors at an issue price of S$0.028 per Investor Share, which is lower than such issue price. Noteholders will therefore experience immediate dilution in net asset value per Share of the Shares they will receive. In addition, the Issuer may enter into other transactions that may be further dilutive to investors in the future. New issues of Shares may occur in the future and the subscription price for such Shares may be above, at or below the then prevailing net asset value per Share. Where new Shares are issued at a price which is less than the then prevailing net asset value per Share, the net asset value of each existing Share will be diluted.

The sale or possible sale of a substantial number of Shares in the public market could adversely affect the price of the Shares.

Assuming the Restructuring is successful, the Issuer would have issued up to 2,142,857,142 Shares to the Investors, up to 778,183,000 Shares to the MPML Scheme Creditors, the MPSY Scheme Creditors and/or certain PKPU Creditors, and up to 336,548,600 warrants to existing Shareholders. Such Investors, MPML Scheme Creditors, MPSY Scheme Creditors, PKPU Creditors and existing shareholders (assuming the warrants are exercised) are not subject to any lock-ups and may sell the Shares that they receive forthwith. The Group's executive chairman, Mr Lee Wan Tang, is also a substantial shareholder of the Issuer and has an aggregate direct and deemed interest in Shares representing 62.0% of the issued Shares (excluding treasury shares) of the Issuer as of the Latest Practicable Date. The sale of a significant number of the Issuer's Shares in the public market after the completion of the Restructuring, or the perception that such sales may occur, could cause the price of the Shares to fall, and Shareholders could lose part or all of their investment in the Shares. The sale of a large number of Shares could also make it more difficult for us to offer Shares in the future at a time and price that the Issuer deems appropriate.

The Issuer may not be able to pay dividends in the future.

The Issuer may not be able to pay dividends in the future if it is unable to successfully implement its strategies or if there are adverse developments to its business as a result of competitive, regulatory, general economic conditions, demand and other factors specific to its industry, many of which are beyond its control. Any future determination as to the declaration and payment of dividends will be at the discretion of the Issuer's board of directors and will depend on factors that the Issuer's board of directors deems relevant, including (among others) the business, financial condition, cash requirements, results of operations, prospects and financing arrangements of the Group.

The Issuer is a holding company and its investments in its operating subsidiaries, joint ventures and associated companies constitute substantially all of its assets. The Issuer does not have significant independent operations, and operates its business primarily through such subsidiaries, joint ventures and associated companies. Therefore, the availability of funds to the Issuer to pay dividends to Shareholders depends on dividends received from these subsidiaries, joint ventures and associated companies. The ability of such subsidiaries, joint ventures and associated companies to pay dividends or make other advances or transfers of funds will depend on their respective results of operations and may be restricted by, among other things, the availability of funds, the terms of the various credit arrangements entered into, as well as statutory and other legal restrictions of the respective jurisdictions of incorporation or establishment of these entities.

Under Singapore law and the Issuer's constitution, all dividends must be paid out of the Issuer's profits available for distribution. The availability of profits is assessed on the basis of the standalone financial statements of the Issuer, and not from the Issuer's consolidated financial statements. The Issuer currently has retained earnings of approximately S$146,000 in its standalone balance sheet as of 30 June 2017 and expects to record accumulated losses in the standalone balance sheet as of 30 September 2017.

There may not be an active or liquid market for the Shares.

An active public market for the Shares may not be sustained. The Issuer cannot assure you that the trading market for the Shares will develop further or that there will be continued liquidity of that market for the Shares. Although it is currently intended that the Shares will remain listed on the SGX-ST, there is no guarantee of the continued listing of the Shares. For example, the Issuer may not continue to satisfy the listing requirements for listed companies. A failure to maintain the Issuer's listing on the SGX-ST, or other securities markets, could adversely affect the market value of the Shares.

The price of the Shares may decline after this Consent Solicitation.

The trading price of the Shares will depend on many factors, including:

- the perceived prospects of the Group's business and the offshore vessel market;
- differences between the Group's actual financial and operating results and those expected by prospective investors and analysts;
- changes in analysts' recommendations or projections;

- changes in general economic or market conditions;
- the market value of the Group's assets;
- the perceived attractiveness of the Shares against those of other equity or debt securities, including those not in the offshore vessel industry;
- the balance between buyers and sellers of the Shares;
- the future size and liquidity of the Singapore stock market;
- any future changes to the regulatory system, including the tax system, both generally and specifically in relation to Singapore companies;
- the ability on the Issuer's part to implement successfully the Group's investment and growth strategies;
- foreign exchange rates; and
- broad market fluctuations, including weakness of the equity market and increases in interest rates.

For these reasons, among others, the Shares may trade at prices that are higher or lower than the net asset value per Share. To the extent that the Issuer retains operating cash flow for investment purposes, working capital reserves or other purposes, these retained funds, while increasing the value of the Issuer's underlying assets, may not correspondingly increase the market price of the Shares. Any failure on the Issuer's part to meet market expectations with regard to future earnings and cash distributions may adversely affect the market price for the Shares. The Shares are not capital-safe products and, if the market price of the Shares declines, there is no guarantee that Shareholders can regain the amount originally invested. If the Issuer is terminated or liquidated, it is possible that investors may lose all or a part of their investment in the Shares. In addition, the SGX-ST and other securities markets have from time to time experienced significant price and volume fluctuations that are not related to the operating performance of any particular company. These fluctuations may also materially and adversely affect the market price of the Shares.

Singapore laws contain provisions that could discourage a take-over of the Issuer.

The Singapore Code on Take-overs and Mergers and Sections 138, 139 and 140 of the Securities and Futures Act (collectively, the "Singapore Take-over Provisions") contain certain provisions that may delay, deter or prevent a future take-over or change in control of the Issuer. Under the Singapore Take-over Provisions, any person acquiring an interest, either individually or with parties acting in concert, in 30% or more of the voting rights in the Issuer, may be required to extend a take-over offer for the Issuer's remaining voting rights in the Issuer in accordance with the Singapore Take-over Provisions. A take-over offer may also be required to be made if a person holding between 30% and 50% (both inclusive) of the voting rights in the Issuer, either individually or in concert, acquires an additional 1% of the voting rights in the Issuer in any six-month period. While the Singapore Take-over Provisions seek to ensure an equality of treatment among Shareholders, its provisions may discourage or prevent certain types of transactions involving an actual or threatened change of control of the Issuer that may benefit Shareholders and, as a result, may adversely affect the market price of the Shares and the ability to realise any potential benefit from a potential change of control.

Foreign Shareholders may not be permitted to participate in future rights issues by the Issuer.

If the Issuer offers to its Shareholders rights to subscribe for additional Shares or any right of any other nature, it will have discretion as to the procedure to be followed in making the rights available to its Shareholders or in disposing of the rights for the benefit of its Shareholders and making the net proceeds available to its Shareholders. For example, the Issuer may, in its absolute discretion, elect not to extend an offer of Shares under a rights issue to those Shareholders whose addresses are outside Singapore. The rights or entitlements to the Shares to which such Shareholders would have been entitled will be offered for sale and sold in such manner, at such price and on such other terms and conditions as the Issuer may determine. The proceeds of any such sale, if successful, will be paid to Shareholders whose rights or entitlements have been thus sold. The shareholding of the relevant Shareholder in the Issuer may be diluted as a result of such sale.