



MARCO POLO MARINE LTD
Company Registration No. 200610073Z

UNAUDITED SECOND QUARTER (“Q2FY2009”) AND HALF YEAR (“H1FY2009”) FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT OF THE FINANCIAL YEAR ENDING 30 SEPTEMBER 2009 (“FY2009”)

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			The Group		
	Q2FY2009 S\$'000	Q2FY2008 S\$'000	% Change	H1FY2009 S\$'000	H1FY2008 S\$'000	% Change
Revenue	15,130	9,601	58	24,090	16,448	46
Cost of sales	(9,986)	(6,741)	48	(15,994)	(11,415)	40
Gross profit	5,144	2,860	80	8,096	5,033	61
Other operating income	416	2,725	(85)	562	3,673	(85)
Administrative expenses	(959)	(638)	50	(1,804)	(1,398)	29
Other operating expenses	(804)	(538)	49	(1,403)	(963)	46
Finance costs	(595)	(372)	60	(1,131)	(717)	58
Share of results of a jointly controlled entity	(5)	-	N/M	179	-	N/M
Profit before tax	3,197	4,037	(21)	4,499	5,628	(20)
Income tax	(28)	(225)	(88)	(28)	(225)	(88)
Net profit attributable to the shareholders	3,169	3,812	(17)	4,471	5,403	(17)

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

	The Group			The Group		
	Q2FY2009 S\$'000	Q2FY2008 S\$'000	% Change	H1FY2009 S\$'000	H1FY2008 S\$'000	% Change
Profit before tax has been arrived at after charging/(crediting):-						
Depreciation of property, plant and equipment	1,184	963	23	2,365	1,591	49
Foreign currency exchange (gain)/loss	(270)	65	(515)	(364)	61	(697)
Gain on disposal of property, plant and equipment	-	(1,263)	(100)	-	(2,017)	(100)
Impairment on trade receivables	152	-	N/M	152	-	N/M
Allowance for stock obsolescence	45	-	N/M	45	-	N/M
Interest income	(10)	(39)	(74)	(19)	(55)	(65)
Interest expenses	595	372	60	1,131	717	58

“Q2FY2008” denotes the second financial quarter of the financial year ended 30 September 2008 (“FY2008”).

“H1FY2008” denotes the first half financial year of FY2008.

“% 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 2009 S\$'000	30 September 2008 S\$'000	31 March 2009 S\$'000	30 September 2008 S\$'000
Non-current assets				
Property, plant and equipment	102,409	65,146	-	-
Investments in subsidiaries	-	-	4,320	4,320
Jointly controlled entity	8,249	8,757	-	-
	110,658	73,903	4,320	4,320
Current assets				
Inventories	9,110	6,447	-	-
Trade receivables	1,934	2,427	-	-
Due from customers for construction contracts	6,512	16,828	-	-
Due from related parties^ (trade)	827	1,523	-	-
Other receivables, prepayments & deposits	6,881	7,085	20	47
Due from a jointly controlled entity^ (trade)	766	1,260	-	-
Due from subsidiaries^ (non-trade)	-	-	33,405	30,010
Fixed Deposits	3,632	2,151	3,632	2,151
Cash and bank balances	1,761	3,563	232	877
	31,423	41,284	37,289	33,085
Total assets	142,081	115,187	41,609	37,405
Current liabilities				
Trade payables	27,405	20,011	-	-
Due to related parties^ (trade)	1,413	560	-	-
Other payables and accruals	14,966	10,187	51	109
Due to a jointly controlled entity^ (trade)	98	-	-	-
Borrowings - Interest bearing	14,724	7,105	3,145	-
Provision for income tax	344	576	-	-
	58,950	38,439	3,196	109
Non-current liabilities				
Borrowings - Interest bearing	22,809	20,897	1,334	-
Total liabilities	81,759	59,336	4,530	109
Net assets	60,322	55,851	37,079	37,296
Share capital and reserves				
Share capital	37,446	37,446	37,446	37,446
Translation reserve	11	11	-	-
Accumulated profits/(losses)	22,865	18,394	(367)	(150)
Total equity	60,322	55,851	37,079	37,296

^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 2009 S\$'000	As at 30 September 2008 S\$'000
Amount repayable in one year or less or on demand		
Secured*	14,724	7,105
Unsecured	-	-
	<u>14,724</u>	<u>7,105</u>
Amount repayable after one		
Secured*	22,809	20,897
Unsecured	-	-
	<u>22,809</u>	<u>20,897</u>

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
- Assets of certain directors and related parties of the Group
- Certain 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.

	The Group	
	H1FY2009	H1FY2008
	S\$'000	S\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	4,499	5,628
Adjustments for:-		
Depreciation of property, plant and equipment	2,365	1,591
Interest expense	1,131	717
Interest income	(19)	(55)
Gain on disposal of property, plant and equipment	-	(2,017)
Share of profits of a jointly controlled entity	(179)	-
Currency realignment	(14)	-
Operating profit before changes in working capital	7,783	5,864
Inventories	(2,663)	(2,303)
Trade and other receivables	1,887	(8,110)
Due from customers on construction contracts	10,316	3,457
Trade and other payables	13,124	10,010
Cash generated from operations	30,447	8,918
Interest paid	(289)	(90)
Income tax paid	(245)	(83)
NET CASH GENERATED FROM OPERATING ACTIVITIES	29,913	8,745
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(38,416)	(19,667)
Proceeds from the disposal of property, plant and equipment	-	8,899
Jointly controlled entity	687	(3,521)
Placement of fixed deposits pledged with licensed bank	(1,481)	-
Interest received	19	55
NET CASH USED IN INVESTING ACTIVITIES	(39,191)	(14,234)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of new shares - net	-	13,236
Proceeds from loans/(Repayment of loans) - net	6,591	(457)
Repayment of lease obligations	(751)	-
Deferred expenses	-	896
Interest paid on lease obligations	(106)	-
Interest paid on term loans	(736)	(627)
NET CASH GENERATED FROM FINANCING ACTIVITIES	4,998	13,048
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(4,280)	7,559
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	3,563	1,025
CASH AND CASH EQUIVALENTS AT END OF PERIOD (NOTE 1)	(717)	8,584

Note 1:-

Cash and cash equivalents consist of:-

	The Group	
	H1FY2009	H1FY2008
	S\$'000	S\$'000
Cash and bank balances	1,761	3,359
Fixed deposits	3,632	7,072
Total cash, bank balances and fixed deposits	5,393	10,431
Less: Fixed deposits pledged	(3,632)	-
Less: Bank overdrafts – secured	(2,478)	(1,847)
	(717)	8,584

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 S\$'000	Translation Reserve S\$'000	Accumulated Profits S\$'000	Total S\$'000
Balance as at 1 October 2008	37,446	11	18,394	55,851
Profit for the period	-	-	4,471	4,471
Balance as at 31 March 2009	37,446	11	22,865	60,322
Balance as at 1 October 2007	18,158	11	7,259	25,428
Issuance of ordinary shares of the Company pursuant to IPO	14,994	-	-	14,994
Share issue expenses pursuant to IPO	(1,758)	-	-	(1,758)
Profit for the period	-	-	5,403	5,403
Balance as at 31 March 2008	31,394	11	12,662	44,067

	The Company		
	Share Capital S\$'000	Accumulated Profits/ (Losses) S\$'000	Total S\$'000
Balance as at 1 October 2008	37,446	(150)	37,296
Loss for the period	-	(217)	(217)
Balance as at 31 March 2009	37,446	(367)	37,079
Balance as at 1 October 2007	18,158	313	18,471
Issuance of ordinary shares of the Company pursuant to IPO	14,994	-	14,994
Shares issue expenses pursuant to IPO	(1,758)	-	(1,758)
Loss for the period	-	(329)	(329)
Balance as at 31 March 2008	31,394	(16)	31,378

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.

There were no changes in the Company's share capital since the end of the previous financial period reported on.

The Company issued 18,000,000 new ordinary shares at S\$0.346 per share for cash on 15 July 2008 pursuant to a placement exercise (the "Placement"). These shares rank *pari passu* in all respect with the existing ordinary shares of the Company.

Of the gross proceeds of S\$6.228 million raised from the Placement, as at the date of this announcement, a total of about S\$2.7 million was utilised for the following purposes:-

Use of Placement proceeds	As at the date of this announcement	As last reported (per Q1FY2009 announcement)
	S\$ million	S\$ million
1. Financing the purchase of new vessels	2.0	1.6
2. Financing the 2 nd dry-dock at shipyard	0.5	-
3. Other investments	-	-
4. Listing expenses	0.2	0.2
Total amount disbursed	2.7	1.8

Pending specific deployment for purposes (1), (2) and (3) above in connection with the Placement, the balance of the net Placement proceeds were utilised for general working capital of the Group.

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 2009</u>	<u>As at 30 September 2008</u>
Total number of issued ordinary shares (excluding treasury shares)	285,750,000	285,750,000

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 2009.

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 the current reporting period as those of the audited financial statements for the year ended 30 September 2008 except for the new and revised Financial Reporting Statements (FRSs) which took effect from the current financial year.

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.

There were no changes in the accounting policies and methods of computation.

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 2009 S\$'000	As at 31 March 2008 S\$'000
Net profit attributable to shareholders	4,471	5,403
Earnings per share		
Basic (Singapore cents)	1.56 cents⁽¹⁾	2.10 cents⁽²⁾

Diluted (Singapore cents)

1.56 cents⁽¹⁾

2.10 cents⁽²⁾

Notes:-

- (1) Basic and diluted earnings per share for H1FY2009 is computed based on net profit for the period attributable to ordinary shareholders amounting to about S\$4.5 million and the number of ordinary share capital of 285,750,000 ordinary shares in issue during the period.
- (2) Basic and diluted earnings per share for H1FY2008 is computed based on net profit for the period attributable to ordinary shareholders amounting to about S\$5.4 million and the weighted average number of ordinary share capital of 257,508,197 ordinary shares in issue during the period.

There were no potential dilutive shares as of 31 March 2009.

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 2009 S\$'000	As at 30 September 2008 S\$'000	As at 31 March 2009 S\$'000	As at 30 September 2008 S\$'000
Net asset value as at the respective balance sheet dates	<u>60,322</u>	<u>55,851</u>	<u>37,079</u>	<u>37,296</u>
Net asset value per ordinary share based on issued share capital as at the respective balance sheet dates (Singapore cents)	<u>21.1 cents</u>	<u>19.5 cents</u>	<u>13.0 cents</u>	<u>13.0</u>

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 H1FY2009 compared to H1FY2008

Our Group's revenues in H1FY2009 and H1FY2008 were as follow:-

	H1FY2009		H1FY2008		Change	
	S\$' m	%	S\$' m	%	S\$' m	%
Ship chartering operations	11.0	45.6	9.1	55.2	1.9	20.9
Ship building & repair operations	13.1	54.4	7.4	44.8	5.7	77.0
	<u>24.1</u>	<u>100.0</u>	<u>16.5</u>	<u>100.0</u>	<u>7.6</u>	<u>46.1</u>

Registering a growth of about 46.1%, the total revenue of the Group increased by about S\$7.6 million from about S\$16.5 million in H1FY2008 to about S\$24.1 million in H1FY2009.

Revenue from our ship chartering operations increased by about 20.9% or S\$1.9 million from about S\$9.1 million in H1FY2008 to about S\$11.0 million in H1FY2009, in tandem with the increase in our operating fleet size from 31 vessels as at 31 March 2008 to 45 vessels as at 31 March 2009.

Revenue from our ship building and repair operations increased by about S\$5.7 million or 77.0% from about S\$7.4 million in H1FY2008 to about S\$13.1 million in H1FY2009. The increase was attributed mainly to more higher value third parties' ship building projects being recognised in H1FY2009 as compared to H1FY2008 as well as the substantial increase in ship repair revenue following the completion of our first drydock during H1FY2009. In H1FY2009, there were 22 vessels under construction, of which 13 were for third parties. In H1FY2008, there were 24 vessels under construction, of which 11 were for third parties.

Overall, the Group attained a gross profit of about S\$8.1 million at a gross profit margin of about 33.6% in H1FY2009 as compared to a gross profit of about S\$5.0 million at a gross profit margin of about 30.6% in H1FY2008. The increase in gross profit and gross profit margin were attributed mainly to the Group's ship chartering operations, chiefly as a result of improved efficiency in the deployment of the fleet, though partially offsetted by the increase in ship building operating costs due to rising labor, raw materials and fuel running costs.

Our other operating income of about S\$3.7 million in H1FY2008 relates mainly to a procurement income of S\$1.4 million for securing an initial fleet of 16 vessels for our 50:50 joint venture company, MPST Marine Pte Ltd, as well as a gain on disposal of 8 vessels totaling about S\$2.0 million. No vessels were disposed in H1FY2009.

The increase in administrative expenses of about S\$0.4 million from about S\$1.4 million in H1FY2008 to about S\$1.8 million in H1FY2009 relates mainly to increased manpower costs.

The increase in the other operating expenses in H1FY2009 of about S\$0.4 million was due primarily to the higher depreciation and maintenance costs resulted from our expanded facilities in our shipyard, the impairment on trade receivables as well as higher legal and professional fees incurred.

Our finance costs increased by about S\$0.4 million from about S\$0.7 million in H1FY2008 to about S\$1.1 million in H1FY2009 mainly as a result of increased bank borrowings and bills payables to finance the Group's expansion in both its ship chartering and shipyard operations.

The share of profits of a jointly controlled entity was contributed by our 50:50 jointly controlled entity, MPST Marine Pte Ltd, which commenced ship chartering operations in June 2008.

We registered a lower effective corporate tax rate relative to the corporate tax rate of 17% in Singapore as a large proportion of our shipping profits are tax exempted pursuant to Section 13A of the Singapore Income Tax Act.

Excluding the capital gain on disposal of vessels and the one time procurement income reflected in other operating income in H1FY2008, we achieved a net profit of about S\$4.5 million in H1FY2009 compared to that of about S\$1.9 million for H1FY2008, representing a commendable increase of about 130% or S\$2.5 million. The laudable performance has also resulted in us, on a quarter-to-quarter comparison, attaining an increase of about S\$5.5 million or 57.6% in turnover, from about S\$9.6 million in Q2FY2008 to about S\$15.1 million in Q2FY2009, against a near doubling in gross profit from about S\$2.9 million in Q2FY2008 to about S\$5.1 million in Q2FY2009.

(b) Review of financial position of the Group as at 31 March 2009 and 30 September 2008

The net increase in our Group's property, plant and equipment of about S\$37.3 million was attributed mainly to the expansion of our fleet size and vessels under construction as well as cost incurred for the construction of the drydocks and jetty at our shipyard at Batam.

The increase in inventories of about S\$2.7 million was mainly the result of steel plates bought in March 2009 for the construction of 2 new vessels, which was to commence in April 2009.

The decrease in trade receivables and amount due from related parties (trade) were due mainly to improved collections from such parties.

The recent completion and delivery of 7 third-party vessels during H1FY2009 had resulted in a decrease in the amounts due from customers for construction contracts.

The increase in trade payables, amount due to related parties (trade) and a jointly controlled entity (trade) were in line with our increased business activities.

The increase in the other payables and accruals was due mainly to the increase in deposits received from customers for shipbuilding.

The increase in the current portion of the interest bearing borrowings relates mainly to the utilisation of bank overdraft and bridging loan facilities as well as additional term loans drawdown during H1FY2009 in meeting the expansion needs of our fleet and in tandem with the increased business activities.

The increase in the current portion of our borrowings and trade and other payables coupled with the reduction in amounts due from customers for construction contracts had resulted in a negative working capital as at 31 March 2009.

Although the Group achieved net cash generated from operating activities of about S\$29.9 million and financing activities of about S\$5.0 million for H1FY2009, these were utilised to fund the Group's expansion in both its ship chartering and shipyard businesses, through the purchases of vessels and shipyard equipment as well as the construction of drydocks and related yard facilities at an aggregate cash outlay for investing activities of about S\$38.4 million. As a result, a net decrease in the cash and cash equivalents of about S\$4.3 million was recorded in H1FY2009.

Following the procurement of additional vessel loans and bank borrowings, our gearing (defined as the ratio of the aggregate of interest bearing loans to total equity) increased from 50% as at 30 September 2008 to 62% as at 31 March 2009.

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.

Amidst the much debated emerging signs of the “green shoots” of economic recovery taking root following the global economic turmoil brought about by the sub-prime prompted financial tsunami, we continue to be vigilant in managing our costs and cashflows with a view to improve efficiency and productivity and in carrying out our expansion plan.

Following the completion of our first drydock in H1FY2009, we expect revenue from ship repairs, which are less cyclical in nature relative to that from shipbuilding, to contribute significantly to our shipyard operations henceforth.

With regard to our ship chartering operations, presently confined mainly to the chartering and re-chartering of coastal-plying tugboats and barges which are relatively shielded from the downturn experienced by ocean-plying bulk carriers and container ships, we are cautiously optimistic about the sustainability of our time charter income and the underlying rates and, riding on demands by the construction sectors and land reclamation projects in the region, expect such recurring income to continue to be our main profit contributor for the remaining period of FY2009.

Barring unforeseen circumstances, we are quietly confident about our performance for FY2009.

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. Because actual results could differ materially from our intentions, plans, expectations, assumptions and beliefs about the future, 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 or recommended for H1FY2009.

13. Interested Person Transactions.

Pursuant to Rule 907 of the Listing Manual and the renewed IPT General Mandate obtained from the shareholders of the Company on 22 January 2009, the following interested person transactions were entered into during H1FY2009:-

Name of Interested Persons	Aggregate value of all interested person transactions during the financial year 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
	S\$'000	S\$'000
Purchase of used equipment from Mount Kawi Pte Ltd for shipyard use	180	-

BY ORDER OF THE BOARD

Sean Lee Yun Feng
CEO

13 May 2009

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 2009 to be false or misleading in any material aspect.

For and on behalf of the Board of Directors

Lee Wan Tang
Executive Chairman

13 May 2009

Sean Lee Yun Feng
CEO