MARCO POLO MARINE

# WE MONITOR
# WE PLAN

2015

annual report

# CONTENTS




4
3
2
1
0

CORPORATE PROFILE

Established in 1991, Marco Polo Marine Ltd (the "Company") was listed on the-then SGX SESDAQ (now known as SGX Catalist) in 2007 and had its listing migrated to the Main Board of the Singapore Exchange in 2009.

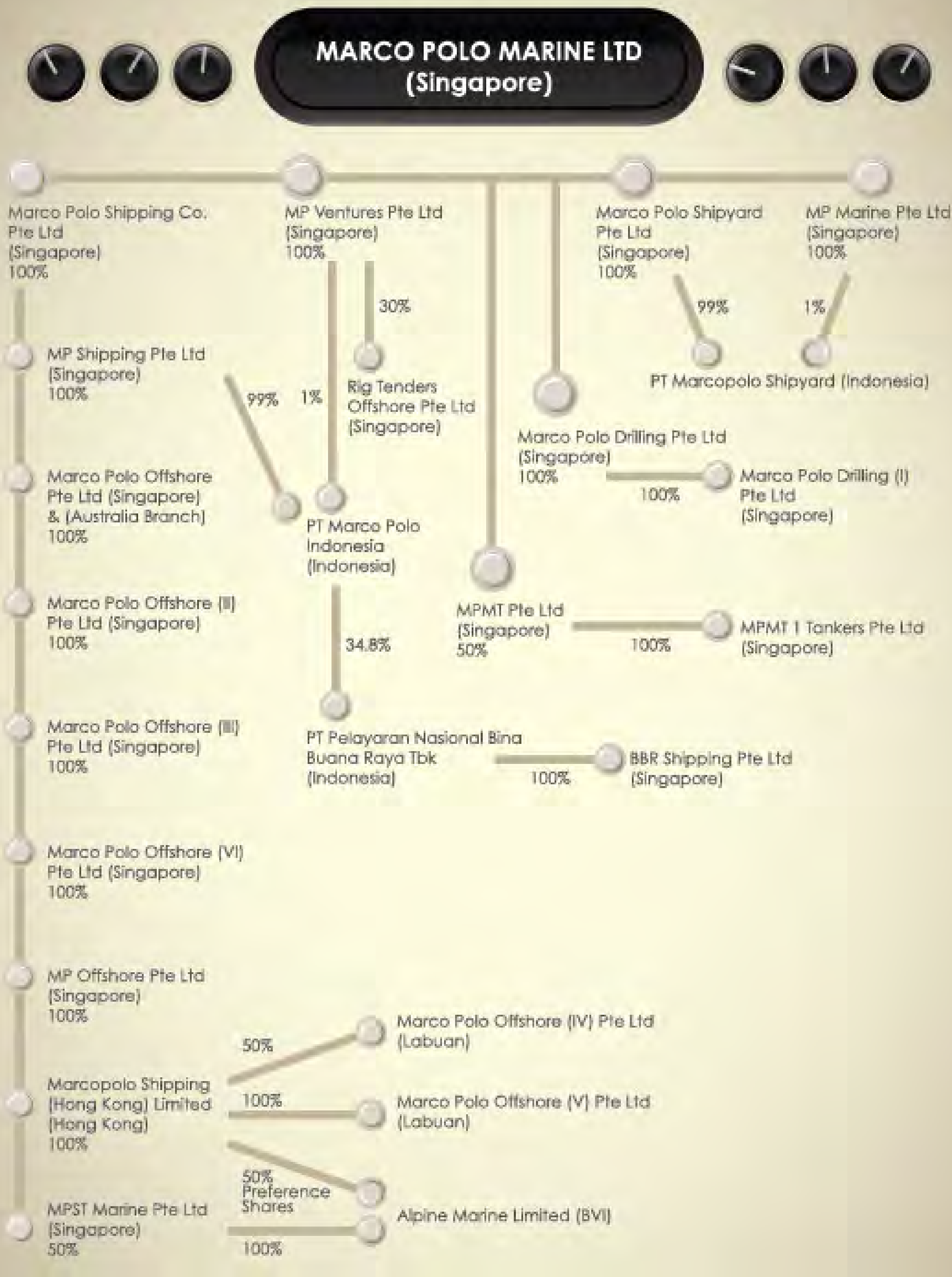
The Group, comprising the Company and its subsidiaries, is a reputable regional integrated marine logistic company which principally engages in shipping and shipyard businesses.

**THE SHIPPING DIVISION**
**(COMPRISING OFFSHORE SUPPORT AND MARINE LOGISTIC SERVICES)**

The shipping business of the Group relates to the chartering of Offshore Supply Vessels ("OSVs"), which comprise mainly Anchor Handling Tug Supply vessles ("AHTS") for deployment in the regional waters, including the Gulf of Thailand, Malaysia, Indonesia and Australia, as well as the chartering of tugboats and barges to customers, especially those which engaged in the mining, commodities, construction, infrastructure and land reclamation industries.

**THE SHIPYARD DIVISION**

The shipyard business of the Group relates to ship building as well as the provision of ship maintenance, repair, outfitting and conversion services which are being carried out through its shipyard located in Batam, Indonesia. Occupying a total land area of approximately 34 hectares with a seafront of approximately 650 meters, the modern shipyard also houses three dry docks which boosted the Group's technical capabilities and service offerings to undertake projects involving mid-sized and sophisticated vessels.


MARCO POLO MARINE LTD
(Singapore)
Marco Polo Shipping Co. Pte Ltd (Singapore) 100%
MP Ventures Pte Ltd (Singapore) 100%
Marco Polo Shipyard Pte Ltd (Singapore) 100%
MP Marine Pte Ltd (Singapore) 100%
30%
99%
1%
MP Shipping Pte Ltd (Singapore) 100%
99%
1%
Rig Tenders Offshore Pte Ltd (Singapore)
PT Marcopolo Shipyard (Indonesia)
Marco Polo Drilling Pte Ltd (Singapore) 100%
100%
Marco Polo Drilling (I) Pte Ltd (Singapore)
Marco Polo Offshore Pte Ltd (Singapore) & (Australia Branch) 100%
PT Marco Polo Indonesia (Indonesia)
Marco Polo Offshore (II) Pte Ltd (Singapore) 100%
34.8%
MPMT Pte Ltd (Singapore) 50%
100%
MPMT 1 Tankers Pte Ltd (Singapore)
Marco Polo Offshore (III) Pte Ltd (Singapore) 100%
PT Pelayaran Nasional Bina Buana Raya Tbk (Indonesia)
100%
BBR Shipping Pte Ltd (Singapore)
Marco Polo Offshore (VI) Pte Ltd (Singapore) 100%
MP Offshore Pte Ltd (Singapore) 100%
50%
Marco Polo Offshore (IV) Pte Ltd (Labuan)
Marcopolo Shipping (Hong Kong) Limited (Hong Kong) 100%
100%
Marco Polo Offshore (V) Pte Ltd (Labuan)
50% Preference Shares
MPST Marine Pte Ltd (Singapore) 50%
100%
Alpine Marine Limited (BVI)

# CORPORATE INFORMATION

**BOARD OF DIRECTORS**

Lee Wan Tang
(Executive Chairman)

Sean Lee Yun Feng
(Chief Executive Officer)

Liely Lee
(Chief Financial Officer)

Lai Qin Zhi
(Non-executive Director)

Lim Han Boon
(Lead Independent Director)

Peter Sim Swee Yam
(Independent Director)

Kelvin Lee Kiam Hwee
(Independent Director)

**AUDIT COMMITTEE**

Lim Han Boon (Chairman)

Peter Sim Swee Yam

Lai Qin Zhi

Kelvin Lee Kiam Hwee

**NOMINATING COMMITTEE**

Peter Sim Swee Yam (Chairman)

Lim Han Boon

Lai Qin Zhi

Kelvin Lee Kiam Hwee

**REMUNERATION COMMITTEE**

Lim Han Boon (Chairman)

Peter Sim Swee Yam

Lai Qin Zhi

Kelvin Lee Kiam Hwee

**COMPANY SECRETARY**
Kwan Hon Kay @ Lawrence Kwan

**REGISTERED OFFICE**
66 Kallang Pudding Road
#05-01
Singapore 349324

**REGISTRAR**
B.A.C.S. Private Limited
8 Robinson Road
#03-00 ASO Building
Singapore 048544

**AUDITORS**
Mazars LLP
Public Accountants and
Chartered Accountants
135 Cecil Street
#10-01 MYP Plaza
Singapore 069535

Partner-in-charge:
Dominique Tan
(Appointed since financial year ended 30 September 2014)

**PRINCIPAL BANKERS**
DBS Bank Limited
OCBC Bank Limited
United Overseas Bank Limited

# CHAIRMAN'S STATEMENT

## DEAR FELLOW SHAREHOLDERS,

On behalf of the Board of Directors, I present to you the Annual Report of our Group for the financial year ended 30 September 2015 ("FY2015").

### A REVIEW OF FY2015

Against the backdrop of significantly lower and volatile oil prices compared to last year and a tepid and uncertain global economy, our Group achieved a revenue of S$93.9 million for FY2015, while the gross profit and net profit attributable to the Shareholders declined to S$25.7 million and S$7.9 million respectively. The decrease in revenue compared to FY 2014 was due mainly to the deconsolidation of the results of one of our erstwhile subsidiaries and lower utilisation of the Group's tugboat and barge fleet. Our profit after taxation for FY2015, albeit at a reduced amount in comparison to that of FY2014, was principally supported by our offshore chartering operations.

For FY2015, we registered an earnings per share of 2.52 Singapore cents for, with our net asset value per share enhanced to 52.7 Singapore cents as at 30 September 2015 from 49.4 Singapore cents as at 30 September 2014.

**The terminated rig construction contract dated 26 February 2014 entered into by the Company's subsidiary, MP Drilling Pte Ltd ("MP Drilling"), and PPL Shipyard Pte Ltd ("PPL") (the "Rig Construction Contract")**

On 17 November 2015 and as announced, MP Drilling terminated the Rig Construction Contract as a result of, among others, PPL's failure to comply with certain of its material contractual obligations under the Rig Construction Contract and has initiated the contractual dispute resolution process against PPL on or about 24 November 2015 to claim for, among others, the refund of the initial 10% of the contract price that was paid. On 26 November 2015, MP Drilling has advanced this process to the second stage, i.e., mediation. Should PPL refuse to mediate, MP Drilling will proceed to commence arbitration against PPL.

Notwithstanding that MP Drilling has made it abundantly clear (including by way of public announcements) that the Rig Construction Contract has been terminated on and as of 17 November 2015, PPL took the position (which the Company and MP Drilling wholly disagree) that the Rig Construction Contract remained valid and, accordingly, purported to terminate the Rig Construction Contract on the basis that MP Drilling had failed to make certain payments that were alleged to be due on 30 November 2015. It is and has always been the Company's and MP Drilling's position that the Rig Construction Contract was terminated on and as of 17 November 2015 by MP Drilling and that no payment was due and payable as alleged.

As at the date of this Annual Report, PPL has made a demand for the payment by MP Drilling of a second 10% of the contract price (amounting to US$21.43 million) and interest alleged to have accrued thereon for the month of November 2015 (amounting to US$77,399.80). Separately, the Company has also received from PPL a written demand for payment of the aforesaid sums pursuant to the parent company guarantee previously given by the Company in relation to the Rig Construction Contract (the "Guarantee"). In this regard, PPL has (in the Company's view, wrongfully) commenced legal action in the Singapore courts against the Company under the Guarantee.

As previously announced, the Company maintains its position that neither the Company nor MP Drilling is under any obligation to make the payments claimed by PPL (whether under the Rig Construction Contract or the Guarantee) and that there is no basis for the notice of termination of the Rig Construction Contract to be issued by PPL. The Company further notes that under the terms of the Guarantee, PPL has no basis to commence legal action against the Company in the Singapore courts.

## LOOKING AHEAD

Oil prices continue to be volatile amidst uncertain political developments and socio-economic conditions globally and are at levels still significantly lower than what they were in the corresponding period last year. Without a broad based recovery in sight and by no means certain against the backdrop of a tepid global economy, the offshore oil and gas exploration and production activities in the region are expected to continue to remain muted with sentiments and demands for offshore vessels to continue to be adversely impacted. Amidst signs of weak market environment, the demands for tugboats and barges are also expected to continue to remain challenging.

The Group's Ship Building and Repair Operations are expected to continue to be affected by the global subdued economic outlook and strong competition in the region.

**A WORD OF THANKS**

On behalf of the Board of Directors, I would like to continue to express my deepest gratitude to our management and staff for their commitment and hard work and extend my utmost appreciation to our customers, business partners and suppliers for their kind understanding and support over the years. In this challenging market environment, we strive to continue to improve on our operational capabilities as well as our competitiveness as we prepare to ride out the uncertainties.

On a personal note, it is my desire to put on record my appreciation to my fellow Directors for their guidance throughout the year. Indeed, I would continue to work closely with all the Board members and seek their counsel in taking on the challenges ahead.

Last but not least, I am immensely grateful to you, our Shareholders, for standing steadfast with us in this challenging and uncertain market environment, and look forward to your continual support as we strive to remain resilient in FY2016 and beyond.

**LEE WAN TANG**
Executive Chairman


POWER
POWER

# Financial and Operational Review By the CEO

## DEAR DISTINGUISHED SHAREHOLDERS,

### FINANCIAL REVIEW

**Revenue**

The Group recorded a revenue of S$93.9 million in FY2015, a decrease of 17% from that of S$113.1 million registered in FY2014.

| Business Segment | FY2015 | | FY2014 | | Change | |
|---|---|---|---|---|---|---|
| | S$'m | % | S$'m | % | S$'m | % |
| Ship Chartering | 32.4 | 35 | 64.7 | 57 | (32.3) | (50) |
| Ship Building & Repair | 61.5 | 65 | 48.4 | 43 | 13.1 | 27 |
| Total | 93.9 | 100 | 113.1 | 100 | (19.2) | (17) |

Relative to the corresponding reporting periods of FY2014, the Ship Chartering Operations' revenue of the Group decreased by 50% to S$32.4 million in FY2015. The decrease was mainly due to: (i) the deconsolidation of the results of PT Pelayaran Nasional Bina Buana Raya Tbk ("BBR") when the Group ceased to have a controlling interest in BBR following the renunciation of its rights entitlement in BBR to Nam Cheong Ltd (or its nominees) pursuant to the rights issue carried out by BBR on 13 November 2014 as announced by the Company on 29 September 2014 (the "Deemed Disposal"); and (ii) the lower utilization of the Group's tugboat and barge fleet amidst the continued weakened shipping demand in the regional market for the shipment of coal and other commodities.

Despite of the challenging market condition, the Ship Building & Repair Operations of the Group recorded an increase in revenue of 27% in FY2015 relative to the corresponding reporting periods of FY2014.

**Profitability**

Chiefly as a result of lower turnover, the Group's overall gross profit decreased by 25% in FY2015 respectively compared to the corresponding reporting periods of FY2014. The Group's gross profit margin on a full year basis reduced from 30% in FY2014 to 27% in FY2015 chiefly as a result of a lower proportion of the revenue being contributed by the Ship Chartering Operations following the deconsolidation of the BBR's results, whereby the Ship Chartering Operations generally commanded a higher gross profit margin relative to the Ship Building & Repair Operations.

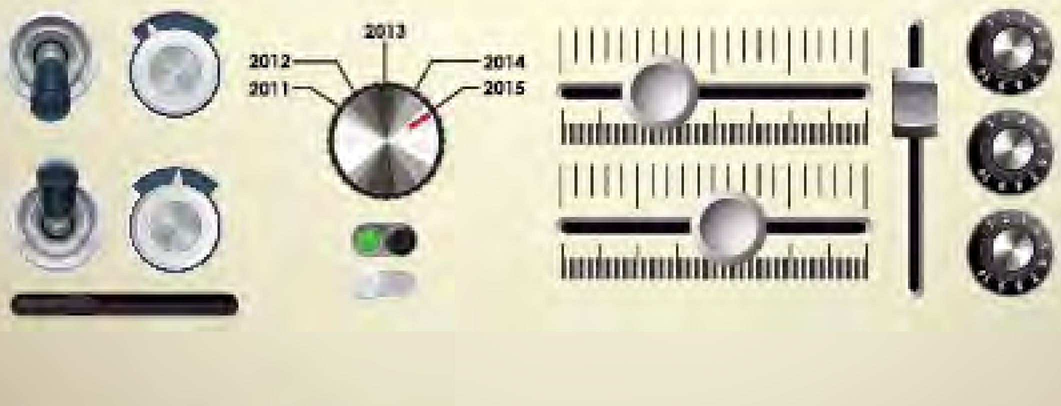
The Group's other operating income increased by S$6.9 million to S$8.2 million in FY2015 from S$1.3 million in FY2014. The increase was mainly due to increase in foreign exchange gain as a result of the appreciation of US$ against S$.

The Group's administrative expenses decreased by S$1.5 million or 14% in FY2015, from S$10.4 million to S$8.9 million in FY2014. Its other operating expenses increased by S$3.2 million or 48% in FY2015, from S$6.7 million to S$9.8 million in FY2014. The increase was mainly due to inclusion of impairment on investment in a jointly controlled entity and offset against the deconsolidation of BBR's results following the Deemed Disposal and lower operating expenses in FY2015.

The finance costs of the Group decreased by S$1.9 million or 31% in FY2015, from S$6.1 million in FY2014. The decrease was attributed mainly to: (1) the deconsolidation of BBR's interest expense attributed to vessel loans after the Deemed Disposal; and (2) the capitalization of interest of S$2.8 million in FY2015 as part of the asset cost of the rig to be built by PPL Shipyard Pte Ltd ("PPL") as announced by the Company on 26 February 2014 with details contained in its Circular to the shareholders dated 17 March 2014 (the "Rig Under Construction"). Due to PPL's failure to comply with certain of its material contractual obligations, the Company had subsequently on 17 November 2015 issued PPL a notice of termination of the Rig Construction Contract (the "Termination").

The share of results from jointly controlled companies reversed to a loss of S$0.3 million in FY2015 from a profit of S$1.2 million in FY2014. The reversal in results was mainly attributed to the share of losses of BBR, which outstripped the positive contribution from the other jointly controlled entity that principally engages in the chartering of Maintenance Work Vessel.

The Group registered a net profit of S$7.9 million in FY2015, from S$10.7 million in FY2014. The decrease in net profit was mainly due to an impairment was made to the Group's investment in BBR, one of the jointly controlled entities of the Group, in FY2015.



**Financial Position**

The non-current assets of the Group decreased by S$62.7 million or 16%, from S$384.0 million as at 30 September 2014 to S$321.3 million as at 30 September 2015. The decrease was attributed mainly to the deconsolidation of 76 vessels, worth about S$179.4 million owned by BBR, from the Group's balance sheet following the Deemed Disposal, notwithstanding the recognition of: (i) the Group's equity interest of 34.8% in BBR as a jointly controlled entity; and (ii) newly added Anchor Handling Tug Supply vessel (AHTS), MP Prowess, in November 2014 and Maintenance and Accommodation Work Vessel, MP Nautical Adlin, in July 2015.

The increase in inventories was mainly due to an increase in purchase of raw materials and equipment required for the building of vessels towards the end of the financial quarter ended 30 September 2015.

In tandem with reduced business activities, a decrease in trade receivables was recorded as at 30 September 2015.

The amounts due from customers for construction contracts increased by 174% to S$64.2 million as at 30 September 2015 from S$23.4 million as at 30 September 2014, mainly as a result of work done but yet to be billed and collected in respect of a vessel under construction.

The decrease in other receivable, deposits and prepayment were mainly due to a decrease in advance payments made for materials and equipment required for the building of vessels.

The increase in trade payables was mainly due to an increase in purchase of raw materials and equipment required for the building of vessels towards the end of the financial year ended 30 September 2015.

In tandem with reduced business activities, decrease in other payables and accruals were recorded as at 30 September 2015.

The Group's total interest-bearing borrowings decreased by S$3.3 million to S$219.8 million as at 30 September 2015 from S$223.1 million as at 30 September 2014, primarily as a result of the deconsolidation of BBR's vessel loans following the Deemed Disposal albeit the drawdown of loans for the acquisition of vessels.

The Group reported a net cash used in operating activities of S$9.2 million for FY2015, compared to a net cash generated from operating activities of S$19.4 million in FY2014, principally as a result of increased amounts due from contract customers. The cash and cash equivalent of the Group accordingly decreased to S$11.1 million as at 30 September 2015 from S$24.5 million as at 30 September 2014.

Following from the above:

1. the negative working capital of the Group decreased from S$55.2 million as at 30 September 2014 to S$47.8 million as at 30 September 2015;
2. the net gearing of the Group (defined as the ratio of the aggregate of interest bearing loans net of cash and cash equivalents to total equity) increased to 117.7% as at 30 Sep 2015 from 89.8% as at 30 September 2014; and
3. the net asset value per share of the Group enhanced by 6.7% to 52.70 cents as at 30 September 2015 from 49.4 cents as at 30 September 2014.

**OPERATIONAL REVIEW**

Against a challenging environment, the Group continued to secure several chartering contracts for its offshore operations during FY2015 as follows:

1. In November 2014, its MP PROWESS, a 8,160 BHP AHTS, secured her maiden one-year bare-boat charter contract for deployment in the Vietnamese waters.

2. In November 2014, its MP SPECTRUM, an offshore utility crew boat, secured a renewed two-year long-term bare-boat charter contract for deployment in the Gulf of Thailand waters.

3. In December 2014, its OMS ENDURANCE, a 5,000 BHP Anchor Handling Tug currently plying in the Australian waters, secured a renewed three-year long-term bare boat charter contract.

4. In May 2015, its NAUTICAL ADLIN, a newly built and acquired Maintenance Work Vessel, secured a five-year long-term bare-boat charter contract for deployment in the Malaysian waters.

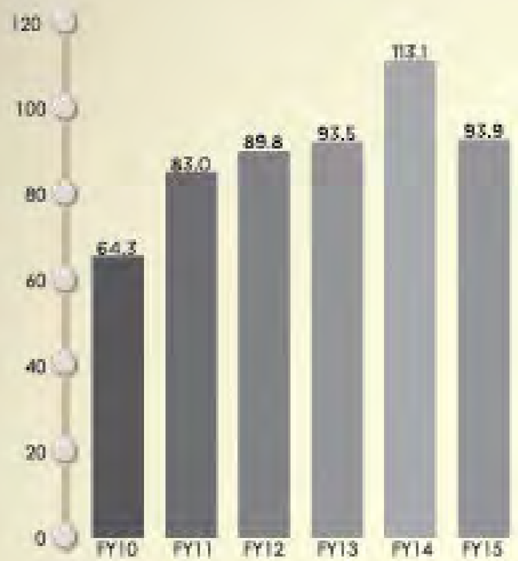
**EXPRESSION OF APPRECIATION**

Over the years, what we had achieved is only possible because of the selfless dedication and teamwork demonstrated by our management and staff members. With earnest appreciation, I applaud the concerted efforts, hard work, personal sacrifices made by all for the good of our Group.

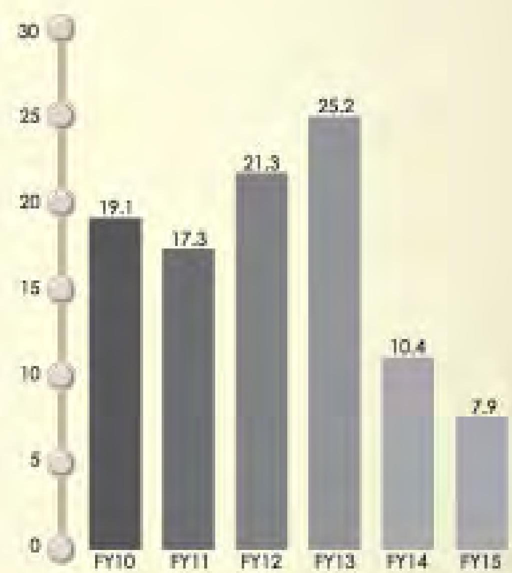
On behalf of the management, I would also like to acknowledge and thank all our Independent Directors for their guidance and oversight as well as the bankers, customers, suppliers and vendors for their unwavering support all these years. We aspire to continue to reciprocate the utmost faith you have shown in us through steadfast commitment in sustaining growth.

**SEAN LEE YUN FENG**
Chief Executive Officer

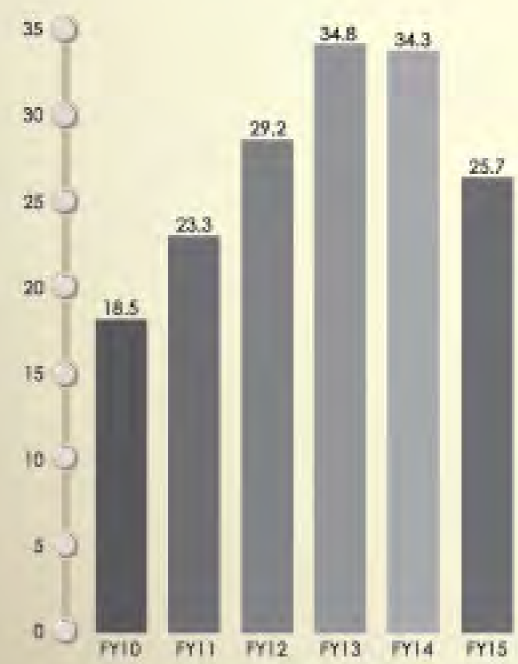
# KEY FINANCIALS



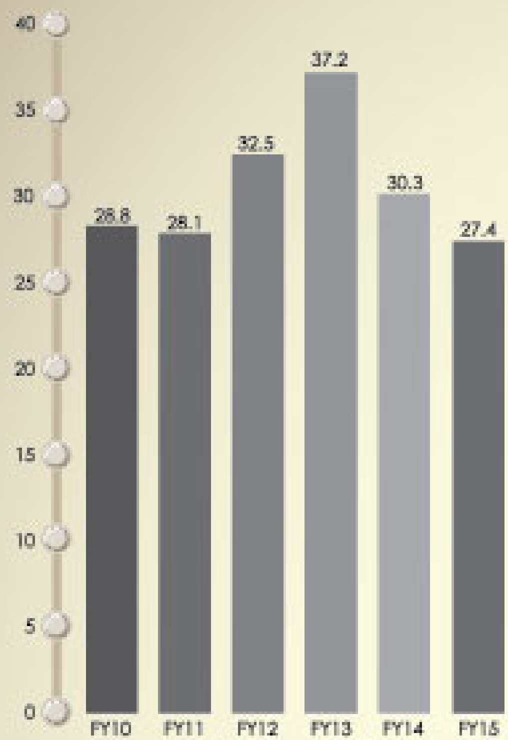

REVENUE




NET PROFIT

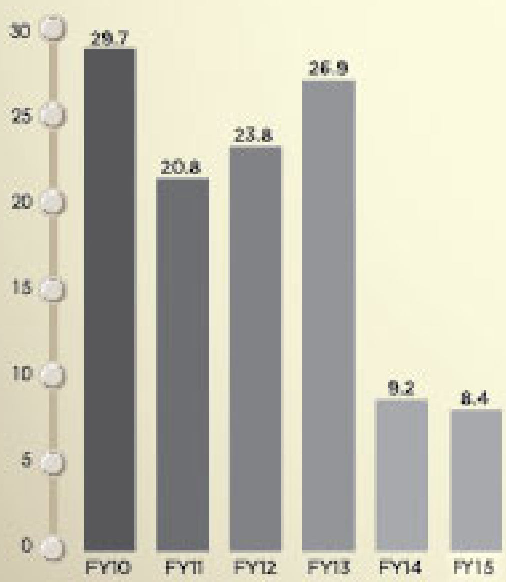



GROSS PROFIT




GROSS PROFIT MARGIN (%)

REVENUE BY BUSINESS SEGMENT


NET PROFIT MARGIN (%)


RETURN ON EQUITY (%)


30
20
40
10
50

# BOARD OF DIRECTORS

**LEE WAN TANG**
Executive Chairman

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

**SEAN LEE YUN FENG**
Chief Executive Officer

Mr Sean Lee Yun Feng, the key co-founder of our Group, he is responsible for the overall management and day-to-day operations of our Group as well as the formulation of the business directions, strategies and policies of our Group. Mr Sean Lee is instrumental in initiating and penetrating new markets for both our shipping and shipyard operations. On the operational front, he introduced a slew of strategic operational measures which greatly improved the efficiency of our fleet of vessels. He spearheads our shipyard operations since it commenced operations in December 2005 and also started our Offshore Ship Chartering Operation in 2011, of which, the operation has been remained as our main growth engine. Mr Sean Lee graduated with a Bachelor of Commerce degree from the Murdoch University (Western Australia) and Master degree from INSEAD and Tsinghua University (Beijing).

**LIELY LEE**
Chief Financial Officer

Ms Liely Lee is our Executive Director. She joined our Group as the Director (Finance), Group Chief Financial Officer of our Group 2006. She is responsible for all finance, accounting, treasury and strategic development of the Group. Prior to joining Marco Polo Marine, Liely was a co-owner of a food and beverage chain in Singapore. She oversaw the strategic growth, development, finance and human resource matters of the chain and had grown it to 13 outlets within seven years. Graduated with a Bachelor of Commerce Degree from Murdoch University in Western Australia and also holding a Masters of Accounting Degree from Curtin University in Western Australia, Ms Liely Lee is a qualified Chartered Public Accountant (CPA) Australia.

**LAI QIN ZHI**
Non-Executive Director

Mdm Lai Qin Zhi is our Non-Executive Director. Mdm Lai has been a director of Marco Polo Shipping since 2001, where she oversaw the financial and taxation matters of MP Shipping. Prior to her involvement with Marco Polo Shipping, she was the Finance Director of a few companies controlled by the Lee Family, a role she presently assumes.

**LIM HAN BOON**
Lead Independent Director

Mr Lim Han Boon is our Lead Independent Director. He is concurrently an independent director of Addvalue Technologies Ltd and Sunshine Holdings Limited. Prior to which, he held various positions with several financial institutions in the corporate banking, corporate finance and private equity industries. Mr Lim obtained a Bachelor of Accountancy Degree from the National University of Singapore in 1987 and a Master of Business Administration (Finance) degree from the City University, U.K. in 1992. He is also a Fellow Member of the Institute of Singapore Chartered Accountants and a Full Member of the Singapore Institute of Directors since 2001.

**SIM SWEE YAM PETER**
Independent Director

Mr Sim Swee Yam Peter is our Independent Director. He is concurrently an Independent Director of Lum Chang Holdings Ltd, Mun Siong Engineering Ltd and Haw Par Corporation Ltd. Mr Sim also sits on the board of Young Men's Christian Association (YMCA) of Singapore as well as Singapore Heart Foundation. He is a practising lawyer and a partner at Sim Law Practice LLC. Graduated from University of Singapore (now known as the National University of Singapore) in 1980 with a degree in law, he was admitted to the Singapore Bar in 1981. Mr Sim was awarded the Pingkat Bakti Masyarakat in August 2000 and the Bintang Bakti Masyarakat in August 2008.

## LEE KIAM HWEE KELVIN
Independent Director

Mr Lee Kiam Hwee is our Independent Director. He is concurrently an Independent Director, Audit Committee Member and Non-Executive Board Chairman of HTL International Holdings Limited and Lead Independent Director, Audit Committee Chairman, Nominating Committee and Remuneration Committee Member of KOP Limited. Between 2007 and 2013, Mr Lee was Independent Director with two other public listed companies for several years. Mr Lee began his career with Coopers and Lybrand, an international audit firm and was there for 15 years from 1979 to 1994. He joined IMC Holdings Ltd, a shipping company, from 1994 to 2003 as the group's Financial Controller where he contributed towards the strategic business planning and overall financial management. He next moved on to Pan United Corporation as its Chief Financial Officer until March 2007. Mr Lee is a Fellow of the Association of Chartered Certified Accountants (UK), Fellow member of the Institute of Singapore Chartered Accountants and a Full Member of the Singapore Institute of Directors since 2004.

## KEY EXECUTIVE OFFICERS

**MR CHEAM YEOW CHENG** is the Director of our shipyard division. He joined our Group in April 2008. He is responsible for overseeing our Group's shipyard division which includes shipbuilding, ship repairs and other marine engineering services, production scheduling, facilities planning and operational matters. Mr Cheam has more than 30 years of experience in the marine industry. He was a General Manager (shipbuilding) in Pan United Marine Ltd from 1994 to 2008 and an Engineering Manager with ST Marine Ltd from 1986 to 1994. Mr Cheam holds a Honours Degree in Naval Architecture from University of Strathclyde, Glasgow, UK.

**MR SIMON KARUNTU** is the Director (Shipyard Operations) of our shipyard division. He joined our Group in July 2008. He is responsible for overseeing the overall operations and general administrative functions of our shipyard operations and liaising with the various Indonesian government authorities and other regulatory authorities on legal matters for the shipyard operations in Batam. Prior to joining our Group, Mr Karuntu was responsible for planning, organising and overseeing various major projects undertaken by an Indonesian company such as the construction of asphalt sealed roads linking major cities in the Riau Province of Indonesia, including liaising with Indonesian government and other regulatory authorities.

**MR HSU CHONG PIN** is the Head of Business Development & Investor Relations, having joined our Group in March 2012. His main responsibilities involve overseeing our Group's business development initiatives, fund-raising and corporate marketing efforts, evaluating business and collaboration opportunities as well as spearheading the investor relations efforts and engaging the investment community. Mr Hsu has more than 15 years of experience in corporate finance and financial advisory, and investor relations across various industries including property real estate, fund management and consumer electronics industries. Mr Hsu holds a M.Phil. Degree from Cambridge University as well as a B.Sc. Honours Degree in Economics and Finance from York University, UK.

**MR LOO HIN LOY** is the Director of our Group's Offshore Division. He joined our Group in May 2013. He is responsible for the management and development of the Group's offshore marine support vessels operations. Mr Loo has more than 28 years of experience in the marine industry, with 14 years in offshore fleet management to support oil and gas industry. Mr Loo is a qualified Marine Engineer and holds a Class One Certificate of Competency for Marine Engineer (UK) and a BTEC Higher National Diploma in Marine Engineering (UK).

**MS GRACE KHAW** is the Group Finance Manager. She assists the executive director in the accounting, financial, secretarial and tax related matters of our Group. She is in the accounting profession for more than 10 years. Prior to joining the Group, she was the finance manager of SBI Offshore Limited. She is fellow member of Association of Chartered Certified Accountants and is a chartered accountant (Singapore) of the Institute of Singapore Chartered Accountants.

MARCO POLO MARINE

(Incorporated in Singapore)
AND SUBSIDIARIES

*Company Registration No. 200610073Z*

# Financial Contents

For the financial year ended 30 September 2015

# CORPORATE GOVERNANCE REPORT

The Board of Directors of the Company (the "Board") is committed to achieving a high standard of corporate governance within the Group and to putting in place effective self-regulatory corporate practices to protect the interests of its shareholders and enhance long-term shareholder value. The Company adopts practices based on the Code of Corporate Governance 2012 (the "Code") issued by the Monetary Authority of Singapore on 2 May 2012. The Board is pleased to report compliance of the Company with the Code except where otherwise stated and are regularly reviewed to ensure transparency and accountability.

**Principle 1: The Board's Conduct of Its Affairs**

Apart from its statutory duties and responsibilities, the Board supervises the management of the business and affairs of the Group. The Board reviews and advises on the Group's strategic plans, key operational initiatives, major funding and investment proposals, principal risks of the Group's businesses and ensures the implementation of appropriate systems to manage these risks; reviews the financial performances of the Group; evaluates the performances and compensation of senior management personnel.

The Board is generally responsible for the approval of the quarterly, half-yearly and yearly results announcement, annual report and accounts, major investments and fundings, material acquisitions and disposals of assets and interested person transactions of a material nature.

To facilitate effective management, certain functions have been delegated by the Board to the following Committees:

- Audit Committee
- Nominating Committee
- Remuneration Committee

These committees operate under clearly defined terms of references and operating procedures. The Chairman of the respective Committees reports the outcome of the Committee meetings to the Board.

The Board meets regularly to oversee the business and affairs of the Group or either conducts Board Meeting by way of tele-conference and video conference which the Company's Articles of Association allow. To assist the Board in fulfilling its responsibilities, the Board will be provided with management reports containing complete, adequate and timely information and papers containing relevant background or explanatory information required to support the decision making process.

The number of meetings held and the attendance report of the Board and Board Committees during the financial year ended 30 September 2015 are as follows:

| | Board Meeting | Audit Committee | Nominating Committee | Remuneration Committee |
|---|---|---|---|---|
| **No. of meetings held** | **4** | **4** | **1** | **1** |
| | | **No. of meetings attended** | | |
| Lee Wan Tang | 3 | – | – | – |
| Sean Lee Yun Feng | 4 | – | – | – |
| Liely Lee | 4 | – | – | – |
| Lai Qin Zhi | 3 | 3 | 1 | 1 |
| Lim Han Boon | 3 | 3 | 1 | 1 |
| Sim Swee Yam Peter | 3 | 3 | 1 | 1 |
| Lee Kiam Hwee Kelvin | 4 | 4 | 1 | 1 |

**Principle 2: Composition of Board and Guidance**

The Board comprises seven directors, three of whom are independent directors and one non-executive director. The independent directors make up more than one-third of the Board thus providing an independent element on the Board capable of exercising independent judgment on corporate affairs of the Group and provide management with a diverse and objective perspective to enable balanced and well-considered decisions to be made. The concept of independence adopted by the Board is in accordance with the definition of an independent director in the Code.

As at the date of this report, the Board of Directors comprises the following members:

| | |
|---|---|
| Lee Wan Tang | Executive Chairman |
| Sean Lee Yun Feng | Chief Executive Officer |
| Liely Lee | Executive Director |
| Lai Qin Zhi | Non-Executive Director |
| Lim Han Boon | Lead Independent Director |
| Sim Swee Yam Peter | Independent Director |
| Lee Kiam Hwee Kelvin | Independent Director |

The Board consists of high calibre members with a wealth of experience and knowledge in business. They contribute valuable direction and insight, drawing from their vast experience in matter relating to accounting, finance, legal, business and general corporate matters. The current Board composition represents a well balanced mix of expertise and experience among the directors.

The Board is aware of the recommendation of the Code that in the event of the Chairman of the Board and the Chief Executive Officer are immediate family members, the independent directors should made up at least half of the Board. Nonetheless, the Board is of the view that its current size, consisting of seven directors is appropriate, taking into account the nature and scope of the operations and current financial positions of the Group. The Company had also appointed a lead independent director to ensure no one individual represent domination in the Board's decision making.

Members of the Board are constantly in touch with the Management to provide advice and guidance on strategic issues and on matters for which their expertise will be constructive to the Group.

**Principle 3: Chairman and Chief Executive Officer**

The Chairman of the Company, Mr Lee Wan Tang is an executive director. Besides giving guidance on the corporate direction of the Group, the role of the Executive Chairman includes the scheduling of Board meetings and ensuring accurate, adequate and timely flow of information between the Board, management and shareholders of the Company. Mr Sean Lee Yun Feng, the Chief Executive Officer of the Group since July 2006, is the son of Mr Lee Wan Tang, sets the business strategies and directions for the Group and manages the business operations of the Group. He is supported by Ms Liely Lee, the Chief Financial Officer of the Group, and other management staff.

In order to ensure good corporate governance practice and that there is no concentration of power and authority vested in one individual, the Company has appointed Mr Lim Han Boon as the Lead Independent Director. Mr Lim Han Boon acts as principal liaison between the independent directors and Chairman on sensitive issues. Lead by the Lead Independent Director, the independent directors meet periodically without the presence of the other directors and management. The Lead Independent Director would be available to shareholders where they have concerns when contact through the normal channel of the Chairman, Chief Executive Officer or the Chief Financial Officer has failed to resolve the issues or for which such contact is inappropriate.

Accordingly, the Board believes that there are adequate safeguards in place to ensure an appropriate balance of power and authority within the spirit of good corporate governance.

**Nominating Committee**
**Principle 4: Board Membership**
**Principle 5: Board Performance**

The Nominating Committee ("NC") has been set up since 13 September 2007 comprising the following members. Other than Lai Qin Zhi, all the members of the NC are independent of management, not associated with a substantial shareholder and free from any business or other relationship, which may interfere with the exercise of their independent judgment:

| | |
|---|---|
| Sim Swee Yam Peter | Chairman, Independent Director |
| Lim Han Boon | Lead Independent Director |
| Lee Kiam Hwee Kelvin | Independent Director |
| Lai Qin Zhi | Non-Executive Director |

The principle functions of the NC include:

- Recommending to the Board all Board appointments and assessing the effectiveness of the Board as a whole and the contribution of each director to the effectiveness of the Board.

- Evaluating the independence of the directors.

- Reviewing and making recommendations to the Board on the structure, size and composition of the Board.

Board renewal is an ongoing process to ensure good governance and to maintain relevance to the changing needs of the Group. In other words, no director stays in office for more than three years without being re-elected by shareholders.

The Board's performance is a function of the experience and expertise that each of the directors bring with them. Factors taken into consideration for the assessment of each director include attendance at meetings, adequacy of preparation, participation, industry knowledge and functional expertise.  Factors for assessment of the Board as a whole include the board structure, conduct of meetings, corporate strategy, risk management and internal controls, business and financial performance, compensation, financial reporting and communication with shareholders.

Each director performs a self-assessment and the results of the assessments will be used by the NC to discuss improvements to the Board and to provide feedback to the individual directors.

The NC has recommended Mr Sean Lee Yun Feng and Mr Lee Kiam Hwee Kelvin, who are retiring at the forthcoming Annual General Meeting, to be re-elected. Both directors are retiring under Article 103 of the Company's Articles of Association and they had offered themselves for re-election. The Board has accepted the recommendations of the NC.

The dates of initial appointment and last re-election of each Director are set out below:

| **Directors** | **Appointment** | **Date of Initial Appointment** | **Date of Last Re-election** |
|---|---|---|---|
| Lee Wan Tang | Executive Chairman | 13 Sep 2007 | 24 Jan 2013 |
| Sean Lee Yun Feng | Chief Executive Officer | 13 Sep 2007 | 30 Jan 2012 |
| Liely Lee | Executive Director | 13 Sep 2007 | 27 Jan 2014 |
| Lai Qin Zhi | Non-Executive Director | 13 Sep 2007 | 29 Jan 2015 |
| Lim Han Boon | Lead Independent Director | 13 Sep 2007 | 27 Jan 2014 |
| Sim Swee Yam Peter | Independent Director | 13 Sep 2007 | 29 Jan 2015 |
| Lee Kiam Hwee Kelvin | Independent Director | 3 July 2009 | 24 Jan 2013 |

The key information regarding Directors is set out on page 19 to 20 of the Annual Report.

The NC has reviewed the contribution by each Director taking into account their listed company board representations and other principal commitments, The NC and the Board are of the view that, setting a maximum number of listed company board representations a Director may hold is not meaningful, as long as Directors are able to devote sufficient time and attention to the affairs of the Company. As such, the Board does not propose to set the maximum number of listed company board representations which Directors may hold until such need arises. Notwithstanding the number of listed company board representations and other principal commitments which some of the Directors are holding, the NC considered the conduct of meeting, the decision-making process, attendance and participation of each board member to be satisfactory.

**Principle 6: Access to Information**

Management provides Board members with quarterly management accounts and other financial statements to enable the Board to fulfill its responsibilities. Board members have full and independent access to senior management and the company secretary at all times. In addition, the Board or an individual Board member may seek independent professional advice, if necessary, at the Company's expense.

The Company Secretary attends Board meetings and is responsible for ensuring that Board procedures are being followed and the Company complies with the requirements of the Companies Act Cap. 50, and other SGX-ST rules and regulations, which are applicable to the Company.

**Remuneration Committee**
**Principle 7: Procedures for Developing Remuneration Policies**
**Principle 8: Level and Mix of Remuneration**
**Principle 9: Disclosure of Remuneration**

The Remuneration Committee ("RC") comprises the following members. Other than Lai Qin Zhi, all the members are independent non-executive directors:

| | |
|---|---|
| Lim Han Boon | Chairman, Lead Independent Director |
| Sim Swee Yam Peter | Independent Director |
| Lee Kiam Hwee Kelvin | Independent Director |
| Lai Qin Zhi | Non-Executive Director |

The principle functions of the RC include:

- Recommending to the Board a framework of remuneration for the Board and the key executives of the Group, covering all aspects of remuneration such as directors' fee, salaries, allowances, bonuses, options and benefit-in-kind;
- Proposing to the Board, appropriate and meaningful measures for assessing the executive directors' performance;
- Determining the specific remuneration package for each executive director;
- To ensure that the remuneration policies and systems of the Group supports the Group's long term objectives and strategies;
- Considering and recommending to the Board the disclosure of details of the Company's remuneration policy, level and mix of remuneration and procedure for setting remuneration and details of the specific remuneration packages of the directors and key executives of the Group to those required by law or by the Code; and
- To administer the Company's Employees' Share Option Scheme ("MPM ESOS").

In performing its function, the Committee endeavours to establish an appropriate remuneration policy to attract, retain and motivate senior executives and executive directors, while at the same time ensure that the reward in each case takes into account individual performance as well as the Group's performance.

In carrying out the above, the RC may obtain independent external legal and other professional advice as it deem necessary. The expense of such advice will be borne by the Company.

The non-executive directors receive directors' fees in accordance with their level of contributions, taking into account factors such as responsibilities, effort and time spent for serving on the Board and Board Committees. The director's fees are recommended by the Board for approval at the AGM. For the year under review, the RC has recommended directors' fees of S$240,000 which the Board would table at the forthcoming AGM for shareholders' approval. The Company encourages independent directors to invest in the Company and has taken steps in the past to ensure that this happened. The shareholdings of the individual directors of the Company are set out on the page 31 of the Annual Report.

The details of the Company's Employees' Share Option Scheme (Marco Polo Marine Ltd Share Option Scheme 2012) are set out on pages 32 and 33 of this Annual Report.

The Executive Chairman and the Chief Executive Officer, Mr Lee Wan Tang and Mr Sean Lee Yun Feng respectively have entered into separate services agreements with the Company for an initial period of three years with effect from 5 November 2007 and subsequently automatically renewed annually, unless either party to the service agreement concerned gives notice of its intention to terminate in the manner set out in the said service agreement.

The Board discloses the remuneration in band for Directors and Key Executives instead of full detail disclosure as recommended by the Code. The Board believes that such disclosure presentation provides sufficient overview of the remuneration of the Directors and Key Executives, considering the confidentiality of remuneration matters. The Board is of the opinion that the information disclosed would be sufficient to the shareholders for their understanding of the Company's compensation policies as remuneration matters are commercially sensitive information and thus may be prejudice to the Group's interest.

The number of directors of the Company with remuneration from the Company and its subsidiary companies is set out below:

| Remuneration bands | Number of directors 2015 | 2014 |
|---|---|---|
| Above S$500,000 | 2 | 2 |
| S$250,000 to below S$500,000 | 1 | 1 |
| Below S$250,000 | 4 | 4 |
| Total | 7 | 7 |

The following table shows a breakdown of the annual remuneration (in percentage terms) paid or payable to the directors and top five key executives of the Group for the financial years ended 30 September 2015.

| | Directors' Fee % | Fixed^ % | Variable^ % | Total^ % |
|---|---|---|---|---|
| **Directors** | | | | |
| *S$500,000 to below S$750,000* | | | | |
| Lee Wang Tang | – | 80 | 20 | 100 |
| Sean Lee Yun Feng | – | 76 | 24 | 100 |
| *S$250,000 to below S$500,000* | | | | |
| Liely Lee | | 76 | 24 | 100 |
| *Below S$250,000* | | | | |
| Lai Qin Zhi | 100 | – | – | 100 |
| Lim Han Boon | 100 | – | – | 100 |
| Sim Swee Yam Peter | 100 | – | – | 100 |
| Lee Kiam Hwee Kelvin | 100 | – | – | 100 |
| **Key Executives** | | | | |
| *S$500,000 to below S$750,000* | | | | |
| Cheam Yeow Cheng | – | 59 | 41 | 100 |
| Loo Hin Loy | – | 65 | 35 | 100 |
| *Below S$250,000* | | | | |
| Simon Karuntu | – | 86 | 14 | 100 |
| Hsu Chong Pin | – | 88 | 12 | 100 |
| Ho Kian Teck | – | 87 | 13 | 100 |

^ Inclusive of Employer's Central Provident Fund Contributions

The aggregate total remuneration paid to the top five Key Executives of the Group (who are not Directors or CHIEF EXECUTIVE OFFICER of the Company) during the period covered by the Annual Report 2015 was equivalent to S$1,546,000.

The Group adopts a remuneration policy for staff comprising a fixed component and a variable component. The fixed component is in the form of a base salary and allowances. The variable component is in the form of a variable bonus that is linked to the Group and each individual's performance.

**Remuneration of employees who are immediate family members of a director or the Chief Executive Officer**

For the financial year ended 30 September 2015, saved as disclosed in the following table which show the breakdown of the remuneration (in percentage terms) in S$50,000 band, the Company and its subsidiary companies do not have any other employee who is an immediate family member of a director or the Chief Executive Officer and whose remuneration exceeds S$50,000.

*"Immediate family member" means the spouse, child, adopted child, step-child, brother, sister and parent.*

| | Relationship with Executive Chairman | Fixed^ % | Variable^ % | Total^ % |
|---|---|---|---|---|
| **Name of employee** | | | | |
| *S$100,000 to below S$150,000* | | | | |
| Loa Siong Bun | Brother-in-law | 100% | 0% | 100 |
| Welly Handoko | Brother | 93% | 7% | 100 |
| *Below S$50,000* | | | | |
| Irryanto | Brother-in-law | 92% | 8% | 100 |

^ Inclusive of Employer's Central Provident Fund Contributions

**Principle 10: Accountability**

The Board keeps the shareholders updated on the business of the Group through releases of the Group's results, publication of the Company's Annual Report and timely release of relevant information through the SGXNET and our corporate website.

In line with the requirements of SGX-ST, negative assurance confirmations on interim financial results were issued by the Board confirming that to the best of its knowledge, nothing had come to the attention of the Board which may render the Company's quarterly results to be false or misleading in any material aspect.

All shareholders of the Company will receive the Annual Report and the notice of Annual General Meeting. The notice is also advertised in a local newspaper. The Company encourages shareholders' participation at AGMs, and all shareholders are given the opportunity to voice their views and to direct queries regarding the Group to the directors, including the chairperson of each of the Board Committees. The external auditors are also present to assist the directors in addressing any relevant queries from the shareholders.

Management currently provides all members of the Board with appropriately detailed management accounts of the Group's performance, position and prospects on quarterly basis and such management accounts are provided to Executive Directors on a monthly basis.

**Principle 11: Risk Management and Internal Controls**
**Principle 12: Audit Committee**
**Principle 13: Internal Audit**

The Audit Committee ("AC") comprises the following members. Other than Lai Qin Zhi, all the members are independent directors:

| | |
|---|---|
| Lim Han Boon | Chairman, Lead Independent Director |
| Sim Swee Yam Peter | Independent Director |
| Lee Kiam Hwee Kelvin | Independent Director |
| Lai Qin Zhi | Non-Executive Director |

The AC reviews with the external auditors, Mazars LLP, the findings on the audit of the financial statement. It also reviews the internal auditor report as well as the effectiveness of the Group's internal controls, including financial, operational and compliance controls and risk management. It undertakes the following principal functions:

- Review with the internal and external auditors the audit plan, their audit report, their management letter and our management's response;

- Review the financial statements before submission to our Board for approval, focusing, in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with any stock exchange and statutory/ regulatory requirements;

- Review the internal control procedures and the assistance given by our management to the auditors, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of our management where necessary);

- Review and discuss with the internal and external auditors any suspected fraud and irregularity, or suspected infringement of any relevant laws, rules and regulations, which has or is likely to have a material impact on our Group's operating results or financial position, and our management's response;

- Consider the appointment and re-appointment of the internal and external auditors and matters relating to the resignation or dismissal of the external auditors;

- Review the adequacy and effectiveness of the Group's risk management and internal control systems, including financial, operational and compliance and information technology controls annually;

- Review transactions falling within the scope of Chapter 9 and Chapter 10 of the Listing Manual; and

- Review the Group's foreign exchange exposure and the procedures to manage its foreign currency risks.

The AC shall also undertake:

- Such other reviews and projects as may be requested by our Board and report to our Board its findings from time to time on matters arising and requiring the attention of our Audit Committee; and

- Such other functions and duties as may be required by statute or the Listing Manual, and by such amendments made thereto from time to time.

To effectively discharge its responsibility, the AC has full access to, and the co-operation of, the management and has full discretion to invite any directors and executive officers to attend its meetings. Full resources are made available to the AC to enable it to discharge its function properly.

The Group recognizes the need for a robust and effective system of internal controls. Hence the Group has appointed PKF-CAP Risk Consulting Pte. Ltd as its internal auditors to carry out the internal audit function. The internal auditors conduct independent reviews, assessment and follow-up procedures on the Group's financial, operational and compliance controls, and report the remediation status to our AC. Our AC shall assess the adequacy of the internal audit function and the scope of work of the internal auditors on an annual basis.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by management, various Board Committees and the Board, the Board, after making reasonable enquiries and to the best of its knowledge and belief, with the concurrence of the AC, is of the opinion that the internal controls of the Group were adequate to address the financial, operational, compliance and information technology risks as at the date of this Annual Report.

The Board recognized that the system of internal controls is designed to manage rather than to eliminate the risk of failure to achieve business objectives and that no system of internal controls can provide adequate assurance against the occurrence of errors, poor judgment in decision making, losses, frauds or other irregularities. It can only provide reasonable and not absolute assurance against material misstatement of loss or that the Group will not be adversely affected by any event that can be reasonably foreseen.

The AC has adopted a Whistle Blowing Policy (the "policy") for the Group, which provides a channel for employees and other parties to report in confidence, without fear of reprisals, concerns about possible improprieties in financial reporting or other matters. The Policy is to assist the AC in managing allegations of fraud or other misconduct; disciplinary and civil actions that are initiated following the completion of the investigations are appropriate and fair; and actions are taken to correct the weakness in the existing system of internal processes which allowed the perpetration of the fraud and/or misconduct and to prevent recurrence.

During the financial year under review, the AC has met with the external auditors twice to review any area of audit concern. Ad-hoc AC meetings may be carried out from time to time, as circumstances required.

The Board has received assurance from the Chief Executive Officer and Chief Financial Officer that:

(a) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and

(b) the Company maintains an effective risk management and internal control system.

**Principle 14: Shareholder Rights**
**Principle 15: Communication with Shareholders**

The Board endeavours to maintain regular, timely and effective communication with shareholders and investors. Quarterly, half-yearly and full year results, including disclosure of information on material matters required by the Listing Manual, will be promptly disseminated to shareholders through announcements made via theSGXNET followed by a news release, which will also be available on the Company's website. Where there is inadvertent disclosure made to a select group, the Company will ensure the same disclosures made publicly available to all others as promptly as possible.

The Board welcomes the view of shareholders on matters affecting the Group, whether at shareholders' meeting or on an ad-hoc basis. Shareholders are informed of meetings through notices published in the newspapers and reports or circulars sent to all shareholders.

At general meetings, shareholders are well informed of the rules, including voting procedures that govern general meetings of shareholders as well as given the opportunity to pose any questions to the directors or management relating to the Group's business or performances. Shareholders can vote in person or appoint not more than two proxies to attend and vote on their behalf at the general meeting of shareholders. There is no provision in the Company's Articles that limits the number of proxies for nominee companies.

**Principle 16: Conduct of Shareholder Meeting**

The annual general meeting of the Company is a principal forum for dialogue and interaction with all shareholders. The Board encourages shareholders to attend the Company's general meetings to ensure greater level of shareholder participation and to meet with the Board members so as to stay informed on the Group's developments. Shareholders are invited at such meetings to put forth any questions they may have on the motions to be debated and decided upon.

Information on general meetings is disseminated through notices in the annual report or circulars sent to all shareholders. Notices of general meetings are also released via SGXNET and posted on the Company's website.

The Directors, including the Chairman of the Board and each Board Committees are present to address shareholders' questions at the annual general meeting. The external auditor is also present to assist the Directors to address shareholders' queries, if necessary.

The Company Secretary prepares minutes of the general meetings, which incorporate substantial comments or queries from shareholders and responses from the Board and the management. These minutes would be made available to shareholders upon request.

The company maintains separate resolutions at the general meetings on each substantially separate issue. Each item of special business included in the notice of meetings will be accompanied by the relevant explanatory notes. This is to enable the shareholders to understand the nature and effect of the proposed resolutions.

Resolutions are put to vote by poll and the detailed results of the number of votes cast for and against each resolution and the respective percentages are announced for each resolution.

## Interested Person Transactions

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that the transactions are carried out on an arm's length basis. There were no interested person transactions (of more than S$100,000) entered into by the Company or any of its subsidiaries for the financial year under review.

## Material Contracts

There were no material contracts of the Company or its subsidiaries involving the interest of any director or controlling shareholder subsisting as at the end of the financial year under review or entered into since the end of the previous financial year.

## Securities Transactions

All directors and officers of the Company and the Group are not allowed to deal in the Company's shares whilst in possession of unpublished price sensitive information.

In the course of doing business for the Group and the Company or in discussions with customers, vendors, or partners, directors and officers of the Group and the Company may become aware of material non-public information about that organisation. Information is considered material if there is a substantial likelihood that a reasonable investor would consider it important in making a decision to trade in the public securities of the Company. The discussion of this information is on a limited, "need to know" basis internally, and is not shared with anyone outside the Group or the Company. Directors and officers are not allowed to buy or sell the public securities of the affected organisations, including the Company, on the basis of such information, nor can this information be shared with others.

Dealing in the Company's shares is also prohibited during the period commencing two weeks before the announcement of the Group's results for each of the first three quarters of the financial year and during the period commencing one month before the announcement of the Group's annual results, and ending on the date of the relevant announcement.

## Risk Management Policies and Processes

The Company does not have a Risk Management Committee. The Board is of the opinion that the existing risk management system of the company, of which the executive directors and senior management assumes the responsibilities of the risk management function. They regularly assess and review the Group's business and operational environment in order to identify areas of significant business and financial risks, such as credit risks, foreign exchange risks, liquidity risks and interest rates risks, as well as appropriate measures to control and mitigate these risks is adequate and effective.

The directors present their report to the members together with the audited financial statements of Marco Polo Marine Ltd (the "Company") and its subsidiaries (the "Group") for the financial year ended 30 September 2015 and the statement of financial position of the Company as at 30 September 2015.

## 1. Directors

The directors of the Company in office at the date of this report are as follows:

Mr Lee Wan Tang
Mdm Lai Qin Zhi
Mr Sean Lee Yun Feng
Ms Liely Lee
Mr Lim Han Boon
Mr Sim Swee Yam Peter
Mr Lee Kiam Hwee Kelvin

## 2. Arrangements to enable directors to acquire benefits by means of the acquisition of shares and debentures

Except as disclosed under share options below in this report, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## 3. Directors' interests in shares or debentures

According to the Register of Directors' Shareholdings kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

| | Direct interest | | | Deemed interest | | |
|---|---|---|---|---|---|---|
| | At 1 October 2014 | At 30 September 2015 | At 21 October 2015 | At 1 October 2014 | At 30 September 2015 | At 21 October 2015 |
| **The Company** | | | | | | |
| ***- Marco Polo Marine Ltd*** | | | | | | |
| *(No. of ordinary shares)* | | | | | | |
| Lee Wan Tang | – | 502,200 | – | 203,311,374 | 203,421,374 | 203,421,374 |
| Lim Han Boon | 364,101 | 364,101 | 364,101 | – | – | – |
| Sim Swee Yam Peter | 150,000 | 150,000 | 150,000 | – | – | – |
| **Immediate and Ultimate Holding Company** | | | | | | |
| ***- Nautical International Holdings Ltd*** | | | | | | |
| *(No. of ordinary shares)* | | | | | | |
| Lee Wan Tang | 660,003 | 660,003 | 660,003 | – | – | – |
| Lai Qin Zhi | 158,401 | 158,401 | 158,401 | – | – | – |
| Sean Lee Yun Feng | 237,600 | 237,600 | 237,600 | – | – | – |
| Liely Lee | 132,001 | 132,001 | 132,001 | – | – | – |

By virtue of Section 7 of the Act, Lee Wan Tang, Lai Qin Zhi, Sean Lee Yun Feng and Liely Lee are deemed to have interests in the entire capital of the wholly-owned subsidiaries of the Company at the beginning and at the end of the financial year.

## 4. Directors' contractual benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company, or a related corporation with the director or with a firm of which the director is a member, or with a Company in which the director has a substantial financial interest except as disclosed in the financial statements. Certain directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

## 5. Share options

**Marco Polo Marine Ltd Share Option Scheme 2012**

At an Extraordinary General Meeting held on 9 July 2012, the shareholders of the Company approved the adoption of three incentive schemes meant for the staff and certain directors of the Group. These three schemes are the Marco Polo Marine Ltd Restricted Share Scheme ("MPM RSS"), the Marco Polo Marine Ltd Performance Share Scheme ("MPM PSS") and the Marco Polo Marine Ltd Employee Share Option Scheme ("MPM ESOS"). The MPM ESOS allows options to be granted to participants at a discount of up to 20% to the prevailing market share price of the Company.

The above schemes are administered by the remuneration committee of the Company authorised and appointed by the board of directors and are available to all employees and non-executive directors of the Group as well as Mr Sean Lee Yun Feng and Ms Liely Lee.

On 24 April 2013, 4,910,000 shares options were granted to eligible participants pursuant to the MPM ESOS.

On 28 April 2015, 4,980,000 shares options, which are capable of being exercised into the same equivalent number of shares of the Company, were granted by the Company pursuant to the MPM ESOS.

The following is the breakdown pursuant to the MPM ESOS of the Company:

| Scheme under which options were granted | Date granted | Exercise period | Exercise price (per option) $ | Aggregate options outstanding as at 30 September 2015 |
|---|---|---|---|---|
| MPM ESOS | 24.04.2013 | 24.04.2014 to 23.04.2023 | 0.415 | 4,910,000 |
| MPM ESOS | 28.04.2015 | 28.04.2016 to 27.04.2025 | 0.275 | 4,980,000 |

The details of the options granted pursuant to the MPM ESOS are as follows:

| Name | Options granted during the financial year | Aggregate options granted since commencement of scheme to end of financial year | Aggregate options outstanding as at end of financial year |
|---|---|---|---|
| Directors of the Company | | | |
| Mr Sean Lee Yun Feng*^ | 420,000 | 770,000 | 770,000 |
| Ms Liely Lee*^ | 420,000 | 770,000 | 770,000 |
| Mr Lim Han Boon | 100,000 | 200,000 | 200,000 |
| Mr Peter Sim Swee Yam | 50,000 | 100,000 | 100,000 |
| Mr Kelvin Lee Kiam Hwee | 50,000 | 100,000 | 100,000 |
| | 1,040,000 | 1,940,000 | 1,940,000 |

## 5. Share options (Continued)

**Marco Polo Marine Ltd Share Option Scheme 2012 (Continued)**

| Name | Options granted during the financial year | Aggregate options granted since commencement of scheme to end of financial year | Aggregate options outstanding as at end of financial year |
|---|---|---|---|
| Employees | | | |
| Mr Cheam Yeow Cheng* | 420,000 | 840,000 | 840,000 |
| Mr Chan Kean Seng* | 320,000 | 640,000 | 640,000 |
| Mr Chandra Mohan* | 320,000 | 640,000 | 640,000 |
| Mr Hsu Chong Pin* | 320,000 | 640,000 | 640,000 |
| Mr Loo Hin Loy* | 420,000 | 840,000 | 840,000 |
| Mr Ho Kian Teck* | – | 320,000 | 320,000 |
| Other employees | 2,140,000 | 3,690,000 | 3,690,000 |
| | 3,940,000 | 7,610,000 | 7,610,000 |
| Total | 4,980,000 | 9,550,000 | 9,550,000 |

* Directors and employees who are granted with 5.00% or more of the total options available under the MPM ESOS.

^ Share options granted to the associates of the controlling shareholders of the Company.

Save as disclosed, no other director or employee of the Group has received 5.00% or more of the total options available under the MPM ESOS.

Save as disclosed, the Company has no other outstanding securities, which are capable of being converted into shares of the Company, nor has it awarded any shares pursuant to the MPM RSS or MPM PSS as at the date of this report.

## 6. Audit committee

The members of the audit committee at the end of the financial year are as follows:

Mr Lim Han Boon (Lead Independent Director)
Mr Sim Swee Yam Peter (Independent Director)
Mdm Lai Qin Zhi (Non-executive Director)
Mr Lee Kiam Hwee Kelvin (Independent Director)

The Audit Committee carried out its functions in accordance with Section 201B (5) of the Act, the Listing Manual of the Singapore Exchange Securities Trading Limited and the Code of Corporate Governance.

The Audit Committee also reviewed the following, where relevant, with the executive directors and external auditors of the Company:

(i) the audit plan and results of the external audit and the independence and objectivity of the external auditors, including the review of the extent of non-audit services provided by the external auditors to the Group;

(ii) the audit plans of the internal auditors of the Group and their evaluation of the adequacy of the Group's system of internal accounting controls;

(iii) Group's quarterly and annual financial statements and the external auditors' report on the annual financial statements of the Group and of the Company before their submission to the Board of Directors;

(iv) the quarterly, half-yearly and annual announcements as well as the related press releases on the results of the Group and financial position of the Group and of the Company;

## 6. Audit committee (Continued)

(v) the adequacy of the Group's risk management processes;

(vi) the Group's compliance with legal requirements and regulations, including the related compliance policies and programmes and reports received from regulators, if any;

(vii) interested person transactions in accordance with SGX listing rules;

(viii) nomination of external auditors and approval of their compensation; and

(ix) submission of report of actions and minutes of the Audit Committee to the Board of Directors with any recommendations as the Audit Committee deems appropriate.

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and discretion to invite any director or executive officer to attend its meetings.

The Audit Committee convened four meetings during the year with attendance from majority of members and has also met with the internal and independent auditors, without the presence of the Company's management, at least once a year.

The Audit Committee has recommended to the Board of Directors that the independent auditors, Mazars LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company. The Audit Committee has conducted an annual review of non-audit services provided by the auditors to satisfy itself that the nature and extent of such services will not affect the independence and objectivity of the external auditors before confirming their re-nomination. The Audit Committee has also conducted a review of interested person transactions.

## 7. Auditors

The auditors, Mazars LLP, have expressed their willingness to accept re-appointment.

On behalf of the directors

| | |
|---|---|
| SEAN LEE YUN FENG<br>Director | LIELY LEE<br>Director |

9 December 2015
Singapore

# STATEMENT BY DIRECTORS

In the opinion of the directors,

(a) the financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 September 2015, and of the results, changes in equity and cash flows of the Group for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the directors

| | |
|---|---|
| SEAN LEE YUN FENG | LIELY LEE |
| Director | Director |

9 December 2015
Singapore

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MARCO POLO MARINE LTD

## Report on the Financial Statements

We have audited the accompanying financial statements of Marco Polo Marine Ltd (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and of the Company as at 30 September 2015, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 37 to 105.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and that transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and the statement of financial position and to maintain accountability of assets.

## Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 September 2015, and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

## Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

MAZARS LLP
Public Accountants and
Chartered Accountants
Singapore

9 December 2015
Singapore

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 30 September 2015

| | Note | Group 2015 $'000 | Group 2014 $'000 |
|---|---|---|---|
| **Revenue** | 4 | 93,893 | 113,109 |
| Cost of sales | | (68,166) | (78,834) |
| **Gross profit** | | 25,727 | 34,275 |
| Other operating income | 5 | 8,217 | 1,325 |
| Administrative expenses | | (8,930) | (10,375) |
| Other operating expenses | | (9,825) | (6,658) |
| **Profit from operations** | | 15,189 | 18,567 |
| Finance costs | 7 | (4,193) | (6,095) |
| Share of (losses)/profits in joint ventures | 14 | (282) | 1,213 |
| **Profit before income tax** | 8 | 10,714 | 13,685 |
| Income tax expenses | 9 | (2,798) | (3,327) |
| **Profit for the financial year** | | 7,916 | 10,358 |
| **Other comprehensive income:** | | | |
| **Item that may be reclassified subsequently to profit or loss** | | | |
| Exchange differences arising from translation of foreign operations | | 6,565 | 1,881 |
| Total comprehensive income for the financial year | | 14,481 | 12,239 |
| **Profit for the financial year attributable to:** | | | |
| Equity holders of the Company | | 8,521 | 10,146 |
| Non-controlling interests | | (605) | 212 |
| | | 7,916 | 10,358 |
| **Total comprehensive income attributable to:** | | | |
| Equity holders of the Company | | 13,694 | 10,331 |
| Non-controlling interests | | 787 | 1,908 |
| | | 14,481 | 12,239 |
| **Earnings per share (cents per share)** | 10 | | |
| Basic | | 2.5 | 3.0 |
| Diluted | | 2.5 | 3.0 |

*The accompanying notes form an integral part of and should be read in conjunction with these financial statements.*

# STATEMENTS OF FINANCIAL POSITION

For the financial year ended 30 September 2015

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2015 | 2014 | 2015 | 2014 |
| | Note | $'000 | $'000 | $'000 | $'000 |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 11 | 235,332 | 343,334 | – | – |
| Investment in subsidiaries | 12 | – | – | 4,320 | 4,320 |
| Goodwill | 13 | – | 5,250 | – | – |
| Investment in joint ventures | 14 | 85,957 | 34,714 | 6,919 | 6,450 |
| Finance lease receivables | 15 | – | 718 | – | – |
| | | 321,289 | 384,016 | 11,239 | 10,770 |
| **Current assets** | | | | | |
| Inventories | 16 | 26,879 | 14,786 | – | – |
| Trade receivables | 17 | 9,176 | 15,467 | – | – |
| Gross amounts due from customers for construction contracts | 18 | 64,183 | 23,419 | – | – |
| Other receivables, deposits and prepayments | 19 | 9,717 | 19,310 | 379 | 642 |
| Finance lease receivables | 15 | – | 541 | – | – |
| Due from subsidiaries (non-trade) | 20 | – | – | 99,179 | 94,326 |
| Fixed deposits | 21 | – | 1,286 | – | – |
| Cash and cash equivalents | 21 | 11,061 | 24,486 | 1,249 | 5,789 |
| | | 121,016 | 99,295 | 100,807 | 100,757 |
| **TOTAL ASSETS** | | 442,305 | 483,311 | 112,046 | 111,527 |
| **LIABILITIES AND EQUITY** | | | | | |
| **Current liabilities** | | | | | |
| Bank overdraft | 21 | – | 786 | – | – |
| Trade payables | 22 | 19,205 | 14,922 | – | – |
| Other payables and accruals | 23 | 11,336 | 11,495 | 2,258 | 1,781 |
| Gross amounts due to customers for construction contracts | 18 | 6,508 | 3,718 | – | – |
| Borrowings – interest bearing | 24 | 124,836 | 115,735 | – | – |
| Derivative financial instruments | 27 | 271 | 451 | – | – |
| Income tax payable | | 6,698 | 7,359 | – | 15 |
| | | 168,854 | 154,466 | 2,258 | 1,796 |
| **Non-current liabilities** | | | | | |
| Borrowings – interest bearing | 24 | 94,966 | 107,388 | 50,000 | 50,000 |
| Deferred tax liabilities | 28 | 1,111 | 936 | – | – |
| | | 96,077 | 108,324 | 50,000 | 50,000 |
| **TOTAL LIABILITIES** | | 264,931 | 262,790 | 52,258 | 51,796 |

*The accompanying notes form an integral part of and should be read in conjunction with these financial statements.*

# STATEMENTS OF FINANCIAL POSITION

For the financial year ended 30 September 2015

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2015 | 2014 | 2015 | 2014 |
| | Note | $'000 | $'000 | $'000 | $'000 |
| **Capital and reserves attributable to equity holders of the Company** | | | | | |
| Share capital | 29 | 59,239 | 59,239 | 59,239 | 59,239 |
| Treasury shares | 30 | (1,203) | (104) | (1,203) | – |
| Capital reserve | 31 | 634 | 634 | – | – |
| Employee share option reserve | | 142 | 85 | – | – |
| Foreign currency translation reserve | | 2,243 | 743 | – | – |
| Retained earnings | 32 | 116,319 | 107,798 | 1,752 | 492 |
| | | 177,374 | 168,395 | 59,788 | 59,731 |
| Non-controlling interests | | – | 52,126 | – | – |
| **TOTAL EQUITY** | | 177,374 | 220,521 | 59,788 | 59,731 |
| **TOTAL EQUITY AND LIABILITIES** | | 442,305 | 483,311 | 112,046 | 111,527 |

*The accompanying notes form an integral part of and should be read in conjunction with these financial statements.*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 September 2015

| | ← Attributable to equity holders of the Company | | | | | | → | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Treasury shares | Capital reserve | Employee share option reserve | Foreign currency translation reserve | Retained earnings | Total | Non-controlling interests | Total equity |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Balance as at 1 October 2014 | 59,239 | (104) | 634 | 85 | 743 | 107,798 | 168,395 | 52,126 | 220,521 |
| Profit for the financial year | – | – | – | – | – | 8,521 | 8,521 | (605) | 7,916 |
| Other comprehensive income, net of tax | – | – | – | – | 5,173 | – | 5,173 | 1,392 | 6,565 |
| Total comprehensive income for the financial year | – | – | – | – | 5,173 | 8,521 | 13,694 | 787 | 14,481 |
| Grant of employee share option | – | – | – | 57 | – | – | 57 | – | 57 |
| Purchase of treasury shares | – | (1,099) | – | – | – | – | (1,099) | – | (1,099) |
| Realisation of disposal of Subsidiary | – | – | – | – | (3,673) | – | (3,673) | (52,913) | (56,586) |
| Balance as at 30 September 2015 | 59,239 | (1,203) | 634 | 142 | 2,243 | 116,319 | 177,374 | – | 177,374 |
| | | | | | | | | | |
| Balance as at 1 October 2013 | 59,239 | – | 634 | 28 | 558 | 102,423 | 162,882 | 50,324 | 213,206 |
| Profit for the financial year | – | – | – | – | – | 10,146 | 10,146 | 212 | 10,358 |
| Other comprehensive income, net of tax | – | – | – | – | 185 | – | 185 | 1,696 | 1,881 |
| Total comprehensive income for the financial year | – | – | – | – | 185 | 10,146 | 10,331 | 1,908 | 12,239 |
| Grant of employee share option | – | – | – | 57 | – | – | 57 | – | 57 |
| Purchase of treasury shares | – | (104) | – | – | – | – | (104) | (106) | (210) |
| Dividend paid (Note 33) | – | – | – | – | – | (4,771) | (4,771) | – | (4,771) |
| Balance as at 30 September 2014 | 59,239 | (104) | 634 | 85 | 743 | 107,798 | 168,395 | 52,126 | 220,521 |

*The accompanying notes form an integral part of and should be read in conjunction with these financial statements.*

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 30 September 2015

| | Note | 2015 $'000 | 2014 $'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit before income tax | | 10,714 | 13,685 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 11 | 12,188 | 21,015 |
| Allowance for impairment of trade receivable | | 748 | 1,254 |
| Impairment on investment In joint ventures | | 4,530 | – |
| Interest expense | | 4,193 | 6,095 |
| Fair value adjustment of derivative financial instruments | | (186) | 446 |
| Interest income | | (39) | (140) |
| Loss on disposal of property, plant and equipment, net | | – | 63 |
| Share of (loss)/profits in joint ventures | | 282 | (1,213) |
| Loss on disposal of subsidiary | | 768 | – |
| Share based payment expense | | 57 | 57 |
| Foreign exchange difference | | 292 | (945) |
| Operating cash flows before working capital changes | | 33,547 | 40,317 |
| *Movements in working capital* | | | |
| Inventories | | (12,743) | 406 |
| Trade and other receivables | | (667) | (5,407) |
| Due from customers for construction contracts | | (37,974) | (11,137) |
| Trade and other payables | | 11,722 | (3,007) |
| Cash (used in)/generated from operations | | (6,115) | 21,172 |
| Interest paid | | (41) | (18) |
| Income tax paid | | (3,075) | (1,737) |
| **Net cash (used in)/generated from operating activities** | | (9,231) | 19,417 |
| **Investing activities** | | | |
| Purchase of property, plant and equipment | 11 | (83,583) | (74,810) |
| Proceeds from disposal of plant and equipment | | – | 595 |
| Net cash outflow from deemed disposal of subsidiary | 12 | (3,515) | – |
| Advances to joint ventures | | – | (2,486) |
| Acquisition of investment in joint ventures | | – | (2,489) |
| Receipt of minimum lease payment | | 718 | 654 |
| **Net cash used in investing activities** | | (86,380) | (78,536) |

*The accompanying notes form an integral part of and should be read in conjunction with these financial statements.*

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 30 September 2015

| | Note | 2015 $'000 | 2014 $'000 |
|---|---|---|---|
| **Financing activities** | | | |
| Interest paid on medium term note | | (871) | – |
| Purchase of treasury shares | | (1,203) | (210) |
| Proceeds from term loans | | 113,556 | 206,225 |
| Repayment of term loans | | (28,729) | (118,720) |
| Repayment of finance lease payables, net | | (92) | (396) |
| Interest paid on finance lease payables | | (1) | (26) |
| Interest paid on term loans | | (3,280) | (6,051) |
| Dividend paid | | – | (4,771) |
| Withdrawal/(Placement) of fixed deposits and bank balances pledged with licensed bank | | 23 | (504) |
| Interest received | | 39 | 140 |
| **Net cash generated from financing activities** | | 79,442 | 75,687 |
| **Net (decrease)/increase in cash and cash equivalents** | | (16,169) | 16,568 |
| Cash and cash equivalents at beginning of financial year | | 23,837 | 7,350 |
| Effect of exchange rate changes on cash and cash equivalents | | 2,267 | (81) |
| **Cash and cash equivalents at end of financial year** | 21 | 9,935 | 23,837 |

*The accompanying notes form an integral part of and should be read in conjunction with these financial statements.*

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

## 1. General information

Marco Polo Marine Ltd (the "Company") is a limited liability company domiciled and incorporated in Singapore and is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). The address of the Company's registered office and principal place of business is 66 Kallang Pudding Road, #05-01 Hor Kew Business Centre, Singapore 349324.

The Company's immediate and ultimate holding company is Nautical International Holdings Ltd, a company incorporated in the British Virgin Islands and ultimately controlled by the executive chairman, Mr. Lee Wan Tang.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 12 to the financial statements.

The financial statements for the financial year ended 30 September 2015 were authorised for issue in accordance with a resolution of the Board of Directors on 9 December 2015.

## 2. Significant accounting policies

### 2.1 Basis of preparation

The financial statements of the Group and the statement of financial position of the Company have been drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards ("FRS") including related Interpretations of FRS ("INT FRS") and are prepared on the historical cost basis, except as disclosed in the accounting policies below.

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Singapore dollar ("$") which is also the functional currency of the Company, and all values presented are rounded to the nearest thousand ("$'000"), unless otherwise indicated.

In the current financial year, the Group has adopted all the new and revised FRSs and INT FRSs that are relevant to its operations and effective for annual periods beginning on or after 1 October 2014, notably FRS 110 *Consolidated financial statements*, FRS 111 *Joint arrangements*, FRS 112 *Disclosure of interests in other entities*, Revised FRS 27 *Separate financial statements* and Revised FRS 28 *Investments in associates and joint ventures* (collectively the "Consolidation Standards").

The nature and impact of these Consolidation Standards is as follows:

FRS 110 provides a single basis for consolidation with a new definition of control based on having the power to direct the relevant activities of the investee. FRS 111 impacts the accounting for joint arrangements, defined as investments or arrangements which are subject to joint control through contractually agreed sharing of control between two or more parties. A joint arrangement is classified as either a joint operation or a joint venture, and the option to proportionately consolidate joint ventures has been removed requiring them to be accounted for under the equity method whilst joint operations are accounted for using the proportionate consolidation method. This is consistent with historical Group's policy under which investments in joint ventures were accounted for using the equity method. FRS 112 is a new disclosure standard for entity that has interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of FRS 112 has resulted in more extensive disclosures in the consolidated financial statements (see Notes 12 and 14). There were no changes in the accounting previously applied to the Company's subsidiaries, investments and joint arrangements as a result of the adoption of these Consolidation Standards. The adoption of these Consolidation Standards required retrospective application.

The adoption of these new /revised FRSs and INT FRSs did not result in significant changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior years.

## 2. Significant accounting policies (Continued)

### 2.1 Basis of preparation (Continued)

FRS and INT FRS issued but not yet effective

At the date of authorisation of these financial statements, the following FRS and INT FRS that are relevant to the Company were issued but not yet effective:

| | | Effective date (annual periods beginning on or after) |
|---|---|---|
| FRS 16, FRS 38 | Amendments to FRS 16 and FRS 38: Clarification of Acceptance Methods of Depreciation and Amortisation | 1 January 2016 |
| FRS 16, FRS 41 | Amendments FRS 16 and FRS 41: Agriculture: Bearer Plants | 1 January 2016 |
| FRS 19 | Amendments to FRS 19: Defined Employee Plans: Employee Contributions | 1 July 2014 |
| FRS 110, FRS 28 | Amendments to FRS 110 and FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | 1 January 2016 |
| FRS 27 | Amendments to FRS 27: Equity Method in Separate Financial Statements | 1 January 2016 |
| FRS 109 | Financial Instruments | 1 January 2018 |
| FRS 111 | Amendments to FRS 111: Accounting Acquisitions of Interest in Joint Operations | 1 January 2016 |
| FRS 114 | Regulatory Deferral Accounts | 1 January 2016 |
| FRS 115 | Revenue from Contracts with Customers | 1 January 2017 |
| FRS 110, FRS 112, FRS 28 | Amendments to FRS 110, FRS 112, FRS 28: Investment entities: Applying the consolidation exception (editorial corrections in June 2015) | 1 January 2016 |
| FRS 115 | Amendments to FRS 115: Effective date of FRS 115 | 1 January 2018 |
| Various | Improvements to FRSs (January 2014) | Various |
| Various | Improvements to FRSs (February 2014) | Various |
| Various | Improvements to FRSs (November 2014) | Various |

Consequential amendments were also made to various standards as a result of these new/revised standards.

The Group and the Company have not early adopted any of the above new/revised standards, interpretations and amendments to the existing standards in financial year ended 30 September 2015. Management is in the process of making an assessment of their impact and is not yet in a position to state whether any substantial changes to the Group's and the Company's significant accounting policies and presentation of the financial information will result.

### 2.2 Basis of consolidation

The financial statements of the Group comprise the financial statements of the Company and its subsidiaries and they incorporate its post-acquisition share of the results of joint ventures using the equity method of accounting. Subsidiaries are entities (including structured entities) (i) over which the Group has power and the Group is (ii) able to use such power to (iii) affect its exposure, or rights, to variable returns from then through its involvement with them.

The Group reassesses whether it controls the subsidiaries if facts and circumstances indicate that there are changes to the one or more of the three elements of control.

When the Group has less than a majority of the voting rights of an investee, it still has power over the investee when the voting rights are sufficient, after considering all relevant facts and circumstances, to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers, among others, the extent of its voting rights relative to the size and dispersion of holdings of the other vote holders, currently exercisable substantive potential voting rights held by all parties, rights arising from contractual arrangements and voting patterns at previous shareholders' meetings.

## 2. Significant accounting policies (Continued)

### 2.2 Basis of consolidation (Continued)

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intra-group assets and liabilities, equity, income, expenses and cashflows relating to intragroup transactions are eliminated on consolidation.

The financial statements of the subsidiaries used in the preparation of the financial statements are prepared for the same financial year as that of the Company. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Non-controlling interests are identified separately from the Group's equity therein. On an acquisition-by-acquisition basis, non-controlling interests may be initially measured either at fair value or at their proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Losses in the subsidiary are attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any differences between the amount by which the non-controlling interests are adjusted to reflect the changes in the relative interests in the subsidiary and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control over a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 *Financial Instruments: Recognition and Measurement* ("FRS 39") or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

Investments in subsidiaries are carried at cost less any impairment loss that has been recognised in profit or loss in the Company's separate financial statements.

### 2.3 Business combinations

Business combinations from 1 October 2010

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent financial year ends in accordance with FRS 39 or FRS 37 *Provisions, Contingent Liabilities and Contingent Assets* as appropriate, with the corresponding gain or loss being recognised in profit or loss.

## 2. Significant accounting policies (Continued)

### 2.3 Business combinations (Continued)

Business combinations from 1 October 2010 (Continued)

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with FRS 105 *Non-Current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at the lower of cost and fair value less costs to sell.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 *Business Combinations* are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with FRS 102 *Share-based Payment*; and

- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the financial year end in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year from acquisition date.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and is initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Business combinations before 1 October 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations were accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as step acquisitions. Adjustments to those fair values relating to previously held interests were treated as a revaluation and recognised in equity.

## 2. Significant accounting policies (Continued)

### 2.3 Business combinations (Continued)

Business combinations before 1 October 2010 (Continued)

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that would otherwise be required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was probable and a reliable estimate was determinable. Subsequent measurements to the contingent consideration affected goodwill.

### 2.4 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured regardless of when the payment is made. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates and sales taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

For charter hire income, voyage charter is recognised based on the loading date/discharging date; and time charter is recognised based on a time apportionment basis.

Revenue from ship repair is recognised when the services are rendered to and accepted by the customers.

Revenue from ship building is recognised by reference to both contract costs incurred to date as a percentage of total estimated contract costs for each contract; and the survey of work performed at the financial year end. Stage of completion for tug and barges is determined by reference to contract costs incurred to date as a percentage of total estimated contract costs for each contract. Stage of completion for offshore vessels is determined by reference to the survey of work performed at the financial year end. When the outcome of contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable.

Interest income

Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable.

Rental income

Rental income arising from commercial property sub-leases is accounted for on a straight-line basis over the lease terms. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

### 2.5 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to be ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

## 2. Significant accounting policies (Continued)

### 2.6 Employees' benefit costs

#### (i) Retirement benefits

The Group participates in the national schemes as defined by the laws of the countries in which it has operations.

Singapore

The Company and its subsidiaries make contribution to the Central Provident Fund (CPF) Scheme in Singapore, a defined contribution pension scheme.

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Indonesia

The subsidiaries, incorporated and operating in Indonesia, are required to provide certain retirement plan contribution to their employees under existing Indonesia regulations. Contributions are provided at rates stipulated by Indonesia regulations and are managed by government agencies, which are responsible for administering these amounts for the subsidiary's employees.

#### (ii) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability as a result of services rendered by employees up to the end of the financial year.

#### (iii) Share based payment

Employees of the Group received remuneration in the form of share options as consideration for services rendered.

Equity-settled share-based payments are measured at fair value of the equity instruments (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest and adjusted for the effect of non-market-based vesting conditions. At the end of each financial year, the Group revises the estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised over the remaining vesting period with a corresponding adjustment to the equity-settled employee benefits reserve.

The transfer of the balance in the share option reserve to share capital or treasury shares upon exercise of the option and the transfer of the balance in the share option reserve to retained profits upon expiry of the option are not mandatory and may be kept as a separate reserve upon expiry or exercise of the option.

### 2.7 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from profit as reported in the profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the financial year.

## 2. Significant accounting policies (Continued)

### 2.7 Income tax (Continued)

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year and based on the tax consequence that will follow from the manner in which the Group expects, at the end of the financial year, to recover or settle the carrying amounts of its assets and liabilities except for the investment properties where investment properties measured at fair value are presented to be recovered entirely through sale. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

### 2.8 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all terms and conditions relating to the grants have been complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant as at the financial year end and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

### 2.9 Dividends

Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which the dividends are approved by the shareholders.

### 2.10 Foreign currency transactions and translation

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing at the date of the transactions. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

## 2. Significant accounting policies (Continued)

### 2.10 Foreign currency transactions and translation (Continued)

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

Exchange differences relating to assets under construction for future productive use, are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the financial year. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such accumulated translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulative in the translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

### 2.11 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

The cost of property, plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Subsequent expenditure relating to property, plant and equipment is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

Depreciation is charged so as to write off the cost of assets, other than freehold land and vessels-in-progress, over their estimated useful lives, using the straight-line method, on the following bases:

| | **Useful lives (Years)** |
|---|---|
| Leasehold land | 23 |
| Freehold office building | 50 |
| Office equipment, furniture & fittings | 3 – 5 |
| Renovation | 5 |
| Vessels | 15 – 20 |
| Machinery and equipment | 4 – 8 |
| Leasehold improvements | over the remaining life of leasehold land |
| Motor vehicles | 4 - 8 |
| Dry dock | 5 |

## 2. Significant accounting policies (Continued)

### 2.11 Property, plant and equipment (Continued)

Vessels-in-construction comprises direct cost of construction and installation during the period of construction for vessels, borrowing costs for qualifying assets capitalised in accordance with the Group's accounting policy. Vessels-in-construction is transferred to vessels when it is completed and ready for its intended use. No depreciation is provided on vessels-in-construction until the vessels are completed and is ready for its intended use.

Dry docking expenses, when incurred, will be deferred and amortised on a straight-line basis over the period to the next dry docking date.

Capital projects in progress comprising development and construction costs incurred during the period of construction for qualifying assets and borrowing costs for qualifying assets capitalised in accordance with the Group's accounting policy. Capital projects in progress are transferred to the appropriate category of assets when it is completed and ready for its intended use. No depreciation is provided on these assets until they are ready for their intended use.

The carrying amount of property, plant and equipment are reviewed for impairment when the events or changes in circumstances indicate that carrying value may not be recoverable.

The residual value, estimated useful life and depreciation method are reviewed, and adjusted as appropriate, at each financial year end to ensure that the amount, method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment. Fully depreciated assets are retained in the financial statements until they are no longer in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on retirement or disposal is determined as the difference between any sales proceeds and the carrying amounts of the asset and is recognised in the profit or loss within "Other operating income (expenses)".

### 2.12 Intangible assets

Goodwill on acquisition

Goodwill represents the excess of the cost of an acquisition over the net fair value of the Group's interest in the identifiable assets, liabilities and contingent liabilities of the subsidiary or joint ventures carried at the date of acquisition. Goodwill is at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit (including the goodwill), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

The attributable amount of goodwill is included in the determination of gain or loss on disposal of the subsidiary or joint ventures.

On acquisition of the investment in an associate or joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the associate or joint venture is recognised as goodwill, which is included in the carrying amount of the investment. Any excess of the Group's share of net fair value of the identifiable assets and liabilities of the associate or joint venture over the cost of the investment after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

## 2. Significant accounting policies (Continued)

### 2.13 Investments in joint ventures

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as a joint operation or a joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill and is included in the carrying amount of the investment. Any excess of the Group's net fair value of the joint venture's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the Group's share of the joint venture's profit or loss in the financial year in which the investment is acquired.

The financial statements of the joint ventures have the same financial year end as the Group. Where necessary, accounting policies of joint ventures have been changed to ensure consistency with the policies adopted by the Group.

The results and assets and liabilities of joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held-for-sale, in which case it is accounted for under FRS 105, from the date on which the investees become a joint venture. Under the equity method, investments in joint ventures are carried at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture, less any accumulated losses of individual investments. The Group's share of losses in a joint venture in excess of the Group's interest in that joint venture (which includes any long term interests that, in substance, form part of the Group's net investment in the joint venture) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the joint ventures. Distributions received from the joint venture reduce the carrying amount of the investment.

For partial disposal where the reduction in the Group's ownership interest in joint ventures that do not result in the Group losing joint control, the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

Any goodwill arising on the acquisition of the Group's interest in a joint venture is accounted for in accordance with the Group's accounting policy for goodwill arising on such acquisitions.

Unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

The investment in joint ventures has been accounted at cost in the subsidiary's separate financial statements.

### 2.14 Impairment of tangible and intangible assets excluding goodwill

The Group reviews the carrying amounts of its tangible and intangible assets as at each financial year end to assess for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

## 2. Significant accounting policies (Continued)

### 2.14 Impairment of tangible and intangible assets excluding goodwill (Continued)

Irrespective of whether there is any indication of impairment, the Group also tests its intangible assets with indefinite useful lives and intangible assets not yet available for use for impairment annually by comparing their respective carrying amounts with their corresponding recoverable amounts.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss for the amount by which the asset's carrying amount exceeds the recoverable amount is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### 2.15 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

**Financial assets**

All financial assets are recognised on a trade date - the date on which the Group commits to purchase or sell the asset. They are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition.

Financial asset at fair value through profit or loss (FVTPL)

A financial asset is classified as FVTPL if the financial asset is either held for trading or is designated as such upon initial recognition.

A financial asset is classified as held-for-trading if it has been acquired principally for the purpose of selling in the short term; or if it is part of an identified portfolio of financial instruments with a recent actual pattern of short-term profit-taking and which is managed by the Group; or if it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee contract.

## 2. Significant accounting policies (Continued)

### 2.15 Financial instruments (Continued)

**Financial assets (Continued)**

A financial asset which is not classified as held-for-trading may be designated as FVTPL upon initial recognition if the financial asset is managed as part of a group of financial instruments, with its performance being evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

Gains or losses arising from changes in the fair value are recognised in profit or loss. The net gain or loss incorporates any dividend or interest earned on the financial asset.

Loans and receivables

The Group's loans and receivables comprise trade and other receivables, amounts due from customers for construction contracts, cash and cash equivalents and fixed deposits.

Such loans and receivables are non-derivatives with fixed or determinable payments that are not quoted in an active market. They are measured at amortised cost, using the effective interest method less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than FVTPL, are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment loss directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds receivables.

**Financial liabilities and equity instruments**

Classification as debt or equity

Financial liabilities and equity instruments issued by Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument are as follows:

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

## 2. Significant accounting policies (Continued)

### 2.15 Financial instruments (Continued)

**Financial liabilities and equity instruments (Continued)**

Equity instruments (Continued)

When shares recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale issue or cancellation of treasury shares.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained earnings of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued pursuant to the employee share option scheme, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve of the Company.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities are classified as at fair value through profit or loss if the financial liability is either held for trading or it is designated as such upon initial recognition.

Other financial liabilities

*Trade and other payables*

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis.

*Borrowings*

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

*Financial guarantee contracts*

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantee contracts as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantee contract liabilities are measured initially at their fair values plus transaction costs and subsequently at the higher of the amount of obligation under the contract recognised as a provision in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation in accordance with FRS 18 *Revenue*.

## 2. Significant accounting policies (Continued)

### 2.15 Financial instruments (Continued)

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, comprising foreign exchange forward contracts.

Derivatives are initially recognised at their fair values at the date the derivative contract is entered into and are subsequently re-measured to their fair values at the end of each financial year. The method of recognising the resulting gain or loss depends on whether the derivative is designated and effective as a hedging instrument, and if so, the nature of the item being hedged.

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

### 2.16 Inventories

Inventories are valued at the lower of cost and net realisable value. Raw materials comprise purchase cost accounted for on a weighted average basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to be incurred for selling and distribution.

### 2.17 Construction contract work-in-progress

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the financial year (the percentage of completion method).

The outcome of a construction contract can be estimated reliably when: (i) total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

When the outcome of a contract cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of contract costs incurred that is probable to be recoverable and contract costs are recognised as an expense in the period in which they are incurred. An expected loss on the construction contract should be recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

Contract revenue comprises the initial amount of revenue agreed in the contract and any variations in the contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they can be measured reliably. A variation or a claim is recognised as contract revenue when is probable that the customer will approve the variation or negotiations have reached an advanced stage such that it is probable that the customer will accept the claim.

## 2. Significant accounting policies (Continued)

### 2.17 Construction contract work-in-progress (Continued)

The stage of completion of ship building is recognised by reference to the survey of work performed at the financial year end and the stage of completion of tug and barges is measured by reference to the contract costs incurred to date to the estimated total costs for the contract (as defined below under revenue recognition policy). Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Costs that relate directly to a specific contract comprise: site labour costs (including site supervision); costs of materials used in construction; depreciation of equipment used on the contract; costs of design, and technical assistance that is directly related to the contract. Contract costs incurred during the financial year in connection with future activity on a contract are excluded from the costs incurred to date when determining the stage of completion of a contract. Such costs are shown as construction contract work-in-progress on the balance sheet unless it is not probable that such contract costs are recoverable from the customers, in which case, such costs are recognised as an expense immediately.

The aggregate of costs incurred and the profit/loss recognised on each contract is compared against the progress billings up to the financial year end. Where costs incurred and recognised profit (less recognised losses) exceed progress billings, the balance is shown as amount due from customers for contract work. Where progress billings exceeds costs incurred and recognised profit (less recognised losses), the excess is shown as amount due to customers for contract work.

### 2.18 Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, deposits with financial institution and short-term, highly liquid investments readily convertible to known amounts of cash and subjected to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

### 2.19 Leases

a) Lessee

Finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased assets to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is recognised as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to the acquisition, construction of production of qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy for borrowing costs).

Operating leases

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

## 2. Significant accounting policies (Continued)

### 2.19 Leases (Continued)

b) Lessor

Finance leases

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Operating leases

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which user benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

### 2.20 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event where, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, which is discounted using a pre-tax discount rate.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss as they arise.

### 2.21 Contingencies

A contingent liability is:

a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

b) a present obligation that arises from past events but is not recognised because:

   (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

   (ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingencies are not recognised on the statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair value can be reliably determined.

## 2. Significant accounting policies (Continued)

### 2.22 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

## 3. Critical accounting estimates, assumptions and judgements

The Group made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources in the application of the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors that are considered to be reasonable under the circumstances. Actual results may differ from the estimates.

### 3.1 Critical judgements in applying the entity's accounting policies

**Determination of control of joint arrangements**

The Group and the Company carry on parts of its business activities through subsidiaries or joint ventures. In those circumstances, the Group and the Company have the ability to affect the significant financial and operating policies of the investees through the presence of control or joint control. The definition of control and joint control is defined in Note 2.2 and 2.13 respectively. The determination of the level of influence the Group and Company have over a business is often a mix of contractually defined and subjective factors that can be critical to the appropriate accounting treatment of investees in the Group's and the Company's financial statements. The management exercises significant judgement in analysing and evaluating relevant, subjective, diverse and sometimes contrasting qualitative and quantitative facts and circumstances surrounding its involvement in the investees, in determining whether the Group and the Company have control or joint control over the investees.

The Group and the Company have considered factors, including but not limited to, the size of its holding of voting rights relative to the size and dispersion of holdings of the other vote holders, its representation at the shareholders' and directors' meetings, the voting patterns, the composition of key management personnel which included the appointing, remunerating and terminating of key management personnel or service providers of the operations, contractual arrangements and etc. There are instances, elements are present that, considered in isolation, indicate control or lack of control over an investee, but when considered together make it difficult to reach a clear conclusion. In certain circumstances, despite the lack of the required technical equity ownership, there could exist a parent-subsidiary relationship or a joint-investor relationship between the Group and the Company with these investees. Such evaluation and assessment processes do take into consideration to account for transactions and events in accordance with their substance and economic reality, and not merely their legal forms.

Differing conclusions around these judgements, may materially impact how these entities are presented in the consolidated financial statements – under the full consolidation method, equity method or proportionate consolidation method.

### 3.2 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) *Impairment of investments in subsidiaries and joint ventures*

At the end of the financial year, an assessment is made on whether there are indicators that the Company's investments in subsidiaries and joint ventures are impaired. At the financial year end, the net equity of all the subsidiaries is in positive position and hence the management perceived no impairment indication on investment in subsidiaries. The Group's carrying amount of investment in joint ventures as at 30 September 2015 is approximately $85,957,000 (2014: $34,714,000). The Company's carrying amount of investments in subsidiaries as at 30 September 2015 is approximately $4,320,000 (2014: $4,320,000).

## 3. Critical accounting estimates, assumptions and judgements (Continued)

### 3.2 Critical accounting estimates and assumptions (Continued)

*(a) Impairment of investments in subsidiaries and joint ventures (Continued)*

Investments in subsidiaries and joint ventures are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The recoverable amounts of the cash-generating units have been determined based on value in use. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used and the projected revenue for the discounted cash flow model. The carrying amount of goodwill and further details of the key assumptions applied in the impairment assessment of investment in joint ventures are disclosed in Note 14 to the financial statements.

*(b) Carrying amount of vessels*

The Company regularly evaluates the carrying amount of the vessel to determine if events have occurred that would require an adjustment to its carrying amount. The valuation of the vessel is reviewed based on events and changes in circumstances that would indicate that the carrying amount of the vessel might not be recovered. In assessing the recoverability of the vessel, the Company reviews certain indicators of potential impairment such as reported sale and purchase prices, market demand and general market conditions. If an indication of impairment is identified, the need for recognising an impairment loss is assessed by comparing the carrying amount of the vessel to the higher of the fair value less cost to sell and the value-in-use.

The value-in-use calculations require complex assumptions and estimates on the projections of cash flows from the continuous use of the vessel, such as estimation of future earnings from the vessels and discount rates. All of these items have been historically volatile and may impact the results of the impairment assessment. The carrying amounts of the Company's vessels as at 30 September 2015 was $125,650,000 (2014: $236,865,000) (Note 11).

*(c) Dry docking component*

Dry docking costs incurred are amortised on a straight-line basis over the period to the next anticipated dry docking date. The Company determines the next anticipated dry docking date of the vessel by reviewing the condition of the vessel and taking into consideration the Company's historical experience with similar vessels and the relevant regulations governing such vessels. Any differences in the actual dry docking cost or changes to the next anticipated dry docking date could impact the amortisation and consequently affect the Company's results. The next anticipated dry docking date is reviewed at each financial year end. The carrying amounts of the Company's dry docking as at 30 September 2015 was $1,683,000 (2014: $233,000) (Note 11)

*(d) Income tax*

The Group is subject to income taxes in Singapore, Australia and Indonesia. Significant judgement is required in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

The Group's ship chartering operations were awarded the Approved International Shipping Enterprise ("AIS") status by the Maritime and Port Authority of Singapore subject to certain terms and conditions, which will exempt qualifying shipping income of certain subsidiaries of the Group from tax with effect from 1 April 2010 (Year of Assessment 2011). The tax computation of those subsidiaries has applied this tax exemption in the computation of the corporate income tax, as disclosed in Note 9.

## 3. Critical accounting estimates, assumptions and judgements (Continued)

### 3.2 Critical accounting estimates and assumptions (Continued)

(e) *Construction contracts*

The Group recognises contract revenue by reference to the survey of work performed and stage of completion of the contract activity at the financial year end, when the outcome of a construction contract can be estimated reliably. The stage of completion of ship building on tug and barges is measured by reference to contract costs incurred to date to the estimated total costs; and the stage of completion of ship building on offshore vessels is measured by reference to the survey of work performed as at financial year end. Significant assumptions are required to derive the survey of work done and estimate the total contract costs and the recoverable variation works that will affect the stage of completion and the contract revenue respectively. In making these estimates, management relied on past experiences and the work specialists. The carrying amounts of assets and liabilities arising from construction contracts at the financial year end are disclosed in Note 18 to the financial statements.

(f) *Impairment of loan and receivables*

Management reviews its loans and receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management makes judgement as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management makes judgements as to whether an impairment loss should be recorded as an expense. In determining this, management uses estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience. As at 30 September 2015, the cumulative allowances for impairment loss were approximately $2,938,000 (2014: $3,319,000) (Note 17).

(g) *Impairment of goodwill*

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired. An impairment exists when the carrying value of the cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The recoverable amount of the cash-generating unit containing goodwill has been determined based on value in use. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used and the projected revenue for the discounted cash flow model. The carrying amount of goodwill and further details of the key assumptions applied in the impairment assessment of goodwill are disclosed in Note 13 to the financial statements.

## 4. Revenue

| | Group | |
|---|---|---|
| | 2015 | 2014 |
| | $'000 | $'000 |
| Ship chartering services | 32,365 | 64,717 |
| Shipbuilding | 48,729 | 36,241 |
| Ship repair services | 12,799 | 12,151 |
| | 93,893 | 113,109 |

## 5. Other operating income

| | Group | |
|---|---|---|
| | 2015 | 2014 |
| | $'000 | $'000 |
| Interest income on bank balances and fixed deposits | 39 | 140 |
| Rental income | 91 | 100 |
| Foreign exchange gain | 7,579 | 221 |
| Sundry income | 508 | 864 |
| | 8,217 | 1,325 |

## 6. Personnel expenses

| | Group | |
|---|---|---|
| | 2015 | 2014 |
| | $'000 | $'000 |
| Wages, salaries and bonuses | 6,420 | 6,576 |
| Contributions to defined contribution plan | 438 | 404 |
| Directors' fee of the Company | 240 | 240 |
| Directors' remuneration | | |
| - directors of the Company | 391 | 2,049 |
| - directors of the subsidiaries | 185 | 243 |
| Other staff costs | 17 | 14 |
| Share based payment expense | 57 | 57 |
| | 7,748 | 9,583 |

Personnel expenses include the amounts shown as directors' remuneration in Note 34 to the financial statements.

Employee share option scheme

At an Extraordinary General Meeting held on 9 July 2012, the shareholders of the Company approved the adoption of three incentive schemes meant for the staff and certain directors of the Group. These three schemes are the Marco Polo Marine Ltd Restricted Share Scheme ("MPM RSS"), the Marco Polo Marine Ltd Performance Share Scheme ("MPM PSS") and the Marco Polo Marine Ltd Employee Share Option Scheme ("MPM ESOS"). The MPM ESOS allows options to be granted to participants at a discount of up to 20% to the prevailing market share price of the Company.

On 24 April 2013, 4,910,000 non-transferrable share options were granted to directors, key management personnel and employees under the MPM ESOS, which are capable of being exercised into the same equivalent number of shares of the Company. The options will expire within 10 years from the date the ESOS were granted, on 23 April 2023.

The exercise price of the options is $0.415 per share, determined at the average of the closing prices of the Company's ordinary shares as quoted on the Singapore Exchange for five market days immediately preceding the date of the grant. The vesting of the options is conditional on the directors, key management personnel and employees remaining in service with the Group during the vesting period.

The options vest in various tranches over 4 years. 30% of the options granted shall be exercisable from the 1st anniversary of date of grant, 15% each of the options granted from 2nd and 3rd anniversary of date of grant and the final 40% of the options shall be exercisable from 4th anniversary of date of grant onwards.

On 28 April 2015, 4,980,000 non-transferrable share options were granted to directors, key management personnel and employees under the MPM ESOS, which are capable of being exercised into the same equivalent number of shares of the Company. The options will be expired within 10 years from the date the ESOS were granted, on 27 April 2025.

## 6. Personnel expenses (Continued)

The exercise price of the options is $0.275 per share, determined at the average of the closing prices of the Company's ordinary shares as quoted on the Singapore Exchange for five market days immediately preceding the date of the grant. The vesting of the options is conditional on the directors, key management personnel and employees remain in service with the Group during the vesting period.

The options vest in various tranches over 4 years. 30% of the Options granted shall be exercisable from the 1st anniversary of date of grant, 15% each of the Options granted from 2nd and 3rd anniversary of date of grant and the final 40% of the Options shall be exercisable from 4th anniversary of date of grant onwards.

Movements in the number of option and their weighted average exercise price are as follows:

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | No. | Weighted average exercise prices | No. | Weighted average exercise prices |
| | | $ | | $ |
| Outstanding at 1 October | 4,910,000 | 0.415 | 4,910,000 | 0.415 |
| - granted | 4,980,000 | 0.275 | – | – |
| - exercised | – | – | – | – |
| - expired | – | – | – | – |
| Outstanding at 30 September | 9,890,000 | 0.345 | 4,910,000 | 0.415 |
| Exercisable at 30 September | 3,703,500 | 0.345 | 1,473,000 | 0.415 |

There has been no modification or cancellation of options granted during the financial year.

Fair value of share options granted

The fair value of the share options granted is estimated at the grant date using a binominal model – Hull-White Enhanced, taking into account the terms and conditions upon which the share options were granted.

The following table lists the inputs and the options model:

| | |
|---|---|
| Share option at the exercise price of $0.415 | |
| Share price at grant date | $0.405 |
| Expected volatility | 42.843% |
| Risk-free interest rate (per annum) | 1.5489% |
| Vesting period | 1 to 4 years |
| Exit rate | 5% to 52% |
| Exercise multiple | 1.5 |
| | |
| Share option at the exercise price of $0.275 | |
| Share price at grant date | $0.275 |
| Expected volatility | 26.334% |
| Risk-free interest rate (per annum) | 2.128% |
| Vesting period | 1 to 4 years |
| Exit rate | 0% to 16% |
| Exercise multiple | 1.5 |

## 6. Personnel expenses (Continued)

The expected volatility reflects the assumption that the historical volatility of the Company's share price, which may not necessarily be the actual outcome. The employee exit rate is based on historical data and is not necessarily indicative of patterns that may occur. The exercise multiple reflects the grantees' early exercise behaviour, which assumes that early exercise happens when the stock price is a certain multiple of the exercise price.

## 7. Finance costs

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **$'000** | **$'000** |
| Interest (income)/expenses on: | | |
| - term loans | 3,280 | 4,444 |
| - bills payables | – | (17) |
| - bank overdraft | 41 | 35 |
| - finance lease obligations | 1 | 26 |
| - medium-term notes | 871 | 1,607 |
| | 4,193 | 6,095 |

## 8. Profit before income tax

This is determined after charging / (crediting) the following:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **$'000** | **$'000** |
| Allowance for impairment of trade receivables | 748 | 1,254 |
| Bank charges | 273 | 495 |
| Depreciation of property, plant and equipment | 12,188 | 21,015 |
| Directors' fee of the Company | 240 | 240 |
| Remuneration paid to auditors of the Company: | | |
| - Audit fees | 165 | 146 |
| Medium term note expenses | 876 | 346 |
| Fair value (gain)/loss on derivative financial instruments | (186) | 446 |
| Loss on disposal of a subsidiary | 768 | – |
| Impairment on investment in a joint venture | 4,530 | – |
| Legal and professional fee | 158 | 502 |
| Loss on disposal of property, plant and equipment, net | – | 63 |
| Operating lease expenses | 279 | 482 |
| Personnel expenses* | 7,748 | 9,583 |

* This includes the amount shown as directors' remuneration. For details refer to Note 6.

## 9. Income tax expenses

| | Group 2015 $'000 | Group 2014 $'000 |
|---|---|---|
| Current income tax | | |
| - current financial year | 3,413 | 4,135 |
| - over provision in prior financial years | (790) | (834) |
| | 2,623 | 3,301 |
| Deferred income tax (Note 28) | | |
| - current financial year | 90 | 26 |
| - under provision in prior financial year | 85 | – |
| | 175 | 26 |
| Income tax expense | 2,798 | 3,327 |

Reconciliation of effective tax rate:

| | Group 2015 $'000 | Group 2014 $'000 |
|---|---|---|
| Profit before income tax | 10,714 | 13,685 |
| Tax at the statutory tax rate of 17% (2014: 17%) | 1,821 | 2,326 |
| Different tax rates in other countries | 642 | 889 |
| Tax exemption | (837) | (484) |
| Expenses not deductible for tax purposes | 3,101 | 1,696 |
| Income not subject to tax | (1,786) | (523) |
| Deferred tax assets not recognised | 522 | 176 |
| Over provision of current tax in respect of prior years | (705) | (834) |
| Share of profit/(loss) in joint ventures | 48 | (206) |
| Others | (8) | 287 |
| | 2,798 | 3,327 |

The Group's ship chartering operations were awarded the Approved International Shipping Enterprise ("AIS") status by the Maritime and Port Authority of Singapore. Pursuant to the AIS status, certain subsidiaries of the Group will enjoy tax exemption with effect from 1 April 2010 (Year of Assessment 2011) on qualifying shipping income and gain on disposal of vessels, including incomes derived from foreign-flagged ships which were taxed previously.

A subsidiary in Indonesia has obtained status of national shipping company under Ministry of Finance Decree No: 416/ KMK.04/1996. The subsidiary is subject to a final income tax rate of 1.2% (2014: 1.2%) of revenue.

## 10. Earnings per share

The calculations of earnings per share are based on the profits and numbers of shares shown below.

| | Basic | | Diluted | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Profit for the financial year attributable to the equity holder of the Company | 8,521 | 10,146 | 8,521 | 10,146 |

Weighted average number of shares

| | Number of shares | |
|---|---|---|
| | **2015** | **2014** |
| For basic earnings per share | 337,716,675 | 340,750,000 |
| For diluted earnings per share | 337,716,675 | 340,750,000 |

Basic earnings per share are calculated by dividing profit for the financial year attributable to the equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share amounts are calculated by dividing profit for the financial year from continuing operations, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

There is no dilutive effect arising from share option for current financial year as the exercise price of the share options was higher than the Company's average share price during the current financial year.

## 11. Property, plant and equipment

| Group | Leasehold land $'000 | Freehold office building $'000 | Office equipment, furniture & fittings $'000 | Renovation $'000 | Vessels $'000 | Dry dock $'000 | Machinery and equipment $'000 | Leasehold improvements $'000 | Motor vehicles $'000 | Vessels-in-construction $'000 | Capital projects in progress $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | | | | |
| Balance at 30.10.2013 | 6,311 | 1,102 | 1,082 | 352 | 286,499 | 117 | 11,008 | 29,937 | 842 | 2,090 | 2,027 | 341,367 |
| Additions | – | – | 47 | 4 | 4,154 | 189 | – | – | 574 | 69,250 | 882 | 75,100 |
| Disposal | – | – | – | – | (1,070) | – | – | – | (41) | – | – | (1,111) |
| Written-off | – | – | (2) | – | – | – | – | – | – | – | – | (2) |
| Transfer to inventory | – | – | – | – | (5,376) | – | – | – | – | – | – | (5,376) |
| Transfer from capital projects in progress | – | – | 1 | – | – | – | 604 | 2,304 | – | – | (2,909) | – |
| Currency realignment | – | – | 4 | – | 3,063 | – | – | – | 4 | – | – | 3,071 |
| Balance at 30.09.2014 | 6,311 | 1,102 | 1,132 | 356 | 287,270 | 306 | 11,612 | 32,241 | 1,379 | 71,340 | – | 413,049 |
| Additions | – | – | 60 | – | 72,339 | 550 | 84 | 2 | – | 10,548 | – | 83,583 |
| Deemed disposal of subsidiary | – | – | (315) | – | (210,049) | – | – | – | (279) | (8,627) | – | (219,270) |
| Transfer to dry dock | – | – | – | – | (1,293) | 1,293 | – | – | – | – | – | – |
| Currency realignment | – | – | – | – | (3,388) | – | – | – | – | 3,489 | – | 101 |
| Balance at 30.09.2015 | 6,311 | 1,102 | 877 | 356 | 144,879 | 2,149 | 11,696 | 32,243 | 1,100 | 76,750 | – | 277,463 |
| **Accumulated depreciation** | | | | | | | | | | | | |
| Balance at 01.10.2013 | 1,807 | 161 | 818 | 83 | 34,135 | 22 | 6,193 | 6,276 | 370 | – | – | 49,865 |
| Depreciation charge for the financial year | 277 | 22 | 120 | 58 | 17,408 | 51 | 1,343 | 1,643 | 93 | – | – | 21,015 |
| Disposal | – | – | – | – | (425) | – | – | – | (28) | – | – | (453) |
| Acquisition of a subsidiary | – | – | – | – | (1,264) | – | – | – | – | – | – | (1,264) |
| Written-off | – | – | (2) | – | – | – | – | – | – | – | – | (2) |
| Currency realignment | – | – | 2 | – | 551 | – | – | – | 1 | – | – | 554 |

## 11. Property, plant and equipment (Continued)

| Group | Leasehold land $'000 | Freehold office building $'000 | Office equipment, furniture & fittings $'000 | Renovation $'000 | Vessels $'000 | Dry dock $'000 | Machinery and equipment $'000 | Leasehold improvements $'000 | Motor vehicles $'000 | Vessels-in-construction $'000 | Capital projects in progress $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Balance at 30.09.2014 | 2,084 | 183 | 938 | 141 | 50,405 | 73 | 7,536 | 7,919 | 436 | – | – | 69,715 |
| Depreciation charge for the financial year | 277 | 22 | 88 | 59 | 8,330 | 391 | 1,177 | 1,752 | 92 | – | – | 12,188 |
| Deemed disposal of subsidiary | – | – | (168) | – | (39,605) | – | – | – | (101) | – | – | (39,874) |
| Currency realignment | – | – | 1 | – | 99 | 2 | – | – | – | – | – | 102 |
| Balance at 30.09.2015 | 2,361 | 205 | 859 | 200 | 19,229 | 466 | 8,713 | 9,671 | 427 | – | – | 42,131 |
| **Net carrying amount** | | | | | | | | | | | | |
| As at 30.09.2015 | 3,950 | 897 | 18 | 156 | 125,650 | 1,683 | 2,983 | 22,572 | 673 | 76,750 | – | 235,332 |
| As at 30.09.2014 | 4,227 | 919 | 194 | 215 | 236,865 | 233 | 4,076 | 24,322 | 943 | 71,340 | – | 343,334 |

Property, plant and equipment with net carrying amount of approximately $186,013 (2014: $228,415,000) are pledged as security for term loans (Note 26).

Machinery and equipment with net carrying amount of approximately $Nil (2014: $25,000) were acquired under finance leases.

Motor vehicles with net carrying amount of approximately $590,000 (2014: $723,000) were acquired under finance leases.

The depreciation expenses amounting to approximately $11,333,000 (2014: $20,154,000) and $855,000 (2014: $861,000) have been recognised in the cost of sales and other operating expenses respectively.

The Group's property, plant and equipment include borrowing costs arising from bank loans borrowed specifically for the purpose of the construction of the vessels. The borrowing costs capitalised as cost of vessels-in-construction during the financial year ended 30 September 2015 amounted to approximately $1,350,000 (2014: $876,000). The average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 5.75% (2014: 5.75%) per annum, which is the effective interest rate of the specific borrowings.

## 11. Property, plant and equipment (Continued)

During the financial year, the Group made the following cash payments to purchase property, plant and equipment:

| | Group | |
|---|---|---|
| | 2015 | 2014 |
| | $'000 | $'000 |
| Purchase of property, plant and equipment | 83,583 | 75,100 |
| Financed by finance lease agreements | – | (290) |
| Cash payments on purchase of property, plant and equipment | 83,583 | 74,810 |

## 12. Investment in subsidiaries

| | Company | |
|---|---|---|
| | 2015 | 2014 |
| | $'000 | $'000 |
| Unquoted equity shares, at cost | 4,320 | 4,320 |

Details of the subsidiaries are as follows:

| Name of companies | Principal activities | Place of incorporation/ Place of business | Effective interest held by the Group | |
|---|---|---|---|---|
| | | | 2015 | 2014 |
| | | | % | % |
| Held by the Company | | | | |
| Marco Polo Shipping Co. Pte Ltd [(1)] | Ship chartering | Singapore | 100 | 100 |
| Marco Polo Shipyard Pte Ltd (formerly known as Bina Marine Pte. Ltd.) [(1)] | Provision of contract services and trading activities | Singapore | 100 | 100 |
| MP Marine Pte. Ltd. [(1)] | Investment holding | Singapore | 100 | 100 |
| MP Ventures Pte. Ltd. [(1)] | Investment holding | Singapore | 100 | 100 |
| Marco Polo Drilling Pte. Ltd. [(1)] | Investment holding | Singapore | 100 | 100 |

## 12. Investment in subsidiaries (Continued)

| Name of companies | Principal activities | Place of incorporation/ Place of business | Effective interest held by the Group 2015 | 2014 |
|---|---|---|---|---|
| | | | % | % |
| Held by subsidiaries: | | | | |
| PT. Marcopolo Shipyard [2] | Shipbuilding and ship repair | Indonesia | 100 | 100 |
| MP Shipping Pte. Ltd. [1] | Ship chartering | Singapore | 100 | 100 |
| Marcopolo Shipping (Hong Kong) Limited [4] | Investment holding | Hong Kong | 100 | 100 |
| Marco Polo Offshore Pte Ltd [1] | Ship chartering, leasing and management | Singapore | 100 | 100 |
| MP Offshore Pte Ltd [1] | Ship chartering | Singapore | 100 | 100 |
| Marco Polo Offshore (II) Pte Ltd [1] | Ship chartering | Singapore | 100 | 100 |
| Marco Polo Offshore (III) Pte Ltd [1] | Ship chartering | Singapore | 100 | 100 |
| Marco Polo Drilling (I) Pte Ltd [1] | Oil rig chartering | Singapore | 100 | 100 |
| PT Marco Polo Indonesia [2] | Management consultancy and marketing | Indonesia | 100 | 100 |
| PT Pelayaran Nasional Bina Buana Raya Tbk ("BBR") [2] [5] | Ship chartering | Indonesia | – | 49.8 |
| BBR Shipping Pte Ltd [2] | Management consultancy and marketing | Singapore | – | 49.8 |
| Marco Polo Offshore (V) Pte Ltd [3] | Ship Chartering | Labuan, Malaysia | 100 | – |
| Marco Polo Offshore (VI) Pte Ltd [3] | Ship Chartering | Singapore | 100 | – |

(1) Audited by Mazars LLP, Singapore.

(2) Audited by Mazars LLP, Singapore for the purpose of expressing an opinion on the consolidated financial statements.

(3) Incorporated during the financial year.

(4) Reviewed by Mazars LLP, Singapore for the purpose of expressing an opinion on the consolidated financial statements.

(5) Audited by Hertanto, Sidik & Indra (Member of TIAG), a firm of Certified Public Accountants in Indonesia for local statutory reporting.

## 12. Investment in subsidiaries (Continued)

Deemed disposal of PT Pelayaran Nasional Bina Buana Raya Tbk ("BBR")

On 29 September 2014, the Company announced that it has signed a binding Head of Agreement with Nam Cheong Limited ("Nam Cheong"), and together with its subsidiaries (the "NCL Group") whereby Nam Cheong has agreed to invest up to approximately US$30.7 million (equivalent $39.1 million) for a shareholding stake of up to 30% on an enlarged basis in BBR. The investment will be undertaken via a proposed rights issue of new shares in BBR which are expected to be priced at IDR230 per share. The Group will announce its rights entitlements to subscribe for BBR shares in favour of Nam Cheong or its nominees, in order for the NCL Group to subscribe for the BBR shares to attain up to the 30% shareholding stake in BBR on an enlarged basis.

Following this, BBR, which is owned indirectly by the Company's subsidiary, will cease to be a subsidiary of the Group. As at the financial year ended 30 September 2015, the Group held 34.8% of BBR and was equity-accounted for as a joint venture (Note 14).

| | Group 2015 $'000 |
|---|---|
| Cash and cash equivalents | 3,515 |
| Trade and other receivables | 16,344 |
| Inventories | 650 |
| Property, plant and equipment (Note 11) | 179,396 |
| Trade and other payables | (7,598) |
| Income tax payable | (186) |
| Borrowings | (87,948) |
| Net assets | 104,173 |
| Consideration received/receivable | – |
| Add: Fair value of residual interest classified as investment in joint venture (Note 14) | 52,069 |
| Net assets derecognised | (104,173) |
| Non-controlling interest derecognised | 52,913 |
| Goodwill derecognised (Note 13) | (5,250) |
| Reclassification of exchange difference from translation reserve to profit or loss | 3,673 |
| Loss on deemed disposal | (768) |
| Consideration received/receivable | – |
| Less: Cash and cash equivalents disposed of due to de-consolidation | (3,515) |
| Net cash outflow from dilution in equity interest | (3,515) |

## 13. Goodwill

| | Group | |
|---|---|---|
| | 2015 | 2014 |
| | $'000 | $'000 |
| Balance at beginning of financial year | 5,250 | 5,250 |
| Derecognition of goodwill upon deemed disposal of subsidiary | (5,250) | – |
| Balance at end of financial year | – | 5,250 |

The goodwill of US$4,291,000 or equivalent to $5,250,000 arising from the acquisition is attributable to the access granted to the Group into the fast growing Indonesia market under the Indonesian Cabotage Principle.

Subsequent to the deemed disposal of BBR as a subsidiary, the goodwill had been derecognised.

Impairment testing for goodwill (2014)

Goodwill on acquisition is allocated to the Indonesia ship chartering business which is the cash-generating unit ("CGU") included in the Group's ship chartering service segment.

The carrying amount of the CGU was determined to be lower than its recoverable amount and hence no impairment loss is recognised during the financial year.

The recoverable amount of the CGU is determined based on its value-in-use. Value-in-use was determined by discounting the future cash flows generated from the continuing use of the unit, based on financial budgets approved by management covering a five-year period. The key assumptions used for the value-in-use calculation are as follows:

- A pre-tax discount rate of 9.5% was applied in determining the recoverable amount of the units. The discount rate was determined based on the weighted average cost of capital.

- Budgeted revenue is based on the current occupancy rate and chartering fee of the existing fleet of vessels.

- A terminal value was estimated based on the average budgeted and projected cash flows at 0% growth rate and a pre-tax discount rate of 9.5%.

The values assigned to the key assumption represent management's assessment of future trends in the industry and are based on both external sources and internal resources.

The above estimates does not result in an impairment loss assuming 1% increase in the discount rate, or 5% decrease in budgeted revenue.

## 14. Investment in joint ventures

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | $'000 | $'000 | $'000 | $'000 |
| Investment in joint ventures | 56,377 | 3,935 | 1,090 | 1,090 |
| Share of post-acquisition profits | 12,626 | 12,908 | – | – |
| Share of translation reserves | 3,851 | 970 | – | – |
| Accumulated impairment loss | (4,530) | – | – | – |
| | 68,324 | 17,813 | 1,090 | 1,090 |
| Due from joint ventures (1) | 17,633 | 16,901 | 5,829 | 5,360 |
| | 85,957 | 34,714 | 6,919 | 6,450 |

The investment in joint ventures are accounted for using the equity method. The investment is initially recognised at cost and adjusted thereafter to include the Company's share of post-acquisition distributable and non-distributable reserves of the joint ventures after eliminating unrealised profit of the transactions between the Group and the joint ventures to the extent of the Group's interest in the joint ventures.

Details of the joint ventures are as follows:

| Name of companies | Principal activities | Place of incorporation/ Place of business | Proportion of ownership interest held by the Group | |
|---|---|---|---|---|
| | | | 2015 | 2014 |
| | | | % | % |
| MPST Marine Pte. Ltd. ("MPST") (2) | Ship chartering services | Singapore | 50 | 50 |
| Rig Tenders Offshore Pte Ltd (3) | Ship chartering services | Singapore | 30 | 30 |
| MPMT Pte Ltd ("MPMT") (2) | Investment holding | Singapore | 50 | 50 |
| Marco Polo Offshore (IV) Pte Ltd (3) ("MPO (IV)") | Ship chartering services | Labuan, Malaysia | 50 | 50 |
| PT Pelayaran Nasional Bina Buana Raya Tbk ("BBR") (3) | Ship catering services | Indonesia | 34.8 | – |
| BBR Shipping Pte Ltd (2) | Management consultancy and marketing | Singapore | 34.8 | – |
| Held by joint ventures | | | | |
| Alpine Marine Limited (4) | Ship chartering services | British Virgin Island | 50 | 50 |
| MPMT 1 Tankers Pte Ltd (2) | Ship chartering services | Singapore | 50 | 50 |

(1) These non-trade balances are unsecured, interest free and are not expected to be repaid within the next 12 months and are in substance, a part of the Group's net investments in the joint ventures. The timing of the future cash flows in relation to the loan cannot be estimated reliably. Consequently, it is not practicable to determine with sufficient reliability the fair value of the loan.

(2) Audited by Mazars LLP, Singapore.

(3) Reviewed by Mazars LLP, Singapore for the purpose of expressing an opinion on the consolidated financial statements.

(4) Not required to be audited in the country of incorporation. However, they were reviewed by Mazars LLP, Singapore for the purpose of expressing an opinion on the consolidated financial statements.

## 14. Investment in joint ventures (Continued)

The Group jointly controls the venture with another partner under the contractual agreement and requires unanimous consent for all significant decisions over the relevant activities.

Summarised financial information of the Group's material joint venture (based on its FRS financial statements).

| 2015 | MPST<br>$'000 | Rig Tender Offshore<br>$'000 | MPMT<br>$'000 | MPO (IV)<br>$'000 | BBR<br>$'000 | Total<br>$'000 |
|---|---|---|---|---|---|---|
| **Assets and liabilities** | | | | | | |
| Non-current assets | – | 15,852 | 18,705 | 43,479 | 180,530 | |
| Current assets | 46,376 | 4,327 | 9,534 | 2,139 | 43,615 | |
| Current liabilities | (1,407) | (1,891) | (16,334) | (7,172) | (46,189) | |
| Non-current liabilities | (15,807) | (9,064) | (7,971) | (28,992) | (36,226) | |
| Net assets | 29,162 | 9,224 | 3,934 | 9,454 | 141,730 | |
| Group's share of joint venture's net assets | 14,581 | 2,767 | 1,967 | 4,727 | 49,322 | |
| Other adjustments | – | – | – | – | (510) | |
| Less: accumulated impairment loss | – | – | – | – | (4,530) | |
| At 31 December | 14,581 | 2,767 | 1,967 | 4,727 | 44,282 | 68,324 |
| **Results** | | | | | | |
| Revenue | 2,413 | 2,718 | 3,446 | 6,912 | 26,704 | |
| Expenses, including the following: | (288) | (1,340) | (3,452) | (3,313) | (36,393) | |
| Depreciation | – | (1) | (1,064) | (2,162) | (11,378) | |
| Interest expense | – | – | (265) | (1,046) | (1,993) | |
| Profit before income tax | 2,125 | 1,378 | (6) | 3,599 | (9,689) | |
| Income tax expenses | (118) | – | – | – | (355) | |
| Profit for the financial year | 2,007 | 1,378 | (6) | 3,599 | (10,044) | |
| Group's share of joint ventures profit for the year | 1,003 | 414 | (3) | 1,799 | (3,495) | (282) |

## 14. Investment in joint ventures (Continued)

| 2014 | MPST $'000 | Rig Tender Offshore $'000 | MPMT $'000 | MPO (IV) $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Assets and liabilities** | | | | | |
| Non-current assets | – | 14,743 | 19,788 | 40,940 | |
| Current assets | 39,114 | 3,377 | 8,924 | – | |
| Current liabilities | (1,320) | (1,757) | (14,704) | (5,682) | |
| Non-current liabilities | (15,394) | (9,373) | (10,018) | (30,216) | |
| Net assets | 22,400 | 6,990 | 3,990 | 5,042 | |
| Group's share of joint venture's net assets | 11,200 | 2,097 | 1,995 | 2,521 | 17,813 |
| **Results** | | | | | |
| Revenue | 2,246 | 3,258 | 3,303 | 135 | |
| Expenses, including the following: | (107) | (1,563) | (3,635) | (200) | |
| Depreciation | – | – | (1,021) | – | |
| Interest expense | – | – | (269) | (105) | |
| Profit before income tax | 2,139 | 1,695 | (332) | (65) | |
| Income tax expenses | (332) | – | – | – | |
| Profit for the financial year | 1,807 | 1,695 | (332) | (65) | |
| Group's share of joint ventures profit for the year | 904 | 508 | (166) | (33) | 1,213 |

**Impairment testing for investment in joint ventures**

The carrying amount of the investment in joint ventures will be assessed for impairment when there is indication that impairment had occurred. Impairment occurs when the recoverable amount is lower than the carrying amount of the investment in joint ventures.

Impairment testing for investment in joint ventures

The recoverable amount of the joint venture is determined based on its value-in-use. Value-in-use was determined by discounting the future cash flows generated from the continuing use of the unit, based on financial budgets approved by management covering a five-year period. The key assumptions used for the value-in-use calculation are as follows:

- A pre-tax discount rate of 10.3% (2014: Nil) was applied in determining the recoverable amount of the units. The discount rate was determined based on the weighted average cost of capital.

- Budgeted revenue is based on the current occupancy rate and chartering fee of the existing fleet of vessels.

- A terminal value was estimated based on the average budgeted and projected cash flows at a 0% (2014: 0%) growth rate and a pre-tax discount rate of 10.3% (2014: Nil).

The values assigned to the key assumption represent management's assessment of future trends in the industry and are based on both external sources and internal resources.

## 15. Finance lease receivables

| | Group | | |
|---|---|---|---|
| | Gross receivable due | Unearned interest | Net investment in financial lease |
| | $'000 | $'000 | $'000 |
| 2014 | | | |
| Within one year | 555 | (14) | 541 |
| More than one year but not later than five years | 785 | (67) | 718 |
| | 1,340 | (81) | 1,259 |

During financial year 2013, the Group entered into a Bareboat Charter Agreement with a third party charterer to charter a vessel for a 3-year period. As part of the Bareboat Chater Agreement, the charterer irrevocably and unconditionally agreed to purchase the vessel at any time after the 12th month of the charter period. The charterer shall provide 3 months notice for the purchase of the vessel, if no notice is received by the Group before expiry date of the charter period, the charterer shall be deemed to have purchased the vessel on the expiry date of the charter at no consideration.

The Group has transferred substantially all risks and rewards incidental to ownership of the vessel to the charterer at the inception of the lease and the charter is classified as financial lease receivable.

Interest is payable at effective rate of 8.00% (2014: 8.00%) per annum.

There are no finance lease receivables as at the current financial year end.

## 16. Inventories

| | Group | |
|---|---|---|
| | 2015 | 2014 |
| | $'000 | $'000 |
| Raw materials | 3,067 | 4,032 |
| Work-in-progress vessels | 23,760 | 5,825 |
| Spare parts and consumables | 52 | 4,929 |
| | 26,879 | 14,786 |

Raw materials mainly consist of steel plates and equipment which are used in the Group's shipbuilding activities.

The cost of inventories recognised as expenses and included in "cost of sales" amounted to approximately $56,834,000 (2014: $60,805,000).

## 17. Trade receivables

| | Group 2015 $'000 | Group 2014 $'000 |
|---|---|---|
| Third parties | 10,210 | 18,718 |
| Amount due from joint ventures | 1,904 | 68 |
| Allowance for impairment of trade receivables (third parties) | (2,938) | (3,319) |
| Total trade receivables | 9,176 | 15,467 |
| Add: Other receivables, deposits and prepayments (Note 19) | 9,717 | 19,310 |
| Add: Cash and cash equivalents (Note 21) | 11,061 | 24,486 |
| Less: Prepayments | (1,990) | (1,558) |
| Total loans and receivables at amortised cost | 27,964 | 57,705 |

## 18. Gross amounts due from/(to) customers for construction contracts

| | Group 2015 $'000 | Group 2014 $'000 |
|---|---|---|
| Aggregate amount of costs incurred and recognised profits to date | 300,555 | 61,802 |
| Less: Progress billings | (242,880) | (42,101) |
| | 57,675 | 19,701 |
| Presented as: | | |
| Due from customers for construction contracts | 64,183 | 23,419 |
| Due to customers for construction contracts | (6,508) | (3,718) |
| | 57,675 | 19,701 |

## 19. Other receivables, deposits and prepayments

| | Group 2015 $'000 | Group 2014 $'000 | Company 2015 $'000 | Company 2014 $'000 |
|---|---|---|---|---|
| Deposits paid for construction costs of vessels | 5,641 | 13,147 | – | – |
| Insurance claimed receivable | – | 499 | – | – |
| Other deposits | 146 | 257 | – | – |
| Prepayments | 1,990 | 1,558 | 30 | – |
| Accrued revenue | 800 | 2,191 | – | – |
| Deferred revenue | 673 | 1,022 | 347 | 610 |
| Staff loans | – | 106 | – | – |
| Other receivables | 467 | 530 | 2 | 32 |
| | 9,717 | 19,310 | 379 | 642 |

During the prior financial year, the Company claimed a loss to the insurance company for damages to the vessels. The carrying amount of $Nil (2014: $499,000), including other expenses, will be covered by insurance claim from a third party underwriter.

## 20. Due from subsidiaries (non-trade)

These balances are unsecured, interest-free and repayable on demand and denominated in Singapore dollar.

## 21. Cash and cash equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | 2015<br>$'000 | 2014<br>$'000 | 2015<br>$'000 | 2014<br>$'000 |
| Fixed deposits | – | 1,286 | – | – |
| Cash and bank balances | 11,061 | 24,486 | 1,249 | 5,789 |
| Bank overdraft | – | (786) | – | – |
| | 11,061 | 24,986 | 1,249 | 5,789 |
| Less: Pledged fixed deposits and bank balances | (1,126) | (1,149) | – | – |
| Cash and cash equivalents as stated in the statement of cash flows | 9,935 | 23,837 | 1,249 | 5,789 |

Fixed deposits and bank balances of $1,126,000 (2014: $1,149,000) are pledged for bank overdraft facilities with banks. The fixed deposits will mature within 12 months from the financial year end. During the prior financial year, interest rates for fixed deposits range from 2.14% to 7.25% per annum. The cash balances bear effective interest rates ranged from 0.01% to 0.25% (2014: 0.01% to 0.25%).

During the prior financial year, bank overdraft is denominated in Singapore dollars, bears effective interest rates at 4.25% per annum. The bank overdraft facilities are secured by fixed deposits.

## 22. Trade payables

| | Group | | Company | |
|---|---|---|---|---|
| | 2015<br>$'000 | 2014<br>$'000 | 2015<br>$'000 | 2014<br>$'000 |
| Third parties | 17,303 | 14,434 | – | – |
| Amount due to joint ventures | 306 | 272 | – | – |
| Amount due to related parties | 13 | 37 | – | – |
| Bill payables (unsecured) | 1,583 | 179 | – | – |
| | 19,205 | 14,922 | – | – |
| Add: Other payables and accruals (Note 23) | 11,336 | 11,495 | 2,258 | 1,781 |
| Add: Borrowings (Note 24) | 219,568 | 222,796 | 50,000 | 50,000 |
| Finance lease obligations (Note 25) | 234 | 327 | – | – |
| Financial liabilities at amortised cost | 250,343 | 249,540 | 52,258 | 51,781 |

Trade payables to third parties are interest-free and are generally settled within 30 to 90 days (2014: 30 to 90 days). Trade payables to joint ventures and related parties are unsecured, interest-free and repayable on demand.

Interest on bills payables was charged at the rate of 2.95% (2014: 1.9%) per annum.

## 23. Other payables and accruals

| | Group | | Company | |
|---|---|---|---|---|
| | 2015<br>$'000 | 2014<br>$'000 | 2015<br>$'000 | 2014<br>$'000 |
| Deposits received for chartering income | 86 | 460 | – | – |
| Accruals | 6,440 | 8,109 | 740 | 340 |
| Interest payable | 1,441 | 1,441 | 1,441 | 1,441 |
| Deferred income | 3,016 | 1,359 | – | – |
| Owing to a director of a subsidiary | – | – | – | – |
| Other payables | 353 | 126 | 77 | – |
| | 11,336 | 11,495 | 2,258 | 1,781 |

Deferred income represents ship chartering revenue received in advance and is non-refundable.

## 24. Borrowings – interest bearing

| | Group | | Company | |
|---|---|---|---|---|
| | 2015<br>$'000 | 2014<br>$'000 | 2015<br>$'000 | 2014<br>$'000 |
| **Current liabilities** | | | | |
| Finance lease obligations (Note 25) | 76 | 89 | – | – |
| Term loans (Note 26) | 124,760 | 115,646 | – | – |
| | 124,836 | 115,735 | – | – |
| **Non-current liabilities** | | | | |
| Finance lease obligations (Note 25) | 158 | 238 | – | – |
| Term loans (Note 26) | 94,808 | 107,150 | 50,000 | 50,000 |
| | 94,966 | 107,388 | 50,000 | 50,000 |
| **Total borrowings** | | | | |
| Finance lease obligations (Note 25) | 234 | 327 | – | – |
| Term loans (Note 26) | 219,568 | 222,796 | 50,000 | 50,000 |
| | 219,802 | 223,123 | 50,000 | 50,000 |

## 25. Finance lease obligations

| Group | Minimum lease payments<br>$'000 | Interest<br>$'000 | Present value of payments<br>$'000 |
|---|---|---|---|
| **2015** | | | |
| Within one year | 89 | (13) | 76 |
| More than one year but not later than five years | 181 | (23) | 158 |
| | 270 | (36) | 234 |
| **2014** | | | |
| Within one year | 102 | (13) | 89 |
| More than one year but not later than five years | 261 | (23) | 238 |
| | 363 | (36) | 327 |

Interest is payable at effective rate of 3.3% to 7.0% (2014: 3.3% to 7.0%) per annum.

## 26. Term loans

| Bank loans | Group | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | $'000 | $'000 | $'000 | $'000 |
| Floating rate | | | | |
| #1 | 577 | 621 | – | – |
| #2 | 14 | 674 | – | – |
| #3 | 600 | 1,500 | – | – |
| #4 | 31 | 406 | – | – |
| #5 | 2,000 | 2,000 | – | – |
| #6 | 988 | 1,783 | – | – |
| #7 | 665 | 2,062 | – | – |
| #8 | – | 8,522 | – | – |
| #9 | – | 14,403 | – | – |
| #10 | – | 997 | – | – |
| #11 | – | 1,864 | – | – |
| #12 | – | 12,506 | – | – |
| #13 | 11,480 | 12,000 | – | – |
| #14 | – | 24,738 | – | – |
| #15 | – | 29,163 | – | – |
| #16 | 15,680 | 16,300 | – | – |
| #17 | 18,739 | 25,467 | – | – |
| #18 | 64,240 | 15,610 | – | – |
| #19 | 3,200 | 3,200 | – | – |
| #20 | 19,648 | – | – | – |
| #21 | 27,206 | – | – | – |
| Unamortised financing charges | – | (1,020) | – | – |
| Total term – secured | 165,068 | 172,796 | – | – |
| Fixed rate | | | | |
| #22 - unsecured | 50,000 | 50,000 | 50,000 | 50,000 |
| #23 - secured | 4,500 | – | – | – |
| Total term loan | 219,568 | 222,796 | 50,000 | 50,000 |

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | $'000 | $'000 | $'000 | $'000 |
| Amount repayable: | | | | |
| Within one year | 124,760 | 115,646 | – | – |
| More than one year but not later than five years | 94,808 | 107,150 | 50,000 | 50,000 |
| | 219,568 | 222,796 | 50,000 | 50,000 |

## 26. Term loans (Continued)

The floating rate loans bear effective interest at rates ranging from 2.11% to 4.25% (2014: 2.0% to 3.4%) per annum.

Loan #1

The loan amounting to $0.92 million is secured by a first legal mortgage over freehold office building of the Group and corporate guarantee provided by the Company. Interest is charged at a fixed rate of 2.70% per annum with monthly rest with effect from 16 June 2010, 1.77% per annum below prevailing Commercial Property Rate ("CPR") with monthly rest for the second year and 1.17% per annum below CPR with monthly rest thereafter. The loan is repayable over 20 years commencing from June 2006.

In the event that the total amount outstanding under the facility exceeds 88% of the average external and internal of the market value of the freehold office building, the said bank is entitled to reduce the credit limit and require repayment of such amount and additional security to be furnished.

Loan #2

The Group was granted a vessel loan amounting to $2.996 million from a bank to finance 70% of the purchase of four vessels which was drawdown in 2011 and 2012. Interest charged is at 2.25% per annum above the bank's cost of funds on monthly rest, is repayable over 48 monthly instalments and is secured by first legal mortgage over the vessels, assignment of insurance policies and charter contracts and earnings, and the existing continuing corporate guarantee provided by the Company.

Loan #3

The Group was granted a vessel loan amounting to $4.5 million from a bank to finance 70% of the purchase of one unit of utility vessel. Interest charged is at 2.25% per annum above 3-month SIBOR on monthly rest, is repayable over 60 monthly instalments and is secured by first legal mortgage over the vessel, assignment of insurance policies and charter contracts and earnings, and a corporate guarantee provided by the Company.

Loan #4

The Group was granted a vessel loan amounting to $1.498 million from a bank to finance 70% of the purchase of two vessels. Interest charged is at the prevailing 6 or 12 months SIBOR plus 2.25% per annum on monthly rest, is repayable over 48 monthly instalments and is secured by first legal mortgage over the vessels, assignment of insurance policies, charter contracts and earnings, and a corporate guarantee provided by the Company.

The Group shall maintain a net worth of not less than $55 million, while the subsidiary ("borrower") shall maintain a net worth of not less than $20 million. Net worth is defined as the sum of paid up capital, revenue reserves, retained earnings and loans from directors and shareholders. The Group shall maintain a maximum loan to security ratio of 70% at all times.

Loan #5

The Group was granted a Revolving Credit Facility of $2 million from a bank for working capital requirements. Interest charged is at 2.00% per annum above the bank's cost of Funds on monthly rest, is subject to periodic review at the discretion of the bank and repayable on demand. It is secured by a corporate guarantee provided by the Company.

The Group shall maintain a consolidated leverage ratio (defined as Total Liabilities divided by Total Equity) of not more than 1.75 times and a consolidated gearing ratio (defined as Total Banks Borrowings divided by Total Equity) of not more than 1.5 times.

Loan #6

The Group was granted a vessel loan amounting to $3.161 million from a bank to finance 70% of the purchase of four vessels which was fully drawn down in 2013. Interest charged is at the bank's prevailing COF plus 2.25% per annum on monthly rest, is repayable over 48 monthly instalments and is secured by first legal mortgage over the vessels, assignment of insurance policies, charter contracts and earnings, and a corporate guarantee provided by the Company.

## 26. Term loans (Continued)

Loan #6 (Continued)

The Group shall maintain a net worth of not less than $55 million, while the subsidiary ("borrower") shall maintain a net worth of not less than $20 million. Net worth is defined as the sum of paid up capital, revenue reserves, retained earnings and loans from directors and shareholders. The Group shall maintain a maximum loan to security ratio of 70% at all times.

Loan #7

The Group was granted a vessel loan amounting to $2.971 million from a bank to finance 70% of the purchase of four vessels. Interest charged is at the Bank's prevailing COF plus 2.30% per annum on monthly rest, is repayable over 48 monthly instalments and is secured by first legal mortgage over the vessels, assignment of insurance policies, charter contracts and earnings, and a corporate guarantee provided by the Company.

The subsidiary ("borrower") shall maintain the Adjusted Tangible Net Worth of not less than $18 million, and Adjusted Leverage ratio of not more than 2.0 times. Adjusted Tangible Net Worth is defined as book net worth minus Goodwill minus intangibles minus loans due from directors/shareholders/related companies (non-trade) plus loans due to directors/shareholders/related companies (non-trade). Adjusted Leverage is defined as (Total liabilities minus directors/shareholders/related companies' debts (non-trade)) divided by Adjusted Tangible Net Worth. The Group shall maintain a maximum loan to security ratio of 70% at all times.

Loan #8

The Group was granted a vessel loan amounting to US$9.8 million from a bank to finance 70% of the purchase of one unit of 5,400 bhp AHTS which was fully drawdown. Interest charged is at 2.65% per annum above the bank's Cost of Fund or USD SIBOR, whichever is higher, on monthly rest, is repayable over 60 monthly instalments and is secured by first legal mortgage over the vessels, assignment of insurance policies and charter contracts and earnings, charge over the earnings account, and a proportionated corporate guarantee provided by the Company.

As at the financial year end, the loan has not been consolidated due to the deconsolidation of BBR, which was disposed during the financial year.

Loan #9

The Group was granted a vessel loan amounting to US$13.76 million from a bank to finance 80% of the purchase of one unit of 9,000 bhp AHTS which was fully drawdown. Interest charged is at 2.50% per annum over USD SIBOR on monthly rest, is repayable over 60 monthly instalments and is secured by first legal mortgage over the vessels, assignment of insurance policies and charter contracts and earnings, charge over the earnings account.

As at the financial year end, the loan has not been consolidated due to the deconsolidation of BBR, which was disposed during the financial year.

Loan #10

The Group was granted a vessel loan amounting to US$9.2 million from a bank to finance 70% of the purchase of eight vessels. Interest charged is at the Bank's prevailing SIBOR plus 2.50% per annum on monthly rest, is repayable over 48 monthly instalments and is secured by first legal mortgage over the vessels, assignment of insurance policies, charter contracts and earnings, and a proportionated corporate guarantee provided by the Company and personal guarantee provided by the Company's ultimate shareholders.

As at the financial year end, the loan has not been consolidated due to the deconsolidation of BBR, which was disposed during the financial year.

## 26. Term loans (Continued)

Loan #11

The Group was granted a vessel loan amounting to US$2.66 million from a bank to finance 70% of the purchase of one unit of self-propelled barge. Interest charged is at the Bank's prevailing COF plus 2.30% per annum on monthly rest, is repayable over 60 monthly instalments and is secured by first legal mortgage over the vessel, assignment of insurance policies, charter contracts and earnings, a proportionated corporate guarantee provided by the Company and personal guarantee provided by the Company's ultimate shareholders.

As at the financial year end, the loan has not been consolidated due to the deconsolidation of BBR, which was disposed during the financial year.

Loan #12

The Group was granted a vessel loan amounting to US$24.5 million from a bank to finance 70% of the purchase of 10 sets of tugs and barges. Interest charged is at the Bank's prevailing COF plus 2.30% per annum on monthly rest, is repayable over 48 monthly instalments and is secured by first legal mortgage over the vessel, assignment of insurance policies, charter contracts and earnings, proportionated corporate guarantee provided by the Company and personal guarantee provided by the Company's ultimate shareholders.

As at the financial year end, the loan has not been consolidated due to the deconsolidation of BBR, which was disposed during the financial year.

Loan #13

The Group was granted a money market loan amounting to $11.48 million from a bank to finance the working capital of a subsidiary. Interest charged is 1.75% per annum over the bank's cost of fund or 1.75% per annum over the applicable SWAP offer rate, whichever is higher and shall have interest period of 1, 3 or 6 months as may be mutually agreed with the bank as called maturity date. The loan shall be repayable in full on maturity date unless it is rolled over for another interest period and is secured by first legal mortgage over the vessel, assignment of insurance policies, charter contracts and earnings and a corporate guarantee provided by the Company.

The Group shall maintain a Tangible Net Worth of at least $70 million and maximum gearing ratio (defined as Total bank borrowing/Total tangible net worth) of not more than 2 times, where the Tangible Net Worth is defined as the sum of paid-up capital, revenue reserves/accumulated profits/retained earnings and shareholders' fund.

Loan #14

The Group was granted a vessel loan amounting to $31 million from a bank to refinance of the vessels. Interest charged is 2.5% per annum over SWAP offer rate and shall remain fixed for each interest period, is repayable for 48 months instalment and is secured by first legal mortgage over the vessels, assignment of insurance policies and assignment of earnings.

As at the financial year end, the loan has not been consolidated due to the deconsolidation of BBR, which was disposed during the financial year.

Loan #15

The Group was granted a loan amounting to US$26 million from a bank to refinance one of the vessels and working capital which had drawdown US$24.6 million during the financial year. Interest charged is at the margin and LIBOR plus 2.25% per annum, are repayable for 48 months and shall be repaid on the last day of the its interest period and are secured by first legal mortgage over the vessels, assignment of insurance policies, charter contract and earnings and debt service reserve account opened and operated by the bank with minimum sum of US$375,000 all times.

As at the financial year end, the loan has not been consolidated due to the deconsolidation of BBR, which was disposed during the financial year.

## 26. Term loans (Continued)

Loan #16

The Group was granted money market loan amounting to $15.68 million from a bank for working capital requirements. Interest charged is at 1.75% per annum over the bank's cost of funds, is repayable on demand and is secured by first legal mortgage over the vessels, assignment of insurance policies, charter contract and earnings and corporate guarantee by the Company.

The Group shall maintain minimum Tangible Net Worth of $70 million at all times and Gearing ratio (Total bank borrowing/Total tangible net worth) of not more than 2 times at all times. The Tangible Net Worth is defined as the sum of paid-up capital, revenue reserves/accumulated profit/retained earnings and shareholders' funds.

Loan #17

The Group was granted revolving loan amounting to $34 million from a bank to finance up to 75% of the construction cost of each shipbuilding contract entered with buyers which had drawdown approximately $18.74 million as at end of the financial year. Interest charged is at 1.75% per annum over the bank's prevailing cost of fund, is repayable on demand and is secured by assignment of shipbuilding contract with buyer, assignment of the procurement contract and corporate guarantee by the Company.

The subsidiary shall maintain Adjusted Tangible Net Worth of not less than $3.2 million and the Group shall maintain Adjusted Tangible Net Worth of not less than $100 million and Adjusted Leverage ratio of not more than 2 times.

Loan #18

The Group was granted a vessel loan amounting to $68.4 million from a bank to finance three AHTS vessels which had drawdown approximately of $65.24 million as at end of the financial year. Interest charged is at 2% per annum above the bank's Swap offer rate, on monthly rest, is repayable on 31 December 2015 and is secured by assignment of shipbuilding contract and sales proceeds, assignment of builder's insurance, pledge over work-in-progress and equipment, project account maintained with bank and corporate guarantee by the Company.

The Group shall maintain a minimum Tangible Net Worth of $70 million at all times and Gearing ratio (Total bank borrowing/Total tangible net worth) of not more than 2 at all times. Tangible Net Worth is defined as the sum of paid-up capital, revenue reserves/accumulated profit/retained earnings and shareholder's funds.

Loan #19

The Group was granted money market loan amounting to $4.4 million from a bank for working capital requirements which had drawdown of $3.2 million during the financial year. Interest charged is at 1.75% per annum over the bank's cost of funds, on monthly rest, is repayable on demand and is secured by first legal mortgage over the vessels, assignment of insurance policies, charter contract and earnings and corporate guarantee by the Company.

The Group shall maintain a minimum Tangible Net Worth of $70 million at all times and Gearing ratio (Total bank borrowing/Total tangible net worth) of not more than 2 at all times. Tangible Net Worth is defined as the sum of paid-up capital, revenue reserves and capital reserve.

Loan #20

The Group was granted a vessel loan amounting to $19.875 million from a bank to finance 75% of the purchase price of one unit of 8,000 bhp AHTS which was fully drawdown. Interest charged is at 2.25% per annum over USD LIBOR on monthly rest, is repayable over 57 monthly instalments and is secured by first legal mortgage over the vessels, assignment of insurance policies and charter contracts and earnings, charge over the earnings account and Debt Service Reserve Account, and corporate guarantee by the Company.

The Group shall maintain a minimum Tangible Net Worth of $100 million at all times and the consolidated Adjusted Leverage ratio shall be less than 2 at all times.

## 26. Term loans (Continued)

Loan #21

The Group was granted a vessel loan amounting to U$19.5 million from a bank to finance 65% of the purchase price of one unit of maintenance work boat which was fully drawdown. Interest charged is at 2.8% per annum over USD LIBOR on monthly rest, is repayable over 60 monthly instalments and is secured by first legal mortgage over the vessels, assignment of insurance policies and charter contracts and earnings, charge over the earnings account and Debt Service Reserve Account, and corporate guarantee by the Company.

The Group shall maintain a minimum Tangible Net Worth of $100 million at all times and the consolidated Gearing ratio of not more than 2 at all times.

Loan #22

During the prior financial year, the Company established $300 million multicurrency medium term notes programme (the "Programme"). Under the Programme, the Company may from time to time issue notes (the "Notes") in series or tranches, in Singapore dollar or other currency as may be agreed between relevant dealer(s) of the Programme and the Company.

On 18 October 2013, the Company has issued $50 million fixed rate notes series 1 notes with fixed interest rate of 5.75% per annum, direct, unconditional, unsecured and unsubordinated obligations and will mature on 18 October 2016. The purposes of issuance are refinancing of borrowings, financing investments and general working capital for the Company or the Group.

Loan #23

The Group was granted a credit facilities amounting $7 million including $5 million Revolving Credit Facilities ("RCF") and $2 million overdraft for working capital requirements. Interest charged is at 4.25% per annum. The RCF is on yearly renewal basis and is secured by mortgage over the land and building at the Batam shipyard, a Fiduciary Transfer of Ownership over the equipment mounted at the third dry dock, FTO of insurance in respect of the Land and building and equipment mortgaged in favour of the bank.

## 27. Derivative financial instruments

The table below sets out the notional principal amounts of the outstanding forward currency contracts of the Group, and their corresponding asset or liability at the financial year end:

| | Notional principal | | Derivative Asset / (Liability) | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| **Group** | **$'000** | **$'000** | **$'000** | **$'000** |
| Forward currency contracts: | | | | |
| - Sell Singapore dollar and buy United Stated dollar | – | – | – | (1) |
| - Sell Singapore dollar and buy Euro | 2,009 | 5,238 | (158) | (450) |
| - Sell Australia dollar and buy United Stated dollar | 598 | – | (3) | – |
| | 2,607 | 5,238 | (161) | (451) |
| Open interest rate swap contract | 5,894 | – | (110) | – |
| Total | 8,501 | 5,238 | (271) | (451) |

Forward currency contracts are used to hedge foreign currency risk arising from the Group's sales and purchase denominated in United States dollars and Euro (2014: United States dollars and Euro) for which the commitments existed at the financial year end.

## 27. Derivative financial instruments (Continued)

As at 30 September 2015, the settlement dates of these contracts ranged from 1 to 6 months (2014: 1 to 6 months).

The Group engages in interest rate swap to hedge its interest rate risk arising from floating rate US dollar bank loans amounting to US$15,047,698. These interest rate swaps receive floating interest equal to 1 month LIBOR, pay a fixed rate of interest of 1.43% per annum (2014: Nil) and mature on 29 November 2019.

## 28. Deferred tax liabilities

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | $'000 | $'000 | $'000 | $'000 |
| At beginning of the financial year | 936 | 910 | – | – |
| Charged to profit or loss | | | | |
| - Current financial year movement | 90 | 26 | – | – |
| - Under provision in prior financial year | 85 | – | – | – |
| At end of the financial year | 1,111 | 936 | – | – |

Deferred tax liabilities relate to the following:

| Group | Consolidated statement of financial position | | Consolidated statement of profit or loss | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | $'000 | $'000 | $'000 | $'000 |
| Deferred tax liabilities | | | | |
| - excess of net book value over the tax written down value of plant and equipment | 867 | 692 | 90 | 106 |
| - differences in revenue recognition based on percentage of completion for tax purposes | 406 | 406 | 84 | – |
| | 1,273 | 1,098 | 174 | 106 |
| Deferred tax assets | | | | |
| - unutilised tax losses | (162) | (162) | – | (79) |
| | 1,111 | 936 | 174 | 27 |

The Group has unused tax losses approximately of $Nil (2014: $1,037,000). The use of these balances is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the country in which an entity in the Group operates.

There are no income tax consequences (2014: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements.

The aggregate amount of temporary differences associated with undistributed earnings of subsidiaries in Indonesia for which deferred tax liabilities have not been recognised is approximately $6,281,000 (2014: $7,024,000). No liability has been recognised in respect of these taxable temporary differences associated with undistributed earnings of the Indonesian subsidiaries because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

## 29. Share capital

| | Group and Company | | | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | Number of shares | | $'000 | $'000 |
| Issued and fully paid: | | | | |
| At beginning and the end of financial year | 340,750,000 | 340,750,000 | 59,239 | 59,239 |

The holders of ordinary shares of the Company are entitled to receive dividends as and when declared by the Company. All ordinary shares of the Company carry one vote per share without restriction. The ordinary shares have no par value.

## 30. Treasury shares

| | Group and Company | | | |
|---|---|---|---|---|
| | 2015 | | 2014 | |
| | Number of shares | $'000 | Number of shares | $'000 |
| At beginning of the financial year | 14,760,300 | 104 | – | – |
| Acquired during the financial year | 4,201,400 | 1,203 | 14,760,300 | 104 |
| Deemed disposal during the financial year | (14,760,300) | (104) | – | – |
| At the end of the financial year | 4,201,400 | 1,203 | 14,760,300 | 104 |

During the prior financial year, one of the subsidiaries acquired 14,760,300 of its own shares through purchase on Indonesia Exchange during the financial year. The total amount paid to acquire the shares was US$166,000 (equivalent approximately to $210,000) and has been deducted from the subsidiary's equity.

## 31. Capital reserve

Capital reserve arose from the changes of equity interest of the Group and non-controlling interests in a subsidiary in financial year 2013.

## 32. Retained earnings

| | Company | |
|---|---|---|
| | 2015 | 2014 |
| | $'000 | $'000 |
| At beginning of the financial year | 492 | 4,353 |
| Profit for the financial year | 1,260 | 910 |
| Dividends paid (Note 33) | – | (4,771) |
| At end of the financial year | 1,752 | 492 |

## 33. Dividends

| | Company | |
|---|---|---|
| | 2015 | 2014 |
| | $'000 | $'000 |
| Interim exempt (one-tier) paid dividends in respect of current financial year of $Nil per share (2014: $0.014 per share) | – | 4,771 |

The Company did not recommend any final dividend in respect of the financial year ended 30 September 2015.

## 34. Significant related party transactions

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:
   - (i) Has control or joint control over the Company;
   - (ii) Has significant influence over the Company; or
   - (iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:
   - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
   - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
   - (iii) Both entities are joint ventures of the same third party.
   - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
   - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company is itself such a plan, the sponsoring employers are also related to the Company.
   - (vi) The entity is controlled or jointly controlled by a person identified in (a).
   - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Associates are related parties and include those that are associates of the holding and/or related companies.

Some of the arrangements with related parties and the effects of these bases determined between the parties are reflected elsewhere in this report. The trade and non-trade balances due from/to related parties are unsecured, interest-free and repayable on demand. Transaction between the Company and its subsidiaries, which are related companies of the Company have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related companies are disclosed below.

Sales and purchases of goods and services

| | Group | |
|---|---|---|
| | 2015 | 2014 |
| | $'000 | $'000 |
| **Income** | | |
| Retainer fee earned from a joint venture | 105 | 201 |
| Ship repair revenue from a joint venture | 730 | – |
| **Cost and expenses** | | |
| Purchases of concrete mix and spare parts from other related parties * | 14 | 97 |
| Rental expenses and deposits charged by directors of a subsidiary | – | 225 |

* Other related parties are companies in which a director of the Company has a controlling financial interest.

## 34. Significant related party transactions (Continued)

| | Group | |
|---|---|---|
| | 2015 | 2014 |
| | $'000 | $'000 |
| **Compensation of directors and key executives** | | |
| Short-term employee benefits | 3,094 | 3,439 |
| Contribution to defined contribution plans | 85 | 125 |
| Share-based payment | 57 | 22 |
| | 3,236 | 3,586 |
| Comprised amounts paid to: | | |
| - Directors of the Company | 1,505 | 2,059 |
| - Directors of the subsidiaries | 185 | 243 |
| - Other key executives | 1,546 | 1,284 |
| | 3,236 | 3,586 |

The remuneration of directors and key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

## 35. Contingencies and commitments

### (i) Legal claim

During the financial year 2012, a shipping customer ("Plaintiff") commenced a litigation claim against a charterer of the Group (1st Defendant) and a subsidiary of the Company, Marco Polo Shipping Co. Pte. Ltd. (2nd Defendant as a ship owner) ("MPS") in relation to the 1st Defendant failing to adhere to stipulated contract terms with the Plaintiff. The Plaintiff has claimed the sum of US$201,455 (equivalent to approximately $253,000), consequential damages to be assessed, interest and costs, against MPS.

On 12 August 2013, the Assistant Registrar ("AR") awarded the Plaintiff US$63,000 in damages vis-a-vis the 2nd Defendant with interest of 5.33% running from the date of the filing of the writ until the judgement sum is satisfied. The date of the filing of the writ was 15 December 2011.

On 6 September 2013, the solicitors of the Plaintiff proposed to the solicitors engaged by the Group that the costs of assessment be fixed at $25,000 plus reasonable disbursements in the sum of $3,000.

On 11 November 2013, the Plaintiff has filed an appeal against the decision of the Assistant Registrar. The hearing took place on 22 July 2014 and the Judge has allowed the appeal and increased the amount due to Plaintiff from US$63,000 to US$141,226 as quantum of damages, with interest thereon computed at the rate of 5.33% per annum from the date of the Writ of Summon to the date of payment.

On 8 July 2015, the Court of Appeal allowed the appeal and restored the decision of the AR. In consequence of the decision of the Court of Appeal, the disputed sum of US$89,729 have since returned to MPS and the Court of Appeal also awarded MPS legal cost of $20,000, and $6,686 as reasonable disbursements to be reimbursed from the Plaintiff.

At the date of this Annual Report, all outstanding money awarded by the Court of Appeal have been collected, and as a consequence of the appeal being allowed, this case was closed. No further action will be taken by the Plaintiff against the company.

## 35. Contingencies and commitments (Continued)

### (ii) Corporate guarantees

The Company has given the following corporate guarantees in respect of banking facilities of subsidiaries and joint ventures as at the financial year end:

| | Company | |
|---|---|---|
| | 2015 | 2014 |
| | $'000 | $'000 |
| Subsidiaries | | |
| Term loans-secured | 164,490 | 155,512 |
| Joint ventures | | |
| Share of term loans-secured | 27,388 | 20,119 |
| | 191,878 | 175,631 |

The Company also provided guarantee to a customer of a ship building contract of a subsidiary amounting to $28,584 (2014: $Nil).

The directors have assessed the fair value of the financial guarantees issued to external banks which have no material financial impact on the results and the accumulated profits of the Company and therefore not recognised as at end of the financial year.

### (iii) Non-cancellable operating lease commitments

The Group has entered into operating lease agreement for equipment which contains renewable options. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

The future minimum rental payable under non-cancellable operating leases at the end of the financial year is as follows:

| | Group | |
|---|---|---|
| | 2015 | 2014 |
| | $'000 | $'000 |
| - not later than one year | 138 | 332 |
| - one year through five years | – | 138 |
| | 138 | 470 |

The Group sub-leases out its freehold building to a tenant under operating lease. The lease is for a period of 2 years. Lease payments are revised at renewal of lease contract to reflect market rental. The lease does not include contingent rental. The future minimum rental receivables under non-cancellable operating leases at the end of the financial year are as follows:

| | Group | |
|---|---|---|
| | 2015 | 2014 |
| | $'000 | $'000 |
| - not later than one year | 41 | 41 |

## 35. Contingencies and commitments (Continued)

### (iv) Capital commitments

| | Group 2015 $'000 | Group 2014 $'000 |
|---|---|---|
| Capital commitments in respect of property, plant and equipment | | |
| - contracted for but not provided | 13,329 | 42,247 |

## 36. Segment information

The Group has identified the operating segments as described below, which are the Group's Strategic business units.

(i) Ship chartering services – Relates to charter hire activities
(ii) Ship building and repair services – Relates to ship building and ship repair activities

Transfer price between operating segments are on arm's length basis in a manner similar to transactions with related parties.

| | Ship chartering services $'000 | Shipbuilding and repair services $'000 | Total operations $'000 |
|---|---|---|---|
| **2015** | | | |
| External revenue | 32,365 | 61,528 | 93,893 |
| Reportable segment results from operating activities | 12,375 | 9,256 | 21,631 |
| Share of losses in joint ventures | (282) | – | (282) |
| Finance income | 30 | 6 | 36 |
| Finance costs | (3,221) | (208) | (3,429) |
| Unallocated net finance cost | | | (764) |
| Unallocated administrative expenses | | | (6,478) |
| Profit before income tax | | | 10,714 |
| Income tax expenses | | | (2,798) |
| Profit for the financial year | | | 7,916 |
| Reportable segment assets | 191,550 | 162,840 | 354,390 |
| Interest in joint ventures | 85,957 | – | 85,957 |
| Unallocated assets | | | 1,958 |
| Total assets | | | 442,305 |
| Reportable segment liabilities | 84,692 | 127,972 | 212,664 |
| Unallocated liabilities | | | 52,267 |
| Total liabilities | | | 264,931 |
| Capital expenditure | 5 | 83,578 | 83,583 |

## 36. Segment information (Continued)

| | Ship chartering services $'000 | Shipbuilding and repair services $'000 | Total operations $'000 |
|---|---|---|---|
| Other material non-cash items: | | | |
| Depreciation | 9,384 | 2,804 | 12,188 |
| Loss on deemed disposal of subsidiary | 768 | – | 768 |
| Impairment loss on investment in a joint venture | 4,530 | – | 4,530 |
| Allowance for impairment of trade receivable made during the year | 748 | – | 748 |
| **2014** | | | |
| External revenue | 64,717 | 48,392 | 113,109 |
| Reportable segment results from operating activities | 11,672 | 9,875 | 21,547 |
| Share of profits in joint ventures | 1,213 | – | 1,213 |
| Finance income | 134 | 6 | 140 |
| Finance costs | (4,685) | (268) | (4,953) |
| Unallocated net finance cost | | | (1,142) |
| Unallocated administrative expenses | | | (3,120) |
| Profit before income tax | | | 13,685 |
| Income tax expenses | | | (3,327) |
| Profit for the financial year | | | 10,358 |
| Reportable segment assets | 310,909 | 126,000 | 436,909 |
| Interest in joint ventures | 34,714 | – | 34,714 |
| Goodwill | 5,250 | – | 5,250 |
| Unallocated assets | | | 6,438 |
| Total assets | | | 483,311 |
| Reportable segment liabilities | 135,782 | 75,205 | 210,987 |
| Unallocated liabilities | | | 51,803 |
| Total liabilities | | | 262,790 |
| Capital expenditure * | 73,619 | 1,481 | 75,100 |
| Other material non-cash items: | | | |
| Depreciation | 17,608 | 3,407 | 21,015 |
| Allowance for impairment of trade receivable - made during the year | 1,254 | – | 1,254 |
| (Loss)/gain on disposal of plant and equipment | (70) | 7 | (63) |

* The amount includes capital expenditures acquired by lease obligation amounting to $290,000.

## 36. Segment information (Continued)

### Geographical information

The Group operates mainly in Singapore, Indonesia and Australia, with Singapore, Indonesia and Australia (as well as to a lesser extent other regional countries in Southeast Asia) being its major markets for ship chartering activities. Indonesia (principally the shipyard at Batam) is its major market for shipbuilding and repair activities.

Revenue from a third party major customer amounted $8,036,000 (2014: $35,061,000) which is generated by the shipbuilding and repair services segment.

Revenues from the external customers of the Group were derived based on the country of origin of the customers and not the destination for the delivery of the Group's chartering services or built vessels.

Non-current assets (other than financial instruments and deferred tax assets) of the Group were spread across Singapore (being the Company's country of domicile), Indonesia, Australia and Thailand as at the financial year, which were derived based on the flag of the vessels and the location for the other assets.

| | Singapore $'000 | Indonesia $'000 | Australia $'000 | Thailand $'000 | Malaysia $'000 | Others* $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| **2015** | | | | | | | |
| Revenue | 14,565 | 57,412 | 2,422 | 8,090 | 4,458 | 6,946 | 93,893 |
| Non - current assets | 160,684 | 76,156 | 9,363 | 5,039 | 70,047 | – | 321,289 |
| **2014** | | | | | | | |
| Revenue | 47,943 | 50,522 | 3,048 | 4,028 | 6,428 | 1,140 | 113,109 |
| Non - current assets | 97,665 | 241,718 | 9,893 | 5,273 | 29,467 | – | 384,016 |

* Others comprise of other Asian countries, Europe and Canada (2014: Hong Kong, New Zealand and United Kingdom).

## 37. Financial instruments and financial risks

The Group has documented financial risk management policies. These policies set out the Group's overall business strategies and its risk management philosophy. The Group's overall financial risk management programme seeks to minimise potential adverse effects of financial performance of the Group. The board of directors provides written principles for overall financial risk management and written policies covering specific areas, such as market risk (including foreign exchange risk and interest rate risk), liquidity risk and credit risk. Such written policies are reviewed annually by the board of directors and periodic reviews are undertaken to ensure that the Group's policy guidelines are complied with. Risk management is carried out by the board of directors.

There have been no changes to the Group's exposure to these financial risks or the manner in which it manages and measures the risk.

## 37. Financial instruments and financial risks (Continued)

**Market risk**

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

*Foreign exchange risk*

Foreign exchange risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group also sells its products/services in several countries and for such overseas sales, it transacts mainly in United States dollars ("USD"), Australian dollars ("AUD") and Indonesia Rupiah ("IDR"). As a result, movements in USD, AUD and IDR exchange rates are the main foreign exchange risk which the Group is exposed to. Transaction risk is calculated in each foreign currency and includes foreign currency denominated assets and liabilities and probable purchases and sales commitments. The Group has not entered into any derivative instruments for trading purposes.

The carrying amounts of the Group and Company's foreign currency denominated monetary assets and monetary liabilities as at the end of the financial year are as follows:

| | Singapore dollars $'000 | United States dollars $'000 | Australian dollars $'000 | Indonesia Rupiah $'000 | Others* $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| **2015** | | | | | | |
| **Financial assets** | | | | | | |
| Trade receivables | 5,481 | 3,239 | 136 | 320 | – | 9,176 |
| Other receivables and deposits | 4,120 | 1,105 | – | 644 | 1,858 | 7,727 |
| Due from joint ventures | 15,198 | 2,435 | – | – | – | 17,633 |
| Cash and cash equivalents | 1,788 | 7,335 | 1,696 | 242 | – | 11,061 |
| | 26,587 | 14,114 | 1,832 | 1,206 | 1,858 | 45,597 |
| **Financial liabilities** | | | | | | |
| Trade payables | 17,401 | 1,714 | – | 49 | 41 | 19,205 |
| Borrowings – interest bearing | 172,949 | 46,853 | – | – | – | 219,802 |
| Other payables and accruals | 10,714 | 341 | 281 | – | – | 11,336 |
| Derivative financial instruments | 271 | – | – | – | – | 271 |
| | 201,335 | 48,908 | 281 | 49 | 41 | 250,614 |
| Net financial assets / (liabilities) | (174,748) | (34,794) | 1,551 | 1,157 | 1,817 | (205,017) |
| Less: Net financial liabilities denominated in their respective functional currencies | 174,053 | 3,962 | – | – | – | 178,015 |
| Net foreign currency exposure | (695) | (30,832) | 1,551 | 1,157 | 1,817 | (27,002) |

## 37. Financial instruments and financial risks (Continued)

**Market risk (Continued)**

*Foreign exchange risk (Continued)*

| | Singapore dollars $'000 | United States dollars $'000 | Australian dollars $'000 | Indonesia Rupiah $'000 | Others* $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| **2014** | | | | | | |
| **Financial assets** | | | | | | |
| Trade receivables | 6,347 | 6,467 | 183 | 2,470 | – | 15,467 |
| Other receivables and deposits | 6,013 | 3,031 | – | 752 | 7,956 | 17,752 |
| Finance lease receivable | 1,259 | – | – | – | – | 1,259 |
| Due from joint ventures | 14,730 | 2,171 | – | – | – | 16,901 |
| Fixed deposits | – | – | 1,222 | 64 | – | 1,286 |
| Cash and cash equivalents | 4,014 | 20,108 | 223 | 141 | – | 24,486 |
| | 32,363 | 31,777 | 1,628 | 3,427 | 7,956 | 77,151 |
| **Financial liabilities** | | | | | | |
| Bank overdraft | 786 | – | – | – | – | 786 |
| Trade payables | 10,534 | 429 | – | 1,201 | 2,758 | 14,922 |
| Borrowings – interest bearing | 160,847 | 62,276 | – | – | – | 223,123 |
| Other payables and accruals | 9,507 | 500 | 328 | 1,160 | – | 11,495 |
| Derivative financial instruments | 451 | – | – | – | – | 451 |
| | 182,125 | 63,205 | 328 | 2,361 | 2,758 | 250,777 |
| Net financial assets / (liabilities) | (149,762) | (31,428) | 1,300 | 1,066 | 5,198 | (173,626) |
| Less: Net financial liabilities denominated in their respective functional currencies | 126,752 | 51,685 | – | – | – | 178,437 |
| Net foreign currency exposure | (23,010) | 20,257 | 1,300 | 1,066 | 5,198 | 4,811 |

* Others comprise of Euro, Japanese Yen, Malaysia Ringgit and Thai Baht.

## 37. Financial instruments and financial risks (Continued)

**Market risk (Continued)**

*Foreign exchange risk (Continued)*

| | Singapore dollars $'000 | United States dollars $'000 | Total $'000 |
|---|---|---|---|
| **Company** | | | |
| **2015** | | | |
| **Financial assets** | | | |
| Due from subsidiaries (non-trade) | 99,179 | – | 99,179 |
| Cash and bank balances | 948 | 301 | 1,249 |
| Other receivables | 379 | – | 379 |
| Due from joint ventures | 5,829 | – | 5,829 |
| | 106,335 | 301 | 106,636 |
| **Financial liabilities** | | | |
| Other payables and accruals | 2,258 | – | 2,258 |
| Borrowing – interest bearing | 50,000 | – | 50,000 |
| | 52,258 | – | 52,258 |
| Net financial assets | 54,077 | 301 | 54,378 |
| Less: Net financial assets denominated in the Company's functional currency | (54,077) | – | (54,077) |
| Net foreign currency exposure | – | 301 | 301 |

| | Singapore dollars $'000 | United States dollars $'000 | Total $'000 |
|---|---|---|---|
| **Company** | | | |
| **2014** | | | |
| **Financial assets** | | | |
| Due from subsidiaries (non-trade) | 94,326 | – | 94,326 |
| Cash and bank balances | 216 | 5,573 | 5,789 |
| Other receivables | 642 | – | 642 |
| Due from joint ventures | 5,360 | – | 5,360 |
| | 100,544 | 5,573 | 106,117 |
| **Financial liabilities** | | | |
| Other payables and accruals | 1,781 | – | 1,781 |
| Borrowing – interest bearing | 50,000 | – | 50,000 |
| | 51,781 | – | 51,781 |
| Net financial assets | 48,763 | 5,573 | 54,336 |
| Less: Net financial assets denominated in the Company's functional currency | (48,763) | – | (48,763) |
| Net foreign currency exposure | – | 5,573 | 5,573 |

## 37. Financial instruments and financial risks (Continued)

**Market risk (Continued)**

*Foreign exchange risk (Continued)*

Foreign exchange risk sensitivity

The following table details the sensitivity to a 10% increase and decrease in the Singapore dollars against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjustment of their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where they give rise to an impact on the Group's profit or loss.

A 10% strengthening of Singapore dollars against the relevant foreign currencies at the end of the financial year would increase/(decrease) profit or loss by the amounts shown below.

| | Singapore dollars $'000 | United States dollars $'000 | Australian dollars $'000 | Indonesia Rupiah $'000 | Others $'000 |
|---|---|---|---|---|---|
| **2015** | | | | | |
| **Group** | | | | | |
| Profit for the financial year | 58 | 2,559 | (129) | (96) | (151) |
| **Company** | | | | | |
| Profit for the financial year | – | (25) | – | – | – |

| | Singapore dollars $'000 | United States dollars $'000 | Australian dollars $'000 | Indonesia Rupiah $'000 | Others $'000 |
|---|---|---|---|---|---|
| **2014** | | | | | |
| **Group** | | | | | |
| Profit for the financial year | 1,910 | (1,681) | (108) | (88) | (431) |
| **Company** | | | | | |
| Profit for the financial year | – | (463) | – | – | – |

The statement of changes in equity will also be impacted by the same amount as disclosed above.

A 10% weakening of Singapore dollars against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above.

## 37. Financial instruments and financial risks (Continued)

**Market risk (Continued)**

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risks relates to interest bearing liabilities.

The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure. The Group constantly monitors its interest rate risk and does not utilise forward contracts or other arrangements for trading or speculative purposes. As at the financial year end, there were no such arrangements, interest rate swap contracts or other derivative instruments outstanding.

The following table sets out the carrying amount, by maturity, of the Group's financial instruments, that are exposed to interest rate risk:

| Group | Effective interest rate range | 2015 $'000 | 2014 $'000 |
|---|---|---|---|
| *Within one year – floating rates* | | | |
| Term loans – secured | 2.11% to 4.25% | (120,260) | (115,646) |
| Bank overdraft – secured | | – | (786) |
| *More than one year – floating rates* | | | |
| Term loans - secured | 2.11% to 4.25% | (44,808) | (57,150) |

Interest risk sensitivity

The sensitivity analysis below have been determined based on the exposure to interest rates for active instruments at the statement of financial position date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting periods in the case of instruments that have floating rates. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

If the interest rates had been 1% higher or lower and all other variables were held constant, the Group's profit for the current financial year would decrease/increase by $1,370,000 (2014: $1,441,000). This is mainly attributable to the Group's exposure to interest rates on its variable rates borrowings.

**Liquidity risk**

Liquidity risks refer to the risks in which the Group encounters difficulties in meeting its short-term obligations.

The Group monitors its liquidity risk and maintains a level of cash and bank balances deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations.

## 37. Financial instruments and financial risks (Continued)

### Liquidity risk (Continued)

The following tables detail the remaining contractual maturity for non-derivative financial instruments. The tables have been drawn up based on the contractual undiscounted cash flows of financial instruments based on the earliest date on which the Group and Company can be required to pay, and includes both interest and principal cash flows.

| | On demand or within 1 year $'000 | Within 2 to 5 years $'000 | After 5 years $'000 | Total $'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **Undiscounted financial assets** | | | | |
| **2015** | | | | |
| Cash and cash equivalents | 11,061 | – | – | 11,061 |
| Trade receivables | 9,176 | – | – | 9,176 |
| Other receivables and deposit (excluding prepayments) | 7,727 | – | – | 7,727 |
| Due from customer for construction contract | 64,183 | – | – | 64,183 |
| Due from joint ventures | 17,633 | – | – | 17,633 |
| | 109,780 | – | – | 109,780 |
| **2014** | | | | |
| Cash and cash equivalents | 24,486 | – | – | 24,486 |
| Fixed deposits | 1,286 | – | – | 1,286 |
| Trade receivables | 15,467 | – | – | 15,467 |
| Other receivables and deposit (excluding prepayments) | 17,752 | – | – | 17,752 |
| Due from customer for construction contract | 23,419 | – | – | 23,419 |
| Due from joint ventures | 16,901 | – | – | 16,901 |
| Finance lease receivables | 1,259 | – | – | 1,259 |
| | 100,570 | – | – | 100,570 |
| **Undiscounted financial liabilities** | | | | |
| **2015** | | | | |
| Trade payables | 19,205 | – | – | 19,205 |
| Borrowings – interest bearing | 124,836 | 94,966 | – | 219,802 |
| Other payables and accruals | 11,336 | – | – | 11,336 |
| Due to customer from construction contract | 6,508 | – | – | 6,508 |
| Derivative financial instrument | 271 | – | – | 271 |
| | 162,156 | 94,966 | – | 257,122 |
| **2014** | | | | |
| Trade payables | 14,922 | – | – | 14,922 |
| Borrowings – interest bearing | 115,735 | 107,388 | – | 223,123 |
| Bank overdraft | 786 | – | – | 786 |
| Other payables and accruals | 11,495 | – | – | 11,495 |
| Due to customer from construction contract | 3,718 | – | – | 3,718 |
| Derivative financial instrument | 451 | – | – | 451 |
| | 147,107 | 107,388 | – | 254,495 |
| Total undiscounted net financial assets/(liabilities) | | | | |
| - at 30 September 2015 | (52,376) | (94,966) | – | (147,342) |
| - at 30 September 2014 | (46,537) | (107,388) | – | (153,925) |

## 37. Financial instruments and financial risks (Continued)

### Liquidity risk (Continued)

| | On demand or within 1 year $'000 | Within 2 to 5 years $'000 | After 5 years $'000 | Total $'000 |
|---|---|---|---|---|
| **Company** | | | | |
| **Undiscounted financial assets** | | | | |
| **2015** | | | | |
| Cash and cash equivalents | 1,249 | – | – | 1,249 |
| Other receivables | 379 | – | – | 379 |
| Due from subsidiaries | 99,179 | – | – | 99,179 |
| Due from joint ventures | 5,829 | – | – | 5,829 |
| | 106,636 | – | – | 106,636 |
| **2014** | | | | |
| Cash and cash equivalents | 5,789 | – | – | 5,789 |
| Other receivables | 642 | – | – | 642 |
| Due from subsidiaries | 94,326 | – | – | 94,326 |
| Due from joint ventures | 2,486 | – | – | 2,486 |
| | 103,243 | – | – | 103,243 |
| **Undiscounted financial liabilities** | | | | |
| **2015** | | | | |
| Bank borrowings – interest bearing | – | 50,000 | – | 50,000 |
| Other payables and accruals | 2,258 | – | – | 2,258 |
| | 2,258 | 50,000 | – | 52,258 |
| **2014** | | | | |
| Bank borrowings – interest bearing | – | 50,000 | – | 50,000 |
| Other payables and accruals | 1,781 | – | – | 1,781 |
| | 1,781 | 50,000 | – | 51,781 |
| Total undiscounted net financial assets/(liabilities) | | | | |
| - at 30 September 2015 | 104,378 | (50,000) | – | 54,378 |
| - at 30 September 2014 | 101,462 | (50,000) | – | 51,462 |

### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. The concentration of credit risk with respect to the shipbuilding-related trade receivables is limited as the Group adopts the policy of obtaining advances generally amounting to at least 10% of contract value, and by withholding ownership and possession of the vessels under construction until full payment. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties. The counterparty's payment profile and credit exposure are continuously monitored at the entity level by the respective management and at the Group level by the Group Financial Controller. Due to these factors, management believes that no additional credit risk beyond the amount of allowance for impairment made is inherent in the Group's trade receivables.

At the end of financial year, approximately 49% of the Group's trade receivables were due from 5 major customers who operate in Singapore, Indonesia and Malaysia. In prior year, approximately 40% of the Group's trade receivables were due from 5 major customers who operate in Singapore, Indonesia and Malaysia.

## 37. Financial instruments and financial risks (Continued)

**Credit risk (Continued)**

As the Group and Company does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position, except as follows:

| | Company | |
|---|---|---|
| | **2015** | **2014** |
| | **$'000** | **$'000** |
| Corporate guarantees provided to banks and financial institutions on joint ventures' borrowings | 164,490 | 20,119 |
| Corporate guarantees provided to banks and financial institutions on subsidiaries' borrowings | 27,388 | 155,512 |

The Group's major classes of financial assets are bank deposits and trade receivables. Bank deposits are mainly deposits with banks with high credit-ratings assigned by international credit rating agencies. The credit risk for trade receivables, including trade amounts due from related parties and a joint ventures, based on the information provided to key management is as follows:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **$'000** | **$'000** |
| **By geographical areas** | | |
| - Singapore | 4,915 | 5,127 |
| - Indonesia | 1,650 | 7,533 |
| - Other countries | 2,611 | 2,807 |
| | 9,176 | 15,467 |

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **$'000** | **$'000** |
| **By types of customers** | | |
| - Related parties | 1,904 | 68 |
| - Third parties | 7,272 | 15,399 |
| | 9,176 | 15,467 |

The carrying amounts of cash and bank balances, trade and other receivables and amount due from customers for construction contracts, represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's trade receivables are non-interest bearing and are generally on 30 days (2014: 30 days) term. They are recognised at their original invoice amounts which represent their fair values on initial recognition. Credit risk arises mainly from the inability of its customers to make payments when due. The amounts presented in the statement of financial position are net of allowances for impairment of receivables, estimated by management based on prior experience and the current economic environment.

## 37. Financial instruments and financial risks (Continued)

**Credit risk (Continued)**

The age analysis of trade receivables, excluding trade amounts due from related parties and joint ventures is as follows:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **$'000** | **$'000** |
| Not past due and not impaired | 2,836 | 6,658 |
| Past due but not impaired | | |
| - past due 0 to 3 months | 2,863 | 4,778 |
| - past due over 3 months | 1,573 | 3,963 |
| | 7,272 | 15,399 |
| Past due and impaired trade receivables | 2,654 | 3,319 |
| Less: Allowance for impairment loss | (2,654) | (3,319) |
| | 7,272 | 15,399 |

The movement in allowance for impairment loss is as follows:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **$'000** | **$'000** |
| Balance at beginning of the financial year | 3,319 | 2,050 |
| Translation difference | 38 | 15 |
| Allowance made during the financial year | 748 | 1,254 |
| Written-off | (1,451) | – |
| Balance at end of the financial year | 2,654 | 3,319 |

Included in the Group's trade receivable balance are debtors with total carrying amount of approximately $4,436,000 (2014: $8,741,000) which are past due but not impaired as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Based on the Group's monitoring of customer credit risk, the Group believes that, apart from the above, no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 3 months. As other receivables are not significant, no detailed age analysis has been set out as above.

## 38. Fair values of assets and liabilities

Fair value of financial instruments by classes that are carried at fair value

Fair value hierarchy

The fair values of applicable assets and liabilities, are determined and categorised using a fair value hierarchy as follows:

(a) Level 1 - the fair values of assets and liabilities with standard terms and conditions and which trade in active markets that the Group can access at the measurement date are determined with reference to quoted market prices (unadjusted).

(b) Level 2 - in the absence of quoted market prices, the fair values of the assets and liabilities are determined using the other observable, either directly or indirectly, inputs such as quoted prices for similar assets/liabilities in active markets or included within Level 1, quoted prices for identical or similar assets/liabilities in non-active markets.

(c) Level 3 - in the absence of quoted market prices included within Level 1 and observable inputs included within Level 2, the fair values of the remaining assets and liabilities are determined in accordance with generally accepted pricing models.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy as at the financial year:

| | Group | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| **2015** | | | | |
| **Financial liabilities** | | | | |
| Derivatives financial instruments | – | (271) | – | (271) |
| At 30 September 2015 | – | (271) | – | (271) |

| | Group | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| **2014** | | | | |
| **Financial liabilities** | | | | |
| Derivatives financial instruments | – | (451) | – | (451) |
| At 30 September 2014 | – | (451) | – | (451) |

The Company had no other financial assets or liabilities carried at fair value in financial year 2015 and 2014.

Determination of fair value

Derivative forward currency contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing models, using present value calculations. The models incorporate various observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates.

## 38. Fair values of assets and liabilities (Continued)

**Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value**

The carrying amounts of cash and cash equivalents, deposits with banks, trade and other receivables and payables including, due from and to related parties, current and non-current borrowings at floating rates and fixed rate are reasonable approximation of fair values either due to their short-term nature or that they are floating market interest rate instruments on or near the financial year end.

**Valuation policies and procedures**

The Group's Chief Financial Officer ("CFO") oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures and reports to the Group's Audit Committee.

It is the Group's policy that where assessed necessary by the local management, the Group would engage experts to perform significant financial reporting valuations. The CFO is responsible for selecting and engaging such external experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and FRS 113 fair value measurement guidance.

He also reviews at least on an annual basis, the appropriateness of the valuation methodologies and assumptions adopted and evaluates the appropriateness and reliability of the inputs (including those developed internally by the Group) used in the valuations.

The analysis and results of the external valuations are then reported to the Audit Committee for the latter's comments before presenting the results to the Board of Directors for approval.

During the financial year, there is no change in the applicable valuation techniques.

## 39. Capital risk management policies and objectives

The Group manages its capital to ensure that entities within the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes borrowings disclosed in Note 26, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital and retained earnings as disclosed in Notes 29 and 32.

The board of directors reviews the capital structure on an annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debts.

The Company is not exposed to any externally imposed capital requirements for the financial period ended 30 September 2014 and financial year ended 30 September 2015.

The Group's overall strategy remains unchanged from 2014.

## 40. Subsequent events

**Termination of rig construction contract (the “Rig Construction Contract”) dated 26 February 2014 entered into by the Company’s subsidiary, MP Drilling (I) Pte Ltd (the “Subsidiary”) and PPL Shipyard Pte Ltd (the “builder”)**

Subsequent to the financial year on 17 November 2015, the Group announced that the Subsidiary has issued a notice of termination of the rig construction contract ( the “Rig Construction Contract”) to its builder, as a result of, among others, the builder’s failure to comply with certain of its material contractual obligations under the Rig Construction Contract. The Subsidiary has initiated the contractual dispute resolution process against the builder on or about 24 November 2015 to claim for, among others, the refund of the initial 10% of the contract price that was paid. On 26 November 2015, the Subsidiary has advanced the process to mediation.

Notwithstanding the above, the builder took the position that the Rig Construction Contract remained valid and accordingly, proceeded to terminate the Rig Construction Contract on the basis that the Subsidiary had failed to make certain payments that was alleged to be due on 30 November 2015.

As at the date of the financial statements, the builder has made a demand for payment by the Subsidiary for a second 10% of the contract price (amounting to US$21.43 million) and interest alleged to have accrued thereon for the month of November 2015 (amounting to US$77,400). Separately, the Company has also received from the builder, a written demand for payment of the aforesaid sums pursuant to the parent company guarantee previously given by the Company in relation to the Rig Construction Contract (the “Guarantee). In this regard, the builder has commenced legal action against the Company under the Guarantee.

As at the date of the financial statements, the legal disputes are pending resolution.

# STATISTICS OF SHAREHOLDINGS

As at 18 December 2015

Total Number of Ordinary Shares in Issue : 340,750,000
Number of Ordinary Shares in Issue with Voting Rights : 336,548,600
Voting Rights 1 vote per share

## DISTRIBUTION OF SHAREHOLDINGS

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | % | NO. OF SHARES | % |
|---|---|---|---|---|
| 100 - 1,000 | 204 | 7.92 | 199,312 | 0.06 |
| 1,001 - 10,000 | 1,029 | 39.96 | 7,024,013 | 2.06 |
| 10,001 - 1,000,000 | 1,324 | 51.42 | 74,194,601 | 21.77 |
| 1,000,001 and Above | 18 | 0.7 | 259,332,074 | 76.11 |
| Grand Total | 2,575 | 100.00 | 340,750,000 | 100.00 |

## TWENTY LARGEST SHAREHOLDERS

| NO. | NAME | NO. OF SHARES | % |
|---|---|---|---|
| 1. | NAUTICAL INTERNATIONAL HOLDINGS LTD | 120,000,000 | 45.92 |
| 2. | RHB SECURITIES SINGAPORE P L | 63,945,574 | 24.47 |
| 3. | PHILLIP SECURITIES PTE LTD | 15,930,300 | 6.10 |
| 4. | UOB KAY HIAN PTE LTD | 10,058,000 | 3.85 |
| 5. | HO LEE GROUP PTE LTD | 9,000,000 | 3.44 |
| 6. | RAFFLES NOMINEES (PTE) LTD | 6,876,700 | 2.63 |
| 7. | DBS VICKERS SECS (S) PTE LTD | 5,869,900 | 2.25 |
| 8. | HL BANK NOMINEES (S) PTE LTD | 5,105,000 | 1.95 |
| 9. | MAYBANK KIM ENG SECS PTE LTD | 4,491,400 | 1.72 |
| 10. | CITIBANK NOMS S'PORE PTE LTD | 2,829,000 | 1.08 |
| 11. | DBS NOMINEES PTE LTD | 2,758,500 | 1.06 |
| 12. | OCBC SECURITIES PRIVATE LTD | 2,648,700 | 1.01 |
| 13. | UNITED OVERSEAS BANK NOMINEES | 2,177,000 | 0.83 |
| 14. | CIMB SEC (S'PORE) PTE LTD | 2,148,000 | 0.82 |
| 15. | LOI WIN YEN | 1,700,000 | 0.65 |
| 16. | BANK OF S'PORE NOMS PTE LTD | 1,419,000 | 0.54 |
| 17. | SBS NOMINEES PTE LTD | 1,245,000 | 0.48 |
| 18. | OCBC NOMINEES SINGAPORE | 1,130,000 | 0.43 |
| 19. | JEN SHEK CHUEN | 1,000,000 | 0.38 |
| 20. | ONG EUGENE | 1,000,000 | 0.38 |
| | TOTAL : | 261,332,074 | 100.00 |

## SUBSTANTIAL SHAREHOLDERS' INFORMATION

(As recorded in the Register of Substantial Shareholders)

| | Direct Interest | | Deemed Interest | |
|---|---|---|---|---|
| **Name** | **No of Shares** | **%** | **No of Shares** | **%** |
| Nautical International Holdings Ltd | 120,000,000 | 35.66 | 78,324,574[(1)] | 23.27 |
| Lee Wan Tang | 514,200 | 0.15 | 206,036,574[(2)] | 61.22 |

**Notes:**

(1) Including 14,628,000 Shares held by Philip Securities Pte Ltd., and 63,696,574 shares held by RHB Securities Singapore Pte Ltd, of which Nautical International Holdings Ltd is the beneficial owner.

(2) Mr Lee Wan Tang is deemed interested in the ordinary shares held by Nautical International Holdings Ltd, 1,800,000 shares held by Maybank Kim Eng Securities Pte Ltd and 5,912,000 shares held by UOB Kay Hian Private Limited which Mr Lee Wan Tang is the beneficial owner.

## COMPLIANCE WITH RULE 723 OF THE SGX-ST LISTING MANUAL

Based on information available and to the best knowledge of the Company, as at 18 December 2015, approximately 37.53% of the ordinary shares of the Company are held by the public. The Company is therefore in compliance with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

## TREASURY SHARES AS AT 18 DECEMBER 2015

As at 18 December 2015, 4,201,000 ordinary shares are held as treasury shares, representing 1.25% of the total number of issued shares excluding treasury shares.

**APPENDIX DATED 6 JANUARY 2016**

**THIS APPENDIX IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.**

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

If you have sold or transferred all your shares in the capital of Marco Polo Marine Ltd (the "Company") held through The Central Depository (Pte) Limited ("CDP"), you need not forward this appendix to the purchaser or transferee as arrangements will be made by CDP for a separate appendix to be sent to the purchaser or transferee. If you have sold or transferred all your shares represented by physical share certificate(s), you should at once hand this appendix to the purchaser or transferee or to the bank, stockbroker or agent through whom you effected the sale or transfer, for onward transmission to the purchaser or transferee.

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

MARCO POLO MARINE

# MARCO POLO MARINE LTD

(Incorporated in the Republic of Singapore)
(Company Registration No. 200610073Z)

# APPENDIX

in relation to

**(1) THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE; AND**

**(2) THE PROPOSED RENEWAL OF THE IPT GENERAL MANDATE.**

# APPENDIX

## TABLE OF CONTENTS

# APPENDIX

## DEFINITIONS

In this Appendix, the following definitions apply throughout unless otherwise stated:

"**AGM**" : The annual general meeting of the Company to be convened and held at 10.30 a.m. on 21 January 2016 at Emerald Suite – Level II, Golf Club House, Orchid Country Club, 1 Orchid Club Road, Singapore 769162, notice of which is attached to the Annual Report

"**Appendix**" : This Appendix to Shareholders dated 6 January 2016

"**Articles**" : Articles of association of the Company

"**Associates** " : (a) In relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means:

(i) his immediate family;

(ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and

(iii) any company in which he and his immediate family together (directly or indirectly) have an interest of thirty per cent (30%) or more

(b) In relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of thirty per cent (30%) or more

"**Associated Company**" : A company in which at least twenty per cent (20%) but not more than fifty per cent (50%) of its shares are held by the Company or the Group

"**Audit Committee**" : The Audit Committee of the Company as at the date of this Appendix, comprising the Audit Committee Chairman Mr. Lim Han Boon, Mr. Sim Swee Yam Peter, Mr. Lee Kiam Hwee Kelvin and Mdm. Lai Qin Zhi

"**BBR**" : PT. Pelayaran Nasional Bina Buana Raya Tbk

"**BBR Group**" : PT. Pelayaran Nasional Bina Buana Raya Tbk and its associates

"**Board**" : The Board of Directors of the Company for the time being

"**BRJ**" : As defined in paragraph 3.1(a) of the Annex to this Appendix

"**CDP**" : The Central Depository (Pte) Limited

"**Companies Act**" : The Companies Act (Chapter 50) of Singapore, as amended, modified or supplemented from time to time

"**Company**" or "**MPM**" : Marco Polo Marine Ltd

# APPENDIX

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| "**Controlling Shareholder**" | : | A person who:-<br><br>(a) holds directly or indirectly fifteen per cent (15%) or more of the total number of issued shares excluding treasury shares in the company. The SGX-ST may determine that a person who satisfies this paragraph is not a controlling shareholder; or<br><br>(b) in fact exercises control over a company |
| "**Directors**" | : | The directors of the Company as at the date of this Appendix |
| "**EAR Group**" | : | The Company, its subsidiaries and associated companies (including joint ventures) |
| "**EPS**" | : | Earnings per Share |
| "**FY**" | : | The financial year ended or ending 30 September |
| "**Group**" | : | The Company and its subsidiaries |
| "**IDX**" | : | Indonesia Stock Exchange |
| "**Independent Directors**" | : | Directors who are regarded as independent for the purpose of the Listing Manual and the IPT General Mandate, namely, any of Mr. Lim Han Boon, Mr. Sim Swee Yam Peter, and Mr. Lee Kiam Hwee Kelvin |
| "**Interested Person Transactions**" | : | The categories of transactions set out in paragraph 4 of the Annex to this Appendix with the Interested Persons |
| "**Interested Persons**" | : | The categories of the Company's interested persons set out in Section 3.1 of the Annex to this Appendix |
| "**IPT General Mandate**" | : | A general mandate given by Shareholders pursuant to Chapter 9 of the Listing Manual to authorise the EAR Group which are considered to be "entities at risk" within the meaning of Rule 904(2) of the Listing Manual, in their ordinary course of businesses, to enter into categories of transactions with specified classes of the Company's interested persons, provided that such transactions are entered into on an arm's length basis and on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders. |
| "**IPT General Mandate Circular**" | : | The Company's circular to Shareholders dated 10 January 2014 setting out, inter alia, the details of the IPT General Mandate |
| "**January 2010 EGM**" | : | The extraordinary general meeting of the Company held on 28 January 2010 |
| "**January 2014 EGM**" | : | The extraordinary general meeting of the Company held on 27 January 2014 |
| "**January 2015 AGM**" | : | The annual general meeting of the Company held on 29 January 2015 |
| "**Latest Practicable Date**" | : | 22 December 2015, being the latest practicable date prior to the printing of this Appendix |
| "**Lee Family**" | : | Mr. Lee Wan Tang (our Executive Chairman), Mdm. Lai Qin Zhi (our Non-executive Director and the wife of Mr. Lee Wan Tang), Mr. Sean Lee Yun Feng (our CEO and the son of Mr. Lee Wan Tang and Mdm. Lai Qin Zhi), Ms. Liely Lee (our Executive Director and the daughter of Mr. Lee Wan Tang and Mdm. Lai Qin Zhi) and Ms. Lina Lee (the daughter of Mr. Lee Wan Tang and Mdm. Lai Qin Zhi) |
| "**Listing Manual**" or "**Listing Rules**" | : | The listing manual of the SGX-ST, or the rules contained therein, as amended, modified or supplemented from time to time |

# APPENDIX

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| "**Market Day**" | : | A day on which the SGX-ST is open for trading in securities |
| "**Market Price**" | : | The price equal to the average of the last dealt prices for a Share, as determined by reference to the daily official list or other publication published by the SGX-ST for five consecutive Market Days immediately preceding the relevant Offer Date, provided always that in the case of a Market Day on which the Shares are not traded on the SGX-ST, the last dealt price for Shares on such Market Day shall be deemed to be the last dealt price of the Shares were traded, rounded up to the nearest whole cent in the event of fractional prices |
| "**Market Purchase**" | : | Has the meaning ascribed to it in Section 2.3.3 of this Appendix |
| "**Maximum Price**" | : | Has the meaning ascribed to it in Section 2.3.4 of this Appendix |
| "**Memorandum**" | : | Memorandum of association of the Company |
| "**NAV**" | : | Net asset value |
| "**Notice of AGM**" | : | The notice of the AGM as attached to the Annual Report |
| "**NTA**" | : | Net tangible assets |
| "**Off-Market Purchase**" | : | Has the meaning ascribed to it in Section 2.3.3 of this Appendix |
| "**Proposals**" | : | Has the meaning ascribed to it in Paragraph 1 of this Appendix |
| "**Prospectus**" | : | The prospectus dated 26 October 2007 issued by the Company in connection with its initial public offering and listing and quotation of its Shares on the Mainboard of the SGX-ST |
| "**Relevant Period**" | : | The period commencing from the date on which the AGM is held and expiring on the date the next annual general meeting is held or is required by law or the Articles to be held, whichever is the earlier, after the date the resolution relating to the Share Buyback Mandate is passed |
| "**SGX-ST**" | : | Singapore Exchange Securities Trading Limited |
| "**Shareholders**" | : | Registered holders of Shares except that where the registered holder is CDP, the term "Shareholders" shall, in relation to such Shares, mean the persons whose direct securities accounts maintained with CDP are credited with the Shares |
| "**Share Buyback Mandate**" | : | A general mandate given by Shareholders to authorise the Directors to purchase, on behalf of the Company, Shares in accordance with the terms set out in this Appendix as well as the rules and regulations set forth in the Companies Act and the Listing Manual |
| "**Shares**" | : | Ordinary shares in the capital of the Company |
| "**SRC**" | : | As defined in paragraph 3.1(a) of the Annex to this Appendix |
| "**Substantial Shareholder**" | : | A Shareholder who has an interest in one or more voting shares in the Company and the total votes attached to those shares is not less than five per cent (5%) of the total votes attached to all the voting shares in the Company |
| "**Take-over Code**" | : | The Singapore Code on Take-overs and Mergers, as amended, modified or supplemented from time to time |
| "**Treasury Shares**" | : | The Shares held in treasury by the Company |

# APPENDIX

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| "**%**" | : | Per centum or percentage |
| "**S$**", "**$**" and "**Singapore cents**" | : | Singapore dollars and Singapore cents respectively |

The terms "Depositor", "Depository Agent" and "Depository Register" shall have the respective meanings ascribed to them in Section 130A of the Companies Act.

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

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

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

Any discrepancies in the tables included herein between the listed amounts and totals thereof are due to rounding.

# APPENDIX

## MARCO POLO MARINE LTD

(Incorporated in the Republic of Singapore)
(Company Registration No. 200610073Z)

## LETTER TO SHAREHOLDERS

**Directors:**

Mr. Lee Wan Tang (Executive Chairman)
Mr. Sean Lee Yun Feng (Chief Executive Officer)
Ms. Liely Lee (Executive Director)
Mdm. Lai Qin Zhi (Non-executive Director)
Mr. Lim Han Boon (Lead Independent Director)
Mr. Sim Swee Yam Peter (Independent Director)
Mr. Lee Kiam Hwee Kelvin (Independent Director)

**Registered Office:**

66 Kallang Pudding Road,
#05-01 Hor Kew Business Centre
Singapore 349324

6 January 2016

To: The Shareholders of the Company

Dear Sir / Madam

**(1) THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE; AND**

**(2) THE PROPOSED RENEWAL OF THE IPT GENERAL MANDATE.**

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### 1. INTRODUCTION

The Directors of the Company propose to table, for the Shareholders' consideration and approval in respect of the following matters:

(a) the renewal of the Share Buyback Mandate; and

(b) the renewal of the IPT General Mandate

(collectively, the "Proposals").

The purpose of this Appendix is to provide Shareholders with information pertaining to the aforesaid Proposals, and to seek Shareholders' approval in respect of the same at the AGM. The notice of AGM is attached to the Annual Report.

### 2. THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

The Share Buyback Mandate was first obtained at the January 2010 EGM and was last renewed at the January 2015 AGM, such mandate being expressed to take effect until the conclusion of the Company's forthcoming AGM. Accordingly, the Directors propose that the Share Buyback Mandate be renewed at the forthcoming AGM to be held on 21 January 2016, to take effect until the conclusion of the annual general meeting to be held in 2017 or such date as the next annual general meeting is required by law or by the Articles of the Company to be held; unless prior thereto, share buybacks are carried out to the full extent mandated or the Share Buyback Mandate is revoked or varied by the Company in a general meeting.

The terms of the mandate for share buybacks by the Company in respect of which the Share Buyback Mandate is sought to be renewed are set out in this Appendix for the easy reference of the Shareholders.

## 2. THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE (Continued)

### 2.1 Rationale

The Directors constantly seek to increase Shareholders' value and to improve, inter alia, the return on equity of the Group. A share buyback at the appropriate price level is one of the ways through which the return on equity of the Group may be enhanced.

Share buybacks provide the Company with a mechanism to facilitate the return of surplus cash over and above its ordinary capital requirements in an expedient, effective and cost-efficient manner. It will also provide the Directors with greater flexibility over the Company's share capital structure with a view to enhancing the EPS and/or NAV value per Share.

The Directors further believe that share buybacks by the Company will help mitigate short-term market volatility, offset the effects of short-term speculation and bolster Shareholder confidence.

If and when circumstances permit, the Directors will decide whether to effect the Share purchases via Market Purchases or Off-Market Purchases, after taking into account the amount of surplus cash available, the prevailing market conditions and the most cost-effective and efficient approach. As before, the Directors do not propose to carry out share buybacks to an extent that would, or in circumstances that might, result in a material adverse effect on the liquidity and/or the orderly trading of the Shares and/or the financial position of the Group.

### 2.2 Mandate

Approval was sought from Shareholders at the January 2015 AGM for the renewal of the Share Buyback Mandate for the purchase or acquisition by the Company of its issued Shares. With the approval, the Share Buyback Mandate took effect from the date of the January 2015 AGM and will continue in force until the date of the forthcoming AGM, or such date as the next annual general meeting is required by law or by the Articles of the Company to be held; unless prior thereto, share buybacks are carried out to the full extent mandated or the Share Buyback Mandate is revoked or varied by the Company in a general meeting.

Approval is being sought from Shareholders at the AGM for the renewal of the Share Buyback Mandate for the purchase or acquisition by the Company of its issued Shares. If approved, the Share Buyback Mandate will take effect from the date of the AGM and will continue in force until the conclusion of the next annual general meeting of the Company or such date as the next annual general meeting is required by law or by the Articles of the Company to be held; unless prior thereto, share buybacks are carried out to the full extent mandated or the Share Buyback Mandate is revoked or varied by the Company in a general meeting.

### 2.3 The Terms of the Mandate

The authority for and limitations placed on purchases of Shares by the Company under the Share Buyback Mandate are summarized below:

2.3.1 <u>Maximum number of Shares</u>

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company.

The total number of Shares that may be purchased or acquired by the Company during the Relevant Period or within any one financial year of the Company, whichever is the earlier, is limited to that number of Shares representing not more than ten per cent (10%) of the issued ordinary share capital of the Company as at the date of the AGM at which the Share Buyback Mandate is approved (unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act at any time during the Relevant Period, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered).

For illustrative purposes only, based on the existing issued and paid-up share capital of the Company as at the Latest Practicable Date, comprising 336,548,600 Shares, and assuming that no further Shares are issued on or prior to the AGM, not more than 33,654,860 Shares (representing ten per cent (10%) of the issued and paid-up share capital of the Company as at that date) may be purchased or acquired by the Company pursuant to the Share Buyback Mandate.

## 2. THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE (Continued)

### 2.3 The Terms of the Mandate (Continued)

2.3.2 Duration of authority

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

(a) the conclusion of the next annual general meeting of the Company or the date by which such annual general meeting is required to be held;

(b) the date on which the share buybacks are carried out to the full extent mandated; or

(c) the date on which the authority contained in the Share Buyback Mandate is varied or revoked by the Company in a general meeting.

2.3.3 Manner of purchase of Shares

Purchases of Shares may be made by way of, inter alia:

(a) on-market purchases ("Market Purchase"), transacted on the SGX-ST through the SGXST's Central Limit Order Book (CLOB) trading system or, as the case may be, any other stock exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or

(b) off-market purchases ("Off-Market Purchase") (if effected otherwise than on the SGX-ST) in accordance with an equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act and the Listing Manual.

Under the Companies Act, an equal access scheme must satisfy all of the following conditions:

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

(b) all of those persons shall be given a reasonable opportunity to accept the offers made; and

(c) the terms of all the offers are the same, except that there shall be disregarded:

(i) differences in consideration attributable to the fact that offers may relate to shares with different accrued dividend entitlements;

(ii) (if applicable) differences in consideration attributable to the fact that offers relate to shares with different amounts remaining unpaid; and

(iii) differences in the offers introduced solely to ensure that each person is left with a whole number of shares.

In addition, the Listing Manual provides that, in making an Off-Market Purchase, the Company must issue an offer document to all Shareholders which must contain at least the following information:

(a) the terms and conditions of the offer;

(b) the period and procedures for acceptances;

(c) the reasons for the proposed share buyback;

(d) the consequences, if any, of share buybacks by the Company that will arise under the Take-over Code or other applicable take-over rules;

## 2. THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE (Continued)

### 2.3 The Terms of the Mandate (Continued)

2.3.3 Manner of purchase of Shares (Continued)

(e) whether the share buyback, if made, would have any effect on the listing of the Shares on the SGX-ST;

(f) details of any share buyback made by the Company in the previous 12 months (whether Market Purchases or Off-Market Purchases), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases; and

(g) whether the Shares purchased by the Company will be cancelled or kept as treasury shares.

2.3.4 Maximum purchase price

The purchase price (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) to be paid for the Shares will be determined by the Directors. However, the purchase price to be paid for a Share as determined by the Directors must not exceed:

(a) in the case of a Market Purchase, 105% of the Average Closing Price (as defined hereinafter); and

(b) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Highest Last Dealt Price (as defined hereinafter),

(the "**Maximum Price**") in either case, excluding related expenses of the purchase.

For the above purposes:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five Market Days, on which transactions in the Shares were recorded, preceding the day of the Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five-day period;

"**Highest Last Dealt Price**" means the highest price transacted for a Share as recorded on the Market Day on which there were trades in the Shares immediately preceding the day of the making of the offer pursuant to the Off-Market Purchase; and

"**day of the making of the offer**" means the day on which the Company announces its intention to make an offer for the purchase of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

### 2.4 Status of Purchased Shares under the Share Buyback Mandate

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

### 2.5 Treasury Shares

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

2.5.1 Maximum holdings

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

## 2. THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE (Continued)

### 2.5 Treasury Shares (Continued)

2.5.2 Voting and other rights

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

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

2.5.3 Disposal and cancellation

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

(a) sell the treasury shares for cash;

(b) transfer the treasury shares for the purposes of or pursuant to any relevant employees' share scheme;

(c) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;

(d) cancel the treasury shares; or

(e) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

### 2.6 Source of Funds for Share Buyback

The Companies Act, subject to the Articles, permits the Company to purchase its own Shares out of capital, as well as from its distributable profits, provided that:

(a) the Company is able to pay its debts in full at the time it purchases the Shares and will be able to pay its debts as they fall due in the normal course of business in the 12 months immediately following the purchase; and

(b) the value of the Company's assets is not less than the value of its liabilities (including contingent liabilities) and will not after the purchase of Shares become less than the value of its liabilities (including contingent liabilities).

Further, for purposes of determining the value of a contingent liability, the Directors or managers of the Company may take into account the following:

(a) the likelihood of the contingency occurring; and

(b) any claim the Company is entitled to make and can reasonably expect to be met to reduce or extinguish the contingent liability.

The Company may use internal sources of funds and/or external borrowings to finance the Company's purchase or acquisition of the Shares pursuant to the Share Buyback Mandate. The Directors will only make purchases or acquisitions pursuant to the Share Buyback Mandate in circumstances which they believe will not result in any material adverse effect to the financial position of the Company or the Group.

## 2. THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE (Continued)

### 2.7 Financial Effects of the Share Buyback Mandate

The financial effects on the Company and the Group arising from purchase or acquisition of Shares which may be made pursuant to the Share Buyback Mandate will depend on, inter alia, the number of Shares purchased or acquired, whether such purchase or acquisition is made out of capital and/or profits, and the price paid for such Shares. The financial effects on the Company and the Group, based on the audited financial statements of the Company and the Group for the financial year ended 30 September 2015, are based on the following principal assumptions:

(a) the purchase or acquisition of Shares pursuant to the Share Buyback Mandate had taken place on 1 October 2014 for the purpose of computing the financial effects on the EPS of the Group and the Company;

(b) the purchase or acquisition of Shares pursuant to the Share Buyback Mandate had taken place on 30 September 2015 for the purpose of computing the financial effects on the shareholders' equity, NAV per Share and gearing of the Group and the Company;

(c) the purchase or acquisition of Shares pursuant to the Share Buyback Mandate is assumed to be financed by internal funds; and

(d) transaction costs incurred for the purchase or acquisition of Shares pursuant to the Share Buyback Mandate are assumed to be insignificant and have been ignored for the purpose of computing the financial effects.

2.7.1 Purchase or acquisition out of capital

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount of distributable profits available for cash dividends by the Company will not be reduced.

2.7.2 Proforma financial effects

For illustrative purposes only, and on the basis of the assumptions set out below, the proforma financial effects of the acquisition of Shares by the Company pursuant to the Share Buyback Mandate by way of (i) purchases made entirely out of capital and cancelled and (ii) by way of purchases made entirely out of capital and held as treasury shares, on the audited financial statements of the Group and the Company for the financial year ended 30 September 2015 (the "Audited Financial Statements") are set out below.

## 2. THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE (Continued)

### 2.7 Financial Effects of the Share Buyback Mandate (Continued)

2.7.2 Proforma financial effects (Continued)

(a) Purchases made entirely out of capital and Shares repurchased are cancelled

***Market Purchases***

**For illustrative purposes only**, in a market purchase, assuming that the Maximum Price is S$0.202, which is five per cent (5%) above the average of the closing market prices of a Share over the last five Market Days on which transactions in the Shares were recorded immediately preceding the Latest Practicable Date, the maximum amount of funds required for the purchase of up to 33,654,860 Shares (representing ten per cent (10%) of the total issued share capital of the Company as at the Latest Practicable Date, which is the maximum number of Shares the Company is allowed to purchase) under and during the duration of the Share Buyback Mandate, is approximately S$6.798 million. On these assumptions and further assuming the purchase of Shares was financed by external borrowings, the effect of the purchase of Shares by the Company pursuant to the Share Buyback Mandate on the EPS, the shareholders' equity, NAV per Share and gearing of the Group and the Company are as follows:

| | **The Group** | | **The Company** | |
|---|---|---|---|---|
| | **Per audited financial statements S$'000** | **Proforma after share buyback S$'000** | **Per audited financial statements S$'000** | **Proforma after share buyback S$'000** |
| **As at 30 September 2015** | | | | |
| Share capital | 59,239 | 52,441 | 59,239 | 52,441 |
| Translation reserves | 2,243 | 2,243 | – | – |
| Other reserves | 776 | 776 | – | – |
| Retained earnings | 116,319 | 116,319 | 1,752 | 1,752 |
| Treasury shares | (1,203) | (1,203) | (1,203) | (1,203) |
| Total shareholders equity | 177,374 | 170,576 | 59,788 | 52,990 |
| Non-current assets | 321,289 | 321,289 | 11,239 | 11,239 |
| Current assets | 121,016 | 121,016 | 100,807 | 100,807 |
| Current liabilities | 168,854 | 175,652 | 2,258 | 9,056 |
| Non-current liabilities | 96,077 | 96,077 | 50,000 | 50,000 |
| NAV | 177,374 | 170,576 | 59,788 | 52,990 |
| Total borrowings | 219,802 | 226,600 | 50,000 | 56,798 |
| Cash and bank balances | 11,061 | 11,061 | 1,249 | 1,249 |
| Number of shares outstanding as at 30 September 2015 ('000) | 336,548 | 302,894 | 336,548 | 302,894 |
| Weighted average number of shares outstanding during the year ended 30 September 2015 ('000) | 337,717 | 304,063 | 337,717 | 304,063 |
| **Financial Ratios** | | | | |
| NAV per share (Singapore cents)(1) | 52.7 | 56.3 | 17.8 | 17.5 |
| Gearing(2) | 1.18 | 1.26 | 0.82 | 1.05 |
| EPS (Singapore cents)(3) | 2.52 | 2.80 | 2.52 | 2.80 |

Notes:

(1) NAV per Share equals to NAV divided by the number of Shares outstanding as at 30 September 2015.

(2) Gearing equals to total bank and other borrowings net of cash and cash equivalents divided by total equity.

(3) EPS equals to profit attributable to Shareholders divided by the weighted average number of Shares outstanding during the year ended 30 September 2015.

## 2. THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE (Continued)

### 2.7 Financial Effects of the Share Buyback Mandate (Continued)

2.7.2 Proforma financial effects (Continued)

(a) Purchases made entirely out of capital and Shares repurchased are cancelled (Continued)

***Off-Market Purchase***

**For illustrative purposes only**, in an off-market purchase, assuming that the Maximum Price is S$0.231, which is twenty per cent (20%) above the highest price transacted for a Share as recorded on the Market Day on which there were trades in the Shares immediately preceding the Latest Practicable Date, the maximum amount of funds required for the purchase of up to 33,654,860 Shares (representing approximately ten per cent (10%) of the total issued share capital of the Company as at the Latest Practicable Date, which is the maximum number of Shares the Company is allowed to purchase) under and during the duration of the Share Buyback Mandate, is approximately S$7.774 million. On these assumptions and further assuming the purchase of Shares was financed by external borrowings and the effect of the purchase of Shares by the Company pursuant to the Share Buyback Mandate on the EPS, the shareholders' equity, NAV per Share and gearing of the Group and the Company are as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | Per audited financial statements S$'000 | Proforma after share buyback S$'000 | Per audited financial statements S$'000 | Proforma after share buyback S$'000 |
| **As at 30 September 2015** | | | | |
| Share capital | 59,239 | 51,465 | 59,239 | 51,465 |
| Translation reserves | 2,243 | 2,243 | – | – |
| Other reserves | 776 | 776 | – | – |
| Retained earnings | 116,319 | 116,319 | 1,752 | 1,752 |
| Treasury shares | (1,203) | (1,203) | (1,203) | (1,203) |
| Total shareholders equity | 177,374 | 169,600 | 59,788 | 52,014 |
| Non-current assets | 321,289 | 321,289 | 11,239 | 11,239 |
| Current assets | 121,016 | 121,016 | 100,807 | 100,807 |
| Current liabilities | 168,854 | 176,628 | 2,258 | 10,032 |
| Non-current liabilities | 96,077 | 96,077 | 50,000 | 50,000 |
| NAV | 177,374 | 169,600 | 59,788 | 52,014 |
| Total borrowings | 219,802 | 227,576 | 50,000 | 57,774 |
| Cash and bank balances | 11,061 | 11,061 | 1,249 | 1,249 |
| Number of shares outstanding as at 30 September 2015 ('000) | 336,548 | 302,894 | 336,548 | 302,894 |
| Weighted average number of shares outstanding during the year ended 30 September 2015 ('000) | 337,717 | 304,063 | 337,717 | 304,063 |
| **Financial Ratios** | | | | |
| NAV per share (Singapore cents)[1] | 52.7 | 56.0 | 17.8 | 17.2 |
| Gearing[2] | 1.18 | 1.28 | 0.82 | 1.09 |
| EPS (Singapore cents)[3] | 2.52 | 2.80 | 2.52 | 2.80 |

Notes:

(1) NAV per Share equals to NAV divided by the number of Shares outstanding as at 30 September 2015.

(2) Gearing equals to total bank and other borrowings net of cash and cash equivalents divided by total equity.

(3) EPS equals to profit attributable to Shareholders divided by the weighted average number of Shares outstanding during the year ended 30 September 2015.

## 2. THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE (Continued)

### 2.7 Financial Effects of the Share Buyback Mandate (Continued)

2.7.2 Proforma financial effects (Continued)

(b) Purchases made entirely out of capital and Shares repurchased are held as treasury shares

***Market Purchases***

**For illustrative purposes only**, in a market purchase, assuming that the Maximum Price is S$0.202, which is five per cent (5%) above the average of the closing market prices of a Share over the last five Market Days on which transactions in the Shares were recorded immediately preceding the Latest Practicable Date, the maximum amount of funds required for the purchase of up to 33,654,860 Shares (representing ten per cent (10%) of the total issued share capital of the Company as at the Latest Practicable Date, which is the maximum number of Shares the Company is allowed to purchase) under and during the duration of the Share Buyback Mandate, is approximately S$6.798 million. On these assumptions and further assuming the purchase of Shares was financed by external borrowings and the effect of the purchase of Shares by the Company pursuant to the Share Buyback Mandate on the EPS, the shareholders' equity, NAV per Share and gearing of the Group and the Company are as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | Per audited financial statements S$'000 | Proforma after share buyback S$'000 | Per audited financial statements S$'000 | Proforma after share buyback S$'000 |
| **As at 30 September 2015** | | | | |
| Share capital | 59,239 | 59,239 | 59,239 | 59,239 |
| Translation reserves | 2,243 | 2,243 | – | – |
| Other reserves | 776 | 776 | – | – |
| Retained earnings | 116,319 | 116,319 | 1,752 | 1,752 |
| Treasury shares | (1,203) | (8,001) | (1,203) | (8,001) |
| Total shareholders equity | 177,374 | 170,576 | 59,788 | 52,990 |
| Non-current assets | 321,289 | 321,289 | 11,239 | 11,239 |
| Current assets | 121,016 | 121,016 | 100,807 | 100,807 |
| Current liabilities | 168,854 | 175,652 | 2,258 | 9,056 |
| Non-current liabilities | 96,077 | 96,077 | 50,000 | 50,000 |
| NAV | 177,374 | 170,576 | 59,788 | 52,990 |
| Total borrowings | 219,802 | 226,600 | 50,000 | 56,798 |
| Cash and bank balances | 11,061 | 11,061 | 1,249 | 1,249 |
| Number of shares outstanding as at 30 September 2015 ('000) | 336,548 | 302,894 | 336,548 | 302,894 |
| Weighted average number of shares outstanding during the year ended 30 September 2015 ('000) | 337,717 | 304,063 | 337,717 | 304,063 |
| **Financial Ratios** | | | | |
| NAV per share (Singapore cents)(1) | 52.7 | 56.3 | 17.8 | 17.5 |
| Gearing(2) | 1.18 | 1.26 | 0.82 | 1.05 |
| EPS (Singapore cents)(3) | 2.52 | 2.80 | 2.52 | 2.80 |

Notes:

(1) NAV per Share equals to NAV divided by the number of Shares outstanding as at 30 September 2015.

(2) Gearing equals to total bank and other borrowings net of cash and cash equivalents divided by total equity.

(3) EPS equals to profit attributable to Shareholders divided by the weighted average number of Shares outstanding during the year ended 30 September 2015.

## 2. THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE (Continued)

### 2.7 Financial Effects of the Share Buyback Mandate (Continued)

2.7.2 Proforma financial effects (Continued)

(b) Purchases made entirely out of capital and Shares repurchased are held as treasury shares

***Off-Market Purchase***

**For illustrative purposes only**, in an off-market purchase, assuming that the Maximum Price is S$0.231, which is twenty per cent (20%) above the highest price transacted for a Share as recorded on the Market Day on which there were trades in the Shares immediately preceding the Latest Practicable Date, the maximum amount of funds required for the purchase of up to 33,654,860 Shares (representing approximately ten per cent (10%) of the total issued share capital of the Company as at the Latest Practicable Date, which is the maximum number of Shares the Company is allowed to purchase) under and during the duration of the Share Buyback Mandate, is approximately S$7.774 million. On these assumptions and further assuming the purchase of Shares was financed by external borrowings and the effect of the purchase of Shares by the Company pursuant to the Share Buyback Mandate on the EPS of the Group, the shareholders' equity, NAV per Share and gearing of the Group and the Company are as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | Per audited financial statements S$'000 | Proforma after share buyback S$'000 | Per audited financial statements S$'000 | Proforma after share buyback S$'000 |
| **As at 30 September 2015** | | | | |
| Share capital | 59,239 | 59,239 | 59,239 | 59,239 |
| Translation reserves | 2,243 | 2,243 | – | – |
| Other reserves | 776 | 776 | – | – |
| Retained earnings | 116,319 | 116,319 | 1,752 | 1,752 |
| Treasury shares | (1,203) | (8,977) | (1,203) | (8,977) |
| Total shareholders equity | 177,374 | 169,600 | 59,788 | 52,014 |
| Non-current assets | 321,289 | 321,289 | 11,239 | 11,239 |
| Current assets | 121,016 | 121,016 | 100,807 | 100,807 |
| Current liabilities | 168,854 | 176,628 | 2,258 | 10,032 |
| Non-current liabilities | 96,077 | 96,077 | 50,000 | 50,000 |
| NAV | 177,374 | 169,600 | 59,788 | 52,014 |
| Total borrowings | 219,802 | 227,576 | 50,000 | 57,774 |
| Cash and bank balances | 11,061 | 11,061 | 1,249 | 1,249 |
| Number of shares outstanding as at 30 September 2015 ('000) | 336,548 | 302,894 | 336,548 | 302,894 |
| Weighted average number of shares outstanding during the year ended 30 September 2015 ('000) | 337,717 | 304,063 | 337,717 | 304,063 |
| **Financial Ratios** | | | | |
| NAV per share (Singapore cents)(1) | 52.7 | 56.0 | 17.8 | 17.2 |
| Gearing(2) | 1.18 | 1.28 | 0.82 | 1.09 |
| EPS (Singapore cents)(3) | 2.52 | 2.80 | 2.52 | 2.80 |

Notes:

(1) NAV per Share equals to NAV divided by the number of Shares outstanding as at 30 September 2015.

(2) Gearing equals to total bank and other borrowings net of cash and cash equivalents divided by total equity.

(3) EPS equals to profit attributable to Shareholders divided by the weighted average number of Shares outstanding during the year ended 30 September 2015.

# APPENDIX

## 2. THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE (Continued)

### 2.7 Financial Effects of the Share Buyback Mandate (Continued)

2.7.2 Proforma financial effects (Continued)

**Shareholders should note that the proforma financial effects set out above are for illustrative purposes only. Although the Share Buyback Mandate would authorise the Company to purchase or acquire up to ten per cent (10%) of the issued Shares, the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire ten per cent (10%) of the issued Shares. In addition, the Company may cancel all or part of the Shares repurchased or hold all or part of the Shares repurchased in treasury.**

### 2.8 Taxation

Shareholders who are in doubt as to their respective tax provisions or any tax implications arising from the Share Buy Back Mandate or who may be subject to tax in a jurisdiction other than Singapore should consult their own professional advisers.

### 2.9 Listing Rules

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

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

The Listing Manual requires a listed company to ensure that at least ten per cent (10%) of any class of its listed securities must be held by public shareholders. As at the Latest Practicable Date, approximately 39.9% of the issued Shares were held by public Shareholders. Accordingly, the Company is of the view that there is a sufficient number of the Shares in issue held by public Shareholders which would permit the Company to undertake purchases or acquisitions of its Shares through Market Purchases up to the full ten per cent (10%) limit pursuant to the Share Buyback Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or to affect orderly trading.

### 2.10 Take-Over Obligations

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

Obligation to make a take-over offer

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

## 2. THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE (Continued)

### 2.10 Take-Over Obligations (Continued)

Persons acting in concert

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

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

(a) A company with its parent company, subsidiaries, its fellow subsidiaries, any associated companies of the aforesaid companies, and any company whose associated companies include any of the aforesaid companies. For this purpose, a company is an associated company of another company if the second company owns or controls at least twenty per cent (20%) but not more than fifty per cent (50%) of the voting rights of the first-mentioned company;

(b) A company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);

(c) A company with any of its pension funds and employee share schemes;

(d) A person with any investment company, unit trust or other fund in respect of the investment account which such person manages on a discretionary basis;

(e) A financial or other professional adviser (including a stockbroker), with its clients in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser and all the funds which the adviser manages on a discretionary basis, where the shareholding of the adviser and any of those funds in the client total ten per cent (10%) or more of the client's equity share capital;

(f) Directors of a company, together with their close relatives, related trusts and companies controlled by any of them, which is subject to an offer or where they have reason to believe a bona fide offer for their company may be imminent;

(g) Partners;

(h) An individual, his close relatives, his related trusts, and any person who is accustomed to act according to his instructions and companies controlled by any of the aforesaid persons; and

(i) Any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights.

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

Effect of Rule 14 and Appendix 2 of the Take-over Code

In general terms, the effect of Rule 14 and Appendix 2 is that, unless exempted, Directors of the Company and persons acting in concert with them will incur an obligation to make a takeover offer for the Company under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Directors and their concert parties, being in aggregate less than thirty per cent (30%) before such purchase or acquisition, would increase to thirty per cent (30%) or more, or if the voting rights of such Directors and their concert parties fall between thirty per cent (30%) and fifty per cent (50%) of the Company's voting rights, the voting rights of such Directors and their concert parties would increase by more than one per cent (1%) in any period of six (6) months.

## 2. THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE (Continued)

### 2.10 Take-Over Obligations (Continued)

Effect of Rule 14 and Appendix 2 of the Take-over Code (Continued)

Under Appendix 2, a Shareholder not acting in concert with the Directors of the Company will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder in the Company would increase to thirty per cent (30%) or more, or, if such Shareholder holds between thirty per cent (30%) and fifty per cent (50%) of the Company's voting rights, the voting rights of such Shareholder would increase by more than one per cent (1%) in any period of six (6) months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Buyback Mandate.

### 2.11 Application of the Singapore Code On Takeovers And Mergers

Save as disclosed above, the Directors are not aware of any fact(s) or factor(s) which suggest or imply that any particular person(s) and/or Shareholder(s) are, or may be regarded as, parties acting in concert such that their respective interests in voting Shares should or ought to be consolidated, and consequences under the Take-over Code would ensue as a result of a purchase of Shares by the Company pursuant to the Share Buyback Mandate.

Shareholders who are in doubt as to their obligations, if any, to make a mandatory take-over offer under the Take-over Code as a result of any purchase or acquisition of Shares by the Company should consult the SIC and/or their professional advisers at the earliest opportunity.

Shareholding of the certain parties before and after Share purchases under the Share Buyback Mandate (for illustrative purposes only)

Based on the shareholding interest of the parties listed above as at the Latest Practicable Date and assuming that:

(a) the Company undertakes Share purchases under the Share Buyback Mandate up to the maximum of 10% of the issued share capital of the Company as permitted by the Share Buyback Mandate;

(b) there is no change in the holding of Shares between the Latest Practicable Date and the date of the AGM;

(c) no new Shares are issued following approval being received from Shareholders at the AGM for the Share Buyback Mandate; and

(d) the parties as set out below do not sell or otherwise dispose of their holding of Shares,

their holding of Shares as at the date of the AGM and after the purchase by the Company of 10% of the issued share capital of the Company pursuant to the Share Buyback Mandate is as follows:

| | Before Share buyback (as at the Latest Practicable Date) | | | | After Share buyback | | | |
|---|---|---|---|---|---|---|---|---|
| | Direct Interest | | Deemed Interest | | Direct Interest | | Deemed Interest | |
| | Number of Shares | % | Number of Shares | % | Number of Shares | % | Number of Shares | % |
| Nautical Holdings International Ltd[(1)] | 120,000,000 | 35.66 | 78,811,974 | 23.42 | 120,000,000 | 39.62 | 78,811,974 | 26.02 |
| Lee Wan Tang[(2)] | 514,200 | 0.15 | 206,523,974 | 61.22 | 514,200 | 0.17 | 206,523,974 | 68.18 |

Notes:

(1) Nautical International Holdings Ltd is deemed interested in 14,628,000 Shares held by Philip Securities Pte Ltd and 64,183,974 Shares held by RHB Securities Singapore Pte Ltd, of which Nautical International Holdings Ltd is the beneficial owner.

(2) Mr. Lee Wan Tang is deemed interested in the Shares held by Nautical International Holdings Ltd, 5,912,000 Shares held by UOB Kay Hian Pte Ltd and 1,800,000 Shares held by Maybank Kim Eng Securities Ptd Ltd, of which Mr. Lee Wan Tang is the beneficial owner.

## 2. THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE (Continued)

### 2.12 Shares Purchased by the Company

In the last 12 months preceding the Latest Practicable Date, the Company purchased 4,201,400 Shares by way of Market Purchase pursuant to the Share Buyback Mandate granted at the January 2015 AGM. The highest and lowest price paid was S$0.31 and S$0.24 per Share respectively. The total consideration paid for the purchases was S$1,202,895.

## 3. THE PROPOSED RENEWAL OF THE IPT GENERAL MANDATE

As disclosed in the Prospectus, the Company had initially obtained an IPT General Mandate from its shareholders at an extraordinary general meeting of the Company held on 3 September 2007.

The IPT General Mandate has been subsequently modified by way of Shareholders' approval, the latest modification being at the January 2014 EGM and the latest renewal of such modified mandate being at the January 2015 AGM, such mandate being expressed to take effect until the conclusion of the Company's forthcoming AGM. Accordingly, the Directors propose that the IPT General Mandate be renewed at the forthcoming AGM, to take effect until the conclusion of the annual general meeting to be held in 2017.

The IPT General Mandate Circular contained the terms of the general mandate from Shareholders pursuant to Chapter 9 of the Listing Manual, whereby authority was given to enable the EAR Group, in their ordinary course of businesses, to enter into categories of transactions with specified classes of the Company's interested persons, provided that such transactions are entered into on an arm's length basis and on normal commercial terms. The terms of the general mandate for interested person transactions by the EAR Group in respect of which the IPT General Mandate is sought to be renewed are set out in the Annex to this Appendix for the easy reference of the Shareholders.

### 3.1 Details of the IPT General Mandate

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

### 3.2 Audit Committee Statement

The Audit Committee, save for Mdm. Lai Qin Zhi who is deemed to be interested in the Interested Person Transactions, confirms that:

(a) the methods and procedures for determining the transaction prices under the IPT General Mandate have not changed since the January 2015 AGM; and

(b) the methods and procedures referred to in paragraph (a) above are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

## 4. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

The interests of Directors and Substantial Shareholders of the Company as at the Latest Practicable Date, as recorded in the Company's Register of Directors' Shareholdings and the Register of Substantial Shareholders, respectively, were as follows:

## 4. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS (Continued)

Directors' and Controlling Shareholder's Interests. The interests of the Directors and Controlling Shareholder in the Shares as at the Latest Practicable Date are set out below:

| | Number of Shares | | | |
|---|---|---|---|---|
| **Director** | **Direct Interest** | **%[1]** | **Deemed Interest** | **%[1]** |
| Mr. Lee Wan Tang | 514,200 | 0.15 | 206,523,974[2] | 61.22 |
| Mr. Sean Lee Yun Feng | – | – | – | – |
| Mdm. Lai Qin Zhi | – | – | – | – |
| Ms Liely Lee | – | – | – | – |
| Mr. Lim Han Boon | 364,101 | 0.11 | – | – |
| Mr. Sim Swee Yam Peter | 150,000 | 0.04 | – | – |
| Mr. Lee Kiam Hwee Kelvin | – | – | – | – |
| **Substantial Shareholder (Other than Directors)** | | | | |
| Nautical International Holdings Ltd[3] | 120,000,000 | 35.66 | 78,811,974[3] | 23.42 |

Notes:

(1) Percentages are based on the issued capital of the Company of 336,548,600 as at the Latest Practicable Date.

(2) Mr. Lee Wan Tang is deemed interested in the Shares held by Nautical International Holdings Ltd, 5,912,000 Shares held by UOB Kay Hian Pte Ltd and 1,800,000 Shares held by Maybank Kim Eng Securities Ptd Ltd, of which Mr. Lee Wan Tang is the beneficial owner.

(3) Nautical International Holdings Ltd is deemed interested in 14,628,000 Shares held by Philip Securities Pte Ltd and 64,183,974 Shares held by RHB Securities Singapore Pte Ltd, of which Nautical International Holdings Ltd is the beneficial owner.

Save as disclosed above, none of the Directors has any direct interest in the share capital of the Company or any of its subsidiaries.

## 5. DIRECTORS' RECOMMENDATION

**Proposed Renewal of the Share Buyback Mandate**

The Directors are of the opinion that the proposed Share Buyback Mandate is in the best interests of the Company, and accordingly recommend Shareholders to vote in favour of the ordinary resolution relating to renewing the Share Buyback Mandate at the AGM as set out in the Notice of AGM.

**Proposed Renewal of the IPT General Mandate**

Having fully considered, inter alia, the scope, guidelines and review procedures, the rationale and the benefits of the IPT General Mandate, the independent Directors are of the opinion that the proposed IPT General Mandate is in the best interest of the Company, and accordingly recommend Shareholders to vote in favour of the ordinary resolutions relating to renewing the IPT General Mandate at the AGM as set out in the Notice of AGM.

## 6. ABSTENTION FROM VOTING

In accordance with Rule 919 of the Listing Manual, Interested Persons and their associates shall abstain from voting on resolutions approving Interested Person Transactions involving themselves with the EAR Group.

## 7. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the Proposals, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading.

Where information in the Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Appendix in its proper form and context.

## 8. ANNUAL GENERAL MEETING

The AGM, notice of which is set out in the Annual Report, will be held at 10.30 a.m. on 21 January 2016 at Emerald Suite – Level II, Golf Club House, Orchid Country Club, 1 Orchid Club Road, Singapore 769162, for the purpose of considering, and if thought fit, passing with or without any modifications, the ordinary resolutions set out in the Notice of AGM.

## 9. ACTIONS TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the AGM and who wish to appoint a proxy to attend and vote at the AGM on their behalf should complete, sign and return the proxy form attached to the Notice of AGM in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the Company's registered office at 66 Kallang Pudding Road, #05-01 Hor Kew Business Centre, Singapore 349324 not less than 48 hours before the time fixed for the AGM. The appointment of a proxy by a Shareholder does not preclude him from attending and voting in person at the AGM if he wishes to do so.

A Depositor shall not be regarded as a Shareholder entitled to attend the AGM and to speak and vote thereat unless he is shown to have Shares entered against his name in the Depository Register, as certified by the CDP, as at 48 hours before the AGM.

## 10. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the registered office of the Company during normal business hours from the date of this Appendix up to and including the date of the AGM:

(i) the Memorandum and Articles of Association of the Company;

(ii) the audited consolidated financial statements of the Group for the financial year ended 30 September 2015; and

(iii) the annual report of the Company for the financial year ended 30 September 2015.

Yours faithfully
For and on behalf of
Marco Polo Marine Ltd

Lee Wan Tang
Executive Chairman

**Annex**

## The IPT General Mandate

### 1. Chapter 9 of the Listing Manual

1.1 Chapter 9 of the listing manual (the "Listing Manual") of the Singapore Exchange Securities Trading Limited ("SGX-ST" or the "Exchange") governs transactions by a listed company, as well as transactions by its subsidiaries and associated companies that are considered to be at risk, with the listed company's interested persons. When this Chapter applies to a transaction and the value of that transaction alone or in aggregation with other transactions conducted with the interested person during the financial year reaches, or exceeds, certain materiality thresholds, the listed company is required to make an immediate announcement, or to make an immediate announcement and seek its shareholders' approval for that transaction.

1.2 Except for certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested person and hence are excluded from the ambit of Chapter 9 of the Listing Manual, immediate announcement and shareholders' approval would be required in respect of transactions with interested persons if certain financial thresholds, which are based on the value of the transaction as compared with the listed company's latest audited consolidated net tangible assets ("NTA") are reached or exceeded. In particular, shareholders' approval is required for an interested person transaction of a value equal to, or which exceeds:

(a) 5% of the latest audited NTA of the listed company and its subsidiaries; or

(b) 5% of the latest audited NTA of the listed company and its subsidiaries, when aggregated with other transactions entered into with the same interested person (on such term as construed under Chapter 9 of the Listing Manual) during the same financial year.

1.3 Based on the latest audited accounts of Marco Polo Marine Ltd ("MPM" or the "Company") and its subsidiaries and associated companies (the "EAR Group" or the "Group") for the financial year ended 30 September 2015, the NTA of the EAR Group was S$177,374,000. In relation to MPM, for the purposes of Chapter 9 of the Listing Manual, in the financial year ended 30 September 2015 and until such time as the audited accounts of the EAR Group for the financial year ending 30 September 2015 are published, 5% of the latest audited NTA of the EAR Group would be S$8,868,700.

1.4 Chapter 9 of the Listing Manual permits a listed company, however, to seek a mandate from its shareholders for recurrent transactions of a revenue or trading in nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials (but not in respect of the purchase or sale of assets, undertakings or businesses) that may be carried out with the listed company's interested persons.

1.5 Under the Listing Manual:

(a) a "controlling shareholder" means:

a person who:

(i) holds directly or indirectly 15% or more of the nominal amount of all voting shares in the Company. The Exchange may determine that a person who satisfies this paragraph is not a controlling shareholder; or

(ii) in fact exercises control over the company.

(b) an "entity at risk" means:

(i) the listed company;

(ii) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or

(iii) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed company and/or its subsidiaries (the "listed group"), or the listed group and its interested person(s), has control over the associated company;

# APPENDIX

## 1. Chapter 9 of the Listing Manual (Continued)

1.5 Under the Listing Manual: (Continued)

(c) an "interested person" means a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder;

(d) an "associate" in relation to an interested person who is a director, chief executive officer or controlling shareholder includes an immediate family member (that is, the spouse, child, adopted-child, step-child, sibling or parent) of such director, chief executive officer or controlling shareholder, the trustees of any trust of which the director/his immediate family, the chief executive officer/his immediate family or controlling shareholder/his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object, and any company in which the director/his immediate family, the chief executive officer/his immediate family or controlling shareholder/his immediate family has an aggregate interest (directly or indirectly) of 30% or more, and, where a controlling shareholder is a corporation, its subsidiary or holding company or fellow subsidiary or a company in which it and/or they have (directly or indirectly) an interest of 30% or more;

(e) an "approved exchange" means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles of Chapter 9 of the Listing Manual; and

(f) an "interested person transaction" means a transaction between an entity at risk and an interested person.

## 2. Scope of the IPT General Mandate

2.1 The IPT General Mandate will cover the categories of transactions ("Interested Person Transactions") as set out in paragraph 4 below with the specified categories of MPM's interested persons (the "Interested Persons") set out in paragraph 3.1 below.

2.2 As disclosed in the IPT General Mandate Circular, the Company has elected to deem the BBR Group as an Interested Person. BBR has been listed on the IDX with effect from 9 January 2013. As at the Latest Practicable Date, the Lee Family holds an aggregate of 18.35% in BBR; and in the event that their shareholding in BBR increases (whether by way of open-market purchases on the IDX or otherwise) to 30% or more, the BBR Group will be deemed to be an interested person for the purposes of Chapter 9 of the Listing Manual. Thus, to ensure compliance with Chapter 9 of the Listing Manual, the Company has elected to deem, as far as a transaction involving the BBR Group and any member of the EAR Group is concerned, the BBR Group as an interested person, and accordingly has included the BBR Group as an Interested Person in the IPT General Mandate.

However, in respect of Interested Person Transactions that relate to the BBR Group's provision of ship chartering services to BRJ as set out in paragraph 4(a)(i) below, the BBR Group will be regarded as an entity at risk instead of an Interested Person. As mentioned in paragraph 3.1 below, BRJ is an Interested Person of the Company. Notwithstanding the inclusion of the BBR Group as an Interested Person in the IPT General Mandate, the Company has conservatively deemed the BBR Group as an entity at risk for the purposes of Chapter 9 of the Listing Manual by virtue of its status as an jointly controlled entity of the Company. Accordingly, BRJ will be regarded as an Interested Person, while the BBR Group will be regarded as an entity at risk, in the context of Interested Person Transactions between BRJ and the BBR Group.

2.3 The IPT General Mandate will not cover any Interested Person Transaction which has a value of below S$100,000 as the threshold requirements of Chapter 9 of the Listing Manual would not apply to such transactions.

2.4 Transactions with the Interested Persons which do not fall within the ambit of the IPT General Mandate shall be subject to the relevant provisions of Chapter 9 of the Listing Manual.

## 3. Categories of Interested Persons

3.1 The IPT General Mandate applies to the Interested Person Transactions (as described in paragraph 4 below) with the following Interested Persons, which are controlled by Mr. Lee Wan Tang, Mdm. Lai Qin Zhi, Mr. Sean Lee Yun Feng, Ms. Liely Lee and Ms. Lina Lee (the "Lee Family"). Mr Lee Wan Tang (our Executive Chairman) is the husband of Mdm Lai Qin Zhi (our Non-executive Director). Mr Sean Lee Yun Feng (our CEO), Ms Liely Lee (our Executive Director) and Ms Lina Lee are the children of Mr Lee Wan Tang and Mdm Lai Qin Zhi:

(a) PT. Bina Riau Jaya and its associates ("BRJ");

(b) Mount Kawi Pte Ltd and its associates;

(c) PT. Sempurna Readymix Concrete and its associates ("SRC"); and

(d) the BBR Group (which the Company has elected to deem as an Interested Person for the reasons set out in paragraph 2.2 above).

3.2 Transactions with interested persons (inclusive of the BBR Group) which do not fall within the ambit of the IPT General Mandate shall be subject to the relevant provisions of Chapter 9 of the Listing Manual.

## 4. Categories of the Interested Person Transactions

The Interested Persons Transactions with Interested Persons (as described in paragraph 3.1 above) which will be covered by the IPT General Mandate are set out below:

(a) Services provided by the EAR Group to Interested Persons

(i) Ship chartering services

The EAR Group has been providing ship chartering services to BRJ to transport mining products such as granite mix aggregates and coal since 1991. It is intended that the EAR Group will continue to provide such ship chartering services to BRJ in the future. In addition, the EAR Group may provide ship chartering services to other Interested Persons (excluding the BBR Group) from time to time.

For the avoidance of doubt, the BBR Group shall be deemed as an entity of the EAR Group (instead of an Interested Person) for the purposes of its provision of ship chartering services to BRJ.

(ii) Ship repair and ship maintenance services

In the event that any Interested Persons acquires any vessels (both newly built and reflagged vessels) pursuant to the sale and/or lease back arrangements with the EAR Group, such companies may look to the EAR Group to provide ship repair and ship maintenance services.

(b) Services provided by Interested Persons to the EAR Group

(i) Sale of building materials such as concrete, pre-cast products, asphalt, granite mix aggregates and pilings

SRC is principally engaged in the processing and trading of ready-mix concrete while BRJ is principally engaged in the quarrying of granites. From time to time, the EAR Group purchases from SRC and BRJ building materials such as concrete, pilings and granite for the construction of facilities at its yard.

(ii) Ship agency services for transhipment services and other functions (including handling various shipping administration, immigration, licensing as well as customs and clearance matters in Indonesia)

The BBR Group had previously provided the EAR Group with ship agency services in relation to the EAR Group's provision of ship chartering and transhipment services, including assisting the EAR Group in handling various shipping administration, immigration, licensing as well as customs and clearance matters in Indonesia. It is possible that the EAR Group will continue to utilise such services, and vice versa, the EAR Group may provide such services to the BBR Group, in the future.

## 4. Categories of the Interested Person Transactions (Continued)

(b) Services provided by Interested Persons to the EAR Group (Continued)

(iii) Sourcing of vessel crew

The BBR Group had in the past sourced vessel crew for the EAR Group's vessels. Where such transactions are in the interests of the EAR Group, the EAR Group may seek such services from the BBR Group, and vice versa, the EAR Group may provide such services to the BBR Group, in the future.

(c) Other transactions

(i) Sale of existing vessels

It is envisaged that in the future, the EAR Group may enter into sale arrangements with the BBR Group in respect of existing vessels which have undergone a period of prior utilization by the EAR Group.

(ii) Sale and/or lease back of newly built vessels

It is envisaged that in the future, the EAR Group may sell newly built vessels to the BBR Group and/or thereafter lease such vessels back from the BBR Group for an agreed period of time.

(iii) Provision of corporate guarantees

When the BBR Group purchases vessels from the EAR Group or Jointly Controlled Entity partner, the BBR Group may obtain financing support to fund such purchases. In consideration of the extension of loans to the BBR Group for payment to the EAR Group, the financing banks may require certain entities in the EAR Group, in particular, the Company, to provide corporate guarantees.

## 5. Rationale for and Benefits of the IPT General Mandate

### 5.1 Rationale

It is anticipated that in the ordinary course of business, transactions of a revenue or trading nature between companies in the EAR Group and the Interested Persons are likely to occur from time to time. Such transactions would include, but are not limited to the provisions of goods and services in the ordinary course of business of the EAR Group to MPM's interested persons or the obtaining of goods and services from them.

In view of the time-sensitive nature of commercial transactions, the obtaining of the IPT General Mandate pursuant to Chapter 9 of the Listing Manual will enable:

(a) MPM;

(b) Subsidiaries of MPM; and

(c) Associated companies of MPM over which the Group, or the Group and interested person(s) of MPM, has or have control,

(together, the "EAR Group"), or any of them, in the ordinary course of their businesses, to enter into the Interested Person Transactions set out in paragraph 4 above with the specified categories of Interested Persons set out in paragraph 3.1 above, provided such Interested Person Transactions are made on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

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

## 5. Rationale for and Benefits of the IPT General Mandate (Continued)

### 5.2 Benefits

Our Directors are of the view that it will be beneficial to the EAR Group to transact with the Interested Persons in relation to the aforementioned categories of Interested Person Transactions, for the following reasons:

(a) Services provided by the EAR Group to Interested Persons

(i) Ship chartering services

The EAR Group has been chartering vessels to BRJ which requires such vessels to transport mining products such as granite mix aggregates and coal. Such chartering services comprise a substantial portion of the EAR Group's ship chartering business. We believe that it is in the best interests of the EAR Group to continue to provide such services to BRJ.

(ii) Ship repair and ship maintenance services

In addition to building ships, we carry on the business of ship repair and ship maintenance at our established shipyard. In the event that any company controlled by the Lee Family acquires any vessels (both newly built and reflagged vessels) pursuant to the sale and/or lease back arrangement with the EAR Group, it would be to the benefit of the EAR Group to provide ship repair and maintenance services for such vessels.

(b) Services provided by Interested Persons to the EAR Group

(i) Sale of building materials such as concrete, pre-cast products, asphalt, granite mix aggregates and pilings

The EAR Group purchases building materials such as concrete, pilings and granite from SRC and BRJ for the construction of facilities at our shipyard, which is currently underway. If EAR Group is required to obtain such materials from another party, we may not be able to obtain comparable prices as those provided by SRC and BRJ without a substantial bulk purchase. Further, sourcing for new suppliers may result in delay in the completion of the shipyard.

(ii) Ship agency services for transhipment services and other functions (including handling various shipping administration, immigration, licensing as well as customs and clearance matters in Indonesia)

Over the years, we believe that the EAR Group has developed a good relationship with the BBR Group, which provides ship agency services to the EAR Group for the purposes of our provision of ship chartering and transhipment services. In the event that the EAR Group is required to obtain such ship agency services (including procuring another party to enter into transhipment contracts on our behalf) from an unrelated third party, we would have to develop a new relationship with such unrelated third party and may not be able to obtain comparable rates or quality of service from such unrelated third party.

Conversely, the EAR Group will be able to benefit from providing its expertise and services to the BBR Group in relation to customs and clearance matters outside Indonesia.

(iii) Recruitment of crew

The BBR Group has in the past recruited vessel crew for our vessels. We believe that it is beneficial to the EAR Group to have the option of having the BBR Group source Indonesian vessel crew for our vessels. Conversely, the EAR Group will be able to benefit from providing recruitment services to the BBR Group in the event the BBR Group requires help in sourcing for non-Indonesian crew.

## 5. Rationale for and Benefits of the IPT General Mandate (Continued)

(c) Other transactions

(i) Sale of existing vessels

The Indonesian-incorporated companies within the Group are subject to the cabotage principle, whereby domestic sea transportation in Indonesian waters is to be conducted only by Indonesian-flagged vessels, which in turn may only be owned by Indonesian companies. This has been strictly implemented since 2005. While none of the entities in the EAR Group are able to own Indonesian-flagged vessels, the entities in the BBR Group are able to. The EAR Group, through BBR, will thus be able to leverage upon the BBR Group's Indonesian contacts in, inter alia, the sale and ownership of the EAR Group's vessels and in various other transactions/projects in Indonesia. The sale of vessels from the EAR Group to the BBR Group will enable both parties to be competitive in tendering for transactions/projects in the respective regions in which the parties operate. Consequently, the EAR Group will be able to enjoy the financial rewards of securing such transactions/projects, regardless as to whether such transactions/projects are secured by the EAR Group or the BBR Group.

For the avoidance of doubt, the proceeds from any such sale of vessel from the EAR Group to the BBR Group will be booked by the relevant entity within the EAR Group as revenue.

(ii) Sale and/or lease back of newly built vessels

The EAR Group has in the past entered into sale and lease back of vessels arrangements with the BBR Group. This sale and lease back arrangement serves a two-pronged purpose. Firstly, it allows us to improve our cash flow, while expanding the fleet size that we are currently operating since we will continue to have the full commercial and operational control of our vessels. In this way, we are able to deploy capital more efficiently towards developing our existing businesses and acquiring new related businesses. Secondly, by adopting the sale and/or lease back strategy, the EAR Group is able to operate on Indonesian-flagged vessels and avail itself of the cost benefits (such as reduced tax and duties) accorded to such vessels. We believe that it is beneficial to the EAR Group to embark on such a strategy.

In addition, the EAR Group would also be able to benefit from the sale of its newly built vessels to the BBR Group for reasons similar to those set out in paragraph 5.2(c)(i) above. For the avoidance of doubt, the proceeds from any such sale of vessel from the EAR Group to the BBR Group will be booked by the relevant entity within the EAR Group as revenue.

(iii) Provision of corporate guarantees

It is in the interest of the EAR Group to provide corporate guarantees to the BBR Group when necessary, as this facilitates the EAR Group's or its Joint Controlled Entity partner sale and/or lease back transactions with the BBR Group, in certain circumstances when the lending bank/ banks require the EAR Group to provide corporate guarantees pursuant to the sale and/or lease back arrangements described above.

## 6. Guidelines and Review Procedures under the IPT General Mandate

### 6.1 Review Procedures

We have implemented the following procedures to supplement existing internal control procedures to ensure that Interested Person Transactions are undertaken on an arm's length basis and on normal commercial terms and are not prejudicial to the interests of our Company and our minority Shareholders and are consistent with our usual business practice and policies, which are generally no more favourable to the Interested Persons than those extended to unrelated third parties (and where applicable, vice versa, such that the terms extended by the Interested Persons to, and accepted by, the EAR Group are no less favorable than those extended to unrelated third parties):

## 6. Guidelines and Review Procedures under the IPT General Mandate (Continued)

### 6.1 Review Procedures (Continued)

(a) When selling items (other than vessels) or supplying services to an Interested Person, the price and terms of other successful sales of a similar nature to third party non-interested person will be used in comparison to ensure that the interests of our Company and minority Shareholders are not disadvantaged. The sale or fee for the supply of services shall not be lower than the lowest sale or fee of the latest two successful transactions with third party non-interested persons. In the case of the provision of ship repair and maintenance services, the required amount of repairs shall be guided by an independent class surveyor.

(b) Save for the engagement of the BBR Group in relation to acting on the EAR Group's behalf in transhipment contracts and providing ship agency services, in which case compliance with the Agency Agreement dated 13 September 2007 shall be observed, and the renewal of the Agency Agreement shall be subject to the review of the Audit Committee, when purchasing items from or engaging the services of an Interested Person, two other quotations from third party non-interested persons will be obtained (where available or feasible) for comparison to ensure that the interest of Company and minority Shareholders are not disadvantaged. The purchase price or fee for services shall not be higher than the most competitive price or fee of the other two quotations from third party non-interested persons. In determining the most competitive price or fee, all pertinent factors, including but not limited to quality, delivery time, standard of services, specification compliance, track record, experience and expertise, and where applicable, preferential rates, rebates or discounts accorded for bulk purchase will be taken into consideration.

(c) When chartering vessels to an Interested Person (including without limitation the provision of ship chartering services by the BBR Group (as an entity of the EAR Group) to BRJ (as an Interested Person)), our Group Finance Manager shall take appropriate steps, or procure that appropriate steps are taken, to ensure that the charter rates will commensurate with the prevailing market rates, including adopting measures such as making relevant enquiries with owners of similar vessels. The charter rates payable shall be based on the most competitive market rental rate of similar vessel in terms of capacity and size, based on the results of the relevant enquiries.

(d) When selling vessels to an Interested Person (pursuant to (i) the sale of existing vessels or (ii) the sale and/or lease back of new vessels), the price of the vessels shall be based on the valuation report provided by an independent third party to ensure that the interests of our Company and minority Shareholders are not disadvantaged. When leasing back vessels, our Group Finance Manager shall take appropriate steps to ensure that the charter rate will be commensurate with the prevailing market rates, including adopting measures such as making relevant enquiries with owners of similar vessels. The charter rates payable shall be based on the most competitive market rental rate of similar vessel in terms of capacity and size, based on the results of the relevant enquiries.

(e) For the provision of corporate guarantees to an Interested Person, our Group Finance Manager shall ensure that the corporate guarantees are provided to such Interested Person solely to facilitate the Interested Person to purchase vessels from the EAR Group or its Jointly Controlled Entity partner. At the inception of the corporate guarantee, an annual fee will be levied on and payable by the Interested Person to the entity in the EAR Group providing such corporate guarantee for the duration of the guarantee, and such fee shall be payable at the end of each year based on the outstanding guarantee amount. Such fee payable shall not be lower than the lowest of at least two of the prevailing banker's guarantees rates which the EAR Group obtains from its banks.

(f) In cases where it is not possible to obtain comparables from other unrelated third parties, our Audit Committee will consider whether the pricing of the transaction is in accordance with usual business practices and pricing policies and consistent with the usual margins to be obtained for the same or substantially similar types of transactions to determine whether the relevant transaction is undertaken on an arm's length basis and on normal commercial terms. The Audit Committee will also weigh the benefits of, and rationale for, transacting with the Interested Person to determine whether the price and terms offered are fair and reasonable.

### 6.2 Threshold Limits

In addition, to supplement our internal procedures to ensure that all Interested Person Transactions covered by the IPT General Mandate will be carried out on normal commercial terms and will not be prejudicial to the interests of the EAR Group and the minority Shareholders, the following limits for all Interested Person Transactions will be applied:

## 6. Guidelines and Review Procedures under the IPT General Mandate (Continued)

### 6.2 Threshold Limits

In respect of any Interested Person Transaction:

(a) Where an individual transaction, in connection with the provision of ship repair and maintenance services or the sale and/or lease back of vessels (both newly build and reflagged and reflagged vessels) (the "Big Ticket Transaction"), is below 1.5% of the EAR Group's latest audited NTA or in connection with any individual transaction other than a Big Ticket Transaction is below S$200,000, such a transaction shall be reviewed by our Audit Committee within one month from the end of the month in which the transaction was entered into. However, prior to entering into such a transaction, the Group Finance Manager, being the person designated to monitor all Interested Person Transactions, provided he/she is not to be an interested person or an associate of an interested person, will ensure that all relevant documents in connection with the transaction are in order. If the Group Finance Manager is an interested person or an associate of an interested person, the Finance Manager of the Company will monitor all Interested Person Transactions.

(b) Where an individual transaction, in connection with the Big Ticket Transaction, is equal to or exceeds 1.5% of the EAR Group's latest audited NTA or in connection with any individual transaction other than a Big Ticket Transaction is S$200,000 or above, such a transaction will be subject to prior approval by our Audit Committee prior to such transaction being entered into.

(c) Where such Interested Person Transaction is in respect of the provision of corporate guarantees by the EAR Group for the purchase of vessels by Interested Persons, the guarantee amount shall be capped at 80% of the aggregate purchase price of the vessels to be purchased from the EAR Group.

(d) In the absence of comparable quotes from other unrelated third parties, the Audit Committee would review each transaction in connection with the Big Ticket Transaction that is below 1.5% of the EAR Group's latest audited NTA or in connection with any individual transaction other than a Big Ticket Transaction that is below S$200,000 within one month from the end of the month in which the transaction was entered into. However, prior to entering into such a transaction, the Group Finance Manager, being the person designated to monitor all Interested Person Transactions, provided he/she is not to be an interested person or an associate of an interested person, will, in consultation with the Audit Committee, ensure that the pricing of the transaction is in accordance with the usual business practices and pricing policies and consistent with the usual margins to be obtained for the same or substantially similar types of transactions. If the Group Finance Manager is an interested person or an associate of an interested person, the Finance Manager of the Company will monitor all Interested Person Transactions. In the absence of comparable quotes from other unrelated third parties for an individual transaction in connection with a Big Ticket Transaction, with value equals to or exceeds 1.5% of the EAR Group's latest audited NTA, or in connection with any individual transaction other than a Big Ticket Transaction with value equals to S$200,000 or more, such a transaction will be subject to prior approval by our Audit Committee prior to such transaction being entered into.

6.3 In the event that a member of the Audit Committee is interested in any Interested Person Transaction, he will declare his interest and abstain from any review, deliberation or decision making in respect of that particular transaction.

6.4 Designated persons of the respective companies are required to submit details of all Interested Person Transactions entered into immediately to the Group Finance Manager, including the value of the transactions. As a minimum, a report is to be submitted every quarter. A "Nil" return is expected if there is no interested person transaction. For monitoring purposes, the Group Finance Manager will maintain a register of Interested Person Transactions (the "IPT Register"). This IPT Register will be updated quarterly based on submissions by the designated persons. It will record all Interested Person Transactions which are entered into pursuant to the IPT General Mandate (including the basis on which they are entered into) and the approval or review by the Audit Committee.

6.5 The Audit Committee will review all Interested Person Transactions (including those Interested Person Transactions which have a value below S$100,000) recorded in the IPT Register at least quarterly to ensure that they are carried out on normal commercial terms and in accordance with the procedures outlined above. All relevant non-quantitative factors will also be taken into account. Such review includes the examination of the transaction and its supporting documents or such other information deemed necessary by our Audit Committee. Our Audit Committee may request for any additional information pertaining to the transaction under review from independent sources, advisers or valuers as they deem fit.

## 6. Guidelines and Review Procedures under the IPT General Mandate (Continued)

6.6 Further, our Audit Committee will review the threshold limits (be it in absolute dollar amount or as a percentage of the latest prevailing audited consolidated NTA of the Group) annually to assure that they are not prejudicial to the interests of the Group and the minority Shareholders. Our Audit Committee will also review the reports submitted by the Group Finance Manager on a quarterly basis to ascertain that the guidelines and procedures established to monitor Interested Person Transactions have been complied with and the relevant approvals obtained. In addition, our Audit Committee shall also review from time to time such guidelines and procedures to determine if they are adequate and/or commercially practicable in ensuring that transactions between the EAR Group and the Interested Persons are conducted on normal commercial terms. Pursuant to Rule 920(1) (b)(iv) and (vii) of the Listing Manual, if during its periodic reviews, the Audit Committee believes that the guidelines and procedures as stated above are inappropriate or not sufficient to ensure that Interested Person Transactions will be carried out on an arm's length basis and on normal commercial terms and will not be prejudicial to the interests of our Company and our minority Shareholders, we will seek a fresh mandate from our Shareholders based on new guidelines and procedures. During the period prior to obtaining a fresh mandate from our Shareholders, all transactions with Interested Persons will be subject to prior review and approval by our Audit Committee.

6.7 Our Audit Committee is of the view that the above guidelines and procedures are sufficient to ensure that these Interested Person Transactions will be on an arm's length basis and on normal commercial terms and will not be prejudicial to the interests of our Company and our minority Shareholders.

## 7. Guidelines and Review Procedures for future Interested Person Transactions other than those covered in the IPT General Mandate

7.1 To ensure that interested person transactions not covered by the IPT General Mandate are undertaken on an arm's length's basis, on normal commercial terms and will not be prejudicial to our Company and minority Shareholders, our Audit Committee will adopt the following procedures when reviewing such interested person transactions:

(a) When selling items or supplying services to an interested person, the price and terms of other successful sales of a similar nature to third party non-interested persons will be used in comparison to ensure that the interests of our Company and minority Shareholders are not disadvantaged. The sale or fee for the supply of services shall not be lower than the lowest sale or fee of the latest two successful transactions with third party non-interested persons.

(b) When purchasing items from or engaging the services of an interested person, two other quotations from third party non-interested persons will be obtained (where available or feasible) for comparison to ensure that the interest of our Company and minority Shareholders are not disadvantaged. The purchase price or fee for services shall not be higher than the most competitive price or fee of the other two quotations from third party non-interested persons. In determining the most competitive price or fee, all pertinent factors, including but not limited to quality, delivery time, standard of services, specification compliance, track record, experience and expertise, and where applicable, preferential rates, rebates or discounts accorded for bulk purchase will be taken into consideration.

7.2 In the event that it is not possible for such quotations to be obtained, our Audit Committee will determine whether the prices and terms offered by or to the interested persons are fair and reasonable and the terms of supply from or to the interested persons are made on normal commercial terms and are not prejudicial to the interests of our Company and our minority Shareholders.

7.3 In addition, any interested person transaction of a value equal to or exceeding 3% of the EAR Group's latest audited NTA must be approved by our Audit Committee prior to its entry and any interested person transaction of a value equal to or exceeding 5% of the EAR Group's latest audited NTA is subject to the approval of Shareholders at general meetings prior to its entry.

7.4 The designated persons of the respective companies, who are required to submit details of all interested person transactions to the Group Finance Manager, are to submit similar details to the Group Finance Manager in respect of all interested person transactions not covered under the IPT General Mandate. The Group Finance Manager will similarly maintain a register similar to the IPT Register in respect of all interested person transactions other than those covered under the IPT General Mandate.

# APPENDIX

**7. Guidelines and Review Procedures for future Interested Person Transactions other than those covered in the IPT General Mandate (Continued)**

7.5 Our Audit Committee will review all such interested person transactions, if any, on a quarterly basis through reporting by the Group Finance Manager to ensure that they are carried out at arm's length and in accordance with the procedures outlined above. It will take into account all relevant non-quantitative factors. In the event that a member of the Audit Committee is interested in any such interested person transaction, he will abstain from reviewing that particular transaction. Furthermore, if during these periodic reviews, the Audit Committee believes that the guidelines and procedures as stated above are not sufficient to ensure that interests of our Company and minority Shareholders are not prejudiced, we will adopt new guidelines and procedures.

In addition, our Audit Committee will include the review of such interested person transactions as part of its standard procedures while examining the adequacy of our internal controls. Our Board will also ensure that all disclosure, approval and other requirements on interested person transactions, including those required by prevailing legislation, the Listing Manual and accounting standards, are complied with. In addition, such transactions will also be subject to Shareholders' approval if deemed necessary by the Listing Manual.

**8. Validity Period of the IPT General Mandate**

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

**9. Disclosure of Interested Person Transactions pursuant to the IPT General Mandate**

The Company will announce the aggregate value of transactions conducted with Interested Persons pursuant to the IPT General Mandate for the quarterly financial periods which the Company is required to report on pursuant to the Listing Manual and within the time required for the announcement of such report.

The Company is required, in accordance with the requirement of Chapter 9 of the Listing Manual, to disclose in our annual report the aggregate value of transactions conducted pursuant to the IPT General Mandate during the financial year, as well as in the annual reports for the subsequent financial years during which the IPT General Mandate is in force.

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Tenth Annual General Meeting of the Company will be held at Emerald Suite - Level II, Golf Clubhouse, Orchid Country Club, 1 Orchid Club Road, Singapore 769162 on Thursday, 21 January 2016 at 10:30 a.m. to transact the following business:-

**AS ORDINARY BUSINESS**

1. To receive and adopt the Audited Financial Statements for the financial year ended 30 September 2015 together with the Reports of the Directors and the Auditors thereon. **(Resolution 1)**

2. To approve the payment of Directors' Fees of S$240,000 for the financial year ending 30 September 2016. (2015: S$240,000) **(Resolution 2)**

3 To re-elect the following directors who are retiring by rotation pursuant to Article 103 of the Articles of Association of the Company:

   (i) Mr Sean Lee Yun Feng **(Resolution 3)**

   (ii) Mr Lee Kiam Hwee Kelvin. **(Resolution 4)**

4. To re-appoint Mazars LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**

**AS SPECIAL BUSINESS**

To consider, and if thought fit, to pass the following Ordinary Resolution (with or without amendments):-

5. Authority to issue shares **(Resolution 6)**

   "That pursuant to Section 161 of the Companies Act, Chapter 50 and in accordance with Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, approval be and is hereby given to the Directors to issue:-

   (i) shares in the capital of the Company (whether by way of rights, bonus or otherwise) or;

   (ii) convertible securities; or

   (iii) additional convertible securities arising from adjustments made to the number of convertible securities previously issued in the event of rights, bonus or capitalisation issues; or

   (iv) shares arising from the conversion of convertible securities,

   at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that:-

   (i) the aggregate number of shares and convertible securities that may be issued shall not be more than 50% of the issued shares in the capital of the Company or such other limit as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST") as at the date the general mandate is passed;

   (ii) the aggregate number of shares and convertible securities to be issued other than on a pro-rata basis to existing shareholders shall not be more than 20% of the issued shares in the capital of the Company or such other limit as may be prescribed by the SGX-ST as at the date the general mandate is passed;

   (iii) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraphs (i) and (ii) above, the percentage of issued shares shall be calculated based on the issued shares in the capital of the Company as at the date the general mandate is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or employee stock options in issue as at the date the general mandate is passed and any subsequent consolidation or subdivision of the Company's shares; and

   (iv) unless earlier revoked or varied by the Company in general meeting, such authority shall continue in force until the next Annual General Meeting or the date by which the next Annual General Meeting is required by law to be held, whichever is earlier.

6. Authority to issue shares under the Marco Polo Marine Ltd Restricted Share Scheme and Performance Share Scheme **(Resolution 7)**

That the Directors of the Company be hereby authorised to offer and grant awards ("Awards") in accordance with the provisions of the Marco Polo Marine Ltd Restricted Share Scheme and Performance Share Scheme (collectively, the "ESAS Schemes") and to allot and issue or deliver from time to time such number of fully-paid shares as may be required to be issued or delivered pursuant to the vesting of the Awards under the ESAS Schemes, provided that:-

(a) the aggregate number of shares to be issued pursuant to the ESAS Schemes shall not exceed three point-five per cent (3.5%) of the total issued share capital of the Company as at 30 September 2015; and

(b) the aggregate number of shares to be issued pursuant to the ESAS Schemes, when added to the number of shares issued and/or issuable under other share-based incentive schemes of the Company, shall not exceed fifteen per cent (15%) of the total number of the issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

7. Authority to issue shares under the Marco Polo Marine Ltd Employee Share Option Scheme **(Resolution 8)**

That the Directors of the Company be hereby authorised and empowered to offer and grant options in accordance with the rules of the Marco Polo Marine Ltd Employee Share Option Scheme (the "ESOS Scheme") and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the ESOS Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the ESOS Scheme, when added to the number of shares issued and/or issuable under other share-based incentive schemes of the Company, shall not exceed fifteen per cent (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

8. Proposed Renewal of the Share Buyback Mandate **(Resolution 9)**

That:

(a) for the purposes of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "SGX-ST"), the Directors of the Company be and are hereby authorised to exercise all the powers of the Company to purchase or otherwise acquire the issued ordinary shares fully paid in the capital of the Company (the "Shares") not exceeding in aggregate the Prescribed Limit (as hereafter defined) during the Relevant Period, at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) on-market purchases ("Market Purchase"), transacted on the SGX-ST through the SGX-ST's Central Limit Order Book (CLOB) trading system or, as the case may be, any other stock exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or

(ii) off-market purchases ("Off-Market Purchase") (if effected otherwise than on the SGX-ST) in accordance with an equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act (Cap. 50) of Singapore and the Listing Manual;

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

(i) the conclusion of the next Annual General Meeting of the Company or the date by which such Annual General Meeting is required by law to be held;

(ii) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Buyback Mandate are carried out to the full extent mandated; or

(iii) the date on which the authority contained in the Share Buyback Mandate is varied or revoked by ordinary resolution of the Company in general meeting;

(c) in this Resolution:

"Prescribed Limit" means that number of issued Shares representing 10% of the issued ordinary share capital of the Company as at the date of passing of this Resolution unless the Company has effected a reduction of its share capital in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period or within any one financial year of the Company, whichever is the earlier, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered;

"Relevant Period" means the period commencing from the date on which the Annual General Meeting at which this Resolution is passed is held and expiring on the date the next Annual General Meeting is held or is required by law or the Articles of Association of the Company to be held, whichever is the earlier, after the date of this Resolution; and

"Maximum Price" in relation to a Share to be purchased, means an amount (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding:–

(i) in the case of a Market Purchase: 105% of the Average Closing Price;

(ii) in the case of an Off-Market Purchase: 120% of the Highest Last Dealt Price, where:

"Average Closing Price" means the average of the closing market prices of a Share over the last five market days, on which transactions in the Shares were recorded, preceding the day of the Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five-day period;

"Highest Last Dealt Price" means the highest price transacted for a Share as recorded on the market day on which there were trades in the Shares immediately preceding the day of the making of the offer pursuant to the Off-Market Purchase; and

"day of the making of the offer" means the day on which the Company announces its intention to make an offer for the purchase of Shares from shareholders of the Company stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

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

9. Proposed Renewal of the IPT General Mandate **(Resolution 10)**

That:

(a) approval be and is hereby given for the renewal of the mandate for the purpose of Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "SGX-ST"), for the Company, its subsidiaries and its associated companies, or any of them, to enter into any of the transactions falling within the types of Interested Person Transactions, as set out in Annex A to the Appendix dated 07 January 2016 to the Annual Report (the "Appendix"), with any party who falls within the classes of Interested Persons as described in the Annex A to the Appendix and that such approval shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company;

(b) the Audit Committee of the Company be and is hereby authorised to take such action as it deems proper in respect of procedures and to implement such procedures as may be necessary to take into consideration any amendment to Chapter 9 of the Listing Manual which may be prescribed by the SGX-ST from time to time;

(c) any of the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the best interest of the Company to give effect to the transactions contemplated by this Resolution; and

(d) such approval shall, unless earlier revoked or varied by the Company in general meeting, continue to be in force until the next Annual General Meeting of the Company is held or is required by law to be held, whichever is earlier.

By Order of the Board

Lawrence Kwan
Secretary

Singapore, 6 January 2016

**Explanatory notes on Ordinary Business to be transacted:**

Resolution 2. The proposed Directors' fee is payable to the Independent Directors of the Company.

Resolution 3. Mr Sean Lee Yun Feng will, upon re-election as a Director of the Company, continue to serve as Chief Executive Officer of the Group.

Resolution 4. Mr Lee Kiam Hwee Kelvin will, upon re-election as a Director of the Company, continue to serve as Independent Director, and Member of the Nominating Committee, Remuneration Committee and Audit Committee. Mr Lee Kiam Hwee Kelvin is considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

Resolution 5. This resolution is to re-appoint Mazars LLP as Auditors of the Company for the ensuing financial year and to authorise the Directors to fix their remuneration.

**Explanatory notes on Special Business to be transacted:**

Resolution 6. Is to empower the Directors of the Company to issue shares and convertible securities in the Company up to an amount not exceeding in aggregate 50% of the issued share capital (excluding treasury shares) of the Company of which the total number of shares and convertible securities issued other than on a pro-rata basis to existing shareholders shall not exceed 20% of the issued share capital (excluding treasury shares) of the Company at the time that Resolution 6 is passed, for such purposes as they consider would be in the interests of the Company. Rule 806(3) of the Listing Manual of Singapore Exchange Securities Trading Limited currently provides that the issued share capital (excluding treasury shares) of the Company for this purpose shall be the issued share capital (excluding treasury shares) at the time this resolution is passed (after adjusting for new shares arising from the conversion of convertible securities or share options on issue at the time this resolution is passed and any subsequent consolidation or subdivision of the Company's shares). This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

Resolution 7. If passed, is to authorise the Directors to offer and grant Awards under the ESAS Schemes and to allot and issue shares pursuant to the vesting of Awards under the ESAS Schemes, provided that the number of shares issued and issuable in respect of such Awards:-

a. shall not exceed three point-five per cent (3.5%) of the total issued share capital (excluding treasury shares) of the Company as at 30 September 2015; and

b. the aggregate number of shares to be issued pursuant to the ESAS Schemes, when added to the number of shares issued and/or issuable under other share-based incentive schemes of the Company, shall not exceed fifteen per cent (15%) of the issued shares of the Company from time to time.

Based on the issued share capital of the Company as at 30 September 2015, the total number of shares, which may be issued or issuable in respect of such Awards, is 11,779,201 shares.

# NOTICE OF ANNUAL GENERAL MEETING

Resolution 8. If passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the ESOS Scheme up to a number not exceeding in aggregate, when added to the number of shares issued and/or issuable under other share-based incentive schemes of the Company, fifteen per cent (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

Resolution 10. If passed, renews the General Mandate authorising the Directors of the Company to enter into certain interested person transactions with persons who are considered "interested persons" (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited).

**Notes:**

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint one or two proxies to attend and vote instead of him. A proxy need not be a member of the Company.

2. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.

3. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body, such person as it thinks fit to act as its representative at the meeting.

4. The instrument appointing a proxy must be deposited at the registered office of the Company at 66 Kallang Pudding Road #05-01 Singapore 349324 not less than forty-eight (48) hours before the time for holding the Annual General Meeting.

**MARCO POLO MARINE LTD**
(Incorporated in the Republic of Singapore)
Company Registration No. 200610073Z

**ANNUAL GENERAL MEETING PROXY FORM**

**IMPORTANT:**
1. This Annual Report is also forwarded to investors who have used their CPF monies to buy shares in the Company at the request of their CPF Approved Nominees, and is sent solely for their information only.
2. The Proxy Form is, therefore, not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We ________________________________________ (Name)

of ________________________________________ (Address)

being a member/ members of **MARCO POLO MARINE LTD** hereby appoint:

| Name | Address | NRIC/Passport Number | Proportion of Shareholdings (%) |
|---|---|---|---|
| | | | |

and/or (delete as appropriate)

| Name | Address | NRIC/Passport Number | Proportion of Shareholdings (%) |
|---|---|---|---|
| | | | |

as my/our proxy/proxies to attend and to vote for me/us and on my/our behalf at the Tenth Annual General Meeting of the Company to be held at Emerald Suite - Level II, Golf Clubhouse, Orchid Country Club, 1 Orchid Club Road, Singapore 769162 on Thursday, 21 January 2016 at 10:30 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/ proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Meeting.

| Resolution No. | Ordinary Business | For* | Against* |
|---|---|---|---|
| 1. | To receive and adopt the Audited Financial Statements for the financial year ended 30 September 2015 together with the Reports of the Directors and the Auditors thereon. | | |
| 2. | To approve the payment of Directors' Fees of S$240,000 for the financial year ending 30 September 2016. (2015: S$240,000) | | |
| 3. | To re-elect Mr Sean Lee Yun Feng, a Director retiring by rotation pursuant to Article 103 of the Articles of Association of the Company. | | |
| 4. | To re-elect Mr Lee Kiam Hwee Kelvin, a Director retiring by rotation pursuant to Article 103 of the Articles of Association of the Company. | | |
| 5. | To re-appoint Mazars LLP as Auditors and to authorise the Directors to fix their remuneration. | | |
| | **Special Business** | | |
| 6. | To authorise Directors to issue shares pursuant to Section 161 of the Companies Act, Cap. 50. and in accordance with Rule 806 of the Listing Manual. | | |
| 7. | To authorise Directors to issue shares under the Marco Polo Marine Ltd Restricted Share Scheme and Performance Share Scheme. | | |
| 8. | To authorise Directors to issue shares under the Marco Polo Marine Ltd Employee Share Option Scheme. | | |
| 9. | To approve the Proposed Renewal of the Share Buyback Mandate. | | |
| 10. | To approve the Proposed Renewal of the IPT General Mandate. | | |

* If you wish to exercise all your votes "For" or "Against", please tick (√) within the box provided
Alternatively, please indicate the number of votes as appropriate.

Dated this ________ day of ____________________ 2016

| | Number of Shares |
|---|---|
| (a) CDP Register | |
| (b) Register of Members | |

______________________________
Signature(s) of Member(s)/Common Seal
IMPORTANT: PLEASE READ NOTES FOR PROXY FORM

**Notes**

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If the number of shares is not inserted, this proxy form will be deemed to relate to the entire number of ordinary shares in the Company registered in your name(s).

2. A member entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.

3. Where a member appoints more than one proxy, he shall specify the proportion of his shareholding or the number of shares to be represented by each proxy. If no such proportion or number is specified, the first-named proxy may be treated as representing 100 per cent of the shareholding and any second-named proxy as alternate to the first-named.

4. The instrument appointing a proxy, together with the power of attorney (if any) under which it is signed or a notarially certified or office copy thereof, shall be deposited at the Registered Office at 66 Kallang Pudding Road #05-01 Singapore 349324, not less than 48 hours before the time appointed for the Meeting.

5. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing; or if such appointor is a corporation under its common seal, if any, and, if none, then under the hand of some officer duly authorised in that behalf. An instrument appointing a proxy to vote at a meeting shall be deemed to include the power to demand or concur in demanding a poll on behalf of the appointor.

6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Cap. 50.

7. Please indicate with a "√" in the appropriate space how you wish your proxy to vote. If this proxy form is returned without any indication as to how your proxy shall vote, he will vote or abstain from voting as he thinks fit.

**General**

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or when the true intentions of the appointor are not ascertainable from the instruments of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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**MARCO POLO MARINE LTD**
Registration Number: 200610073Z

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