MARCO POLO MARINE LTD
Company Registration No. 200610073Z

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FIRST QUARTER ENDED 31 DECEMBER 2010 (“Q1FY2011”) IN RESPECT OF THE FINANCIAL YEAR ENDING 30 SEPTEMBER 2011 (“FY2011”)

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.

	The Group		
	Q1FY2011	Q1FY2010	%
	S$'000	S$'000	Change
Revenue	**19,367**	12,014	61
Cost of sales	**(13,978)**	(8,775)	59
Gross profit	**5,389**	3,239	66
Other operating income	**2,353**	3,923	(40)
Administrative expenses	**(1,514)**	(905)	67
Other operating expenses	**(1,048)**	(1,017)	3
Profit from operations	**5,180**	5,240	(1)
Finance costs	**(581)**	(676)	(14)
Share of results of jointly-controlled entities	**(66)**	246	(127)
Profit before tax	**4,533**	4,810	(6)
Income tax	**(523)**	-	NM
Net profit attributable to the shareholders	**4,010**	4,810	(17)

“Q1FY2011” denotes the first financial quarter of the financial year ended 30 September 2011 (“FY2011”).
“Q1FY2010” denotes the first financial quarter of the financial year ended 30 September 2010 (“FY2010”).
“% 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.

	The Group		
	Q1FY2011	Q1FY2010	%
	S$'000	S$'000	Change
Profit for the period	**4,010**	4,810	-17%
Exchange differences on translating foreign operations	**(181)**	-	NM
Share of comprehensive income of jointly controlled entities	**(164)**	-	NM
Other comprehensive income, net of tax	**(345)**	-	NM
Total comprehensive income for the period	**3,665**	4,810	-24%
Profit attributable to equity holders of the Company	**4,010**	4,810	-17%
Total comprehensive income attributable to equity holders of the Company	**3,665**	4,810	-24%

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

	The Group		
	Q1FY2011	Q1FY2010	%
	S$'000	S$'000	Change
Profit before income tax has been arrived at after charging/(crediting)			
Depreciation and amortisation	**1,624**	1,520	7
Net foreign currency exchange gain	**(519)**	(84)	518
Gain on disposal of property, plant and equipment	**(1,593)**	(3,688)	(57)
Property, plant and equipment written-off	**1**	1	-
Amortisation of deferred income	**(6)**	-	NM
Interest income	**(81)**	(28)	189
Interest expenses	**581**	676	(14)

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	
	As at 31 December 2010 S$'000	As at 30 September 2010 S$'000	**As at 31 December 2010 S$'000**	As at 30 September 2010 S$'000
Non-current assets				
Property, plant and equipment	**131,994**	110,792	**-**	-
Investment in subsidiaries	**-**	-	**4,320**	4,320
Jointly-controlled entities	**18,003**	16,774	**-**	-
	149,997	127,566	**4,320**	4,320
Current assets				
Inventories	**2,712**	5,195	**-**	-
Trade receivables	**13,288**	8,981	**-**	-
Due from customers for construction contracts	**12,748**	12,429	**-**	-
Other receivables, deposits & prepayment	**16,567**	3,423	**31**	30
Due from subsidiaries (non-trade)	**-**	-	**50,781**	36,872
Fixed deposits	**3,426**	7,441	**3,426**	3,493
Cash and bank balances	**28,503**	16,197	**254**	83
	77,244	53,666	**54,492**	40,478
Total assets	**227,241**	181,232	**58,812**	44,798
Current liabilities				
Bank overdraft	**18,242**	7,401	**-**	91
Trade payables	**16,428**	24,226	**-**	-
Due to customers for construction contracts	**726**	-	**-**	-
Other payables and accruals	**13,334**	10,459	**107**	260
Due to subsidiaries (non-trade)	**-**	-	**-**	-
Borrowings-Interest bearing	**22,834**	13,981	**682**	682
Income tax payable	**1,560**	944	**-**	-
	73,124	57,011	**789**	1,033
Non-current liabilities				
Borrowings-Interest bearing	**43,598**	31,927	**249**	416
Deferred tax liabilities	**332**	332	**-**	-
Deferred income - government grant	**60**	66	**-**	-
	43,990	32,325	**249**	416
Total liabilities	**117,114**	89,336	**1,038**	1,449
Net assets	**110,127**	91,896	**57,774**	43,349
Share capital and reserves				
Share capital	**59,239**	44,673	**59,239**	44,673
Translation reserve	**(697)**	(352)	**-**	-
Retained earnings/(Accumulated losses)	**51,585**	47,575	**(1,465)**	(1,324)
Total equity	**110,127**	91,896	**57,774**	43,349

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

	The Group	
	As at 31 December 2010 S$ ’000	As at 30 September 2010 S$ ’000
Amount repayable in one year or less or on demand		
Secured*	**41,076**	21,382
Amount repayable after one year		
Secured*	**43,598**	31,927

Details of any collateral

* These are secured by:

- 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 Group.
- 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	
	Q1FY2011	Q1FY2010
	S$'000	S$'000
Cash flow from operating activities		
Profit before income tax	**4,533**	4,810
Adjustments for:		
Depreciation and amortisation	**1,624**	1,520
Interest expense	**581**	676
Interest income	**(81)**	(28)
Gain on disposal of property, plant and equipment	**(1,593)**	(3,688)
Share of loss/(profits) in jointly-controlled entities	**66**	(246)
Property, plant and equipment written-off	**-**	1
Amortisation of deferred income	**(6)**	-
Curency realignment	**104**	57
Operating profit before working capital changes	**5,228**	3,102
Working capital changes:		
Inventories	**2,483**	325
Trade and other receivables	**(17,451)**	(8,346)
Due from customers for construction contracts	**407**	6,819
Trade and other payables	**(4,923)**	(9,068)
Cash generated from operations	**(14,256)**	(7,168)
Interest paid	**(187)**	(167)
Income tax paid	**-**	-
Net cash used in operating activities	**(14,443)**	(7,335)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(38,233)**	(22,581)
Proceeds from disposal of property, plant and equipment	**17,000**	33,892
Jointly-controlled entities	**(1,459)**	-
Placement of fixed deposits and cash pledged with licensed bank	**4,434**	(4,214)
Interest received	**81**	28
Net cash (used in)/from investing activities	**(18,177)**	7,125
Cash flows from financing activities		
Proceeds from issue of new share - net	**14,566**	-
proceeds/(Repayment of) from loans - net	**20,817**	(6,727)
Repayment of lease obligations - net	**(293)**	(260)
Interest paid on lease obligations	**(30)**	(41)
Interest paid on term loans	**(364)**	(468)
Net cash from/(used in) financing activities	**34,696**	(7,496)
Net change in cash and cash equivalents	**2,076**	(7,706)
Effect of exchange rate changes on cash and cash equivalents	**(192)**	(54)
Cash and cash equivalents at beginning of financial year	**3,819**	8,919
Cash and cash equivalents at end of financial year (Note 1)	**5,703**	1,159

Note 1:

Cash and cash equivalents consist of:	The Group	
	Q1FY2011	Q1FY2010
	S$'000	S$'000
Cash and bank balances	**28,503**	12,211
Fixed deposits	**3,426**	7,793
Bank Overdraft	**(18,242)**	(11,052)
Total cash, bank balances and fixed deposit	**13,687**	8,952
Less: fixed deposits and cash pledged	**(7,984)**	(7,793)
Cash and cash equivalents	**5,703**	1,159

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.

	The Group			
	Share Capital	Translation Reserve	Retained earnings	Total
	S$'000	S$'000	S$'000	S$'000
Balance as at 1 October 2010	44,673	(352)	47,575	91,896
Total comprehensive income for the year	-	(345)	4,010	3,665
Issue of shares	15,050	-	-	15,050
Share issue expenses	(484)	-	-	(484)
Balance as at 31 December 2010	59,239	(697)	51,585	110,127

	The Group			
	Share Capital	Translation Reserve	Retained earnings	Total
	S$'000	S$'000	S$'000	S$'000
Balance as at 1 October 2009	44,673	11	28,456	73,140
Total comprehensive income for the year	-	-	4,810	4,810
Balance as at 31 December 2009	44,673	11	33,266	77,950

	The Company		
	Share Capital	Accumulated Losses	Total
	S$'000	S$'000	S$'000
Balance as at 1 October 2010	44,673	(1,324)	43,349
Total comprehensive income for the year	-	(141)	(141)
Issue of shares	15,050	-	15,050
Share issue expenses	(484)	-	(484)
Balance as at 31 December 2010	59,239	(1,465)	57,774

	The Company		
	Share Capital	Accumulated Losses	Total
	S$'000	S$'000	S$'000
Balance as at 1 October 2009	44,673	(630)	44,043
Total comprehensive income for the year	-	(185)	(185)
Balance as at 31 December 2009	44,673	(815)	43,858

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 a placement carried out in October 2010, the Company issued 35,000,000 new ordinary shares for cash at an issue price of S$0.43 each (the "Placement"). These shares rank *pari passu* in all respect with the existing ordinary shares of the Company.

The Placement resulted in an increase in the issued and paid-up share capital of the Company as follows:

S$'000	As at 31 Dec 2010	As at 30 Sep 2010
Issued and paid-up share capital of the Company	59,239	44,673

Use of the proceeds from the Placement

As at the date of this announcement, the net proceeds of S$14.5 million raised from the Placement had been fully utilized as follows:

Use of Placement proceeds	As at the date of this announcement
	S$ million
Part payment for the purchase of three utility vessels, two of which for deployment in Australia and the other for the Gulf of Thailand	10.2
Working capital	4.3
Total amount disbursed	14.5

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 Dec 2010	As at 30 Sep 2010
Total number of issued ordinary shares (excluding treasury shares)	340,750,000	305,750,000

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 December 2010.

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 compared with those in the audited financial statements for the year ended 30 September 2010, except for the new and revised Financial Reporting Statements (FRS) relevant to its operations which took effect from the current financial year as disclosed in paragraph 5 below.

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 adopted the following new and revised FRS relevant to its operations, which took effect from the financial year beginning on or after 1 October 2010:

Amendments to FRS 1 Presentation of Financial Statements
Amendments to FRS 7 Statement of Cash Flows
Amendments to FRS 17 Leases
Amendments to FRS 36 Impairment of Assets
FRS 39 Financial Instruments: Recognition and Measurement
Amendments to FRS 108 Operating Segments

The initial adoption of these new/revised FRS (and their consequential amendments) and INT FRS is not expected to have material impact on the Group's financial statements.

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	
	Q1FY2011 S$'000	Q1FY2010 S$'000
Net profit attributable to shareholders	**4,010**	4,810
Earnings per share		
Basic (Singapore cents)	**1.19 cents***	1.57 cents**
Diluted (Singapore cents)	**1.19 cents***	1.57 cents**

* Basic and diluted earnings per share for Q1FY2011 is computed based on net profit for the period attributable to ordinary shareholders amounting to about S$4.0 million and the weighted average number of shares of 336,565,217.
** Basic and diluted earnings per share for Q1FY2010 is computed based on net profit for the period attributable to ordinary shareholders amounting to about S$4.8 million and the weighted average number of shares of 305,750,000.

There were no potential dilutive shares as at 31 December 2010.

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 December 2010 S$'000	As at 30 September 2010 S$'000	**As at 31 December 2010 S$'000**	As at 30 September 2010 S$'000
Net asset value as at the respective balance sheet dates	**110,127**	91,896	**57,774**	43,349
Net asset value per ordinary share based on issued share capital as at the respective balance sheet dates (Singapore cents)	**32.3 cents**	30.1 cents	**16.9 cents**	14.2 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

Marco Polo Marine is an integrated marine logistic group that facilitates the growth of and investments in South East Asia through its ship chartering and shipyard businesses.

The Group's ship chartering business provides tugboats and barges to its customers from the mining, commodities, construction, infrastructure, property development and land reclamation industries. In Indonesia, the Group is active in the shipment of coal from the mines in Kalimantan to the power plants in Java and Sumatra. The shipyard in Batam (occupying a land area of approximately 35 hectares with a 650-metre seafront) has two dry docks and undertakes ship building, ship repair and conversion services.

(a) Review of financial performance of the Group for Q1FY2011 compared to Q1FY2010

Our Group's revenues for Q1FY2011 and Q1FY2010 were as follow:

	Q1FY2011		Q1FY2010		Change	
	S$ million	%	S$ million	%	S$ million	%
Ship chartering operations	7.5	38.7	7.8	65.0	(0.3)	(3.8)
Ship building & repair operations	11.9	61.3	4.2	35.0	7.7	183.3
	19.4	100.0	12.0	100.0	7.4	61.7

The Group's total revenue increased by 61.7% from S$12.0 million in Q1FY2010 to S$19.4 million in Q1FY2011. The significant increase in revenue was contributed mainly by the Group's ship building and repair operations.

The ship chartering revenue of the Group decreased by S$0.3 million or 3.8% from S$7.8 million in Q1FY2010 to S$7.5 million in Q1FY2011, primarily as a result of lower contribution from time charters, re-flagging downtime for some of the existing fleet to Indonesia flagged vessels and lower charter rates. Notwithstanding which, the decrease in ship chartering revenue from tugboats and barges was offset by a maiden contribution from the Group's new offshore operations of S$0.3 million since mid-December 2010 following the completion of the Group's recent acquisition of two Australian waters-plying utility vessels.

The increase in ship repair and ship building contracts have contributed to an increase in ship building cum repair revenue by S$7.7 million from S$4.2 million in Q1FY2010 to S$11.9 million in Q1FY2011. The Group continued to secure contracts from both new and existing customers following the Group's shipyard becoming a well-integrated one-stop service centre that provides a suite of marine logistic services, ranging from ship building, ship repair to ship conversion since the beginning of FY2010.

Due principally to the increase in revenue, the Group registered an increase in gross profit of S$2.2 million or 66.4% from S$3.2 million in Q1FY2010 to S$5.4 million in Q1FY2011. Over the same financial periods under consideration, the gross profit margin of the Group increased from 27.0% in Q1FY2010 to 27.8% in Q1FY2011, primarily attributed to the Group's ship repair operations.

Other operating income decreased by 40.1% or S$1.6 million to S$2.4 million in Q1FY2011. This was mainly due to a higher gain on disposal of vessels being recognised in Q1FY2010, albeit an increase in foreign exchange gain recognized in Q1FY2011 as a result of the depreciation in US$ vis-à-vis S$ and its consequential positive impact on the Group's US$ denominated term loans. In Q1FY2011, eight vessels were disposed at a gain of S$1.6 million compared to nine vessels (including an AHTS) disposed at a gain of S$3.7 million in Q1FY2010.

The increase in the administrative expenses by 67.3% to S$1.5 million in Q1FY2011 was attributed mainly to setup costs of newly incorporated entities, particularly in respect of our newly mint offshore operations, and higher staff costs.

The finance costs of the Group decreased by S$0.1 million or 14.1% in Q1FY2011. The decrease in finance cost was mainly attributed to reduced interest rates negotiated for some of the Group's term loans.

The Group recorded a share of loss from jointly controlled entities of S$0.1 million in Q1FY2011 compared to a share of profit of S$0.2 million in the corresponding period for the last financial year. Higher operating costs coupled with lower chartering rates contributed to a loss position in respect of a jointly controlled entity which more than offset the profit position attained by another jointly controlled entity.

The increase in income tax expense of the Group by S$0.5 million in Q1FY2011 was attributed mainly to the increase in the shipyard profits of the Group.

Correspondingly, the Group returned a net profit of S$4.0 million in Q1FY2011 compared to S$4.8 million in Q1FY2010. Not including the gain on disposal of vessels, the Group doubled its operating net profit to S$2.4 million over the corresponding quarter.

(b) Review of financial position of the Group as at 31 December 2010 (compared to that as at 30 September 2010)

The total assets of the Group increased by S$46.0 million or 25.4% to S$227.2 million as at 31 December 2010. The increase was attributed mainly to increases in property, plant and equipment, trade receivables, other receivables and cash and bank balances, which collectively were partially offset by decreases in inventories and fixed deposits.

The Group's recent acquisition of the two utility vessels for its offshore operations contributed to the increase in property, plant and equipment.

The increase in trade receivables was in tandem with increased business activities from ship chartering and ship repair operations.

The increase in other receivables was mainly due to receivables resulting from vessel disposals and GST receivables from the Australian tax office following the acquisition of the two utility vessels in Australia.

The decrease in inventories was mainly due to a decrease in raw materials purchased in Q1FY2011.

The cash and bank balances of the Group of S$28.5 million as at 31 December 2010, after netting off against bank overdraft of S$18.2 million, was S$10.3 compared to that of S$8.8 million as at 30 September 2010. The increase in net cash and bank balances of S$1.5 million was due mainly to drawdown proceeds from a term loan.

The total liabilities of the Group increased from S$89.3 million as at 30 September 2010 to S$117.1 million as at 31 December 2010, chiefly as a result of increases in bank overdraft and new term loan undertaken for the financing of the purchase of the two recently acquired utility vessels, albeit decreases in trade and other payables resulting from payments made in Q1FY2011.

Through better working capital management, the Group reversed from a negative working capital position of S$3.3 million as at 30 September 2010 to a positive working capital position of S$4.1 million as at 31 December 2010.

Due to increased borrowings in funding the Group's offshore expansion, 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 from 32% to 48% over the two financial periods under consideration.

Taken as a whole, the net assets of the Group increased by S$18.2 million or 19.8% to S$110.1 million as at 31 December 2010.

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 Group expects the economies of South East Asia to maintain steady growth in 2011. Intra-regional trade will continue to remain robust and together with high prices for commodities will generate strong demand for the Group's marine logistic and shipyard related services in FY2011.

During the current financial year, the Group intends to expand its fleet of tugs and barges to meet the growing demand for the shipment of coal in Indonesia for domestic use and exports. In addition, the Group will also add to its fleet of offshore supply vessels to support oil & gas exploration in the region.

The Group's initial investments in the shipyard in Batam is paying off with the two dry docks underpinning robust shiprepair activities. With the establishment of the Group's Batam shipyard as one of the key shiprepair centres in the region, the Group is evaluating plans to undertake strategic expansion of the shipyard in the current year.

Barring unforeseen circumstances, the Group is optimistic of its performance in FY2011.

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 interim dividend has been declared or recommended for Q1FY2011.

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 21 January 2011, the following interested person transactions were entered as at 31 December 2010:

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
Sale of vessels by our subsidiary, Marco Polo Shipping Co Pte Ltd, to PT. Pelayaran Nasional Bina Buana Raya	-	17,000

14. Negative Assurance on Interim Financial Statement.

The Board of Directors hereby confirms that, to the best of their knowledge, nothing has come to their attention which may render the Q1FY2011 financial results to be false or misleading in any material aspect.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Sean Lee Yun Feng
CEO

Liely Lee
Director

09 February 2011