MARCO POLO MARINE LTD
Incorporated in the Republic of Singapore
(Company Registration Number: 200610073Z)

RESPONSE TO QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ("SGX-ST") IN RELATION TO THE UNAUDITED RESULTS ANNOUNCEMENT OF MARCO POLO MARINE LTD (THE "COMPANY") AND ITS SUBSIDIAIRES (THE "GROUP") FOR THE FULL FINANCIAL YEAR ENDED 30 SEPTEMBER 2017 ("FY2017") MADE ON 27 DECEMBER 2017 (THE "ANNOUNCEMENT")

The Board of Directors (the "Board") of the Company refers to the captioned subject and appends its corresponding replies as follows.

Unless otherwise defined, capitalized terms used herein shall bear the same meaning ascribed to them as in the Announcement.

1. **Under paragraph 1(a)(iii) of the Announcement, it was disclosed that the Group had recorded an impairment on the recoverable amount of S$34.2m. Please disclose the nature of the recoverable amount;**

   The Company's reply: The recoverable amount of S$34.2 million pertained to a deposit paid by the Group with accrued interest in connection with a disputed rig building contract with PPL, which counter-claimed for S$31.9 million from the Group for failure to take delivery of the rig. A settlement of the disputed contract was reached on 13 November 2017 and under the terms of the settlement, among others, the Group and PPL would have no claim against one another. Accordingly, an impairment of S$34.2 million was made against the recoverable amount (the "Impairment on Recoverable Amount").

2. **We refer to paragraphs 1(a)(iii) and 8 of the Announcement. In paragraph 8, it was disclosed that, "The other operating expenses of the Group increased from S$10 million in FY2016 to S$252.5 million in FY2017, primarily as a result of impairment of assets, which were reinstated to their fair market values as determined by an external valuer."**

2.1 **For each of the following, please disclose as to whether an independent valuation had been undertaken and the appropriate bases used in determining the amounts of allowance/impairment:**

   (a) Allowance for impairment of trade receivables;
   (b) Allowance for impairment of inventories;
   (c) Impairment of investment in joint ventures; and
   (d) Impairment on recoverable amount

The Company's reply: The table below tabulates the replies to each of the items listed above:

	Engagement of any independent valuer	Basis of impairment
(a) Allowance for impairment of trade receivables	No	Fully written off due to no visibility of collection in the foreseeable future.
(b)(i) Allowance for impairment of inventories – raw materials, spare parts etc.	No	Based on scrap values.
(b)(ii) Allowance for impairment of inventories – 2 units of completed offshore supply vessels not taken delivery by customer (the "Undelivered Vessels")	Yes	Based on the independent valuer's fair value assessment.
(c)(i) Impairment of investment in joint ventures – quoted shares	No	Based on the quoted share price.
(c)(ii) Impairment of investment in joint ventures – unquoted shares	No	Based on the recoverability of receivable amount and the net asset value of the entity concerned.
(d) Impairment on recoverable amount	No	See our reply to Question 1 above.

2.2 Please disclose the identity of the "external valuer" and the appropriate valuation methods used in arriving at the fair market values for each of items listed in above-mentioned paragraph 2.1.

The Company's reply: The independent valuer appointed to value the 2 units of Undelivered Vessels is Pareto Securities Pte Ltd, a qualified shipbroker and professional valuer.

The independent valuer took into account the following considerations in arriving at the fair values of the 2 Undelivered Vessels, which are currently not on charter:

(a) The fair value essentially is a relaxed sale by the Group (not by a bank or liquidator), and is based on the independent valuer's opinion of the current new build depreciated replacement cost, comparable sales where there is no forced sale element and the opinion of the Group as to the level at which there will be a willing buyer/willing seller for the vessel concerned; and

(b) All values take into consideration whether the vessel is operational or laid up, the imminence of Special Survey and the vessels location. Vessels that have been in lay up for greater than 12 months will attract significantly less value. Vessels on contract and the longevity of those contracts are evaluated. Consideration is also given to recent reported market sales and known offers for comparable vessels. The independent valuer also took into account the fact that the sale of a fleet in a period of low market liquidity is more difficult compared to the sale of a single vessel.

2.3 Where the allowances/impairments set out in above-mentioned paragraph 2.1 was not supported by any independent valuation, please disclose (i) how the Board has satisfied itself that the methodologies used in determining the allowances and impairments are reasonable; and (ii) whether the Board has sought appropriate independent advice.

The Company's reply: In respect of allowances/impairments not supported by any independent valuation, the Board has satisfied itself that the methodologies used in determining the allowances/impairments are reasonable based on the judgements, estimates and assumptions made by the management of the Group about the carrying amount of the underlying assets. These estimates and judgements are continually evaluated based on current market conditions, historical experience and other factors deemed to be reasonable and appropriate under the circumstances. Such critical judgments and estimates are also assessed in accordance with the relevant financial reporting standards and guidance from the auditors.

3. Please provide an explanation for the decrease in "Gross amounts due from customers for construction contracts" from S$47.4m to S$3.0m.

The Company's reply: The decrease in gross amount due from customers for construction contracts was mainly attributed to the 2 units of Undelivered Vessels (being thereafter reclassified as inventories) as explained in our reply to Question 2.1 (b) (ii) above.

4. The Company had explained in paragraph 8 of the Announcement that, "The share of losses from jointly-controlled companies was S$45.4 million in FY2017 compared to S$9.6 million in FY2016. The share of the losses from jointly-controlled companies was mainly attributable to the share of impairment loss on their assets".

4.1 Please disclose the details of these jointly-controlled companies including the Group's shareholdings in these jointly controlled companies; share of losses and the bases used for determining the impairment losses on their assets.

The Company's reply: The table below tabulates the Group's respective equity interests in each of the jointly-controlled companies and the Group's share of loss or profit in each of these entities:

	MPST Group (1)	RTO (2)	MPMT Group(3)	MPO (IV) Group (4)	BBR Group (5)	Total
The Group's equity interest	50%	30%	50%	50%	34.8%	
Share of (loss)/profit for FY2017 (S$'000)	(13,285)	(2,236)	26	(11,672)	(18,222)	(45,389)

Notes:
(1) MPST Group refers to MPST Marine Pte Ltd and Alphine Marine Limited
(2) RTO refers to Rig Tenders Offshore Pte Ltd
(3) MPMT Group refers to MPMT Pte Ltd and MPMT 1 Tankers Pte Ltd
(4) MPO (IV) Group refers to Marco Polo Offshore (IV) Ptd Ltd and SK Marco Polo Sdn Bhd
(5) BBR Group refers to PT. Pelayaran Nasional BINA BUANA RAYA Tbk and BBR Shipping Pte Ltd

The increase in share of losses from jointly controlled companies from S$9.6 million in FY2016 to S$45.4 million in FY2017 was due mainly to the share of significant impairment losses on the assets of these jointly controlled companies, particularly with regard to impairment on vessels and receivables. The basis used for assessing the impairment loss on vessels was determined by the external valuers engaged by the respective jointly-controlled companies while the basis used for assessing the impairment loss on receivables was based on the collectability/recoverability of these receivables.

BY ORDER OF THE BOARD

Sean Lee Yun Feng
Chief Executive Officer
10 January 2018