



MARCO POLO MARINE LTD  
Company Registration No. 200610073Z

**UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE SECOND FINANCIAL QUARTER (“Q2FY2016”) AND HALF YEAR FINANCIAL YEAR ENDED 31 MARCH 2016 (“H1FY2016”) IN RESPECT OF THE FINANCIAL YEAR ENDING 30 SEPTEMBER 2016 (“FY2016”)**

**PART1 INFORMATION REQUIRED FOR ANNOUNCEMENT OF QUARTERLY (Q1, Q2 & Q3), FULL YEAR RESULTS**

1. (a)(i) An income statement (for the group) together with a comparative statement for the corresponding period of the immediate preceding financial year.

	Group			Group		
	Q2FY2016	Q2FY2015	% Change	H1FY2016	H1FY2015	% Change
	S\$'000	S\$'000		S\$'000	S\$'000	
<b>Revenue</b>	<b>11,942</b>	29,723	(60)	<b>28,956</b>	56,332	(49)
Cost of sales	<b>(7,835)</b>	(22,910)	(66)	<b>(19,802)</b>	(43,492)	(54)
<b>Gross profit</b>	<b>4,107</b>	6,813	(40)	<b>9,154</b>	12,840	(29)
Other operating income	<b>497</b>	2,368	(79)	<b>551</b>	5,187	(89)
Administrative expenses	<b>(1,048)</b>	(2,250)	(53)	<b>(2,735)</b>	(4,672)	(41)
Other operating expenses	<b>(1,731)</b>	(1,005)	72	<b>(3,139)</b>	(2,425)	(29)
<b>Profit from operations</b>	<b>1,825</b>	5,926	(69)	<b>3,831</b>	10,930	(65)
Finance costs	<b>(1,575)</b>	(806)	95	<b>(2,703)</b>	(1,835)	47
Share of (losses)/profits in joint ventures	<b>(200)</b>	(403)	(50)	<b>(1,394)</b>	568	NM
Gain on deemed disposal of a subsidiary	-	-	-	-	2,917	NM
<b>Profit/(loss) before income tax</b>	<b>50</b>	4,717	(99)	<b>(266)</b>	12,580	NM
Income tax	<b>(1,170)</b>	(916)	28	<b>(835)</b>	(1,974)	(58)
<b>(Loss)/profit for the financial period</b>	<b>(1,120)</b>	3,801	NM	<b>(1,101)</b>	10,606	NM
<b>(Loss)/profit attributable to:-</b>						
Equity holders of the Company	<b>(1,120)</b>	3,801	NM	<b>(1,101)</b>	11,211	NM
Non-controlling interests	-	-	-	-	(605)	NM
	<b>(1,120)</b>	3,801	NM	<b>(1,101)</b>	10,606	NM

“Q2FY2016” denotes the second financial quarter of the financial year ended 30 September 2016 (“FY2016”).

“H1FY2016” denotes the first half financial year of FY2016.

“Q2FY2015” denotes the second financial quarter of the financial year ended 30 September 2015 (“FY2015”).

“H1FY2015” denotes the first half financial year of FY2015.

“% Change” denotes increase/(decrease) in the relevant profit or loss item as compared with the comparative figure.

“NM” denotes not meaningful.

1.(a)(ii) A statement of comprehensive income for the group together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group			Group		
	Q2FY2016	Q2FY2015	% Change	H1FY2016	H1FY2015	% Change
	S\$'000	S\$'000		S\$'000	S\$'000	
<b>(Loss)/profit for the financial period</b>	<b>(1,120)</b>	3,801	NM	<b>(1,101)</b>	10,606	NM
<b>Other comprehensive income:</b>						
Exchange difference on translating foreign operation	<b>(1,436)</b>	1,062	NM	<b>(2,047)</b>	3,409	NM
<b>Total comprehensive income</b>	<b>(2,556)</b>	4,863		<b>(3,148)</b>	14,015	
<b>Total comprehensive income attributable to:-</b>						
Equity holders of the Company	<b>(2,556)</b>	4,863	NM	<b>(3,148)</b>	11,532	NM
Non-controlling interests	-	-	-	-	2,483	NM
	<b>(2,556)</b>	4,863	NM	<b>(3,148)</b>	14,015	

1.(a)(iii) Net profit for the period was stated after (crediting)/charging:

(Loss)/profit before income tax has been arrived at after charging/(crediting):

	Group			Group		
	Q2FY2016	Q2FY2015	% Change	H1FY2016	H1FY2015	% Change
	S\$'000	S\$'000		S\$'000	S\$'000	
Depreciation and amortization	<b>2,773</b>	2,293	21	<b>5,693</b>	6,995	(19)
Net foreign currency exchange loss/(gain)	<b>724</b>	(2,075)	NM	<b>1,368</b>	(4,654)	NM
Allowance for impairment of trade receivable	-	-	-	-	305	NM
Gain on disposal of property, plant and equipment	<b>(450)</b>	-	NM	<b>(450)</b>	-	NM
Gain on deem on disposal of a subsidiary	-	-	-	-	(2,917)	NM
Grant of share options to employees	<b>15</b>	14	7	<b>29</b>	29	-
Interest income	<b>(6)</b>	(8)	(25)	<b>(12)</b>	(20)	(40)
Interest expenses	<b>1,575</b>	806	95	<b>2,703</b>	1,835	47
Fair value adjustment of derivative contract	<b>150</b>	(139)	NM	<b>185</b>	(139)	NM

**1.(b)(i) A balance sheet (for the issuer and group) together with a comparative statement as at the end of the immediately preceding financial year.**

	<b>Group</b>		<b>Company</b>	
	<b>As at 31 March 2016 S\$'000</b>	<b>As at 30 September 2015 S\$'000</b>	<b>As at 31 March 2016 S\$'000</b>	<b>As at 30 September 2015 S\$'000</b>
<b>Non-current assets</b>				
Property, plant and equipment	274,202	235,332	-	-
Investment in subsidiaries	-	-	4,320	4,320
Investment in jointly controlled entities	79,710	85,957	6,798	6,919
	<b>353,912</b>	<b>321,289</b>	<b>11,118</b>	<b>11,239</b>
<b>Current assets</b>				
Inventories	8,214	26,879	-	-
Trade receivables	13,840	9,176	20	-
Due from customers for construction contracts	55,136	64,183	-	-
Other receivables, deposits & prepayment	12,104	9,717	1,784	379
Due from subsidiaries (non-trade)	-	-	143,634	99,179
Cash and bank balances	33,754	11,061	344	1,249
	<b>123,048</b>	<b>121,016</b>	<b>145,782</b>	<b>100,807</b>
<b>Total assets</b>	<b>476,960</b>	<b>442,305</b>	<b>156,900</b>	<b>112,046</b>
<b>Current liabilities</b>				
Bank overdraft	2,271	-	-	-
Trade payables	14,475	19,205	35	-
Due to customers for construction contracts	5,595	6,508	-	-
Other payables and accruals	13,303	11,336	49,082	2,258
Borrowings – interest bearing	184,707	124,836	50,000	-
Derivative financial instruments	451	271	-	-
Income tax payable	5,934	6,698	(5)	-
	<b>226,736</b>	<b>168,854</b>	<b>99,112</b>	<b>2,258</b>
<b>Non-current liabilities</b>				
Borrowings – interest bearing	74,933	94,966	-	50,000
Deferred tax liabilities	1,036	1,111	-	-
	<b>75,969</b>	<b>96,077</b>	<b>-</b>	<b>50,000</b>
<b>Total liabilities</b>	<b>302,705</b>	<b>264,931</b>	<b>99,112</b>	<b>52,258</b>
<b>Net assets</b>	<b>174,255</b>	<b>177,374</b>	<b>57,788</b>	<b>59,788</b>
<b>Share capital and reserves</b>				
Share capital	59,239	59,239	59,239	59,239
Capital reserve	634	634	-	-
Employee share option reserve	171	142	-	-
Treasury shares	(1,203)	(1,203)	(1,203)	(1,203)
Foreign currency translation reserve	196	2,243	-	-
Retained earnings	115,218	116,319	(248)	1,752
	<b>174,255</b>	<b>177,374</b>	<b>57,788</b>	<b>59,788</b>
Non-controlling interest	-	-	-	-
<b>Total equity</b>	<b>174,255</b>	<b>177,374</b>	<b>57,788</b>	<b>59,788</b>

**1.(b)(ii) Aggregate amount of borrowings and debts securities for the Group.**

	<b>Group</b>	
	<b>As at 31 March 2016 S\$'000</b>	<b>As at 30 September 2015 S\$'000</b>
Amount repayable in one year or less or on demand Secured*	<b>184,707</b>	124,836
Amount repayable after one year Secured*	<b>74,933</b>	94,966

**Details of any collateral**

\* These are secured by:

- Mortgages over certain property, plant and equipment of subsidiaries.
- Assignment of certain charter income and insurance policies of vessels of a subsidiary.
- Corporate guarantees by the Company.
- Certain property, plant and equipment are under finance lease arrangements.

**1.(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Group		Group	
	Q2FY2016	Q2FY2015	H1FY2016	H1FY2015
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Cash flow from operating activities</b>				
Profit/(loss) before income tax	50	4,717	(266)	12,580
Adjustments for:				
Depreciation and amortization	2,773	2,293	5,693	6,995
Interest expense	1,575	806	2,703	1,835
Interest income	(6)	(8)	(12)	(20)
Allowance for impairment of trade receivable	-	-	-	305
Gain on disposal of property, plant and equipment	(450)	-	(450)	-
Loss on deemed disposal of a subsidiary	-	-	-	123
Loss on fair value adjustment of derivative contracts	145	(139)	180	(139)
Share of losses/(profits) in joint ventures	200	403	1,394	(568)
Grant of share options to employees	15	15	29	29
Currency realignment	3,549	(77)	2,247	(517)
Operating profit before working capital changes	7,851	8,010	11,518	20,623
Movement in working capital				
Inventories	2,355	(4,772)	3,670	(4,172)
Trade and other receivables	(4,712)	(11,483)	(8,307)	(23,031)
Due from customers for construction contracts	(793)	(1,179)	9,563	(14,754)
Trade and other payables	(4,279)	3,127	(2,263)	11,615
Cash generated from/(used in) operations	422	(6,297)	14,181	(9,719)
Interest paid	(128)	(9)	(142)	(26)
Income tax paid	(1,245)	(739)	(1,933)	(2,112)
<b>Net cash (used in)/from operating activities</b>	<b>(951)</b>	<b>(7,045)</b>	<b>12,106</b>	<b>(11,857)</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(390)	(14,458)	(29,017)	(27,683)
Proceeds from disposal of property, plant and equipment	1,190	-	1,190	-
Receipt of minimum lease payment	-	-	-	718
Net cash outflow on deemed disposal of a subsidiary	-	-	-	(2,366)
Interest received	6	8	12	20
<b>Net cash generated from/(used in) investing activities</b>	<b>806</b>	<b>(14,450)</b>	<b>(27,815)</b>	<b>(29,311)</b>
<b>Cash flows from financing activities</b>				
Proceeds from loans	29,359	27,365	49,328	65,288
Repayment of term loans	(6,600)	(1,428)	(9,450)	(24,705)
Repayment of lease obligations	(20)	(35)	(40)	(46)
Interest paid on term loans	(1,367)	(543)	(2,444)	(1,293)
Interest paid on medium term note	(80)	(254)	(117)	(516)
Purchase of treasury shares	-	-	-	(1,003)
Withdraw/(placement) of fixed deposits and bank balances pledged with bank	(398)	-	(398)	-
<b>Net cash generated from financing activities</b>	<b>20,894</b>	<b>25,105</b>	<b>36,879</b>	<b>37,725</b>
Net change in cash and cash equivalents	20,749	3,610	21,170	(3,443)
Effect of exchange rate changes on cash and cash equivalents	(959)	96	(1,146)	184
Cash and cash equivalents at beginning of the period	10,169	16,872	9,935	23,837
<b>Cash and cash equivalents at end of the financial period (Note 1)</b>	<b>29,959</b>	<b>20,578</b>	<b>29,959</b>	<b>20,578</b>

**Note 1**

Cash and cash equivalent consist of:

Cash and bank balances

Fixed deposits

Bank overdraft

Total cash, bank balances and fixed deposit (as per statement of financial position)

Less: fixed deposits and cash pledged

Cash and cash equivalent at the end of financial period (as per cash flow statement)

Group	
H1FY2016	H1FY2015
S\$'000	S\$'000
33,754	21,044
-	744
(2,271)	(1,210)
31,483	20,578
(1,524)	-
29,959	20,578

1.(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediate preceding financial year.

Group	Attributable to equity holders of the Company								
	Share capital	Treasury shares	Capital reserve	Employee share option reserve	Foreign currency translation reserve	Retained earning	Total	Non-controlling interest	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 October 2015	59,239	(1,203)	634	142	2,243	116,319	177,374	-	177,374
Loss for the financial period	-	-	-	-	-	(1,101)	(1,101)	-	(1,101)
Other comprehensive income, net of tax	-	-	-	-	(2,047)	-	(2,047)	-	(2,047)
Total comprehensive income for the financial period	-	-	-	-	(2,047)	(1,101)	(3,148)	-	(3,148)
Employee share option	-	-	-	29	-	-	29	-	29
Balance as at 31 Mar 2016	59,239	(1,203)	634	171	196	115,218	174,255	-	174,255
Balance as at 1 October 2014	59,239	(104)	634	85	743	107,798	168,395	52,126	220,521
Profit for the financial period	-	-	-	-	-	11,211	11,211	(605)	10,606
Other comprehensive income, net of tax	-	-	-	-	321	-	321	3,088	3,409
Total comprehensive income for the financial period	-	-	-	-	321	11,211	11,532	2,483	14,015
Purchase of treasury share	-	(1,003)	-	-	-	-	(1,003)	-	(1,003)
Employee share option	-	-	-	29	-	-	29	-	29
Disposal of subsidiary	-	104	(634)	-	-	-	(530)	(54,609)	(55,139)
Balance as at 31 Mar 2015	59,239	(1,003)	-	114	1,064	119,009	178,423	-	178,423

Company	Share capital	Treasury share	Retained earning	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 1 October 2015	59,239	(1,203)	1,752	59,788
Total comprehensive income for the financial period	-	-	(2,000)	(2,000)
Balance at 31 March 2016	59,239	(1,203)	(248)	57,788
Balance at 1 October 2014	59,239	-	492	59,731
Total comprehensive income for the financial period	-	-	(100)	(100)
Purchase of treasury share	-	(1,003)	-	(1,003)
Balance at 31 March 2015	59,239	(1,003)	392	58,628

**1.(d)(ii) Details of any changes in company's share capital arising from rights issue, bonus issue, share buy backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediate preceding financial year.**

On 9 July 2012, the shareholders of the Company approved the adoption of: (a) a restricted share scheme; (b) a performance share scheme; and (c) an employee share option scheme ("ESOS").

On 24 April 2013, 4,910,000 shares options, which are capable of being exercised into the same equivalent number of shares of the Company, were issued by the Company pursuant to the ESOS Scheme.

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 issued by the Company pursuant to the ESOS Scheme.

Save as disclosed, the Company has no outstanding convertibles as at 31 March 2016 and 31 March 2015.

**1.(d)(iii) The total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	<u>As at 31 March 2016</u>	<u>As at 30 September 2015</u>
Total number of issued ordinary shares (excluding treasury shares)	336,548,600	336,548,600

**1.(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

There was no movement on the treasury shares held by the Company during the reporting financial period. The number of treasury shares owned by Company as at 31 March 2016 was 4,201,400.

**2. Whether the figures have been audited, or reviewed in accordance with which standard (eg. The Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard.**

The figures have not been audited or reviewed by the auditors.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).**

Not applicable.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Save as disclosed in paragraph 5 below, the Group and the Company have applied the same accounting policies and methods of computation in the preparing the financial statements for the current financial year as with those used in preparing the audited financial statements as at 30 September 2015.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The Group and the Company adopted all the new and revised Singapore Financial Reporting Standards (FRSs) and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after 1 October 2015, where applicable. The adoption of these standards does not have a material impact on the financial statements of the Group and of the Company as at 1 October 2015.



**6. Earnings per ordinary shares of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	The Group	
	H1FY2016 S\$'000	H1FY2015 S\$'000
<b>Net profit attributable to shareholders</b>	<b>(1,101)</b>	11,211
<b>Earnings per share</b>		
Basic (Singapore cents)	<b>(0.33) cents*</b>	3.31 cents*
Diluted (Singapore cents)	<b>(0.33) cents*</b>	3.31 cents*

\* Basic and diluted earnings per share for H1FY2016 is computed based on net loss for the financial period attributable to ordinary shareholders amounting to about S\$1,101,000 and the weighted average number of shares of 337,650,323.

\*\* Basic and diluted earnings per share for H1FY2015 is computed based on net profit for the financial period attributable to ordinary shareholders amounting to about S\$11.2 million and the weighted average number of shares of 338,436,016.

There were no potential dilutive shares as at 31 March 2016.

**7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued share capital excluding treasury shares of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year.**

	The Group		The Company	
	As at 31 March 2016 S\$'000	As at 30 September 2015 S\$'000	As at 31 December 2015 S\$'000	As at 30 September 2015 S\$'000
Net asset value	<b>174,255</b>	<b>177,374</b>	<b>57,788</b>	<b>59,788</b>
Net asset value per ordinary share based on issued share capital (Singapore cents)	<b>51.8 cents</b>	52.7 cents	<b>17.2 cents</b>	17.8 cents

**8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the Group's business. The review must discuss any significant factors that affected the turnover, costs and earning of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period report on.**

**Overview**

The Group, comprising Marco Polo Marine Ltd (the "Company") and its subsidiaries, is a reputable regional integrated marine logistic company, which principally engages in shipping and shipyard businesses.

The shipping business of the Group relates to the chartering of Offshore Supply Vessels ("OSVs"), which comprise mainly Anchor Handling Tug Supply ("AHTS") vessels 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 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.

## (a) Review of financial performance of the Group

Our Group's revenues for H1FY2016 (vis-à-vis H1FY2015) and Q2FY2016 (vis-a-vis Q2FY2015) were as follow:

	Q2FY2016		Q2FY2015		Change		H1FY2016		H1FY2015		Change	
	S\$ m	%	S\$ m	%	S\$ m	%	S\$ m	%	S\$ m	%	S\$ m	%
Ship Chartering Operations	4.5	38	5.4	18	0.9	17	10.9	38	18.6	33	7.7	(41)
Ship Building & Repair Operations	7.4	62	24.3	82	16.9	(69)	18.1	62	37.7	67	19.6	(52)
	11.9	100	29.7	100	17.8	(60)	29.0	100	56.3	100	27.3	(48)

The Group recorded revenue of S\$12.0 million in Q2FY2016, a decrease of 60% from that of S\$29.7 million registered in Q2FY2015, and a revenue of S\$29.0 million in H1FY2016, a decrease of 48% from that of S\$56.3 million registered in H1FY2015.

Relative to the corresponding reporting periods of FY2015, the Ship Chartering Operations' revenue of the Group decreased by 17% to S\$4.5 million in Q2FY2016 and by 41% to S\$10.9 million in H1FY2016. The decrease in revenue was mainly due to: (i) the lower utilization of the Group's tugboat and barge fleet amidst the continued weakened shipping demand in the regions for the shipment of coal and other commodities; and (ii) the lower utilization and charter rate of the Group's OSVs fleet due to the slowdown in the marine and offshore industry following the recent oil price crisis.

The Ship Building & Repair Operations of the Group also recorded decreased revenues of 69% to S\$7.4 million in Q2FY2016 relative to Q2FY2015 and of 52% to S\$18.1 million in H1FY2016 relative to H1FY2015.

Through various cost containment measures, the Group recorded higher gross profit margins of 34% in Q2FY2016 relative to that of 23% in Q2FY2015 and 32% in H1FY2016 relative to that of 23% in H1FY2015.

The Group's other operating income decreased by S\$1.9 million or 79% to S\$0.5 million in Q2FY2016 from S\$2.4 million in Q2FY2015 and by \$4.6 million or 89% to S\$0.6 million in H1FY2016 from S\$5.2 million in H1Y2015. The decrease was mainly attributed to a foreign exchange gain.

In line with reduced business activities, the Group's administrative expenses decreased by S\$1.2 million or 53% to S\$1.0 million in Q2FY2016 from S\$2.2 million in Q2FY2015 and by S\$1.9 million or 41% to S\$2.7 million in H1FY2016 from S\$4.7 million in H1FY2015.

The Group's other operating expenses was S\$1.7 million for Q2FY2016 compared to S\$1.0 million for Q2FY2015 and S\$3.1 million for H1FY2016 compared to S\$2.4 million for H1FY2015. The increase was mainly due to a foreign exchange loss.

Due to increased borrowings, the finance costs of the Group increased by S\$0.8 million or 95% to S\$1.6 million in Q2FY2016 from S\$0.8 million in Q2FY2015.

The financial statements of the Group had, with effect from 10 December 2014, took into account the deconsolidation of the relevant financial result/ position 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"). The gain on deemed disposal of a subsidiary of S\$2.9 million recorded in H1FY2015 was a gain in connection with a re-measurement of the fair value of BBR from a subsidiary to a jointly controlled company as a result of the Deemed Disposal.

The increase in share of losses from jointly controlled companies was mainly attributable 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 increased in income tax expense was mainly attributed to the Group's revenue and profit derived from in-house shipbuilding projects which, though eliminated upon consolidation, were taxable.

**(b) Review of financial position of the Group as at 31 March 2016 compared to that as at 30 September 2015**

The non-current assets of the Group increased by S\$32.6 million or 10% from S\$321.3 million as at 30 September 2015 to S\$353.9 million as at 31 March 2016. The increase was attributable mainly to newly added units of AHTS during the financial period.

The decrease in inventories was in line with reduced business activities.

The increase in trade receivables was mainly due to lower debts collection as at 31 March 2016.

The amounts due from customers for construction contracts decreased by S\$9.1 million or 14% to S\$55.1 million as at 31 March 2016 from S\$64.2 million as at 30 September 2015, mainly as a result of billing made to the customer in respect of a vessel under construction.

The increase in other receivable, deposits and prepayment were mainly due to increase in deposits paid for equipment required for the building of vessels.

The decrease in trade payables was mainly due to reduced purchase of raw materials and equipment required for the building of vessels towards the end of 31 March 2016.

The increase in other payables and accruals was mainly due to the receipt of deposit for a new project.

The Group's total interest-bearing borrowings increased by S\$39.8 million or 18% to S\$259.6 million as at 31 March 2016 from S\$219.8 million as at 30 September 2015, primarily as a result of drawn down on vessel and construction loans.

The Group reported net cash generated in operating activities of S\$12.2 million for H1FY2016, compared to net cash used in operating activities of S\$11.9 million in H1FY2015, principally as a result of increased amounts due from contract customers. The cash and cash equivalent of the Group was S\$31.5 million as at 31 March 2016 and it was \$11 million as at 30 September 2015.

Following from the above:

- (1) the negative working capital of the Group widened from S\$47.8 million as at 30 September 2015 to S\$103.7 million as at 31 March 2016;
- (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 130.9% as at 31 March 2016 from 117.7% as at 30 September 2015; and
- (3) the net asset value per share of the Group was 51.8 cents as at 31 March 2016 and it was 52.7 cents as at 30 September 2015.

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

Not applicable.

**10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

The market condition for the oil and gas industries remains challenging in the foreseeable future, mainly due to the continuous global economic slowdown and volatility in oil prices. The Group will continue to elevate its competitiveness by increasing marketing activities within the existing businesses as well as develop new potential clients, while focusing on cost control measures and efficiency improvement efforts.

***Some of the statements in this release constitute "forward-looking statements" that do not directly or exclusively relate to historical facts. These forward-looking statements reflect our current intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors, many of which are outside our control. Important factors that could cause actual results to differ materially from the expectations expressed or implied in the forward-looking statements include known and unknown risks and factors such as general economic and business conditions, including the uncertainties of the pace of recovery of the United States of America economy, continued concerns of the scale of the possible adverse fallouts and their implications on the global scene triggered by the current Euro zone debt crisis, inflationary pressures and currency appreciation which will affect the continued strong growth in Asia, especially East Asia; timing or delay in signing, commencement, implementation and performance of programs, or the delivery of products or services under them; relationships with customers; competition; and ability to attract personnel. Because actual results could differ materially from our intentions, plans, expectations, assumptions and beliefs about the future and any negative impacts arising from these issues will affect the performance of the Group's businesses, undue reliance must not be placed on these statements.***

## 11. Dividend

### (a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

Nil.

### (b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

Nil.

### (c) Date payable

Not applicable.

### (d) Books closure date

Not applicable.

## 12. If no dividend has been declared / recommended, a statement to that effect

No dividend has been declared/recommendeded for H1FY2016.

## 13. Interested Person Transactions

Pursuant to Rule 907 of the SGX-ST Listing Manual and the new IPT General Mandate procured from the shareholders of the Company on 21 January 2016, the following interested person transactions had been entered into during Q2FY2016:

Name of Interested Persons	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than S\$100,000 and transactions conducted under Shareholders' Mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under the Shareholders' Mandate (excluding transactions less than S\$100,000) pursuant to Rule 920
None	S\$'000 -	S\$'000 -

## 14. Negative Assurance on Interim Financial Statement.

To the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial statements of the Group and the Company for H1FY2016 to be false or misleading in any material aspect.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Sean Lee Yun Feng  
Chief Executive Officer

Liely Lee  
Executive Director

13 May 2016