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 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 prospects of the Issuer or the Group. If one or more of the following risks actually occur, the business, financial condition, results of operations and prospects of the Issuer or the Group, or the Issuer's ability to make interest and/or principal 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 if Any of the Extraordinary Resolutions is Not Passed

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

The Issuer is in discussions with the Principal Banks for the reprofiling of the Group's existing loan obligations, which are subject to the passing of the Extraordinary Resolution of each Series of Notes. If either of the Extraordinary Resolutions is not passed, the Issuer expects that such discussions will be terminated by the Principal Banks and the Issuer will likely not be in a position to pay the interest on, or repay the principal of, its debt obligations (including each Series of the Notes) when due. The controlling shareholders will also not be extending the additional S$5 million of standby line of credit if either of the Extraordinary Resolutions is not passed. For more information on the additional S$5 million of standby line of credit, see "*The Proposal – Background of the Proposal*". Any such non-payment of interest or principal on the Notes when due will constitute an Event of Default under 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. Although Noteholders have a second charge over the pool of club deal vessels, the forced sale value of distressed vessels is low due to oversupply, and it is unlikely that the Noteholders will be able to recover much of their investments (if at all) by enforcing the second charge following the distribution of the assets to creditors who have the first charge.

Noteholders and other unsecured creditors may 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 the Group's 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. However, it is likely that Noteholders will not be able to recover all of their investments in the Notes as the forced sale value of distressed assets will likely be low.

The Issuer would also, in all likelihood, be unable to pay its debts as they fall due, and hence be 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 relevant Extraordinary Resolution and the Shareholders' Resolution(s) 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 receivables, 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 creditors are financial institutions, most of whom have 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.

Claims of the secured creditors of the Issuer/secured creditors with first charge over the pool of club deal vessels will have priority with respect to the assets securing their indebtedness over the claims of Noteholders. For the pool of club deal vessels which the Noteholders have a second charge over, it is unlikely that there will be significant surplus funds available for distribution to the Noteholders in an event of distressed sale. It is also 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 formal 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.

The respective Extraordinary Resolution in respect of the Series 006 Notes and the Series 007 Notes are contingent upon one another.

The effectiveness of the proposal described in the Extraordinary Resolution in respect of the Series 006 Notes is contingent upon the passing of the Extraordinary Resolution in respect of the Series 007 Notes. Conversely, the effectiveness of the proposal described in the Extraordinary Resolution in respect of the Series 007 Notes is contingent upon the passing of the Extraordinary Resolution in respect of the

Series 006 Notes. However, if the Extraordinary Resolution in respect of a particular Series of Notes is passed, there is no guarantee that the Extraordinary Resolution in respect of the other Series of Notes has been passed or will also be passed. The amendments described in the Extraordinary Resolutions will not take effect in the event that any one of the two Extraordinary Resolutions is not passed by the relevant Noteholders. This is notwithstanding that the requisite approval of the relevant Noteholders may have been granted in respect of one of the two Extraordinary Resolutions. In such a situation, the maturity date of the Series of Notes in respect of which the Extraordinary Resolution is passed will not be extended and the other amendments set out in the Proposal will not be implemented. Such a situation may result in the occurrence of a Potential Event of Default or an Event of Default in respect of the Series 006 Notes and the Series 007 Notes, and which may trigger a cross default in one or more agreements entered into by the Issuer or its subsidiaries (including, but not limited to, charter contracts relating to the Group's vessels and loan agreements), enabling the counterparty to terminate such agreements. See the risk factor "*The Issuer will likely be in default on the Notes and may be in default on all or substantially all of its other existing indebtedness.*" for further details.

Noteholders may not be able to take any direct enforcement action against the Issuer.

Condition 10 of the Series 006 Notes and Condition 11 of the Series 007 Notes provide that at any time after such Series of Notes have become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce repayment of the Notes, together with accrued interest, and to enforce the provisions of the relevant Trust Deed and such Series of Notes. However, the said conditions further provide that the Trustee is not bound to take any such proceedings unless (a) directed by an extraordinary resolution passed by the holders of such Series of Notes or the Trustee has been requested to do so in writing by holders of not less than 25 per cent. in principal amount of such Series of Notes outstanding, and (b) the Trustee has been indemnified and/or secured and/or pre-funded to its satisfaction.

Accordingly, if Noteholders wish to instruct the Trustee to institute proceedings against the Issuer to enforce the terms of the relevant Trust Deed and 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 of the Series 006 Notes and Condition 11 of the Series 007 Notes also provide that Noteholders shall not be entitled to proceed directly against the Issuer unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

Limited ability of the Trustee to carry out its duties without funding

The Issuer has not placed any funds with the Trustee to reimburse it for the carrying out of its duties in connection with this Consent Solicitation and/or future proceedings against the Issuer in connection with the Notes. If the Trustee is not sufficiently funded by the Issuer or any other party, this may adversely affect its ability to carry on its duties in connection with this Consent Solicitation and/or future proceedings against the Issuer in connection with the Notes.

2 Risks if the Extraordinary Resolution(s) are Passed

The Extraordinary Resolution in respect of each Series of Notes, if passed, will be binding on all Noteholders of such Series of Notes, including the waiver of all claims against the Issuer.

The Conditions contain provisions for calling meetings of Noteholders of each Series of Notes to consider matters affecting their interests generally. These provisions permit defined majorities to bind all

Noteholders of such Series of Notes including Noteholders of such Series of Notes who did not attend and vote at the relevant meeting and Noteholders of such Series who voted in a manner contrary to the majority.

Accordingly, if the Extraordinary Resolution in respect of each Series of Notes is passed at the relevant Meeting of Noteholders of such Series of Notes (or if applicable, any adjourned Meeting), the matters set out in such Extraordinary Resolution shall be binding upon all Noteholders of such Series of Notes whether present or not present at such Meeting and each Noteholder of such Series of Notes shall be bound by that Extraordinary Resolution. Provided that both Extraordinary Resolutions in respect of the Series 006 Notes and the Series 007 Notes are passed, this includes the taking of effect of waivers of all claims against the Issuer, including but not limited to claims resulting from any Event of Default or Potential Event of Default relating to such Series of Notes as specified in the relevant Extraordinary Resolution.

The proposed amended interest rate on each Series of Notes may be significantly lower than the current interest rate on such Notes.

Pursuant to the Series 006 Trust Deed, the interest rate applicable to the Series 006 Notes is 5.50 per cent. per annum with a yearly increase in interest rate of 0.5 per cent. per annum until its maturity date. As at the date of this Consent Solicitation Statement, the interest rate applicable to the Series 006 Notes is 6.00 per cent. per annum. The proposed amended interest rate applicable to the Series 006 Notes from and including 28 September 2018 to but excluding 28 March 2025 is the aggregate of the Base Interest Rate of 3.0 per cent. per annum and any applicable Additional Interest Rate (which is capped at 2.0 per cent. per annum), which may be significantly lower than the current interest rate applicable to the Series 006 Notes.

Pursuant to the Series 007 Trust Deed, the interest rate applicable to the Series 007 Notes is 5.85 per cent. per annum with a yearly increase in interest rate of 0.5 per cent. per annum until its maturity date. As at the date of this Consent Solicitation Statement, the interest rate applicable to the Series 007 Notes is 6.35 per cent. per annum. The proposed amended interest rate applicable to the Series 007 Notes from and including 1 October 2018 to but excluding 1 October 2026 is the aggregate of the Base Interest Rate of 3.0 per cent. per annum and any applicable Additional Interest Rate (which is capped at 2.0 per cent. per annum), which may be significantly lower than the current interest rate applicable to the Series 007 Notes.

Therefore, the Series 006 Noteholders and Series 007 Noteholders will receive less interest on the respective proposed amended Series 006 Notes and Series 007 Notes than before the Consent Solicitation.

There cannot be any assurance that the Group will be able to carry out its assets disposal plan.

Due to the cashflow crunch that the Group faces, the Issuer is undertaking the Reprofiling as part of its efforts to match its operating cashflow needs. To generate additional cash for the Group, the Issuer also has plans to dispose of certain assets, including three PSVs and two chemical tankers. However, there can be no assurance that the Group will be able to successfully carry out its assets disposal plan. The Issuer may not be able to sell any or all of such assets at a commercially reasonable price or at all, which would have a material and adverse effect on the Group's cash flows and its business, financial condition, results of operations and prospects.

Noteholders may be unable to transfer their existing Notes for an extended period of time.

If a Noteholder submits a Voting Instruction Form, the Notes that are the subject of the Voting Instruction Form will be earmarked at CDP. Depending on the circumstances described in the section of the Consent Solicitation Statement entitled "*The Proposal – Procedures for Voting*", the Earmarking Period could be for an extended period of time. During such Earmarking Period, such a Noteholder will be unable to transfer such Notes.

Noteholders may not be able to rely on the exemption in Section 275(1A) of the SFA for future offers or sales of the Notes.

Under the SFA, all offers of securities must, *prima facie*, be accompanied by a prospectus registered by MAS unless the offer is excluded or exempted from the prospectus requirements.

The Issuer has not registered any document as a prospectus with MAS. Accordingly, the Notes may not be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) in respect of offers where the minimum consideration is not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. Breaches of the SFA could result in financial penalties and/or imprisonment of varying amounts and duration, depending on the offence.

If the consideration for any future offers or sales of Notes is below S$200,000, Noteholders will not be able to rely on the exemption from the prospectus requirements of the SFA accorded by Section 275(1A) of the SFA.

The minimum board lot size required by the SGX-ST may limit the ability of Noteholders to trade the relevant Series of Notes.

The SGX-ST has a minimum board lot size of S$200,000. Even though the Denomination Amount of each Series of Notes is S$250,000, the outstanding principal amount of such Series of Notes may decrease below the minimum board lot size of the SGX-ST through various partial redemptions pursuant to the Conditions. To the extent that it is possible to trade the relevant Series of Notes through the SGX-ST, holders holding an outstanding principal amount of the relevant Series of Notes of less than S$200,000 may not be able to do so.

The amendments approved by the Noteholders are not subject to the completion of the reprofiling by the Issuer's existing lenders or the effectiveness of any additional financing.

The Proposal, if approved by the holders of both Series of Notes, is not conditional upon the agreement by the Group's lenders (either individually or as a group) to reprofile the Group's total indebtedness, to provide any additional financing or to complete any such additional financing. There can be no assurance that the Group's lenders will (either individually or as a group) agree to such reprofiling or such additional financing, or that the eventual agreed upon reprofiling or additional financing terms will be commercially reasonable. If one or more lenders do not approve the reprofiling or provide additional financing, the Proposal will nevertheless become effective if the other conditions to effectiveness are satisfied.

The Trustee and the Issuing and Paying Agent are entitled to rely on Certificates and has no obligation to monitor observance of terms.

Under the Proposal, the amount of interest payable under the Notes and the principal amount to be redeemed prior to the relevant Maturity Date of the Notes is dependent on various financial metrics, including but not limited to the Adjusted Core EBITDA Payment Rate, Adjusted Core EBITDA Amount, EBITDA Redemption Rate, the amount standing to the respective notes redemption accounts and amount of Free Cash (if any). For purposes of ascertaining the values associated with the above-mentioned financial metrics, the Trustee and Issuing and Paying Agent are entitled to accept (without enquiry) a certificate signed by the Issuer on a periodic basis as to the value of the above-mentioned items.

The Trustee is not responsible or liable in any manner whatsoever for monitoring the performance and/or compliance by the Issuer with its new payment obligations as described in the Proposal. Further, the

Trustee is not responsible for monitoring the operation of the notes redemption accounts (including withdrawals therefrom) and that the monies standing to the credit of the notes redemption accounts remain unencumbered.

No additional collateral is provided to Noteholders in connection with the Proposal.

Although it is proposed that a Series 006 Note Redemption Account and a Series 007 Note Redemption Account be opened to facilitate the NRA Mandatory Redemption for each Series of Notes, such accounts are not charged in favour of the Noteholders to secure the repayment obligations of the Issuer. In other words, if the Issuer were to be wound-up by its creditors, the holders of the relevant Series of Notes do not have any priority claim over the monies standing to the credit of the Series 006 Note Redemption Account and the Series 007 Note Redemption Account, as the case may be, ahead of other creditors of the Issuer. Further, in such an event, should any secured creditor successfully claim it has the benefit of a charge over the monies standing to the credit of the Series 006 Note Redemption Account and/or the Series 007 Note Redemption Account, such secured creditor will have a priority claim over such monies ahead of the holders of the relevant Series of Notes.

In addition, the amendment to the negative pledge would allow the Issuer to provide security over its currently unencumbered assets as part of the grant of additional project financing and trading lines of up to S$150.0 million.

There may be limited liquidity of the Notes.

There can be no assurance regarding the future development of the market for the Notes, the ability of the Noteholders to sell their Notes or the price at which the Noteholders may be able to sell their Notes. The Notes could trade at prices that may be lower than their respective initial offering prices depending on many factors, including prevailing interest rates, the Group's financial condition and results of operations and the market for similar securities. The Issuer does not have any obligation to make a market in the Notes. In addition, the market for debt securities has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. There can be no assurance that the markets for the Notes, if any, will not be subject to similar disruptions and volatility. Any such disruptions or volatility could have a material adverse effect on a Noteholder's investment in the Notes.

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 elsewhere after consummation of the Consent Solicitation, which could result in the consequences described below.

Singapore. Singapore insolvency laws allow 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 (two 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 that the Conditions relating to the relevant Series of Notes will be amended. 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.

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

The interest of the Issuer's controlling shareholders may conflict with the interest of Noteholders, and they may take actions that are not in, or may conflict with, the interest of the Noteholders.

As of the Latest Practicable Date, approximately 67.2 per cent. of the Issuer's outstanding shares were controlled by Mr Ang Kok Tian and the Immediate Family Members. The Issuer's controlling shareholders may be able to effectively control certain matters requiring approval by the Issuer's Shareholders, depending on participation at its shareholder meetings. Circumstances may arise in which the interests of the Issuer's controlling shareholders or the interests of their associated companies may conflict with the interests of Noteholders.

In addition, if both Extraordinary Resolutions are passed, both Series of Notes will contain a representation and warranty that Mr Ang Kok Tian and the Immediate Family Members own in aggregate (whether directly or indirectly) not less than 51 per cent. of the Issuer's issued share capital for the time being. If all of the holders of the proposed Warrants exercise such Warrants (including Mr Ang Kok Tian and the Immediate Family Members), the shareholdings of Mr Ang Kok Tian and the Immediate Family Members in the issued share capital of the Issuer will decrease to 50.8 per cent. If Mr Ang Kok Tian and the Immediate Family Members do not exercise their Warrants and/or purchase additional Shares to maintain a shareholding of above 51 per cent., such representation and warranty may become untrue, which may result in an Event of Default under the Notes.

3 Risks Relating to the Group

Values of the Group's assets may fluctuate substantially and any impairment in such values may result in volatility to and have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The values of the Group's assets may fluctuate substantially over time due to a number of different factors, including, but not limited to:

- supply and demand for similar types of assets;
- prevailing economic conditions in the markets in which the Group's assets operate;

- a substantial or extended decline in marine services sector;
- competition from other marine services companies;
- the age and condition of the Group's vessels; and
- the cost of retrofitting or modifying existing assets 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 assets and put the Group in a position of not being able to otherwise satisfy relevant net asset value related 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. Not satisfying the loan covenants would constitute an event of default under applicable loan agreements, affecting the Group's ability to secure or complete shipbuilding and shiprepair projects, 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.

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 sale prices of such vessels are expected to reflect prevailing market rates, which could be below the vessels' carrying value. If the Issuer sells vessels at prices that are lower than the book values of such vessels, the Issuer will be required to write off such losses, which may result in volatility to, and have a material adverse effect on, the Group's business, financial condition, results of operations and prospects.

Notably, the Group had incurred the following impairment losses and write-offs in FY2017 and FY2018:

	FY2017 (in S$'000)	**FY2018 (in S$'000)**
Impairment of doubtful receivables (net)	18,437	2,547
Impairment loss on property, plant and equipment	22,004	21,357
Impairment loss on inventories and recoverable	13,849	23,675
Impairment loss on goodwill	–	5,027
Sub-total for Impairment:	**54,290**	**52,606**
Property, plant and equipment written off	1	467
Inventories written off	–	330
Sub-total for Write-Offs:	1	797
Total Impairment and Write-offs:	**54,291**	**53,403**

The Issuer is in the process of assessing the extent of further impairment losses on its assets, such as inventories, vessels, intangible assets and trade and other receivables. The assessment of the amount of impairment losses on the Issuer's assets is a complex exercise which is heavily dependent on management's judgement and estimates of charter rates, utilisation rates, operating expenditure, creditworthiness of counterparties and appropriate discount rates that take into account market rates, and incorporating market, country and asset-specific risk premiums of the Issuer's assets. See also "*The Group's associate companies and joint ventures have been making losses and may continue to make losses, and the Group's other receivables from these entities may not be collectable.*" for a discussion of possible impairment losses on the Issuer's other receivables.

The Issuer will need time to finalise the assessment of the amount of impairment losses and expects to complete such assessment by the end of FY2019. For illustrative purposes, the table below sets out a sensitivity analysis on the adjusted net asset value ("**NAV**") per Share assuming impairment losses of between S$50 million and S$250 million, based on the NAV per Share of S$0.4674 as at 30 September 2018.

Assuming impairment of:	**S$50 million**	**S$100 million**	**S$150 million**	**S$200 million**	**S$250 million**
Unaudited NAV per Share adjusted for the above impairment losses (S$)	0.3879	0.3085	0.2290	0.1496	0.0701

The impact on the NAV per Share for every S$10 million of impairment is S$0.0159.

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. Note 2.1 of each of the consolidated financial statements as of and for FY2016, FY2017 and FY2018 disclose conditions that indicate the existence of material uncertainties surrounding the continuing use of the going concern assumption in the preparation of the financial statements.

As at 30 September 2018, the Group's and Issuer's total borrowings amounted to S$490.1 million and S$234.0 million of which S$103.2 million and S$15.9 million were classified as current liabilities respectively. The ability of the Group and the Issuer to continue as going concerns is dependent on the ability of the Group to generate sufficient cash flows from operations and to receive continued support from the lenders.

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

The Group has incurred loss after tax in FY2017 and FY2018 of S$73.3 million and S$71.3 million respectively. During these periods, while the marine services sector seemed to have stabilised it had yet to recover. There was a significant drop in the volume of the shipbuilding business from the continued weak market conditions. Some customers had difficulties making payments and the Group had to recognise significant impairments of doubtful receivables.

In addition, the impact of the sector downturn to the Group was magnified by the cancelled orders of three OSVs and three PSVs shipbuilding projects. These cancelled orders resulted in a total cash outflow of S$199 million and the Group had to recognise significant impairments on vessels held as inventories and plant and equipment.

In addition, there cannot be any assurance that the Issuer will not incur additional net losses in the future, or that the Issuer will generate positive cash flow or achieve or sustain profitability in the future. See "*Appendix G – Unaudited Quarterly Financial Statements Announcement for the First Quarter Ended 30 September 2018 of ASL Marine Holdings Ltd. and its Subsidiaries*" for more information on the Issuer's results of operations and financial condition as of and for the first quarter ended 30 September 2018.

The Issuer may not be able to generate sufficient cash flow to meet its debt obligations, including its obligations and commitments under the Notes

A range of economic, competitive, business and industry factors will affect the Group's future financial performance and as a result, the Issuer's ability to generate cash flow from operations and to repay its debt obligations, including the Notes. Many of these factors, such as supply and demand for similar types of assets, economic and financial conditions in the markets in which the Group's assets operate, industry and the global economy or competitive initiatives of the Group's competitors, are beyond its control.

Worldwide downturns in the marine services sector may be experienced as a result of generally weak economic conditions. The marine services sector is sensitive to the cyclical nature of the industries that they serve, such as marine infrastructure and construction, transportation and other trade-related industries. The demand for and pricing of the Group's services are sensitive to global and regional economic conditions.

In shipbuilding and shiprepair and conversion, ship owners may cancel signed orders, defer the building or procurement of new vessels and/or the execution of maintenance and repair work on existing vessels during an economic downturn. In shipchartering, a general economic slowdown may affect trade in general and/or demand for specific goods which the Group transports. Should any of such developments occur, the Group's financial results may be materially and adversely affected. Whilst the marine services sector has stabilised, it has not recovered. There cannot be any assurance that the sector will improve or remain stable in the future.

The Group's business is affected by the lack of demand for vessels in the industry and unexpected cancellations of projects.

The Group's business is affected by the significant drop in the volume of the shipbuilding business and the unexpected cancellations of the three OSVs and three PSVs shipbuilding projects. The market for the shipbuilding business has also remained very competitive, weighing on the segment's margin.

This gives rise to financial statements risk such as impairment of the Group's vessels, as well as the determination of the net realisable value of finished goods and the recoverability of receivables. Whilst the Group has taken countermeasures such as implementing tighter measures in respect of risk management, there is no assurance that there will not be a need for further impairment in the future.

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 September 2018, the Group had approximately S$103.2 million of current interest-bearing borrowings (including trust receipts of S$16.9 million) and S$386.9 million in non-current interest-bearing borrowings (including the Notes). If the Issuer successfully implements its refinancing pursuant to the Proposal, the Issuer will continue to have substantial indebtedness, over a longer loan tenure. In addition, the Issuer has commenced the process with banks to obtain additional project financing and trade lines of up to S$150.0 million for its business operations.

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 refinanced 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 Group'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 relevant 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.

The Group's business may be exposed to variation in interest rates.

As at 30 September 2018, the Group has total interest bearing loans and borrowings (excluding the Notes payable and trust receipts) amounting to approximately S$333.2 million. The Issuer expects the Group's working capital requirements to be met, *inter alia*, by the Group incurring additional project financing and trade lines of up to S$150.0 million. The interest rates for such borrowings are principally pegged to the lenders' cost of funds, usually the Singapore Interbank Offered Rate ("**SIBOR**"). Any significant increase in interest rates due to an increase in the lenders' cost of funds would adversely affect the Group's business, financial condition, results of operations and prospects.

There can be no assurance that such additional financing will be made available or, if available, that such financing will be obtained on terms favourable to the Group. Factors that could affect the Group's ability to procure such financing include market disruption risks which could adversely affect the liquidity, interest rates and the availability of funding sources. In addition, further consolidation in the banking industry in Singapore and/or elsewhere in Asia may also reduce the availability of credit as the merged banks seek to reduce their combined exposure to one company or sector.

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 refinancing, 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 attract new investors;
- the Issuer's ability to successfully refinance 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 reprofiling 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 consumables 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 key members of the management team;
- 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, Noteholders are advised 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 Issuer adopted Singapore Financial Reporting Standards (International) ("SFRS(I)") on 1 July 2018, which brings key changes to the accounting of contracts of the Group, and any restatement of the financial statements for previous periods may result in material changes to such previous financial statements.

The Issuer adopted Singapore Financial Reporting Standards (International) (SFRS(I)), on 1 July 2018. In adopting SFRS(I), the Issuer applied the specific transition requirements in SFRS(I) 1 First-time Adoption of SFRS(I) in preparing the Issuer's unaudited consolidated financial statements as of and for the three months ended 30 September 2018 which is included in Appendix G to this Consent Solicitation Statement. The Issuer's consolidated opening balance sheet has been prepared as at 1 July 2017, which is the Group's transition date to SFRS(I).

The following SFRS(I)s, amendments and interpretations of SFRS(I)s are applicable to the Group:

- SFRS(I) 15 Revenue from Contracts with Customers
- SFRS(I) 9 Financial Instruments
- Amendments to SFRS(I) 1-28 Long-term Interests in Associates and Joint Ventures
- SFRS(I) INT 23 Uncertainty over Income Tax Treatments

The adoption of the new accounting standards does not have any significant impact on the consolidated and standalone financial statements of the Issuer, except for SFRS(I) 15.

The key impact of adopting SFRS(I) 15 includes:

- Timing of revenue recognition: Revenue and related costs of sales of contracts with non-enforceability of right to payment for performance completed to-date are recognised only when the constructed assets are delivered to customers at a point in time, instead of using the percentage of completion method.
- Contract costs: For long term contracts where the stage of completion is measured by reference to the contracts costs incurred to date as a percentage of the total estimated costs for each contract, contract costs are recognised as an expense in profit or loss using the percentage of completion method prior to the adoption of SFRS(I) 15.

On adoption of SFRS(I) 15, the costs incurred to fulfil the satisfied performance obligation are recognised in profit or loss as control of goods or services to the customer is transferred over time. Where the control of goods and services to the customer is transferred at a future point in time, the costs incurred to fulfil the future performance obligation are capitalised as they are recoverable, and presented as "Contract Assets" within the balance sheet. The costs capitalised are recognised in profit or loss when the performance obligation is satisfied.

- In accordance with the presentation requirements of the SFRS(I) 15, the Issuer has presented "Construction work-in-progress in excess of progress billings" as "Contract assets" and "Progress billings in excess of construction work-in-progress" as "Contract liabilities".

The key impact of adopting SFRS(I) 9 includes:

- The Issuer has elected to apply the short-term exemption to adopt SFRS(I) 9 on 1 July 2018. Accordingly, the requirements of SFRS 39 are applied to financial instruments up to the financial year ended 30 June 2018. Financial assets measured at amortised costs or Fair Value Through Other Comprehensive Income (FVOCI) and financial guarantees are subject to expected credit loss impairment model under SFRS(I) 9. There were no adjustments made to the opening retained earnings in this regard as the Issuer preliminarily assessed that the effects were immaterial. A more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the effects of SFRS(I) 9 is in process.

With respect to SFRS(I) 15 and SFRS(I) 9, the Issuer will continue to assess their effects on the Issuer's financial statements. The restatement of the Issuer's financial statements for previous periods may result in material changes to such previous financial statements.

The Group's associate companies and joint ventures have been making losses and may continue to make losses, and the Group's other receivables from these entities may not be collectable.

The Group has invested an aggregate of S$10.1 million in associate companies and joint ventures. The Group's associated companies and joint ventures have historically been making losses. In addition, the Issuer has outstanding a total S$69.4 million in other receivables in its consolidated statements of financial condition as of 30 June 2018, principally attributable to such associate companies and joint ventures. The recoverability of these other receivables is dependent on the ability of the associates and joint ventures to turn around from their loss making positions. If the Issuer is unable to collect on the other receivables, the Issuer will be required to impair such other receivables either in part or in full. Any such impairment may have a material adverse effect on the Group's business, financial condition, results of operations and prospects. See "*Joint Ventures and Associate Companies*" in Appendix D of this Consent Solicitation Statement for further information on the Group's joint ventures and associate companies.

The Group is dependent on a few major customers.

The Group's largest customer and their affiliated companies accounted for approximately 18.8%, and the Group's largest five customers and their related companies accounted for approximately 48.1%, of the Group's revenue for FY2018.

There is no assurance that these customers and their affiliated companies will continue to engage the Group or that the Group will continue to sustain the general level of revenues that the Group has been securing from them periodically. In the event that 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 revenue and profitability of the Group will be adversely affected.

The Group is exposed to the risk of increases in fuel oil costs for its shipping business.

Most of the Group's contract of affreightment and lump sum charter contracts contain bunker escalation clauses whereby increase in fuel costs are recoverable from customers. However, increases in fuel oil costs will mainly affect the Group's shipping business insofar as the Group is not able to pass on the higher fuel costs to its customers, which may have a material impact on the Group's longer term contracts where the charter rates have been fixed. If the Group increases its charter rates, demand for the Group's services may be significantly reduced. If there is an increase in the fuel costs while the Group is fulfilling its contractual obligations to customers, the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

The Group is exposed to the risks of fluctuations in charter rates for its shipping business.

The Group offers vessels on a variety of charter contracts, including time/bareboat and lumpsum charters. The Group also offers services on a contract of affreightment basis, where the Group provides marine transportation and logistics services on a unit rate basis. The tenure for each type of contract ranges from spot charter, which may last from one to 30 days, to longer term charters of up to 15 years. As the Group's shipchartering revenue consists of mainly short-term and ad-hoc contracts, this may expose the Group to short-term fluctuations in charter rates. Any material decrease in charter rates would materially and adversely affect the Group's business, financial condition, results of operations and prospects.

Charter rates may also be affected by conditions such as trade, environmental and weather conditions as well as political situations in the countries where the operations of the Group's customers are located. In such an event, the Group's business, financial condition, results of operations and prospects could be materially and adversely affected.

The Group is exposed to fluctuations in foreign exchange rates.

The Group is exposed to foreign exchange risk. The Group's trade and other receivables are denominated in Singapore dollars as well as foreign currencies such as US dollars, Indonesian Rupiah, the Euro and Chinese Yuan Renminbi. Any significant fluctuation in the foreign exchange rates at the time of purchase and payment and at the time of sale and receipts may have an impact on the Group's profits. For example, profits derived from sales in US dollars would be lower in Singapore dollars should there be any depreciation in the exchange rate of US dollars against Singapore dollars.

Fluctuations in foreign exchange rates will also result in translation gains or losses on consolidation as Singapore dollars is the Group's reporting currency. Any such translation gains or losses will be recorded as translation reserves or deficits as part of the Group's shareholders' equity.

The Group's foreign exchange risks are hedged either by forward foreign exchange contracts in respect of actual or forecasted currency exposures which are reasonably certain or hedged naturally by a matching sale or purchase of a matching asset or liability of the same currency and amount.

The Group is exposed to currency risk arising from its net investments in foreign operations, including the People's Republic of China, Indonesia and the Netherlands. In view of the nature of the Group's business, foreign exchange risk will continue to be an integral aspect of the Group's risk profile in the future.

The Group is affected by competition in the chartering and shipyard industry.

One of the Group's principal business activities lies in the shipchartering sector. The process of obtaining such charters is competitive and involves an intensive bidding and selection process. Competition for charters is based on a variety of factors, which may include:

- charter hire or contract rates;
- relationships with charterers;

- willingness to accept operational risks pursuant to the charter, such as allowing termination for force majeure events; and

- vessel availability and the size, age and condition of the vessel.

Any of these factors could limit the Group's ability to retain existing customers and attract new customers for its vessels, which could in turn materially and adversely affect the Group's business, financial condition, results of operations and prospects.

From time to time, the Group may bid for charter contracts without securing and/or acquiring the requisite vessels prior to bidding. Notwithstanding that the Group may be successful in its bid, should the Group be unable to enter into committed charter contracts due to its inability to secure the requisite vessels when required, or inability to acquire such vessels at competitive prices, this would materially and adversely affect the Group's business, financial condition, results of operations and prospects.

The Group faces competition from a variety of parties, many of which are larger and may have greater financial resources than the Group. The Group cannot give assurance that it will be able to continue competing successfully with existing competitors and/or new entrants into the market. These competitors may be able to operate larger fleets, have longer operating histories, offer better charter rates and devote greater resources to the development, promotion and employment of their vessels than the Group. In addition, the entry of new competitors may result in increased competition and higher pressure on margins, which could in turn materially and adversely affect the Group's business, financial condition, results of operations and prospects.

Further, the Group's ability to compete in international markets may also be adversely affected by regulations in the countries where it operates which require, among other things, the awarding of contracts to local contractors, the employment of local citizens and/or the purchase of supplies from local vendors that favour or require local ownership.

If the Group fails to compete successfully with existing competitors and new entrants into the market, the business, financial condition, results of operations and prospects of the Group may be materially and adversely affected.

Similarly, the shipyard industry is highly competitive. Some of the Group's competitors have more resources than the Group, while certain competitors may have lower costs of operations or may engage in aggressive pricing in order to gain market share.

If the Group's competitors are able to provide comparable services at a lower price and/or better quality, the Group may have to lower prices significantly to secure new shipyard contracts, which will result in the Group having a lower profit margin. These could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group is exposed to the risk of increases in costs of materials and equipment for its shipyard business.

Apart from labour, other major cost components for the Group's shipbuilding and shiprepair projects include the costs of steel and other materials as well as equipment such as pumps, propellers and engines.

The costs (including potential future price increases) of such major cost components are taken into consideration when submitting quotations to customers. This allows the Group to estimate the costs and correspondingly the profit margin of a project more accurately. However, if there are price increases in these items, and the Group is not able to pass on these increases to its customers in fulfilment of its contractual agreements or when negotiating for new contracts, or if there are any cost overruns, the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

The Group's future growth may be limited by the capabilities of its vessels.

The Group's future growth may be limited by the capacity of its vessels in terms of engine horsepower, physical dimensions, type of equipment on board the vessels and ability of the vessels to perform certain tasks. In the event that the capabilities of the Group's vessels are not able to meet the requirements of its existing and potential marine services customers, some of them may charter vessels from the Group's competitors. The lack of capabilities of the Group's vessels may result in the Group not being able to secure certain contracts for some projects. These events may cause the Group to lose some customers, which could have a material adverse effect on its future growth and consequently its business, financial condition, results of operations and prospects.

The Group's business is affected by political and other risks in countries where the Group operates.

Wars, unsettled political conditions, social unrest, riots, terrorist attacks and government actions such as possible vessel seizure and import/export restrictions in countries where the Group may operate could potentially affect the ability of the Group's vessels to call on the ports of such countries. Such developments may also affect the ability of the Group's customers to meet their payment obligations to the Group and increase the insurance premium for its operations, which could have a material and adverse effect on the Group's business, financial condition, results of operations and prospects.

The vessels deployed in the Group's business are exposed to security threats and piracy.

The vessels deployed in the Group's business operate in regions in which ships may encounter incidences of security threats such as piracy, terrorist attacks, wars/insurgency and internal strife.

The Group has taken out hull and machinery policies in respect of certain vessels in its fleet that cover damage and/or loss (which are generally up to the hull values of the relevant vessels) to such vessels arising out of such attacks. However, in the event that the Group's vessels are attacked, destroyed or stolen resulting in damage and/or loss to its vessels in excess of the insurance coverage, this may materially and adversely impact the Group's business, financial condition, results of operations and prospects.

The Group's business is subject to general risks associated with operating businesses outside Singapore.

There are risks inherent in operating businesses overseas, which include unexpected changes in regulatory requirements, difficulties in staffing and managing foreign operations, social and political instability, fluctuations in currency exchange rates, potentially adverse tax consequences, legal uncertainties regarding the Group's liability and enforcement, changes in local laws and controls on the repatriation of capital or profits. Any of these risks could materially and adversely affect the Group's overseas operations and consequently, its business, financial condition, results of operations and prospects.

The Group's ability to borrow in the bank or capital markets may be adversely affected by a financial crisis.

The Group's ability to borrow in the bank or capital markets to meet its financial requirements is dependent on favourable market conditions. Financial crises in particular geographic regions, industries or economic sectors for example, the Sino-American trade war, the United States sub-prime mortgage crisis and the sovereign debt crisis in Europe, have, in the past, led and could in the future lead to sharp declines in the currencies, stock markets and other asset prices in those geographic regions, industries or economic sectors, in turn threatening affected companies, financial systems and economies.

Any market slowdown may adversely impact the Group's ability to borrow from the bank or capital markets and may significantly increase the costs of such borrowing. If sufficient sources of financing are not available in the future for these or other reasons, the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

In addition, the Group cannot ensure that it will not continue to incur losses in the future, or that it will become profitable, in either case due to a potential increase in its operating and financing costs incurred to finance the Group's growth and expansion or lower than expected increase in revenues. This increase in operating and financing costs without a corresponding increase in turnover will have a negative impact on the Group's results of operations. In the event that any of the above events materialise, the Group's business, financial condition, results of operations and prospects could be materially and adversely affected.

The Group may face claims for defects and warranties in respect of shipbuilding and/or shiprepair work undertaken.

The Group may face claims and/or rescission of contracts by the Group's customers in respect of defective repairs, poor workmanship, non-conformance to work specifications and/or non-execution of the project in respect of vessels that are built or repaired by the Group.

The Group typically extends a warranty period of 12 months to the Group's customers for shipbuilding projects and sale of products by its engineering division and a warranty period of one month for shiprepair projects.

Due to the length of the warranty period extended, the Group may experience claims from customers that may materially and adversely affect the Group's business, financial condition, results of operations and prospects.

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

The Group undertakes shipbuilding and shiprepair projects on a contract basis, subject to certain terms and conditions. If the Group is unable to fulfill its contractual obligations, the Group may have to pay liquidated or other damages or the customer may seek to rescind the contract, or both.

In addition, if the delay continues beyond the time stipulated in the contracts (inclusive of allowable delays) due to force majeure events such as adverse weather or other acts of God, the Group's customers may rescind their shipbuilding or shiprepair contracts with the Group while work is in progress.

If a contract is rescinded, the Group is typically required to refund all of the progress payments already made by the customer and the Group retains the progress work/vessel which it has to sell in the open market or retain for its shipchartering business. In such circumstances, the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

The Group faces the risk of unreliability of work performed by subcontractors and/or materials and equipment delivered by suppliers.

In the Group's shipyard business, the Group is dependent on the timely delivery of materials and equipment such as steel, pumps, propellers and engines by suppliers. The Group outsources jobs such as fabrication work, blasting, painting, electrical and piping work to subcontractors.

The Group may face the risk of its suppliers not being able to deliver on time and/or non-delivery of materials and equipment. If the Group is unable to source these materials and equipment from alternative suppliers on a timely basis, the Group's production will be delayed, thereby affecting delivery of the end-product/service to the Group's customers.

In addition, if the Group's subcontractors default on their contractual obligations and work specifications, the Group's ability to deliver the end-product/service to its customers in accordance with quality and/or timing specifications may be compromised. Furthermore, if the Group is unable to maintain its business relationships with the Group's subcontractors at competitive rates, the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

The Group is exposed to payment delays and/or default by customers.

The Group is exposed to payment delays and/or default by its customers. There is no guarantee on the timelines of the Group's customers' payments and whether they will be able to fulfill their payment obligations. Any inability of the Group's customers to settle or settle promptly such amounts due to the Group for work done and/or services rendered may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group faces the risk of insufficient insurance coverage in the event of a loss of vessels or parts of vessels that it owns or repairs.

The Group is insured against loss of or damage to vessels that the Group owns or repairs. However, if such loss or damage exceeds the insurance coverage or is not covered by the insurance policies it has taken up, the Group may be liable for the amounts claimed or the excess amount not covered by its insurance policies. The Group typically limits liability to its customers to the amount covered in the applicable insurance policy.

For the Group's shipchartering operations, the Group occasionally hires vessels from other owners. Such vessels are typically insured by the owners. However, in the event that such loss or damage exceeds the insurance coverage or is not adequately covered by the insurance policies taken up, the Group may be liable to cover the amounts claimed.

Furthermore, events such as wars or terrorist attacks may result in substantial increases in the Group's insurance premiums, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group's business is affected by the inherent risks associated with marine operations.

The operations of the Group's vessels are exposed to inherent risks of marine disasters such as oil spills, damage to and/or loss of vessels and cargo sustained in collisions, property loss, interruptions to operations caused by adverse weather conditions and mechanical failures.

In the event of an oil spill, the Group may incur liability for containment, clean-up and salvage costs and other damages that may arise as a result. The Group may also be liable for damages sustained in collisions and wreck removal charges arising from the operations of its vessels.

The Group's vessels may be involved in accidents, resulting in damage to or loss of vessels, equipment or cargo for which the Group may be exposed to claims from third parties. Any of such events will result in a reduction in turnover or increased costs. Further, although the Group's protection and indemnity insurance insures it against the risks of oil spills, damage to and/or loss of vessels as well as equipment and offshore structures which are carried onboard its vessels sustained in collisions, there can be no assurance that all risks can be adequately insured against or that any insured sum will be paid. Any damages or losses in excess of the insurance coverage may require Group to make material compensation payments, which would materially and adversely affect the Group's business, financial condition, results of operations and prospects.

The Group's business is exposed to potential liability arising from any damage, injury or death resulting from accidents or other causes.

Due to the nature of its operations, the Group may be subject to the risk of accidents occurring either to its employees or to third parties who may be involved in accidents while on its premises or vessels. These accidents may occur as a result of fire, explosions or other incidents which may result in injury to persons, death or damage to property or vessels. The Group may be liable, whether contractually or under the law, for any or all of such loss or damage or injury to or loss of life. In addition, it may be liable for substantial fines and penalties imposed by the authorities of the relevant jurisdictions. Any of such events will disrupt the Group's business and lead to a reduction in revenue and profits and to increased costs of operations. The Group customarily obtains insurance for hull and machinery, war risk, protection and indemnity and mortgagee interest for its assets, which typically cover, inter alia, the hull value and/or acquisition cost of these assets. In the event of an accident that is not covered by its insurance policies or the claims of which are in excess of its insurance coverage or are contested by the insurance companies, the Group's business, financial condition, results of operations and prospects will be adversely affected.

The Group may be unable to source for sufficient skilled personnel.

The recruitment and retention of qualified, skilled and experienced personnel is critical to achieving the Group's strategic objectives. The Group's shipyard operations require skilled personnel such as engineers, fitters, welders, mechanics, electricians and heavy equipment operators who are willing to work additional shifts and/or on weekends if necessary.

If the Group is unable to source for sufficient skilled personnel to meet the customers' orders, or is required to pay substantially higher salaries to procure such skilled personnel, the Group's business, financial condition, results of operations and prospects could be materially and adversely affected.

The Group is dependent on skilled foreign workers.

The Group's business relies on skilled foreign workers. Some of these foreign workers are contracted to work directly for the Group and with some co-sharing with its sub-contractors. If there is a disruption in the supply of workers, whether by reason of regulatory changes, or health quarantine imposed as a result of disease outbreaks or otherwise, the Group may have to seek alternate sources of skilled labour, which may result in higher costs for the Group. If the Group is not successful in obtaining alternate supply of labour, its operations may be disrupted and its business, financial condition, results of operations and prospects may be materially and adversely affected.

The Group's vessels are susceptible to natural disasters.

The Group's vessels are subject to weather and environmental conditions. Adverse changes in weather and environmental conditions, such as the occurrence of typhoons, tsunami and earthquakes in the areas where the Group operates may cause damage to its vessels.

Damage to the Group's vessels caused by natural disasters will result in downtime of its vessels as its vessels will have to be sent for extensive servicing or repairs instead of being utilised for its operations. The Group's operations may experience disruption if there is a significant downtime in any of its vessels when it is operating at or close to maximum capacity. This may have a material and adverse effect on its business, financial condition, results of operations and prospects.

Maritime claimants could arrest the Group's vessels, which could interrupt its cash flow and cause a material adverse effect on its business, financial condition, results of operations and prospects.

The Group's vessels are chartered by customers operating in various countries and are governed by the applicable laws of these jurisdictions. Crew members, suppliers of goods and services to a vessel, shippers of cargo and other parties may be entitled to maritime liens against that vessel (and, in some jurisdictions, any associated 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. This would apply even if vessels in the Group's fleet of vessels are chartered out (whether on a bareboat charter basis or otherwise). The arrest or attachment of one or more of the Group's vessels could result in the Group paying a substantial sum of money to have the arrest lifted if the lessee of the relevant vessel does not do so. In this respect, unless the Group takes timely actions to intervene in these proceedings, the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

Due to the capital intensive nature of the Group's business, the Group may incur substantial capital expenditures in order to expand its fleet and maintain its vessels, and the Group may experience limited availability of funds and/or face difficulties financing these capital expenditures.

The Group's business is capital intensive in nature and the Group may require additional financing for the funding of working capital requirements, the reprofiling of existing debt obligations or for the expansion and development of the Group's business or for the modification of its existing fleet in order to maximise the utilisation rate. Capital expenditures are also required in order to maintain the operational quality of the Group's vessels. These expenditures increase with the age of the vessels and include costs of repairs, surveys, drydocking vessels and modifying vessels in order to maintain or increase the operating capacity of the fleet of the Group.

The Group's vessels are drydocked periodically for repairs and maintenance. Vessels may also need to be drydocked in the event of accidents or other unforeseen damage. The capital expenditures of the Group for repairs and maintenance may increase as a result of a variety of factors, including:–

- increases in the cost of labour, materials and spare parts;
- changes in customer requirements;
- increase in the size of the fleet of the Group;
- cost of replacement vessels;
- changes in technical developments for chartered vessels;
- defects and deficiencies of the Group's vessels;
- changes in governmental regulations and maritime self-regulatory organisation standards relating to safety, security or the environment; and
- changes in the quality of competitor vessels.

Such increases in capital expenditures for repairs and maintenance may reduce the repairs and maintenance work which the Group can afford to carry out on the vessel which may, in turn, restrict the types of operations which the Group's vessels may carry out. There can be no assurance that the Group's vessels will not require extensive repairs, which would result in significant expense and extended periods of downtime, or that the Group would have sufficient funds or working capital to finance the necessary repairs. In addition, given such capital expenditures, the Group cannot guarantee that, as its vessels age, the Group will be able to operate its vessels profitably during the remainder of their useful lives. Should the Group choose to sell certain vessels, the Group cannot be certain that the price at which such vessels are sold will not be less than their book value.

There is no assurance that the Group would be able to procure such future financing as may be required, either on a short term or long term basis, or that the Group would be able to obtain subsequent financing on terms that are as attractive as its previous financing, or at all. In addition, the terms of any other indebtedness incurred by the Group may restrict its ability to incur additional debt. Factors that could affect the Group's ability to procure financing include market disruption, interest rates and availability of funding sources. Failure to obtain financing on a timely basis, or at all, may cause the Group to forfeit or forgo various business opportunities, which in turn will limit its expansion and growth and consequently affect the Group's ability to compete in its industry, hence adversely affecting the Group's business, financial condition, results of operations and prospects. Failure to obtain financing on attractive terms may result in increased financing costs and may materially and adversely affect the Group's business, financial condition, results of operations and prospects.

The Group's charter contracts may be terminated upon the occurrence of certain events and the Group may not be able to re-deploy the vessels under the terminated charter contracts promptly, if at all, and/or on terms that are as attractive as the previous charter contracts.

The Group's charter contracts are for varying periods of time and may be for up to 15 years. Such charter contracts may however be terminated upon the occurrence of certain events, such as non-performance by the Group, events of force majeure, loss or seizure of the vessel, unavailability of the vessel due to various reasons such as confiscation or requisition by the government of the state under which the vessel is registered, or upon notice of termination being given by the charterer in accordance with the relevant charter contract. Further, the charter rates payable under the charter contracts may be reduced or suspended due to various reasons such as work stoppage by the officers or crew members of the vessel, breakdown of machinery, breakdown of hull or other accidents to the vessel or any other reasons which render the vessel unavailable for deployment for specified periods of time.

The termination of existing charter contracts or reduction/suspension of contracted charter rates will reduce the Group's revenue and have an adverse effect on the Group's business, financial condition, results of operations and prospects. The Group's business, financial condition, results of operations and prospects would also be materially and adversely affected if it is not able to re-deploy its vessels for a period of time, if at all, upon termination of existing charter contracts, if there are protracted negotiations over the terms of the charter contracts, or if the charter contracts are renewed on less favourable terms.

The Group's business may be affected by disputes with its joint venture partners.

In the course of the Group's business, the Group has collaborated and intends to continue to collaborate with joint venture partners for various projects (whether on an ad hoc or recurring basis), such collaborations being entered into and formalised by way of written contracts. From time to time, disputes may arise between the Group and its joint venture partners for various reasons, including disputes over project, material and/or contract specifications. In the event disputes between the Group and any of its joint venture partners arise and such disputes cannot be satisfactorily and amicably resolved, the Group may be the subject of legal or arbitration proceedings and the Group would be required to incur costs in defending such actions. The Group would also be unable to continue its collaborations with such joint venture partner which in turn may affect the Group's business, financial condition, results of operations and prospects.

The Group's business may be affected by infectious communicable diseases.

Typically, the crew whom the Group hires to operate its vessels in the course of providing offshore marine support services are engaged on a contractual basis and may have travelled or worked in other areas prior to deployment upon the Group's vessels. If any one of these crew members is suspected to have contracted or contracts infectious communicable diseases, the entire crew on the relevant vessel may have to be quarantined for an indeterminate period. This will disrupt the operations of the relevant vessel, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. In addition, the onshore staff may also be affected by such infectious communicable diseases, which may result in a disruption to the Group's business.

The Group's business depends on adequate insurance coverage.

The Directors have observed that recent years have witnessed heightened security threats in the countries and regions where the customers of the Group's business operate. Any deterioration of the security conditions in the countries or regions where the Group's customers operate may lead to withdrawal by insurers from providing insurance coverage, which in turn may lead to the Group and/or the Group's customers being unable to secure adequate insurance coverage. An inability to secure adequate insurance coverage for the Group's vessels by the Group and/or the Group's customers may result in the Group being unable to charter out its vessels, disrupting the Group's business and adversely affecting the Group's business, financial condition, results of operations and prospects.

For all workers hired by the Group's subcontractors, the subcontractors are required to provide insurance coverage for such workers. Such insurance coverage is limited to the number of workers deployed in the Group's yards. In addition, the Group's subcontractors are required to include the Group as co-insured. However, a subcontractor may fail and/or neglect to provide such insurance and the Group may be exposed to liabilities for accidents occurring to workers hired by its subcontractors.

The Group's business will be dependent on key personnel for its operations and profitability.

The success of the business will be dependent on the commitment of its key management personnel comprising the Issuer's Chairman, Managing Director and Chief Executive Officer, Mr Ang Kok Tian, the Issuer's Deputy Managing Director, Mr Ang Ah Nui, the Issuer's executive director, Mr Ang Kok Leong, and the executive director of various subsidiaries, Mr Ang Kok Eng, and key executives, namely, the General Manager (Shipchartering), Capt. Tay Kes Siong, and the Group Financial Controller, Ms Koh Kai Kheng Irene, and the Group's ability to identify, recruit, train and retain qualified employees for technical, marketing and managerial positions. The competition for such employees is likely to be intense, and the loss of the services of one or more of these individuals without adequate replacements or the inability to attract new qualified personnel at a reasonable cost would have a material adverse effect on the Group's business, financial condition, results of operations and prospects. There is no assurance that the Group will be able to retain its key management personnel. The loss of the Group's key management personnel without suitable and timely replacements may have an adverse impact on the Group's business, financial condition, results of operations and prospects.

The Group is exposed to credit risks and risks arising from credit terms extended to its customers.

The Group's business will be exposed to payment delays and/or defaults by customers who are granted credit terms. Generally, the charter fees under the Group's current charter contracts are payable with credit terms of between 30 and 90 days. The Group's business is exposed to credit risks due to the inherent uncertainties in the customers' business environment. Such risks include political, social, legal, economic and foreign exchange risks, as well as those arising from unforeseen events or circumstances. There is hence no guarantee on the timeliness of the customers' payments or whether they will be able to fulfill their payment obligations. Any inability on the part of the Group's customers to promptly settle the amounts due to the Group for work done and/or services rendered may have a material and adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group is subject to various international conventions governing the shipping industry.

The Group is subject to various conventions under the International Maritime Organisation ("**IMO**"). Compliance with such conventions adds to the Group's cost of operations. From time to time, the IMO may adopt new conventions which the Group's vessels need to comply with. If such conventions become more stringent in the future and/or additional compliance procedures are introduced, the Group's cost of operations may increase. If the Group is unable to comply with such conventions, the Group may not be allowed to operate its vessels, which would materially and adversely affect the Group's business, financial condition, results of operations and prospects.

The Group is subject to appraisal and certification standards issued by independent certification authorities.

Pursuant to the International Safety Management Code (the "**ISM Code**"), companies which have complied with the requirements of the ISM Code are issued with a document of compliance by the relevant government authorities of the jurisdictions in which their vessels are registered. The Group's vessels are also subject to assessment by independent certification organisations for compliance with the requirements of international conventions for the prevention of pollution from ships.

The relevant authorities and certification organisations have the right to conduct inspections of the Group's vessels to ensure that the Group continues to comply with the relevant standards. Any material failure to comply with the standards or any changes in the standards which are implemented from time to time may cause the Group's certifications to be withdrawn. The Group's chartering customers typically require the vessels which the Group provides to bear certain certifications. If the certifications are withdrawn, the Group would not be able to meet the requirements of its customers, which would materially and adversely affect the Group's business, financial condition, results of operations and prospects.

The Group is subject to the laws and regulations of the jurisdictions in which its vessels are registered and the countries in which its vessels operate.

Some of the Group's vessels are registered outside Singapore. Some of the jurisdictions in which the Group's vessels are registered and some of the countries in which the Group's vessels operate have laws and regulations which the Group is required to comply with and may require the Group to apply for licences or operate under laws and regulations that may impose onerous conditions on the conduct of its operations.

If the Group is unable to comply with the relevant laws and regulations, its vessels may not be allowed to operate and the Group's business would be adversely affected. The need to comply with new laws and regulations introduced by the jurisdictions in which the vessels are registered may increase its cost of operations, which could have a material and adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group currently enjoys tax incentives that it may not enjoy in the future.

Batam is currently classified as a bonded zone by the Indonesian government with exemptions from customs duties, import and export taxes and value-added tax. The Issuer's subsidiary operating in Batam, PT ASL Shipyard Indonesia, enjoys such exemption benefits. If the tax incentive exemption for companies operating within the Batam bonded zone is changed or revoked, the Group may be subject to such taxes in respect of its operations in Batam.

Pursuant to Section 13A of the ITA, income derived by Singapore incorporated companies from the operation (including charter) of Singapore registered ships outside the limits of the ports of Singapore is exempted from income tax in Singapore, so long as the income is derived from overseas operations (except for overseas income derived from bareboat charters of non-propelled foreign-flagged barges). The exemption also applies to income derived from the carriage in international waters of passengers, mails, livestock or goods and includes income derived from the charter of the vessel.

The Group's shipping subsidiaries in Indonesia are subject to a lower rate of income tax for shipping income derived from Indonesia-registered vessels. There are also available tax allowances given to the Group that allows the Group to enjoy a rate of tax that is lower than the Singapore corporate tax rate.

Any changes to the current tax and/or other investment incentives, rules and regulations pertaining to the taxation of companies in areas which the Group operates in may affect the tax payable by the Group and may have a material and adverse effect on its business, financial condition, results of operations and prospects.

The Group faces risks associated with the uncertain nature of the political, regulatory and economic outlook for investors and business in Indonesia.

The Group owns and operates shipyards in Batam, Indonesia to take advantage primarily of the strategic location, tax incentives, and generally lower labour and other operating costs as well as land and infrastructure costs as compared to Singapore. While Indonesia has opened up its economy to foreign investors and companies, the political, regulatory and economic outlook for investors and businesses in Indonesia is uncertain.

Political upheavals, internal strife, civil commotions, terrorist attacks, natural disasters, insurgency movements, and governmental policies affect the performance of the Group's businesses in Indonesia. The Group's vessels may also be subject to seizure and arrest as a result of political and social conditions, or arising from government actions against the Group or its customers. An economic decline in Indonesia or any of such events may have a material and adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group is subject to various international and local environmental protection laws and regulations.

The Group's vessels and its operations are subject to various international and local environmental protection laws and regulations in the jurisdictions in which it operates. Such laws and regulations are becoming increasingly complex and stringent and compliance may become increasingly difficult and costly.

Some of these laws and regulations may expose the Group to liability for the conduct of or conditions caused by others, or for the Group's acts, even if such acts had complied with all applicable laws at the time of performance, and the Group may be required to pay significant fines and penalties for noncompliance. Some environmental laws impose joint and several "strict liability" for cleaning up spills and releases of oil and hazardous substances, regardless of whether the Group was negligent or at fault.

Environmental protection laws and regulations may also have the effect of curtailing offshore exploration, development and production activities by the Group's customers. This would reduce the demand for the Group's services, which would have a material and adverse effect on the Group's business, financial condition, results of operations and prospects.

4 Risks Relating to the Warrants and the Shares

The Noteholders as at the date of the Meeting may not be the persons who receive the Warrants on the Warrants Date.

Notwithstanding that certain Noteholders may have voted in favour of the relevant Extraordinary Resolutions at the relevant Meeting, these Noteholders may not be the persons who will receive the Warrants on the Warrants Date. If both the Series 006 Extraordinary Resolution and the Series 007 Extraordinary Resolution are passed, subject to shareholder and SGX-ST approval being obtained, the record date for the issuance of the Warrants to the Noteholders will be the same record date as that for the issuance of the Warrants to the Shareholders. The Issuer expects the Shareholders' Meeting to be held in the fourth quarter of the financial year ending 30 June 2019, and will provide updates by way of announcement on the SGXNET from time to time. If a Noteholder who voted at the Meeting transfers Notes and is no longer a Noteholder on such record date, such person will no longer be entitled to receive Warrants on the Warrants Date. Such Warrants will be issued to the transferee Noteholder as at the record date.

The Issuer's ability to issue the Warrants to the relevant Noteholders is dependent on the passing of the Shareholders' Resolution(s) and the approval of the SGX-ST.

The Issuer's ability to issue the Warrants to the relevant Noteholders of such Series of Notes for which the Extraordinary Resolution is passed is subject to the Shareholders' Resolution(s) having been passed and the SGX-ST having granted its approval. There can be no assurance that the Issuer's Shareholders will pass the Shareholders' Resolution(s) or that the SGX-ST will grant its approval. If the Shareholders' Resolution(s) are not passed, the issuance of Warrants will not take place notwithstanding the passing of such Extraordinary Resolution by the Noteholders of such Series of Notes. It will be an Event of Default under the proposed amended Conditions if the Warrants are not issued by 31 July 2019.

Holders of the Warrants will bear the risk of fluctuations in the price of Shares.

The market price of the Warrants at any time will be affected by 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. Any decline in the price of Shares would adversely affect the secondary market price of the Warrants.

Holders of the Warrants will have no rights as holders of Shares until the Warrants are exercised and the Shares issued.

Unless the holders exercise the Warrants, and until such Shares are registered in their names, the holders of the Warrants will have no rights with respect to Shares, including any voting rights or rights to receive any regular dividends or other distributions with respect to the Shares. If the Warrants are exercised, holders will be entitled to exercise the rights of holders of Shares only as to actions for which the applicable record date occurs after the exercise date of the Warrants.

Holders exercising the Warrants may experience substantive dilution in the future and the sale or possible sale of a substantial number of Shares in the public market could adversely affect the price of the Shares.

If the Extraordinary Resolution for both the Series 006 Notes and Series 007 Notes are passed, and if the Shareholders' Resolution(s) are passed and SGX-ST approval is granted, Noteholders will hold 24.1 per cent. and existing Shareholders will hold 75.9 per cent. of the total enlarged share capital of the Issuer, based on the existing share capital of the Issuer as of the Latest Practicable Date and assuming all of the 615.2 million Warrants are exercised in full.

In addition, the sale of a significant number of the Issuer's Shares in the public market after the completion of the Reprofiling, 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 the Issuer 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. For more information on the Issuer's strategy, see "*Appendix D – Company Information Memorandum – Business Outlook, Strategy and Future Plans – Strategy and Future Plans*".

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.

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 accumulated losses in its standalone balance sheet as of 30 June 2018 and 30 September 2018 and the Issuer expects to record accumulated losses in its standalone balance sheet as of 31 December 2018.

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

The Warrants may have no established trading market when issued, and one may never develop. The Warrants will initially not be (and may never be), listed on any stock or securities exchange. Accordingly, it may be difficult for holders of Warrants to sell their Warrants.

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, including (but not limited to) failure to comply with the criteria for removal of a listed company from the SGX-ST watch-list following the entry onto the SGX-ST watch-list as a result of (a) the incurrence of pre-tax losses for three consecutive financial years or (b) recording a volume-weighted average price of less than S$0.20 per Share, in both cases where the Issuer's average daily market capitalisation was less than S$40 million over the last six months. 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 market 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 marine services sector;
- 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 marine services sector;
- 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. 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 the 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 SFA (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 per cent. 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 per cent. and 50 per cent. (both inclusive) of the voting rights in the Issuer, either individually or in concert, acquires an additional 1 per cent. 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.

THE PROPOSAL

1. Background to the Proposal

General

The Group is a vertically integrated marine services group primarily engaged in shipbuilding, shiprepair and conversion, shipchartering and engineering and other marine related services, catering to customers mainly from Asia Pacific, South Asia, Europe, Australia and the Middle East.

The Group's business and operations are sensitive to global economic conditions, in particular, to developments in the general marine sector and, to a lesser extent, to the cyclical and seasonal nature of the industry. Since the end of 2014, oil prices have been volatile amidst difficult market conditions in both the oil and gas and marine sectors. This has led to a decrease in revenues and operating margins across the Group's various business divisions.

In 2016 and 2017, the Group took a number of steps to mitigate the impact of the business downturn and obtained a five-year club term loan facility amount to S$99.9 million. As part of the conditions for the drawdown of the loan, the Issuer undertook a consent solicitation exercise in January 2017 to obtain the approval of Noteholders for various amendments to the Notes, including the extension of the maturity dates of the Notes.

While the marine services sector seemed to have stabilised since then, it has yet to recover. As a result, the Group was unable to achieve the target business volume and cashflows that were used as the basis for the proposed terms in the January 2017 consent solicitation exercise. The table below shows the Group's revenues, broken down by principal business segments for the periods indicated.

Revenues	**FY2016 (in S$'000)**	**FY2017 (in S$'000)**	**FY2018 (in S$'000)**
Shipbuilding	189,174	143,450	54,911
Shiprepair	61,716	72,731	93,771
Shipchartering	85,956	104,270	118,650
Engineering and others	27,593	21,810	13,125
Total	**364,439**	**342,261**	**280,457**

The cascading effect of the struggles of companies within the industry also led to a credit squeeze, resulting in tightened credit terms and the non-renewal of some of the Group's bank facilities. In addition, some customers had difficulties making payments to the Group, resulting in decreased collections. The Group made provisions for doubtful debts amounting to a total of S$25.0 million during the last three financial years.

The impact of the downturn was magnified by the cancellation of orders of three OSVs and three PSVs shipbuilding projects. These cancelled orders resulted in a total cash outflow of S$199 million.

The combination of the above factors led to the decreased cash flow for the Group.

Shipbuilding

There was a significant decrease in the volume of the shipbuilding business. The revenue from shipbuilding decreased from S$189.2 million in FY2016 to S$143.5 million in FY2017 and to S$54.9 million in FY2018, primarily due to the continued weak market conditions resulting in overcapacity in the supply of OSVs, weak charter rates and low demand for new OSVs.

Whilst the Group has strong capability and track record in building non-OSV vessels such as tugs and barges, which are mainly built for use in port operations and transportation, the market for such vessels remains very competitive, affecting the Group's margin within the shipbuilding segment. The Issuer expects revenues in the shipbuilding segment to remain stagnant for the next few years.

Shiprepair and conversion

Following the weak market for new ship building in recent years, the Group saw an increase in demand for ship repair and conversion of older vessels.

The growth outlook for this segment is positive given the demand for mandatory repair and docking of vessels and the need for conversion of scrubber systems required by the IMO and Singapore Maritime Port Authority ("**MPA**").

Singapore's MPA has banned the use of open-loop scrubbers for vessels operating in Singapore's waters with effect from 1 January 2020. Open-loop scrubbers use seawater to "wash" sulphur from the exhaust gases and this washwater is then discharged back into the sea whereas closed-loop systems keep the washwater onboard for discharge at a suitable facility.

In order to prepare Singapore for the new IMO rules which will come into force in 2020, MPA requires all vessels fitted with hybrid scrubbers to switch to the closed-loop mode of operation by 2020. The Group expects an increase in demand for the conversion of scrubber system by vessel owners in the near term as they prepare their vessels to meet the MPA requirement.

Shipchartering

The Group is one of the largest owner-operators of tugs and barges in Southeast Asia and is able to provide marine equipment for projects in the infrastructure and transportation sectors.

The Group's vessels were deployed in infrastructure projects in Bangladesh, Indonesia, Malaysia and Singapore in FY2018. Major infrastructure projects in Singapore (including the Tuas Mega Port) and infrastructure projects around the region are expected to increase demand for tugs and barges.

Infrastructure spending in select parts within the Asian region is expected to increase further, as China implements the Belt and Road initiative in various participating countries. The Group also expects the urbanisation process in emerging markets such as Philippines and Indonesia to boost spending for vital infrastructure, including those involving water, power, and transportation. These represent mid-long term opportunities for the Group.

Engineering

The engineering segment is in the business of:

- designing and management of construction of large custom-built or standard dredgers;
- making and supplying of a wide range of specialised dredging components; and
- ownership of several important patents.

The segment has similarly been affected by the downturn in the shipbuilding industry, with no clear visibility on its recovery.

Support Sought from All Stakeholders

The table below shows the Group's EBITDA for the periods indicated.

EBITDA[(1)]	FY2016 (in S$'000)	FY2017 (in S$'000)	FY2018 (in S$'000)
Profit before Tax	**520**	**(71,273)**	**(68,276)**
Less: Interest income	(823)	(824)	(872)
Add: Interest expense	19,126	19,333	22,711
Add: Depreciation and Amortisation	57,745	65,139	64,390
Add: Share of loss of joint ventures and associates	3,253	5,795	3,823
Add: Provision for doubtful debt	3,988	18,437	2,547
Add: Impairments	3,934	35,853	50,059
Add: Write-offs and any other non-cashflow items	53	1	797
EBITDA (Normalised)[(1)]	**87,796**	**72,461**	**75,179**
Less: Other operating income	(4,709)	(4,373)	(14,684)
Adjusted Core EBITDA Amount[(1)]	**83,087**	**68,088**	**60,495**

(1) The EBITDA figures presented in the table above are supplemental measures of the Group's performance and liquidity that are not required by, or presented in accordance with SFRS(I). EBITDA (Normalised) and Adjusted Core EBITDA Amount are not standard measurements of financial performance or liquidity under SFRS(I) and should not be considered as an alternative to profit for the year, profit before tax or any other performance measure derived in accordance with SFRS(I), or as an alternative to cash flow from operating activities.

In addition, EBITDA (Normalised) and Adjusted Core EBITDA Amount are not standardised terms, hence a direct comparison between companies using such a term may not be possible. As a measure of operating performance, we believe that the most directly comparable measure to EBITDA (Normalised) and Adjusted Core EBITDA Amount is profit before tax.

EBITDA (Normalised) and Adjusted Core EBITDA Amount have limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, the Group's financial condition or results of operations as reported under SFRS(I). Because of these limitations, EBITDA (Normalised) and Adjusted Core EBITDA Amount should not be considered as a measure of discretionary cash available to the Group to invest in the growth of its businesses.

Due to the cash flow crunch the Group faces as a result of the cascading effects of the downturn in the marine sector, the Group needs time to generate sufficient EBITDA to pare down its loans and restore its balance sheet and financial stability.

The Group therefore reached out to all stakeholders for their support in the following manner:

Controlling Shareholders

- Interest-free loan of S$5 million has been advanced;
- Willing to extend an additional S$5 million of standby line of credit;
- Potential dilution to percentage shareholding from 67.2% to 50.8% arising from the exercise of proposed Warrants to Noteholders and Shareholders; and

- Base salary reduction of approximately 50% to fund additional 0.5% per annum of the Base Interest Rate to Noteholders.

Principal Lenders

- Reprofile tenor of loans (10 years profile over eight years repayment) to match the operating cash flows of the Group; and

- Extend a project financing and trade line of up to S$150 million.

Noteholders

- Extend maturity by five years from current maturity;

- Decrease principal sum amortisation to 1% per annum;

- Reduce base interest rate of the Notes to 2.5% + 0.5% per annum; and

- Proposed additional interest and mandatory redemption based on EBITDA (excluding other operating income) above S$65 million.

In addition to the above, the Group is also seeking consent from the banks and the Noteholders to lift and/or amend certain financial covenants.

Warrants

The Issuer also proposed to issue Warrants as partial compensation to the Noteholders for the reduction in interest rate and to allow Noteholders to participate in the recovery of the Group, subject to the passing of the Shareholders' Resolution(s) and approval from the SGX-ST.

To boost liquidity of the Warrants and to provide the Issuer's shareholders further opportunity to fund the Group, the Issuer will also issue to its shareholders one Warrant for every two Shares held.

If all of the proposed Warrants to the Noteholders and Shareholders are exercised at the proposed exercise price of S$0.06 per Warrant, the total amount raised would be as follows:

% of Warrants Exercised	**20%**	**40%**	**60%**	**80%**	**100%**
Proceeds from Noteholders exercise of Warrants (S$ in millions)	3.61	7.22	10.82	14.43	18.04
Proceeds from Shareholders exercise of Warrants (S$ in millions)	3.78	7.55	11.33	15.10	18.88
Gross Proceeds from Warrants exercise (S$ in millions)	**7.39**	**14.77**	**22.15**	**29.53**	**36.92**

The proceeds from the exercise of the Warrants is expected to help provide additional funds for the Issuer to further improve its financial health and be in a better position to benefit from the upturn in the industry.

See "*Summary of the Terms and Conditions of the Warrants*" for more information on the terms and conditions of the Warrants.

Appendix D

Company Information Memorandum

Overview

The Group started operations as a trader of scrap steel material in 1974 and subsequently rode on the 1980s construction sector boom by undertaking building construction works. The Group undertook ship-breaking activities in 1986 before venturing into shipbuilding and shiprepair – where it constructed its first barge and tug in 1988 and 1990, respectively. In 1989, the Group extended its capabilities by providing charter of tugs and barges and other marine logistics services.

The Group is a vertically integrated marine services group primarily engaged in shipbuilding, shiprepair and conversion, shipchartering, dredge engineering and other marine related services to a broad base of customers (i.e. mainly from Asia Pacific, South Asia, Europe, Australia and the Middle East). The Group was listed on the Main Board of the SGX-ST ("**Main Board**") on 17 March 2003. The registered office of the Group is 19 Pandan Road Singapore 609271.

The description below provides a brief overview of the principal activities engaged by the Group.

1) Shipbuilding

The Group has a proven track record of building specialised and niche vessels ranging from dredgers, tugs, barges and tankers for customers globally. Headquartered in Singapore, the Group currently owns and operates a total of five shipyards, with three in Batam, Indonesia and one each in Singapore and Guangdong, People's Republic of China ("**PRC**"), on a combined land area of approximately 85 hectares. The Issuer ceased operations at the Guangdong shipyard since May 2017.

2) Shiprepair and Conversion

The Group provides a comprehensive range of repair and conversion services, primarily in its yards at Indonesia (Batam). The Indonesia (Batam) yard is situated on a fully developed land parcel of 46 hectares, with berthing space of 4,000 metres, three graving docks (of combined dry-docking capacity of more than 300,000 tonne deadweight), finger piers, multi-purpose workshops and a wide range of material handling and processing equipment.

The Group has successfully completed some milestone projects in the past such as the conversion of crude oil tanker into a Floating Storage and Offloading unit ("**FSO**"), the conversion of single hull to double hull oil tanker and the conversion of a steel crane barge to stone dumping barge. The Group's customers are mainly from Singapore, Indonesia, Australia and Europe. Approximately 43% of the customers are the Group's repeat customers that have had business relationships with the Group for a few years.

3) Shipchartering

The Group owns and operates a fleet of vessels consisting mainly of towing tugs, cargo barges, crane barges, split hopper barges, workboats, grab dredgers, landing crafts, tankers, Anchor Handling Tugs ("**AHTs**") and Anchor Handling Towing and Supply Vessels ("**AHTSs**"). Majority of the vessels are deployed in Singapore and Asia Pacific regions such as Malaysia, Indonesia and Bangladesh.

As at 30 September 2018, the Group owns a fleet of 246 vessels. The Group has carved a niche in providing shipchartering services to various industries, including marine infrastructure and construction, dredging, land reclamation and cargoes transportation.

4) Engineering

The Group added an engineering segment to its business model after the acquisition of VOSTA LMG International B.V. ("**VOSTA LMG**") and its subsidiaries (the "**VOSTA LMG group**") in December 2012. The VOSTA LMG group is in the business of:

- designing and management of construction of large custom-built or standard dredgers;
- making and supplying of a wide range of specialised dredging components; and
- ownership of several important patents.

Segmental Breakdown

The segmental revenue contribution of the Group for FY2018 are as listed below:

Segments:	**Revenue (in S$'000)**	**% of Total Revenue**
Shipbuilding	54,911	19.6%
Shiprepair and Conversion	93,771	33.4%
Shipchartering	118,650	42.3%
Engineering	13,125	4.7%
Total	**280,457**	**100.0%**

The industry revenue contribution of the Group for FY2018 are as listed below:

Industry	**Revenue (in S$'000)**	**% of Total Revenue**
Infrastructure & Construction	147,741	52.7%
Transportation	70,239	25.0%
Offshore Oil & Gas Support	45,870	16.4%
Others	16,607	5.9%
Total	**280,457**	**100.0%**

Joint Ventures and Associate Companies

The Group holds interests in joint ventures and associate companies directly, through an associate or through a subsidiary.

The Group holds interests in the joint venture companies, Sindo-Econ Pte. Ltd. and PT. Sindomas Precas. As of 30 September 2018, the Issuer had 50% ownership control of each of the said joint venture companies. The principal activities of the joint ventures companies are as follows:–

Sindo-Econ Pte. Ltd.	:	Investment holding
PT. Sindomas Precas	:	Manufacture of reinforced concrete piles and precast components

The Group holds interests in the associate companies, Fastcoat Industries Pte. Ltd., PT. Fastcoat Industries, PT. Hafar Capitol Nusantara and PT. Capitol Nusantara Indonesia Tbk. As of 30 September 2018, the Issuer had 44.5%, 44.5%, 36.75% and 27% of ownership interest in the said associate companies respectively. The principal activities of the Issuer's associate companies are as follows:–

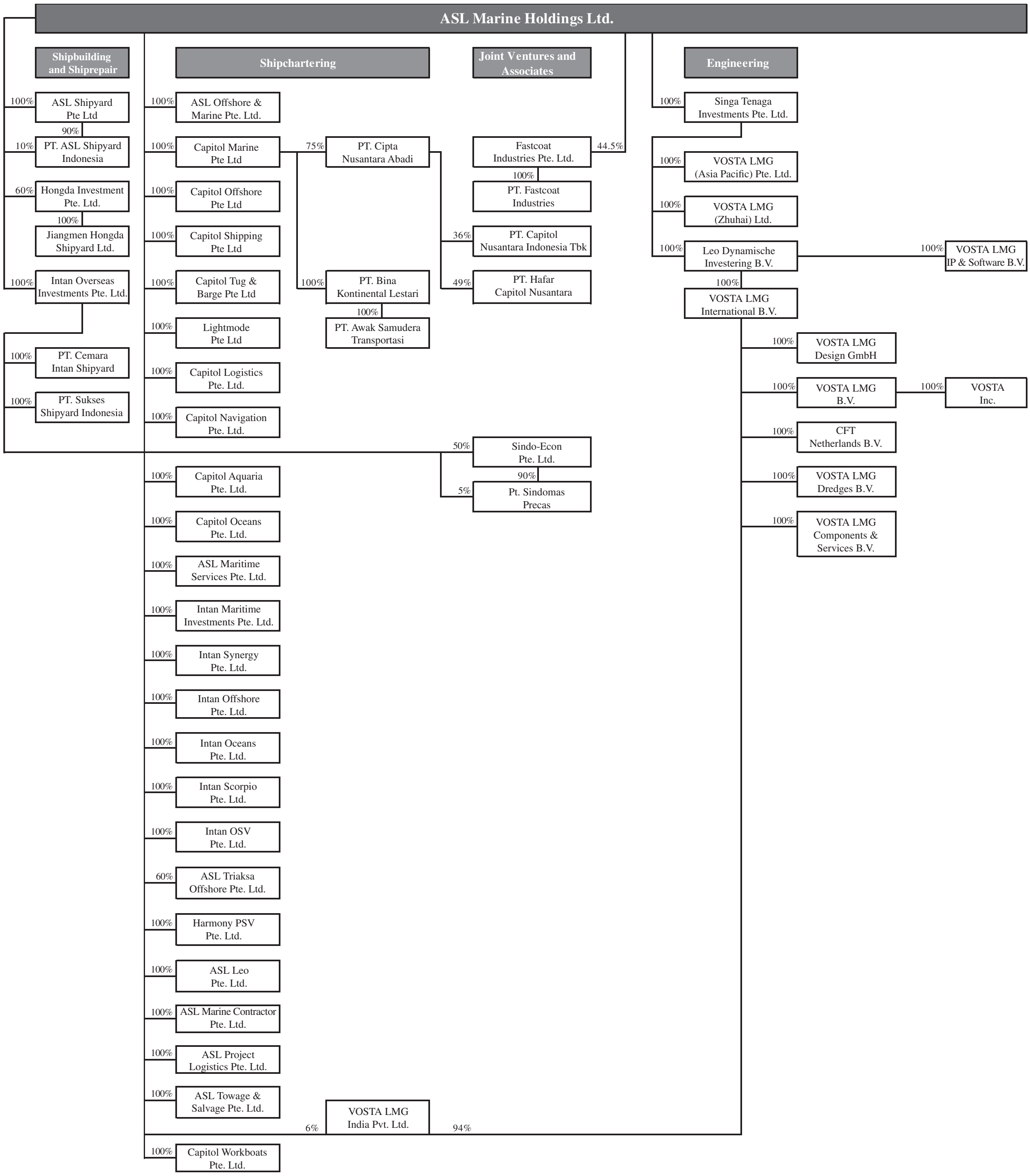
Fastcoat Industries Pte. Ltd.	:	Investment holding and metal galvanising, coating and protecting operations
PT. Fastcoat Industries	:	Metal galvanising, coating and protecting operations
PT. Hafar Capitol Nusantara	:	Chartering of vessels
PT. Capitol Nusantara Indonesia Tbk	:	Chartering of vessels and ship management

For more information on the Group's associate companies and joint ventures, please refer to Note 7 of the Issuer's audited consolidated financial statements for FY 2018, which is included in Appendix F to the Consent Solicitation Statement.

As at 30 June 2018, the Group has invested S$10.1 million in the associate companies and joint venture and the written down value of these investments is S$4.8 million. The Group is owed a total net amount of S$69.4 million by these associate companies and joint venture companies.

Corporate Structure

The chart below shows the Group's corporate structure as at the Latest Practicable Date.



Business Activities

The Group is principally engaged in the following businesses:–

- Shipbuilding
- Shiprepair and conversion
- Shipchartering
- Engineering

Shipbuilding and Shiprepair and Conversion

The Group is all-rounded in building and repairing all types of vessels, from emergency response and rescue vessels, dredgers, Azimuth stern drive tugs, barges, anchor handling tugs and supplies vessels, platform support vessels, to other commercial vessels such as tankers.

Shipbuilding and shiprepair and conversion projects are primarily carried out through the Group's shipyards. The Group's shipyard in Singapore occupies an area of approximately 37,219 sq m with a total berthing space of approximately 600 m. The Singapore shipyard currently has a capacity to accommodate up to 18 small standard size vessels, mainly tugs which can be dry-docked and afloat. It is capable of dry-docking up to around eight vessels at any one time whether undergoing repairs or under construction and has a berthing capacity of 10 vessels.

The shipyard in Indonesia (Batam) is located in a free trade zone with industrial areas designated specifically for shipyards and developed infrastructure such as roads, telecommunications, utilities and supporting services. The shipyard, with a deep naturally sheltered waterfront, occupies an area of approximately 350,000 sq m, has a total berthing space of approximately 1,500 m and can berth up to 12 vessels ranging from 100 m to 300 m in length at any one time. The Group's docking facilities at its Indonesia (Batam) shipyard include a graving dry-dock measuring 340 m by 60 m which can accommodate vessels up to 300,000 deadweight tonnage ("**dwt**") and two medium-sized graving dry-docks of 60,000 dwt and 20,000 dwt. The shipyard is self-contained and is capable of accommodating larger vessels such as Capesize bulk carriers, aframax tankers and container ships, OSVs, FSO vessels etc. The Group enjoys cost savings in land, labour and overheads in its Indonesia (Batam) shipyard and a large part of its shiprepair capacity is located there.

The Group had also undertaken shipbuilding operations at the PRC (Guangdong) shipyard from May 2007 to May 2017, where smaller and less sophisticated vessels were built. The Group ceased operations at the PRC (Guangdong) shipyard in May 2017.

The Group's established client network and track record in shipbuilding are backed by its strong expertise in project handling, time management and quality control. With a conscious effort to move away from the OSVs segment due to overcapacity and low demand, the Group focused on undertaking non-OSV shipbuilding contracts such as tugs and barges which are mainly built for use in port operations and transportation. It had delivered a total of four tugs and sixteen barges in FY2018 and built a diverse range of flagship vessels such as Diesel Electric Hybrid ASD Tug, eco-friendly Terminal Escort Tug, Rotor Tug, tanker, grab dredger and a variety of barges over the last 3 years. The vessels are built-to-order and the duration of most shipbuilding projects ranges from 10 to 30 months. Most of the vessels come with progressive payments received upon each stage of completion (milestones).

The Group is capable of undertaking a wide range of shiprepair and conversion works such as steel renewal, blasting and painting, mechanical repair, electrical and electronics works, retrofitting, ship-conversion and jumboisation, for all types of vessels including rigs, tankers, container vessels, bulk carriers, OSVs, dredging vessels, heavy lift vessels, pipe laying vessels, floating storage and offloading vessels and floating production and/or storage and offloading vessels ("**FPSO vessels**") of up to 340 m in length. The duration of most shiprepair and conversion projects is less than three months. However, depending on the requirements of customers, certain shiprepair and conversion contracts would extend beyond three months. The 300,000 dwt graving dry dock at its Indonesia (Batam) shipyard has enhanced the Group's capability to repair bigger size vessels and undertake more sophisticated shiprepair and conversion jobs. In 2010, the Group further improved its Indonesia (Batam) shipyard facilities with the addition of two graving dry-docks for servicing medium-sized vessels.

Besides providing third-party vessel owners with repair and maintenance services, the Group's repair facilities also service in-house vessels and provide a cost-efficient solution of maintaining and upkeeping the Group's growing fleet of vessels. Furthermore, undertaking both shipbuilding and shiprepair and conversion activities allows the Group to maximise the use of the Group's shipyard facilities and equipment.

Shipchartering

The Group is one of the largest owner-operator of tugs and barges in Southeast Asia and is able to manage large-scale projects with diverse vessels for the end-customers. The majority of the Group's vessels are deployed in Singapore and Asia Pacific countries such as Malaysia, Indonesia and Bangladesh.

As at 30 September 2018, the Group owns a fleet of 246 vessels which services customers from diverse industries, mainly those in marine infrastructure, dredging, land reclamation, marine construction works and cargoes transportation. The Group's fleet of vessels comprises mainly towing tugs, barges and other vessels.

The Group offers vessels on a variety of charter contracts including time/bareboat and lumpsum charters. The Group also offers services on a contract of affreightment basis, where the Group provides marine transportation and logistics services on a unit rate basis. The tenure for each type of contract ranges from spot charter, which may last from one to 30 days, to longer term charters of up to 15 years.

The Group's shipchartering revenue consists of mainly short-term and ad-hoc contracts. The following table summarises the number of the Group's operating vessels by type as at 30 September 2018.

	Type of Vessels	**Number of Units**
(a)	Towing Tugs	55
(b)	Barges	129
(c)	Split Hopper Barges	29
(d)	Workboats	11
(e)	Grab Dredgers	5
(f)	Landing Crafts	4
(g)	Chemical Tankers	2
(h)	AHT/AHTS	11
	Total	**246**

The utilisation rates for the Group's vessels vary according to the nature of their assignments. For FY2018, the average utilisation rate for the Group's vessels was 58%.

Engineering

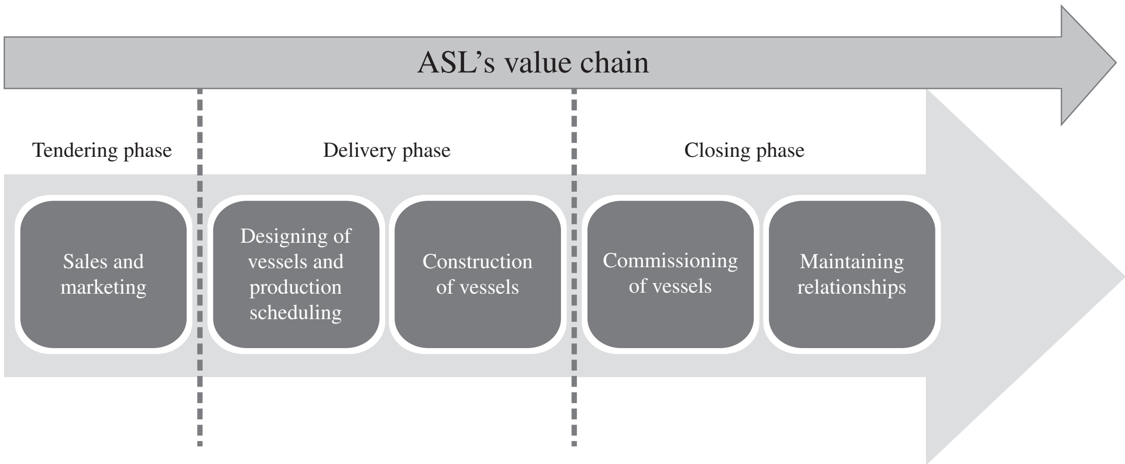
VOSTA LMG group designs and manages the construction of large custom-built or standard dredgers as well as makes and supplies a wide range of specialised dredging components, and owns several important patents.

In addition to engineering and contracting of custom-built and standard dredges, the product range includes cutting, suction, discharge, automation and coupling systems. Components such as cutter heads, underwater cutting wheels, dredge pumps, ball joints and automation packages complete the product line.

The VOSTA LMG group also assists in the preparation of tender documents and offers consulting services and feasibility studies to dredging contractors.

Operation Process

A brief description of the Group's operation process is set out below:



a) Sales and marketing

Sourcing for customers

The commercial team in the Group is responsible for generating sales for shipbuilding and ship repair services. The commercial team or the senior management may receive enquires from potential customers requesting for tenders for shipbuilding and ship repair services. Additionally, the commercial team also analyses publicly available data and trade records with existing customers to identify the vessels that require repair, preemptively approaching these customers/potential customers to discuss repair or new shipbuilding opportunities.

Request for tender and acceptance to tender

When the team receives requests to tender from potential customers, they will proceed to collect relevant information including client's information, type of vessels to build or repair, expected delivery dates as well as any other vessel specifications and clarifications. As the vessels are generally built to order with a high level of modification and customisation, it is important for the commercial team to communicate clearly with the customers on the vessel specifications.

Based on the information obtained, the commercial team will access the feasibility of the projects to tender. At the same time, the team will also undertake background checks on the potential customers to determine their ability to pay, which will affect the payment terms to be offered. Once the checks are cleared, the commercial team will inform the customers whether to accept the requests to tender.

Preparation of proposal and negotiation with customers

For projects that the Group decides to tender, the commercial team will proceed to prepare the proposal for the customers. The commercial team works with the other teams (e.g. production and purchasing teams) to generate proposals and quotations that are competitive with other shipyards. The purchasing team looks at the vessel requirements and generates an initial cost breakdown for the projects before providing an initial quotation for the projects. Communication with the production team allows alignment in schedules to ensure that the project can be completed in time.

There are generally no price lists in place as the vessels are built on a project basis depending on the size, location and any other specifications made by the potential customer. The costs also vary depending on the manpower and expected time required to complete the project. Furthermore, the shipbuilding and shiprepair business is highly dependent on market conditions, such as oil prices. In addition, prices may be lowered for regular customers and potential long term customers out of goodwill and to maintain a long term relationship with the customers. Hence the senior management team is heavily involved in the negotiation process and the pricing of projects.

Relying on the initial proposal and quotation prepared, the commercial team and the senior management of the Group undertakes negotiations with the potential customers on the contract fees, as well as the terms and conditions.

Project kick off

Once the negotiation process is complete and if the contracts are won, the customers will issue the purchase order, either through email confirmation or written contracts. Once the Group receives the confirmation from the customers, it arranges kick-off meetings with the customers to discuss the project in greater detail. The commercial team will also hand over the documents to the relevant purchasing and production teams in charge of overseeing the projects.

b) Designing of vessels and production scheduling

Designing of vessels

The design of the vessels may be (i) provided by the customers who engage their own architects and designers to provide the initial design and blueprint; or (ii) managed by the Group.

Where the design has been completed by the customers, they are usually presented to the commercial team in the Group during the tender process. This allows the Group to assess the feasibility and complexity, as well as to provide a competitive price quote to the customers based on the proposed blueprint provided. The blueprint provided is sent to the engineering team to be further analysed to estimate the type and quantity of components required for building the vessels.

For customers who requested the Group to provide the vessel designs, the engineering team will assess the specifications made by the customers which have been stated in the purchase orders. Based on the specifications, the engineering team will provide the initial design and blueprint for the approval of the Group's senior management. Once the design is approved, the Group will send the initial design for the customers' approval before breaking down the blueprint to provide the list of components required.

Prior to the construction of any vessels, the blueprint will be sent to classification societies for a technical review of the vessel design and related documents to ensure compliance with the regulations. Once the review is completed, the engineering team then sends the blueprints to both the purchasing and production teams to arrange for the relevant purchases and to allow production teams to schedule the production process.

Scheduling the production of vessels

The Group maintains a master production schedule that is created at the beginning of each financial year. This schedule is used to determine how much work should be subcontracted out. The Group will assess all the projects won to determine the allocation of the work. Due to space constraints in Singapore, larger vessel productions are usually subcontracted out to either the Batam shipyards or third party fabricators which have much larger shipyards for holding the vessels during the production process. The allocation is dependent on the capacity and capability of the Batam shipyards and third parties.

The master production schedule for the year is reviewed on an ongoing basis as more contracts may be concluded during the year, depending on the changes in market demand. It is also reviewed regularly to ensure that production milestones are met as scheduled. Where they are expected delays or urgent work that required attention first, the schedule will also be amended accordingly. The subcontractors are informed of any changes to the production schedule and will inform ASL on their capacity and capability to absorb the changes.

c) Construction of vessels

Purchase of components and materials

After the purchase order from the customers have been received and the production schedule has been decided, the purchasing teams will place purchase orders for the components and materials required for production. The purchasing teams will determine the type and quantity of the materials required and generates a quotation for negotiation with the suppliers. The purchase orders are reviewed and signed off by the directors before negotiating and placing orders with the suppliers.

The Group has a list of approved suppliers to purchase the components and materials from, and purchases are usually concluded with these suppliers. From time to time, the purchasing teams may choose to source from new external suppliers for reasons including lower material costs, higher quality, etc. These external suppliers will be placed under observation for a period of time before considering whether they can be part of the approved list of suppliers.

As these materials and components are purchased on a project basis and the building materials varies per project, inventory levels are kept at a minimum to ensure that prevent the materials from becoming obsolete.

The inventory purchased from suppliers will undergo quality control and quality assurance checks to ensure that they are of standards that are deemed safe and acceptable for construction. The suppliers usually provide material certificates to provide quality proof. For materials procured from new suppliers, quality checks will also include ensuring that the chemical compositions of the materials meet the industry standards.

For shipbuilding and ship repair, steel is the main material. It is mainly procured and stored in the Batam shipyard. Where steel is required for construction works in Singapore, steel blasting will first be done in Batam to prevent corrosion. The small high-value items are stored in the Singapore shipyard.

Construction of vessels

The production team is in charge of fabrication and assembly of the vessels. As mentioned in the earlier sections, vessel construction may be conducted in the Singapore or Batam shipyards. Generally, the larger vessels are constructed at the Batam shipyards, while smaller vessels of high contract value are constructed in Singapore.

Generally, the construction process of the vessel is divided into various phases, with each phase focusing on the construction of different aspects of the vessels such as the hull, piping, and wiring works. For each phase, the Group will manage and engage with the subcontractors to complete the installations. The production teams follow the production schedule closely at various milestones to ensure that the vessels can be timely delivered to the customers.

In addition, during the construction of the vessels in the respective shipyards, classification society surveyors will visit the facilities to verify that the vessels are constructed in accordance with the classification rules. Upon the completion of the vessel construction, a classification certificate will be issued to the ship owner, with the assignment of class approved by the society.

d) Commissioning of vessels

Commissioning of vessels

Upon completion of the vessels, functionality checks are conducted on the vessels to ensure that the vessels built meet the specifications and requirements of the customers.

A standard delivery protocol is initiated between the Group and the customers before delivering the vessels to them. This is to ensure that the customers have undertaken a check on the completed vessels before transferring the title of the vessels to them.

Invoicing

When the vessels have been completed, the commercial team will proceed to draft the invoice for the client's review. The invoices are drafted based on initial fee quotes agreed with the customers, as well as true-ups applied to reflect the additional material and labour costs incurred when the actual costs incurred exceeded the budgeted project costs.

The commercial team will also confirm the payment method before finalising the invoice with the relevant payment terms.

e) Maintaining relationships

The Group actively maintains relationships with its customers after sales have been concluded. After-sales services provided include providing status updates on the vessels and when they will be ready and delivered, warranty, upgrade and repair. The Group will also assist to arrange for class surveys to be conducted to ensure that the vessels continue to meet the relevant rule conditions for the continuation of class.

Major Customers

Over the years, the Group has established good working relationships with its broad base of customers in myriad industries from its four main business segments, namely shipbuilding, shiprepair and conversion, shipchartering and engineering. The Group operates in Singapore, Indonesia, the rest of Asia, Europe and other countries.

The table below shows a breakdown of FY2018 revenue by geographical segments:

Geographical segment	Revenue (in S$'000)	% of Total Revenue
Singapore	143,209	51.1%
Indonesia	59,793	21.3%
Rest of Asia	31,866	11.4%
Europe	9,035	3.2%
Australia	17,131	6.1%
United States of America and other countries	19,423	6.9%
Total	**280,457**	**100.0%**

Major Suppliers

The Group procures from a broad group of suppliers. The Group 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 purchases from suppliers who offer competitive terms and quality materials and services.

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 continuously 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.

Quality Assurance/Maintenance of Fleet

The Group has implemented stringent quality control procedures in its activities in order to provide a consistently high standard of service to its customers. The Group has been certified to be in compliance with ISO 9001 standards (Quality Management Systems) in April 2004, ISO 14001 (Environmental Management Systems) standards in January 2014, OHSAS 18001 standards (Occupational Health and Safety Management System) in December 2010 and BizSafe Partner Certification status awarded by the Workplace Safety and Health Council (MOM) in December 2009.

The Group's management places a strong emphasis on all aspects of quality as well as the functional and safety aspects of the Group's vessels. In the Group's shipbuilding and shiprepair and conversion business, the Group requires its employees to comply with the procedures set out in the Group's quality manual. The Group strives to ensure that the shipbuilding and shiprepair and conversion services it provides meet the stringent requirements of its customers by using a wide array of quality assurance procedures and control policies. These include the following:

a) Design

The Group's Engineering Department coordinates with customers, external naval architects and the classification societies to verify the adequacy of information for the design of a vessel. Engineering drawings and technical information are documented and maintained by its Engineering Department. Design reviews are carried out jointly by the Engineering Department, Project Team and Production Department to ensure that the design of a vessel is in compliance with the industry standard and the vessel can be constructed in an efficient and cost-effective manner.

b) Equipment and Machinery

The Group's Plant and Services Superintendent ensures the upkeep and optimum usage of the Group's equipment and machinery. Periodic inspections are carried out to ensure that the Group's equipment and machinery are in good working condition and operating safely. A preventive maintenance programme is also implemented and logs and records are maintained for equipment, machinery and vehicles.

c) Job Execution

The Group's Project Team, comprising project managers, project engineers and superintendents, is responsible for the organisation, supervision, installation, testing and commissioning of all project works. The project manager also ensures that such work is carried out in accordance with relevant standards and approved specifications and drawings.

In the Group's shipchartering business, the Group has in place a vessel maintenance programme for the proper upkeep of vessels as required by the Merchant Shipping Act, Chapter 179 of Singapore. The programme emphasises the importance of preventive maintenance and lays down a standard set of guidelines which includes the following:

- Regular maintenance is carried out onboard the Group's vessels by both ashore and onboard personnel. The Master, Chief Engineer and Chief Officer of the vessel are responsible for keeping records and submitting monthly status reports to the Group on any repairs that might be required to be undertaken on the vessel. Routine maintenance and repairs of hull machinery and equipment are typically performed by the Group's crew and spare parts and tools are carried onboard its vessels for this purpose. Repairs which are more complicated are reported to the operations manager who will arrange for the relevant repairs to be carried out when the vessel returns to one of the Group's shipyards;

- When a Group's vessel returns to one of the Group's shipyards, it is inspected by the assigned superintendent who will discuss the condition of the vessel with its Master as to whether it requires repairs. Follow-up or remedial action is then taken, if necessary; and

- The majority of the Group's vessels are classed by a member of the International Association of Classification Societies ("**IACS**"). The classification society will certify that the vessel has been built and maintained in accordance with the rules of the classification society and complies with the applicable rules and regulations of the flag state and with international conventions of which that state is a signatory. Such certification is required as evidence that the vessel is "class maintained" and seaworthy.

Surveys on vessels are conducted by the classification societies on behalf of the flag state annually in a five-year cycle which consist of annual surveys, an intermediate survey and a special survey (to be undertaken every five years). Vessels are required to be dry-docked for surveys and period between dry-docking should not exceed 36 months. Details of these surveys are as follows:

- An annual inspection of the vessel's hull. An intermediate survey is also required of a vessel from three months before the second to three months after the third anniversary date of the previous dry dock. This involves the physical inspection of ballast tanks and void spaces. Dry-docking may be undertaken at this time to coincide with the first of two drydocking surveys required within a five-year period.

- A special dry-docked survey is conducted every five years on the hull and machinery. This survey has to be completed before the International Load Line survey, which is also required every five years, to attest to the vessel's general seaworthiness.

Such surveys are required for the Group to maintain the "Certificates of Class" in respect of the Group's vessels. The "Certificates of Class" are required to be submitted to the flag states for the certificates of registration of the Group's vessels to be maintained.

The practice of constant upgrading and renewal of the fleet has enabled the Group to cut down on extensive repair and maintenance works which allows the Group to meet the higher demands of its customers. The Group also ensures continued vessel operation and safety by adequately stocking important spare parts and provisions. All of the Group's vessels are provided with the necessary operating instructions and equipment or spare parts manual. All substantial modifications, repairs or additions to the Group's fleet are properly documented for future reference.

Insurance

The Group's owned vessels, equipment and other shipyard facilities are insured in accordance with standard industry practice with insurance underwriters.

The Group's vessels are covered up to their respective hull values for any loss or damage to their hull and machinery. Third party claims for situations such as the injury or death of crew, passengers and third parties, towing, oil-spills, collisions and damage to fixed or other floating objects caused by the insured vessel are largely covered by The Shipowners' Mutual Protection and Indemnity Association (Luxembourg) ("**Shipowners' Protection and Indemnity Club**"), a Protection and Indemnity Club of which the Group is a member. Subject to the rules of the Shipowners' Protection and Indemnity Club, the liability cover for such third party claims is unlimited for loss or damage arising in connection with the ownership or operation of the Group's vessels except for oil pollution which is limited to US$1 billion per occurrence.

The Group's shipyards have ship repairer and shipbuilder liability insurance coverage for loss or damage to vessels arising from perils covered under the policies (including third party claims) while the vessels are being repaired, built, launched or undergoing sea trials. The coverage for ship repairer's liability is limited to S$10 million for any one accident. The shipbuilders' insurance covers all newbuildings from keel-laying up to a contract value of S$50 million per vessel. Where the contract value exceeds S$50 million, shipbuilder insurance is separately sourced and covered.

The Group maintains insurance policies for its direct hired workers and employees in Singapore, Indonesia and the PRC. For workers hired by the Group's sub-contractors working at its shipyards, the subcontractors are required to provide insurance for the workers. In addition, the Group's subcontractors in Singapore are required to include the Group's relevant shipyard company as coinsured.

As part of good business practice, the Group also maintains public liability insurance for all of its shipyards to insure the Group against accidental bodily injury or loss of or damage to property occurring in connection with the Group's trade, business and shipyard operations. The building structures (workshops and office buildings) in all of its shipyards are also insured against loss and damage resulting from fire.

The Group believes that it has adequate insurance coverage for the purpose of its business operations.

Marketing

The Group's Executive Directors have the overall responsibility for the Group's marketing efforts. The Directors are supported by the Group's marketing team, the members of whom are assigned to various customers and responsible to the customers for all aspects of customer service and satisfaction. The Group's marketing team is responsible for maintaining and building the Group's relationships with existing customers and for securing new customers and is also involved in identifying new markets in line with the Group's customer base and geographical expansion. The Group also taps on the expertise and network of shipbrokers to source for or to refer new contacts.

The Group markets its services to customers mainly in the marine infrastructure, shipping and port operation sectors and constantly makes inquiries as to whether the Group's existing or prospective customers have plans to expand their fleet through the charter or construction of additional vessels, or have other vessels that need repair. The Group also uses these opportunities to update its customers on its capabilities. The Group works closely with these customers as the Group believes that it can add value when it becomes familiar with, and tailor its services to, its customers' requirements.

The Group follows up closely with its customers during each shipbuilding and shiprepair and conversion project to ensure that their demands are being met and regularly obtains feedback from its customers with regard to the vessels delivered and/or services rendered by the Group. Providing quality and reliable services including after-sales support, maintaining price competitiveness and good working relationships with its customers are key contributing factors to the Group's success. These factors have generated referrals and repeat customers for the Group.

The Group participates in major trade shows and exhibitions and advertises in major trade magazines and trade directories in Asia and Europe. Participation in such trade shows helps the Group to keep abreast of current industry developments and provides the Group with a network of valuable contacts.

Competitive Strengths

The Group's competitive strengths are as follows:

- Integration of services
- Credible track record
- Strong and established relationships with customers
- Enhanced docking capacity
- Cost-efficient shipyard operations and shipchartering business to enable competitive pricing whilst maintaining quality standards
- Complementary shipyard operations
- Strategic location of shipyards
- Experienced management team

Integration of services

The Group is a fully integrated marine company involved in the business of shipyard operations and shipchartering, with its own fleet of vessels and shipbuilding, shiprepair and conversion and other marine capabilities. The Group builds vessels to order from external customers and for its shipchartering operations. The vessels the Group builds for its shipchartering operations may also be sold should the demand opportunity arise. Thus, the Group is able to capitalise on market situations.

Although shipbuilding and shiprepair and conversion have different business processes, they typically use similar facilities, equipment and labour, which can be shared. The Group's ability to build its vessels in-house and subsequently maintain and service them at the Group's own shipyards results in better control over its costs of operation.

Credible track record

The Group has been in shipyard operations and the shipchartering business since 1989 and has established good business relationships with its customers from different industries which include companies in port operation and transportation, shipping and offshore and marine infrastructure. For its shipbuilding business, the Group has a proven track record of building specialised and niche vessels ranging from dredgers, tugs, barges and tankers for customers globally.

Over the years of the Group's operations, the Group has undertaken diverse shiprepair and conversion projects ranging from steel renewal, blasting and painting, mechanical repair, electrical and electronics works, retrofitting, ship-conversion and jumboisation, for all types of vessels including rigs, tankers, container vessels, bulk carriers, OSVs, dredging vessels, heavy lift vessels, pipe laying vessels, FSO vessels and FPSO vessels.

For the Group's shipchartering business, the Group operates actively in Southeast Asia and Singapore. It has carved out a niche position as a significant player in servicing customers who are mainly marine contractors in the marine infrastructure and construction, cargoes and equipment transportation, offshore oil and gas, dredging and land reclamation industries.

Strong and established relationships with customers

The Group is committed to the provision of quality new buildings and services and reliable turnaround time (by limiting delays), with respect to the Group's shipbuilding, shiprepair and conversion, shipchartering and engineering business. The Group believes that this commitment has been instrumental to the Group's market entrenchment as a provider of marine services. The Group has established good working relationships with a broad base of customers in industries such as transportation, infrastructure and construction, offshore oil and gas support and others.

The Group will continue its emphasis on strengthening relationships with its existing customers particularly with repeat customers from Asia, Europe and Australia.

Enhanced docking capacity

The 300,000 dwt graving dry dock in Indonesia (Batam), measuring 340 m by 60 m in size, is currently one of the largest in Indonesia capable of accommodating larger vessels up to Capesize and Aframax. In 2010, the Indonesia (Batam) shipyard facilities were further enhanced with the addition of two medium-sized graving dry docks of 60,000 dwt and 20,000 dwt and two finger piers of 150 m and 350 m in length which expanded the berthing capacity.

The Group has also purchased an additional floating dock which is planned to be in operation at the Singapore yard in the middle of FY2019, and which expected to enhance the Group's capacity to take on shiprepair projects for larger vessels.

Cost-efficient shipyard operations and shipchartering business to enable competitive pricing whilst maintaining quality standards

Cost management is a key focus of the Group's operations for the Group to price its services competitively. The Indonesia (Batam) shipyard, which began operations in 1996, was established primarily to capitalise on lower costs of land, land development, labour, and some overheads as compared to Singapore.

In the Group's shipchartering business, maintenance costs are generally low for the Group's fleet of vessels. The Group continuously reviews its fleet of vessels to monitor its operational needs against the cost of maintenance. The Group may also sell its relatively older vessels in the fleet which are used in the chartering business if and when there are ready buyers for these vessels.

The Group has been able to harness the use of technology, utilising its facilities which have been expanded and upgraded over the years. In the Group's commitment to quality, the Group is able to customise shipbuilding projects and endeavour to ensure timely execution and delivery of its shipbuilding and shiprepair and conversion projects. The Group's extensive experience in shipyard operations has also enabled it to streamline its systems and processes for better efficiency and improved quality.

Complementary shipyard operations

The Group is able to attain further costs efficiency from the rationalisation of operations between the shipyards in Singapore and Indonesia (Batam), without compromising on turnaround time. Shipbuilding and shiprepair and conversion projects may be carried out completely in each of the shipyards or may be segregated by and managed in parts or "modules", with work performed in any of the Indonesia (Batam) or Singapore shipyards where there are advantages in costs and/or management and technical expertise. For shipbuilding, various parts of a vessel could be built or fabricated at the Indonesia (Batam) shipyard, and in turn assembled at the Singapore shipyard. For example, the superstructure of a vessel is built in modules in the Indonesia (Batam) shipyard and then transported to the Singapore shipyard for final assembly including installation of electrical wiring, navigational equipment and systems. Furthermore, the Group can mobilise its technical staff among the four shipyards.

Strategic location of shipyards

Three of the Group's shipyards, which are located in Singapore and Indonesia (Batam), are positioned strategically near main regional and international shipping lanes. The Group believes that the locations of these three shipyards put it in a good competitive position particularly *vis-à-vis* other companies engaged in shipping and shiprepairs and conversion located in other parts of Asia.

Experienced management team

The Group is led and supported by the Group's pool of experienced and dedicated management. The management of the Group is led by Messrs Ang Kok Tian and Ang Ah Nui who each have more than 20 years of experience in the shipping and shipyard industries.

Business Outlook, Strategy and Future Plans

In the discussions below, to illustrate the Adjusted Core EBITDA Amount that would be available for the payment of interest and principal depending on the Adjusted Core EBITDA Amount per annum achieved by the Group, the Group made certain calculations based on various assumptions as described in "Assumptions for illustration of Adjusted Core EBITDA Amount available for interest and principal repayment".

The illustrations must not be taken to be anticipated or forecast cash flows of the Group recorded in accordance with any applicable accounting standards. Actual cash flows of the Group recorded in accordance with applicable accounting standards will necessarily differ from such calculated figures in the illustration.

For the purposes of the calculation of Adjusted Core EBITDA Amount, the Adjusted Core EBITDA Amount is computed based on earnings before interest, tax, depreciation, amortisation, and add back of allowance for doubtful debts, impairments, write-offs and any other non-cashflow items, and excludes other operating income.

Therefore, the reader must not place any undue reliance on the calculations and Adjusted Core EBITDA Amount figures shown in such illustrations below.

Business Outlook

The Group's businesses are primarily reliant on the market conditions in the shipbuilding, shipping and marine industries. While the market seems to have stabilised, it will take time to recover fully from the industry downturn.

Strategy and Future Plans

The Group expects to recover from the downturn of the industry by leveraging on its expertise and ability to provide integrated marine services.

The Group's business strategies are as follows:

(a) increasing net operating cash flows;

(b) rationalisation of non-core assets; and

(c) encouraging the exercise of warrants by warrantholders.

(a) Increasing net operating cash flows

The Group endeavours to increase net operating cash flows by (i) securing more shipbuilding and shiprepair projects, (ii) improving utilisation and/or charter rates of vessels, (iii) improving cost efficiency, and (iv) managing capital expenditure.

(i) Securing more shipbuilding and shiprepair projects

While the market has stabilised it has yet to fully recover. Management believes it will take a while for the shipbuilding business to recover. As such, Management takes a prudent approach towards shipbuilding projects by being very selective towards the quality of customers, ensuring well-spread payment milestones and maintaining margins for the shipbuilding projects.

The Group is working to secure an increase in shiprepair/retrofitting projects from the increase in shipchartering activities, based on jobs on hand. This is in addition to the new floating dock which is planned to be in operations at the Singapore yard in the middle of FY2019. In addition, with effect from 1 January 2020, the IMO sulphur cap requires all vessels running on heavy fuel oil with high sulphur content to install a scrubber system. This will lead to increased requirements to retrofit vessels to comply with this regulation.

Being a vertically integrated marine services group, the Group also has an in-house ability to modify or retrofit the vessels chartered by customers to suit customers' requirements.

(ii) Improving utilisation and/or charter rates of vessels

As an owner and operator, the Group believes that it is a one-stop provider that is able to manage large-scale projects for the customers with its diversified and substantially-sized fleet. Such large-scale projects require deployment of multiple vessels and may be able to generate higher margins.

The Group is also exploring ways to increase the capacity of its vessel fleet to fulfil orders from end customers by leveraging on bareboat charters from its associates. The utilisation rate of the Group's fleet in FY2018 was 58%. With the increase in capacity, the Group is in a better position to secure large-scale projects.

(iii) Improving cost efficiency

In the current challenging market, the Group is focused on minimising costs and is recalibrating its strategies to improve cost efficiency. The Group aims to focus on the shiprepair and conversion segment by offering maintenance services to ship owners and/or undertake conversion jobs with the enhancements made to its Batam facilities. In respect of the Group's shipchartering operations, the Group remains committed to maximising deployment and re-configuring its chartering fleet to better respond to market changes and its customers' needs.

(iv) Managing capital expenditure

Historically, the capital expenditure incurred by the Group was to increase its fleet size. The Group is working with its associates on a bareboat charter arrangement to lease in vessels for deployment projects so that the Group is able to increase its fleet size and hence an increase in shipchartering revenue without an increase in capital expenditure.

(b) Rationalisation of non-core assets

The Group has identified some non-core assets, including but not limited to idle/old vessels, the PRC (Guangdong) shipyard and OSVs and PSVs, for disposal to realise cash proceeds. The disposal of these assets may take time and the value of the assets may fluctuate from time to time. The proceeds will be used to (amongst others) increase the Group's working capital and to repay debt obligations.

The table below shows the changes to the Group's debt-to-equity ratio assuming all of the gross proceeds from disposals of non-core assets are applied to the repayment of the Group's debt obligations:

	As at 30 September 2018	**Assuming gross proceeds of:**		
		S\$50 million	**S\$75 million**	**S\$100 million**
Banks and Borrowings (S\$ million)	490	440	415	390
Equity (S\$ million)	296	296	296	296
Debt to Equity Ratio	***1.66***	***1.49***	***1.40***	***1.32***

Illustration

Based on the disclaimer, calculations and the assumptions as mentioned in the introduction to this section entitled "*Business Outlook, Strategy and Future Plans*", the table below provides an illustration if the Group achieves the following Adjusted Core EBITDA Amount over nine years (based on the extension profile of the bank loans and Notes) beginning 2019, assuming it is able to successfully implement the strategies discussed above.

If the level of annual Adjusted Core EBITDA Amount per year is:	**(S$ in millions, except for ratios)**			
	65	**70**	**75**	**80**
Adjusted Core EBITDA Amount generated over 9 years	585	630	675	720
Add: Proceeds from Disposal of Assets	96	96	96	96
Subtotal:	**681**	**726**	**771**	**816**
Less:				
Working Capital	50	50	50	50
Capital Expenditure	45	45	45	45
Subtotal:	**95**	**95**	**95**	**95**
Adjusted Core EBITDA Amount available for Interest and Principal Repayment	**586**	**631**	**676**	**721**
*Ratio of Adjusted Core EBITDA Amount to Debt**	1.20	1.29	1.38	1.47

* S$490.1 million as at 30 September 2018

Assumptions for illustration of Adjusted Core EBITDA Amount available for interest and principal repayment

The illustration above assumes the following:

- The total net proceeds from the disposal of assets during the nine years is S$96.0 million;
- The total working capital required during the nine years is S$50.0 million;
- The total capital expenditure required during the nine years is S$45.0 million; and
- The total outstanding principal amount of debt during the nine years is constant at S$490.1 million (which excludes the proposed new trade facilities of up to S$150 million from the Principal Banks).

The Adjusted Core EBITDA Amount is computed based on earnings before interest, tax, depreciation, amortisation, and add back of allowance for doubtful debts, impairments, write-offs and any other non-cashflow items, and excludes other operating income.

(c) Encouraging the exercise of warrants by warrantholders

As part of the exercise, the Issuer proposes to issue:

- two Warrants for every dollar of Series 006 Note outstanding with an exercise price of S$0.06 per warrant;
- two and one-half Warrant for every dollar of Series 007 Note outstanding with an exercise price of S$0.06 per Warrant; and
- one Warrant for every two Shares held by its Shareholders with an exercise price of S$0.06 per Warrant.

The exercise of such Warrants will increase the Group's cash flows. The table below illustrates the gross proceeds of the exercise of Warrants at an exercise price of S$0.06 per Warrant in various exercise scenarios. If all the Warrants are exercised, the gross proceeds will amount to S$36.9 million.

% of Warrants Exercised	**20%**	**40%**	**60%**	**80%**	**100%**
Proceeds from exercise of Noteholders Warrants	3.61	7.22	10.82	14.43	18.04
Proceeds from exercise of Shareholder Warrants	3.78	7.55	11.33	15.10	18.88
Gross Proceeds from Warrants exercise	**7.39**	**14.77**	**22.15**	**29.53**	**36.92**

The table below shows the expected Shareholding of the Issuer's Shares assuming all warrantholders exercise all of their Warrants.

	No. of Shares (in millions)	**Shareholding (%)**
No. of Shares issued and outstanding as at 30 September 2018	629.3	50.6%
Warrants issued to Shareholders (assuming 100% exercise)	314.6	25.3%
Warrants issued to Noteholders (assuming 100% exercise)	300.6	24.1%
Total	**1,244.5**	**100.0%**

Litigation

The Group may, from time to time, be involved in legal proceedings concerning matters that arise in its day-to-day business operations. For example, before taking delivery of a new vessel, the customer will inspect and identify defects or technical issues with the new vessel. The customer will then highlight these defects or technical issues to the Group for the purpose of rectification or variation. However, disputes may arise in relation to the costs of such rectification or variation. Therefore, the Group may from time to time be exposed to disputes or litigation in relation to rectification and variation orders for new built vessels with the customer.

In addition, given the challenging business environment the Group is experiencing, the Group faces challenges in obtaining favourable credit terms from its trade suppliers and vendors. The Group may, from time to time, face claims by such trade suppliers and vendors who refuse to extend credit terms or instalment plans to the Group. In such event, a dispute or claim may arise between the Group and such trade supplier or vendor.

As at the date of this Consent Solicitation Statement, the Group is not engaged in any actual, pending or, to the Group's knowledge, threatened material litigation, claims or arbitration either as plaintiff or defendant, which would have a material effect on its business, financial condition, results of operations and prospects.

Board of Directors and Key Executives

The Directors and key executives of the Issuer as of the Latest Practicable Date are described below. The Issuer may in future reposition one or more individuals to focus on the business and operations of the Group.

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 Constitution 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 six directors, comprising three executive directors and three independent directors as set out in the table below.

Name	**Position**
Mr. Ang Kok Tian	Chairman, Managing Director and CEO
Mr. Ang Ah Nui	Deputy Managing Director
Mr. Ang Kok Leong	Executive Director
Mr. Andre Yeap Poh Leong	Independent Director
Mr. Christopher Chong Meng Tak	Independent Director
Mr. Tan Sek Khee	Independent Director

Mr. Ang Kok Tian was appointed an Executive Director of the Issuer in October 2000, and Chairman of the Board, Managing Director and CEO since January 2003. Mr Ang Kok Tian has been with the Group for more than 20 years and has extensive knowledge and experience in the industry. Mr Ang Kok Tian is responsible for the Group's business strategies and direction, corporate plans and policies as well as the overall management of the Group. He oversees the overall development, operations, finance and treasury functions of the Group. In particular, he is in charge of the shipbuilding division, including estimations, negotiations and contract finalisation. Mr Ang Kok Tian began his career at Ang Sin Liu Hardware, handling administration, purchasing and marketing for the company. He graduated from the National University of Singapore in 1986 with a Bachelor's Degree in Science.

Mr. Ang Ah Nui was appointed an Executive Director of the Issuer since October 2000 and Deputy Managing Director in January 2003. Mr Ang Ah Nui, having been with the Group for more than 20 years, has extensive industry knowledge and experience. Mr Ang Ah Nui is instrumental in developing and managing the shiprepair and conversion and shipchartering businesses, including building on customer relations and connections and seeking potential markets for the growth of the Group. Mr Ang Ah Nui is also jointly responsible for the Group's business strategies and direction, corporate plans and policies, oversees the operations of the 4 shipyards (3 in Indonesia and 1 in Singapore). Mr Ang Ah Nui is also the non-executive director of listed company, Koon Holdings Limited.

Mr. Ang Kok Leong was appointed an Executive Director of the Issuer in October 2002. Mr Ang Kok Leong is responsible for developing marketing strategies, identifying new businesses and markets and customers in Europe, Middle East, Australia, South America and East Malaysia. He also oversees the engineering and research development division of the Group. Mr Ang Kok Leong joined the Group on 1 January 1995 as a Marketing Executive in the shipbuilding division. He graduated from Carnegie Mellon University in 1994 with a Bachelor of Science Degree in Industrial Management.

Mr. Andre Yeap Poh Leong joined the Board in January 2003. Mr Yeap is a Senior Counsel at Rajah & Tann LLP where as its Senior Partner, he oversees its disputes practice and also directly heads its International Arbitration Practice. He is also a Director of Energy Market Authority, a statutory board under the Ministry of Trade and Industry of Singapore. Prior to joining Rajah & Tann LLP in 2004, he ran his own practice under the name "Andre Yeap & Co". Mr Yeap had worked in various law firms in Singapore. He was a Senior Litigation Partner at Allen & Gledhill (now known as Allen and Gledhill LLP) where he had worked from 1987 to 2000, before joining the partnership of Lee & Lee in 2001. Apart from International Arbitration Work, his practice focuses on banking, commercial and corporate litigation with special emphasis on securities and stockbroking-related litigation as well as construction litigation, including ship and oil-rig matters. He was appointed Senior Counsel on 4 January 2003. He graduated from the National University of Singapore with a Bachelor's Degree in Law and is a Fellow of the Singapore Institute of Arbitrators.

Mr. Christopher Chong Meng Tak joined the Board in January 2006. Mr Chong is a partner of ACH Investments Pte Ltd, a corporate advisory firm regulated by the Monetary Authority of Singapore. He is currently an independent director of two other public companies including: Forise International Limited listed on the SGX-ST and GLG Corp Ltd listed on the Australian Stock Exchange. Mr Chong is also a Director and/or an adviser to several private companies and significant Asian families, sits on the Advisory Board of two universities and undertakes advisory work for several regulatory branches of the Singapore Government.

Mr Chong has significant experience in capital markets, securities law, corporate governance and corporate affairs. Prior to co-founding ACH Investments Pte Ltd, he was a multi-award winning analyst and the managing director of HSBC Securities (Singapore) Pte Ltd, formerly known as HSBC James Capel Securities (Singapore) Pte Ltd. Prior to this Mr. Chong was an executive director of UOB Kay Hian Holdings Ltd, formerly known as Kay Hian James Capel Ltd.

Mr Chong holds a Bachelor of Science degree in Economics (1st Honours) from the University College of Wales and a Master of Business Administration degree from the London Business School. He is a member of the Institute of Chartered Accountants of Scotland, a Fellow of the Australian Institute of CPAs, a Fellow of the Hong Kong Institute of Certified Public Accountants, a Fellow of the Singapore Institute of Directors, a Fellow of the Australian Institute of Company Directors and a Master Stockbroker of the Stockbrokers Association of Australia.

Mr. Tan Sek Khee joined the Board in January 2014. Mr Tan is currently an Independent Director of SGX listed Ying Li International Real Estate Limited. Mr Tan is also currently an Executive Director of several private companies in Singapore, Indonesia, Thailand and China. Mr Tan brings to the Group extensive experience in general management, business development, marketing, procurement and logistics. He has more than 30 years of corporate and business experience in Singapore, Indonesia, Thailand and China. Mr Tan graduated with a Bachelor Degree of Commerce from Nanyang University in 1979. He is also a registered member of Singapore Institute of Directors.

Senior Management

As of the Latest Practicable Date, details of the Senior Management team are as follows:

Name	Position
Capt. Tay Kes Siong	General Manager (Shipchartering)
Ms Koh Kai Kheng Irene	Group Financial Controller and Company Secretary

Capt. Tay Kes Siong joined the Group in October 2002 and is responsible for managing the shipping operations of the Group, including marketing, overall fleet scheduling, maintenance, crew management, insurance, shipping agencies and freight forwarding. Capt. Tay has more than 40 years of experience in the shipping and marine industry. Prior to joining the Group, Capt. Tay was a Marine Surveyor and a Director of Marine Management Surveyors and Services Pte Ltd which engaged in marine and cargo surveys, consultancy, sea trials, compass adjustments, pre-purchase inspections, shipping agencies, forwarding and crew management.

Ms Koh Kai Kheng Irene was appointed as the Group Financial Controller and Company Secretary on 20 May 2016 and is responsible for financial, accounting and corporate secretarial functions of the Group. Ms Koh joined the Group as Accountant in July 2002 culminating to her position as Senior Group Finance Manager in April 2014. She worked as external auditor in public accounting firms prior to joining the Group in 2002. Ms Koh holds a professional qualification from the Association of Chartered Certified Accountants (ACCA) and is a fellow member of the ACCA and Institute of Singapore Chartered Accountants.