MARCO POLO MARINE LTD
Company Registration No. 200610073Z

FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FIRST HALF YEAR ENDED 31 MARCH 2008

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

1.(a)(i) A profit and loss statement for the group together with a comparative statement for the corresponding period of the immediate preceding financial year

	The Group		
	H1FY2008 S$'000	H1FY2007 S$'000	% Change
Revenue	**16,448**	16,953	(3)
Cost of sales	**(11,415)**	(10,971)	4
Gross profit	**5,033**	5,982	(16)
Other operating income	**3,673**	1,429	157
Administration expenses	**(1,398)**	(734)	90
Other operating expenses	**(963)**	(1,740)	(45)
Finance costs	**(717)**	(422)	70
Profit before tax	**5,628**	4,515	25
Income tax	**(225)**	(146)	54
Net profit attributable to the shareholders	**5,403**	4,369	24

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

1.(a)(ii) The accompanying notes to the financial statements form an integral part of the financial statements

	The Group		
	H1FY2008 S$'000	H1FY2007 S$'000	% Change
Profit before tax has been arrived at after charging/(crediting):			
Depreciation of property, plant and equipment	**1,591**	1,524	4
Foreign currency exchange loss/(gain) (Note 1)	**61**	(79)	177
(Gain) on disposal of property, plant and equipment	**(2,017)**	(1,144)	76
Interest income	**(55)**	-	N/M
Interest expenses	**717**	422	70

Note 1:-
The exchange gain of about S$79,000 in H1FY2007 was attributed mainly to the weakening of Indonesian Rupiah (IDR) against Singapore Dollars (S$) on IDR-denominated purchases. The exchange loss of about S$61,000 in H1FY2008 was attributed mainly to the weakening of United States Dollars (US$) against S$ on US$-denominated receivables and deposits, partially offset by the weakening of IDR against S$ on IDR-denominated purchases.

During H1FY2008, the presentation currencies of the Indonesian subsidiaries of the Company were changed from IDR to S$ as S$ had since been the functional currencies of these subsidiaries. As a consequence of which, the Group is effectively sheltered from IDR exposure, other than for IDR purchases made by these Indonesian subsidiaries which have been minimum.

"% Change" denotes increase/(decrease) in the relevant profit or loss item as compared with the comparative figure
"N/M" denotes "Not meaningful".

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

	The Group		The Company	
	31 March 2008 S$'000	30 September 2007 S$'000	**31 March 2008 S$'000**	30 September 2007 S$'000
Non-current assets				
Property, plant and equipment	**56,247**	45,053	**-**	-
Investments in subsidiaries			**4,320**	4,320
Investments in joint ventures	**3,521**	-	**-**	-
	59,768	45,053	**4,320**	4,320
Current assets				
Inventories	**4,157**	1,854	**-**	-
Trade receivables	**2,138**	2,221	**-**	-
Due from customers on construction contracts	**3,873**	7,330	**-**	-
Due from related parties^ (trade)	**2,265**	2,120	**-**	-
Other receivables	**6,131**	4,209	**78**	904
Due from related parties^ (non-trade)	**3,780**	-	**-**	-
Due from subsidiaries^ (non-trade)	**-**	-	**21,852**	13,300
Due from joint ventures^(non-trade)	**1,451**	-		
Cash, bank balances and fixed deposits	**10,431**	1,025	**7,084**	66
	34,226	18,759	**29,014**	14,270
Total assets	**93,994**	63,812	**33,334**	18,590
Current liabilities				
Trade payables	**16,668**	6,833	**-**	-
Due to related parties^ (trade)	**687**	4,515	**-**	-
Other payables	**7,357**	3,354	**109**	25
Due to subsidiaries^ (non-trade)	**-**	-	**-**	94
Interest bearing loans (secured)	**7,885**	5,902	**1,847**	-
Provision for tax	**362**	219	**-**	-
	32,959	20,823	**1,956**	119
Net current asset/(liability)	**1,267**	(2,064)	**27,058**	14,151
Non-current liabilities				
Interest bearing loans (secured)	**16,968**	17,561	**-**	-
Total liabilities	**49,927**	38,384	**1,956**	119
Net assets	**44,067**	25,428	**31,378**	18,471
Share capital and reserves				
Share capital	**31,394**	18,158	**31,394**	18,158
Translation reserve	**11**	11	**-**	-
Accumulated profits/(losses)	**12,662**	7,259	**(16)**	313
Total equity	**44,067**	25,428	**31,378**	18,471

^These are unsecured, interest-free and repayable on demand.

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

	As at 31 March 2008 S$'000	As at 30 September 2007 S$'000
Amount repayable in one year or less or on demand		
Secured*	**7,885**	5,902
Unsecured	**-**	-
	7,885	5,902
Amount repayable after one		
Secured*	**16,968**	17,561
Unsecured	**-**	-
	16,968	17,561

Details of any collateral

* These are secured against:-

- Mortgages over certain property, plant and equipment of subsidiaries
- Joint and several guarantees by certain directors of the Group
- Assignment of certain charter income and insurance policies of vessels of a subsidiary
- Corporate guarantees by the Company and a related company
- Deposits provided by the Company and a director of the Group
- Assets of certain directors and related parties of the Group

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

	The Group	
	H1FY2008 S$'000	H1FY2007 S$'000
OPERATING ACTIVITIES		
Profit before tax	**5,628**	4,515
Adjustments for:-		
Depreciation of property, plant and equipment	**1,591**	1,524
Interest expense	**717**	422
Interest income	**(55)**	-
Gain on disposal of property, plant and equipment	**(2,017)**	(1,144)
Operating profit before changes in working capital	**5,864**	5,317
Changes in working capital		
Inventories	**(2,303)**	(646)
Trade and other receivables	**(8,110)**	(841)
Due from customers on construction contracts	**3,457**	(4,648)
Trade and other payables	**10,010**	2,462
Cash generated from operations	**8,918**	1,644
Interest paid	**(90)**	-
Income tax paid	**(83)**	-
NET CASH GENERATED FROM OPERATING ACTIVITIES	**8,745**	1,644
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(19,667)**	(8,819)
Proceeds from the disposal of property, plant and equipment	**8,898**	4,250
Investment in joint ventures	**(3,521)**	-
Interest received	**55**	-
NET CASH USED IN INVESTING ACTIVITIES	**(14,234)**	(4,569)
FINANCING ACTIVITIES		
Proceeds from issue of new shares (net)	**13,236**	-
(Repayment of loans)/Proceeds from loans (net)	**(457)**	10,671
Deferred expenses	**896**	(107)
Due to related parties (non-trade)	**-**	(464)
Due to a director (non-trade)	**-**	(5,900)
Interest paid	**(627)**	(422)
NET CASH FROM FINANCING ACTIVITIES	**13,048**	3,778
NET INCREASE IN CASH AND CASH EQUIVALENTS	**7,559**	853
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**1,025**	438
NET EFFECT OF EXCHANGE RATE CHANGES IN CONSOLIDATING SUBSIDIARIES	**-**	(97)
CASH AND CASH EQUIVALENTS AT END OF PERIOD (NOTE 1)	**8,584**	1,194

Note 1:-

Cash and cash equivalents consist of:-

	The Group	
	H1FY2008 S$'000	H1FY2007 S$'000
Cash and bank balances	**3,359**	1,194
Fixed deposits	**7,072**	-
Total cash, bank balances and fixed deposits	**10,431**	1,194
Less: Bank overdrafts – secured	**(1,847)**	-
	8,584	1,194

1.(d)(i) 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.

	The Group			
	Share Capital	Translation Reserve	Accumulated Profits	Total
	S$'000	S$'000	S$'000	S$'000
Balance as at 1 October 2007	**18,158**	**11**	**7,259**	**25,428**
Issuance of ordinary shares of the Company via IPO	14,994	-	-	14,994
IPO expenses	(1,758)	-	-	(1,758)
Profit for the year	-	-	5,403	5,403
Total recognised gains	-	-	5,403	5,403
Balance as at 31 March 2008	**31,394**	**11**	**12,662**	**44,067**
Balance as at 1 October 2006	**1,320**	**22**	**9,520**	**10,862**
Net exchange differences on translation of financial statements of foreign subsidiaries	-	(97)	-	(97)
Net expense recognised directly into equity	-	(97)	-	(97)
Profit for the year	-	-	4,369	4,369
Total recognised gains	-	-	4,369	4,369
Balance as at 31 March 2007	**1,320**	**(75)**	**13,889**	**15,134**

	The Company			
	Share Capital	Translation Reserve	Accumulated Profits/ (Losses)	Total
	S$'000	S$'000	S$'000	S$'000
Balance as at 1 October 2007	**18,158**	**-**	**313**	**18,471**
Issuance of ordinary shares of the Company via IPO	14,994	-	-	14,994
IPO expenses	(1,758)	-	-	(1,758)
Loss for the period	-	-	(329)	(329)
Balance as at 31 March 2008	**31,394**	**-**	**(16)**	**31,378**
Balance as at 1 October 2006	**1,320**	**-**	**(13)**	**1,307**
Loss for the period	-	-	(1)	(1)
Balance as at 31 March 2007	**1,320**	**-**	**(14)**	**1,306**

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.

Pursuant to its initial public offering (IPO), the Company issued 53,550,000 new ordinary shares at S$0.28 per share for cash on 5 November 2007. These shares rank *pari passu* in all respect with the existing ordinary shares of the Company.

Of the gross proceeds of S$14.994 million raised from the IPO, as at the date of this announcement, a total of about S$12.5 million was utilized for the following purposes:-

S$ million	**As at the date of this announcement**	**As last reported (per 2007 Annual Report)**
1. Financing the purchase of new vessels	3.0	1.3
2. Financing the shipyard development	2.6	0.4
3. Listing expenses	1.7	1.7
4. General working capital	5.2	3.6
Total amount disbursed	12.5	7.0

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.

	As at 31 March 2008	As at 30 September 2007
Total number of issued ordinary shares (excluding treasury shares)	267,750,000	214,200,000

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.

The Company had no treasury shares as at 31 March 2008.

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.

The Group has applied the same accounting policies and methods of computation in the financial statements for H1FY2008 as those in the audited annual financial statements as at 30 September 2007.

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.

Not applicable

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	
	As at 31 March 2008 S$'000	As at 31 March 2007 S$'000
Net profit attributable to shareholders	**5,403**	4,369
Earnings per share		
Basic (Singapore cents)	**2.10 cents**	2.04 cents(1)
Diluted (Singapore cents)	**2.10 cents**	1.63 cents(2)

The calculation of basic and diluted earnings per ordinary share of the Group for H1FY2008 is based on net profit for the period attributable to ordinary shareholders amounting to about S$5.4 million and the weighted average number of 257,508,197 ordinary shares in issue during the period.

Notes:-

(1) Basic earnings per share as at 31 March 2007 is computed based on net profit for the period attributable to ordinary shareholders amounting to about S$4.4 million and the pre-invitation share capital of 214,200,000 shares.

(2) Diluted earnings per share as at 31 March 2007 is computed based on net profit for the period attributable to ordinary shareholders amounting to about S$4.4 million and the post invitation share capital of 267,750,000 shares.

There were no potential dilutive shares as of 31 March 2008.

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately.

	The Group		The Company	
	As at 31 March 2008 S$'000	As at 30 September 2007 S$'000	**As at 31 March 2008 S$'000**	As at 30 September 2007 S$'000
Net asset value as at end of financial period	**44,067**	25,428	**31,378**	18,471
Net asset value per ordinary share as at the end of financial period (Singapore cents)	**16.5 cents***	11.9 cents**	**11.7 cents***	8.6 cents**

* Based on the post-IPO share capital of 267,750,000 ordinary shares.

** Based on the pre-IPO share capital of 214,200,000 ordinary shares.

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.

(a) Review of financial performance of the Group for H1FY2008 compared to H1FY2007

Our Group's revenues in H1FY2008 and H1FY2007 were as follow:-

	H1FY2008 S$' m	H1FY2007 S$' m
Ship chartering operations	9.1	8.4
Ship building operations	7.4	8.6
	16.5	17.0

Our Group's total revenue decreased moderately by about S$0.5 million or 3.0% from about S$17.0 million in H1FY2007 to about S$16.5 million in H1FY2008.

Revenue from our ship chartering operations increased by about 8.3% or S$0.7 million from about S$8.4 million in H1FY2007 to about S$9.1 million in H1FY2008, as our operating fleet size increased from 27 vessels as at 31 March 2007 to 31 vessels as at 31 March 2008.

Revenue from our ship building operations decreased by about S$1.2 million or 14.0% from about S$8.6 million in H1FY2007 to about S$7.4 million in H1FY2008. The decrease was attributed mainly to the fact that there were proportionately fewer vessels for third parties being constructed in H1FY2008 (as more capacity was devoted to the building of vessels in meeting in-house demands) relative to H1FY2007. In H1FY2008, there were 24 vessels under construction, of which 11 were for third parties. In H1FY2007, there were 21 vessels under construction, of which 11 were for third parties.

Overall, the Group attained a gross profit of about S$5.0 million at a gross profit margin of about 30.6% in H1FY2008 as compared to a gross profit of about S$6.0 million at a gross profit margin of about 35.3% in H1FY2007. The decreases in gross profit and gross profit margin were attributed mainly to the Group's ship chartering operations, which registered comparatively higher fuel costs brought about by the global energy crisis and lower charter rates in H1FY2008 relative to that in H1FY2007. In H1FY2007, there were significant hikes in charter rates to compensate shipping risks as a result of the stepped-up border patrol by the Indonesian Navy following the Indonesian government's ban on the export of sand.

Our other operating income of about S$1.4 million in H1FY2007 relates mainly to gain on disposal of 6 vessels totaling about S$1.1 million, of which 4 were carried out as part of our fleet renewal policy (to minimize expenditure on major repair and maintenance or for reasons of operational efficiency or capacity improvement) while 2 were carried out via sale-and-leaseback arrangements and re-flagged as Indonesian vessels. Our other operating income of about S$3.7 million in H1FY2008 relates mainly to a procurement fee of S$1.4 million for securing an initial fleet of 16 vessels for our 50:50 joint venture company, MPST Marine Pte Ltd, forged in January 2008 as well as gain on disposal of 8 vessels totaling about S$2.0 million, of which 2 were carried out as part of our fleet renewal policy (to minimize expenditure on major repair and maintenance or for reasons of operational efficiency or capacity improvement) while 6 were carried out via sale-and-leaseback arrangements and re-flagged as Indonesian vessels.

The sale-and-leaseback arrangement and the establishment of the 50:50 joint venture aid in unlocking the value of the Group as follows:-

(a) The sale-and-leaseback arrangement serves a 2-pronged purpose. Firstly, it allows us to reduce our gearing and improve cash flow, while maintaining 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 business. Secondly, as we are not entitled to own Indonesian flagged vessels (since such vessels may only be owned by Indonesians), by embarking on a sale-and-leaseback arrangement strategy, we are able to operate Indonesian flagged vessels and avail ourselves of the operational cost benefits accorded to such vessels which ply Indonesian waters.

(b) The establishment of MPST Marine Pte Ltd, apart from allowing our Group in sharing its ship chartering revenue, frees up of ship building profits, which otherwise, without the existence of MPST Marine Pte Ltd, will be treated as in-house profits and remained trap within the Group as these will be eliminated upon consolidation.

The increase in administrative expenses of about S$0.7 million from about S$0.7 million in H1FY2007 to about S$1.4 million in H1FY2008 relates mainly to increased manpower costs as we beefed up our staff strength as well as additional bonus paid in H1FY2008 for the Group's commendable performance in FY2007.

The decrease in other operating expenses by about S$0.7 million from about S$1.7 million in H1FY2007 to about S$1.0 million in H1FY2008 was mainly the result of a higher proportion of vessels built in meeting in-house needs relative to third parties' demands in H1FY2008 compared to H1FY2007, which in turn resulted in a greater proportion of the operating expenses of our ship building operations being absorbed and capitalized by these in-house built vessels as vessel costs.

Our finance costs increased by about S$0.3 million from about S$0.4 million in H1FY2007 to about S$0.7 million in H1FY2008 mainly as a result of increased bank borrowings to partially fund the expansion of both our ship chartering and shipyard operations.

We registered a lower effective corporate tax rate relative to the corporate tax rate of 18% in Singapore as a large proportion of our shipping profits are tax exempted pursuant to Section 13A of the Singapore Income Tax Act.

Accordingly, we achieved a profit after tax attributable to shareholders of about S$5.4 million in H1FY2008, an increase of about 23.7% over that of about S$4.4 million attained in H1FY2007.

(b) Review of financial position of the Group as at 31 March 2008 and 30 September 2007

The net increase in our Group's property, plant and equipment (after taking into account of the disposal of 8 vessels) was attributed mainly to the expansion of our fleet size as well as our shipyard facilities at Batam, including the construction of a drydock and facilities such as workshops and warehouses to undertake ship repair, maintenance and conversion works.

Investment in joint venture relates to our Group's share of deposits paid for the construction of the initial fleet of 16 vessels contracted by our 50:50 joint venture, MPST Marine Pte Ltd.

The increase in interest bearing loans relates mainly to increased bank borrowings in tandem with increased business activities.

Over the periods under consideration, our working capital position was greatly enhanced with the increase in cash, bank balances and fixed deposits as well as inventories albeit the increase in trade payables. Accordingly, we reversed our working capital position from a net current liability position of about S$2.1 million as at 30 September 2007 to a net current asset position of about $1.3 million as at 31 March 2008.

The amount due from joint venture relates mainly to the S$1.4 million procurement fee as detailed in the explanation on "Other operating income" above.

The increase in inventories was mainly the result of steel plates in quantities needed for the construction of 3 vessels bought in March 2008, for which construction commenced in April 2008.

The decrease in amounts due from customers on construction contracts was attributed mainly to fewer uncomplete ship building contracts for which billing has yet to be made in respect of work done as at 31 March 2008 compared to the same as at 30 September 2007.

The increase in other receivables comprised mainly down payments made for the purchase of vessels as well as machinery and engines needed for vessels building.

The increase in cash and bank balances was attributed mainly to the net proceeds from IPO, cash generated from operations as well as proceeds from the disposal of vessels, after netting off cash deployed for the purchase of property, plant and equipment as well as investment in MPST Marine Pte Ltd.

The amount due from related parties (non-trade) relates mainly to the balance payment in respect of the 6 vessels disposed via the sale-and-leaseback arrangements conducted at arms length as detailed in the explanation on "Other operating income" above.

The increase in trade payables relates to the purchase of raw materials, primarily steel plates, for new vessels construction.

Following the sale-and-leaseback of 6 vessels in H1FY2008, our gearing (defined as the ratio of the aggregate of interest bearing loans to total equity) greatly improved from 92% as at 30 September 2007 to 56% as at 31 March 2008.

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

<u>Ship building operations</u>

As at the date of this announcement, our Group has secured 9 ship building orders from third-party customers aggregating about S$23.0 million. These orders, which are expected to be realized progressively till mid 2009, have been locked in at favorable steel prices relative to the prevailing hiked prices of steel.

As regards our shipyard development, the first drydock and related facilities, with modifications made to certain designs and laid-outs, are expected to be fully completed by the third quarter of 2008. Commencement on the construction of the second drydock, jetty and related facilities however will be deferred as we need to free-up space in fulfilling our prevailing ship building orders.

<u>Ship chartering operations</u>

With the addition of new vessels currently in the pipeline of being built, our operating fleet size is expected to increase from the present 31 vessels to 37 vessels by the end of 2008.

Further, our 50:50 joint venture company, MPST Marine Pte Ltd, is expected to commence operations in June 2008 to provide transhipment services, primarily for the transhipment of cargo managed and carried by Glencore International AG and/or its related corporations and affiliates.

Barring unforeseen circumstances, we expect to turn in a better performance for the financial year ending 30 September 2008 compared to the financial year ended 30 September 2007.

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 or recommended for H1FY2008.

BY ORDER OF THE BOARD

Sean Lee Yun Feng
CEO

15 May 2008

The Initial Public Offering of the Company's share was sponsored by UOB Asia Limited.

Negative Assurance Confirmation on Interim Financial Results pursuant to Rule 705(4) of the Listing Manual

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 the half year ended 31 March 2008 to be false or misleading in any material aspect.

For and on behalf of the Board of Directors

Lee Wan Tang	**Sean Lee Yun Feng**
Executive Chairman	**CEO**

15 May 2008