



## MARCO POLO MARINE LTD

Incorporated in the Republic of Singapore

(Company Registration Number: 200610073Z)

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### ENTRY INTO A RIG CONSTRUCTION CONTRACT WITH PPL SHIPYARD PTE LTD FOR THE CONSTRUCTION OF A HIGH-SPECIFICATION JACK-UP RIG

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#### 1. CONSTRUCTION OF THE NEW RIG

Marco Polo Marine Ltd (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that its indirect wholly-owned subsidiary, Marco Polo Drilling (I) Pte. Ltd. (“**MP Drilling**”), had on 26 February 2014 entered into a rig construction contract (as amended by an addendum dated on the same day) (the “**Rig Construction Contract**”) with PPL Shipyard Pte Ltd (“**PPL**”), a subsidiary of Sembcorp Marine Limited, to construct a high-specification jack-up rig based on PPL’s proprietary Pacific Class<sup>®</sup> 400 design (the “**New Rig**”) at a contract value of US\$214.3 million and for delivery slated in the fourth quarter of 2015 (the “**Proposed Acquisition**”). The commitment of MP Drilling under the Rig Construction Contract is conditional on the Company obtaining the approval of its shareholders for the transaction in a general meeting. In addition, PPL has granted an option to the Company, to be exercised solely at the Company’s discretion, to construct another one unit at the same price for delivery in the third quarter of 2016 and another sequential unit at the same price but adjusting for upward increases of prices (then prevailing) of raw material and equipment for delivery in the first quarter of 2017.

The cost of the New Rig was determined based on arm’s length negotiations between the Company and PPL, and was arrived at on a “willing buyer, willing seller” basis after taking into account the prices for recent similar transactions in the market. Such cost will be paid in installments as follows:

- (a) 20% of the Contract Price will be payable upon the execution of the Rig Construction Contract, with MP Drilling being allowed to pay the same as follows:
  - (i) the first disbursement (being 10% of the Contract Price) to be paid as follows: (1) a refundable deposit of US\$18.0 million (such deposit to be refunded in the event that shareholders’ approval of the Rig Construction Contract is not obtained at the extraordinary general meeting (the “**EGM**”) convened by the Company to seek shareholders’ approval for the Rig Construction Contract) to be paid no later than 14 March 2014, followed by (2) the remaining outstanding balance under the first disbursement to be paid within three days following the date of the EGM (subject to shareholders’ approval of the Rig Construction Contract having been obtained); and
  - (ii) the second disbursement (being 10% of the Contract Price) to be paid no later than 11 February 2015; and

- (b) 80% of the Contract Price will be payable on delivery of the New Rig to MP Drilling ex-PPL's yard.

In the event that shareholders' approval of the Rig Construction Contract is not obtained by 25 calendar days from the Company's receipt of the indication of "no objection" from the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on the Company's circular to its shareholders, PPL shall have the option, in its sole discretion, to elect to terminate the Rig Construction Contract. If PPL elects to terminate the Rig Construction Contract due to shareholders' approval not having been obtained by such date, PPL shall refund in full (without any interest) any monies paid by MP Drilling in respect of the first disbursement.

The New Rig will be capable of operating in waters of up to 400 feet and drilling high pressure and high temperature wells to depths of up to 30,000 feet. Incorporating advanced drilling equipment for improved drilling efficiency with 1.5 million pound of static hook load capacity, offline handling features and simultaneous operations support, the New Rig will be capable of jacking at full preload. It will also be equipped with full catering facilities and amenities which can accommodate up to 150 people on board in one-man and two-man cabins.

In connection with, and in consideration of PPL's entry into, the Rig Construction Contract, the Company shall also provide a performance guarantee in favour of PPL to guarantee the performance in full by MP Drilling of all its obligations under the Rig Construction Contract.

The abovementioned transaction will be funded by a combination of internal resources and borrowings.

## **2. REQUIREMENTS UNDER CHAPTER 10 OF THE LISTING MANUAL (THE "LISTING MANUAL") OF THE SGX-ST**

Under Rule 1006 of the Listing Manual, a transaction (as defined in the Listing Manual) may be categorised as (a) non-discloseable transactions, (b) discloseable transactions, (c) major transactions or (d) very substantial acquisitions or reverse takeovers, depending on the size of the relative figures computed on the bases set out thereunder.

Rule 1015(1) of the Listing Manual states that where an acquisition of assets (whether or not the acquisition is deemed in the issuer's ordinary course of business) is one where any of the relative figures computed on the bases set out in Rule 1006 of the Listing Manual is 100% or more, or is one which will result in a change in control of the issuer, the transaction is classified as a very substantial acquisition or reverse takeover.

The relative figures in respect of the Rig Construction Contract, calculated in accordance with the bases set out under Rule 1006 of the Listing Manual, are as follows:-

Rule	Basis	Relative Bases (%)
1006(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value. This basis is not applicable to an acquisition of assets.	Not applicable, as the Rig Construction Contract involves an acquisition of assets.
1006(b)	The net profits attributable to the assets acquired or disposed of, compared with the Group's net profits.	Not applicable, as the New Rig is to be constructed and there is no profit attributable to the New Rig as at this juncture.
1006(c)	The aggregate value of the consideration given or received, compared with the Company's market capitalisation <sup>1</sup> based on the total number of issued shares, excluding treasury shares	207.5%
1006(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable, as no equity securities in the Company are proposed to be issued as consideration for the abovementioned transaction.

As the relative figure as computed on the basis set out in Rule 1006(c) of the Listing Manual exceeds 100%, the New Rig will be considered a very substantial acquisition under Chapter 10 of the Listing Manual.

### 3. THE WAIVER APPLICATON

As the relative figure under Rule 1006(c) of the Listing Manual for the transaction is more than 100%, the Company had consulted with the SGX-ST on the applicability of Chapter 10 of the Listing Manual. In a letter dated 25 February 2014, the SGX-ST informed the Company that it had no objection to the Company's application for a waiver in respect of Rule 1015 (the "**Waiver**"), subject to:

- (a) the Company obtaining shareholders' approval for the Proposed Acquisition;
- (b) the Circular disclosing the information required by Rule 1015(5)(a) of the Listing Manual;
- (c) the Company announcing on SGXNet the Waiver granted, the reasons for

<sup>1</sup> Based on 340,750,000 shares of the Company then in issue multiplied by S\$0.3833, being the weighted average price of such shares transacted on the Market Day preceding the date of the Rig Construction Contract and at an exchange rate of US\$1.00: SGD1.2646.

seeking the Waiver and the conditions as required under Rule 107 of the Listing Manual; and

- (d) submission of a written confirmation from the Company that the Waiver does not contravene any laws and regulations governing the Company and the articles of association of the Company.

#### **4. REASONS FOR SEEKING THE WAIVER**

##### **4.1 No Substantial Change in Risk Profile**

Currently, the Company's fleet of Anchor Handling Tug Supply (AHTS) vessels is mainly deployed to support rigs that are operating in the region with respect to their deployment, tugging and positioning operations and supply of rigging materials as well as food and water to the crew. The Company is undertaking the above mentioned transaction to enhance its business prospects by expanding its service offering to cater to the increasing demand for high-specification jack-up rigs. The construction of the New Rig, if proceeded with, represents a step forward in the organic expansion of the core business of the Company as an integrated marine logistics company. The New Rig (when completed) will also be used to service regional waters, including the Indonesian, Malaysian and Thai markets, which are part of the geographical markets that the Company have traditionally focused on. The Company is thus of the view that the above mentioned transaction should not be regarded as a substantial change in the operational and geographical risk profile of the Company.

Furthermore, as the Company is acquiring assets (i.e. the New Rig), and not the equity of an entity which owns such assets, the above mentioned transaction will also not result in the Company assuming the risks and liabilities of another entity.

##### **4.2 Staged Payment Structure**

As mentioned above, the payment terms under the Rig Construction Contract will be structured to provide for payment to be made in stages, based on certain agreed milestones, over the term of the Rig Construction Contract. This will allow the Company to manage its gearing ratios and cashflow in order to maintain its financial health.

##### **4.3 No Change of Control**

The consideration payable in respect of the above mentioned transaction will be satisfied in cash and no new shares will be issued to satisfy such consideration. There will also not be any changes to the Company's board of directors or management as a result of the above mentioned transaction. There will accordingly not be a change of control of the Company as a result of the above mentioned transaction, and shareholders of the Company will not suffer a dilution to their shareholding as a result of the above mentioned transaction.

#### 4.4 Inapplicability of Certain Rules

Although the above mentioned transaction is technically classified as a very substantial acquisition under Chapter 10 of the Listing Manual, the above mentioned transaction is in substance similar to a “major transaction” under Chapter 10 of the Listing Manual due to the nature of the transaction. As a result, the following requirements under Rule 1015 of the Listing Manual are not appropriate in the context of the above mentioned transaction:

<b>Rule</b>	<b>Requirement</b>	<b>Comments</b>
1015(1)(a)(ii)	Issuer must, after terms have been agreed, immediately announce the latest three years of proforma financial information of the assets to be acquired.	The Company is acquiring newly built assets and not shares of a company, and it is thus not possible to provide historical proforma financial information in respect of the New Rig.
1015(2)	For very substantial acquisition, the target business to be acquired must be profitable and meet the requirement in Rule 210(4)(a), and the enlarged group must comply with the requirements in Rule 210(5) and (6). The issuer must appoint a competent and independent valuer to value the target business.	<p>The Company is acquiring newly built assets and not a business, and it is thus not possible to obtain historical financial information to demonstrate whether the New Rig is profitable or whether it meets the requirement in Rule 210(4)(a).</p> <p>Rule 210(5) is not appropriate as there will be no change to the Company’s board of directors or management as a result of the above mentioned transaction.</p> <p>Rule 210(6) is not appropriate as there will be no change to the Company’s shareholding, board of directors or management as a result of the above mentioned transaction.</p>
1015(3)	For reverse takeover, the incoming business and enlarged group must comply with certain requirements.	Rule 1015(3) is not applicable as the above mentioned transaction does not entail a reverse takeover.
1015(4)(a)	Issuer must submit a	Rules 210 and 222 are not

	compliance checklist for Rule 210 or Rule 222, whichever is applicable.	appropriate as the Company is already listed on the SGX-ST, and the above mentioned transaction does not envisage the backdoor listing of any other business.
1015(4)(b)	Issuer must submit a compliance checklist for the information required in Rule 1015(5).	Rule 1015(5) is not appropriate for the reasons stated below.
1015(4)(c)	Issuer must submit declaration by each director, controlling shareholder and executive officer of the acquired company(ies), including officers occupying a managerial position and above who is a relative of any director or controlling shareholder. For very substantial acquisition, declaration by each new director, controlling shareholder and executive officer must be submitted.	Rule 1015(4)(c) is not appropriate as there will be no change to the Company's shareholding, board of directors or management as a result of the above mentioned transaction.
1015(5)(a)	Shareholders' circular must contain the information required by Rules 1010, 1011, 1012, 1013 and Part II of Chapter 6 of the Listing Manual, where applicable.	The disclosure requirements under Part II of Chapter 6 of the Listing Manual are not appropriate as the above mentioned transaction is more akin to a "major transaction" under Chapter 10 of the Listing Manual, and does not envisage the backdoor listing of any other business or any change to the Company's shareholding, board of directors or management.
1015(5)(b)	Shareholders' circular must contain an accountants' report on the assets to be acquired and the enlarged group. Rule 609 applies to the accountant's report.	Rule 1015(b) is not appropriate as the above mentioned transaction is more akin to a "major transaction" under Chapter 10 of the Listing Manual, and does not envisage the backdoor listing of any other business or any change to the Company's shareholding, board of directors or management.

Rule 1015(5)(c)	Shareholders' circular must contain a statement by the directors in the form set out in Rule 610(3).	Part II of Chapter 6 of the Listing Manual (including Rule 610(3)) is not appropriate as the above mentioned transaction is more akin to a "major transaction" under Chapter 10 of the Listing Manual, and does not envisage the backdoor listing of any other business or any change to the Company's shareholding, board of directors or management.
Rule 1015(5)(d)	Shareholders' circular must contain a statement by the financial adviser(s) in the form set out in paragraph 3(d) of Appendix 8.2.	It is not appropriate for the Company to appoint a financial adviser as the prices for recent market transactions and their commercial terms are readily available.

## 5. RATIONALE FOR THE PROPOSED ACQUISITION

The Proposed Acquisition is complementary to the Group's existing operations comprising, *inter alia*, the ownership, management and operation of Offshore Supply Vessels in the region. Furthermore, the Proposed Acquisition represents a step forward in the expansion of the core business of the Group as an integrated marine logistics group with a focus on providing offshore oilfield services.

The Company is expecting greater demand for high-specification jack-up rigs as regional governments encourage offshore oil and gas exploration and production, against the backdrop of stable oil prices and onshore well production being increasingly depleted. Furthermore, based on data compiled from industry sources, the Company estimates that as at the date of this announcement, out of the 420 jack-up rigs that are estimated to be in operation globally, almost half of this existing fleet is more than 30 years old. The Company believes that these older generation rigs would require significant renewals and replacements, thus bolstering the demand for newer generation high-specification rigs.

The Company considers the commercial terms of the above mentioned transaction to be reasonable given the recent transactions of high-specification rigs of similar class and that the commercial terms of the Rig Construction Contract may not be available in the foreseeable future.

## 6. FINANCIAL EFFECTS

Assuming that the Rig Construction Contract had been entered into on 1 October 2012, the Rig Construction Contract is not expected to have any material impact on

the earnings per share of the Company for the most recently completed financial year ended 30 September 2013.

Assuming that the Rig Construction Contract had been completed on 30 September 2013, the Rig Construction Contract is not expected to have any material impact on the net tangible assets per share of the Company for the most recently completed financial year ended 30 September 2013.

## **7. EXTRAORDINARY GENERAL MEETING**

The Company will be convening the EGM in due course for the purpose of seeking shareholders' approval for the Rig Construction Contract.

## **8. IRREVOCABLE UNDERTAKING BY SHAREHOLDER**

Nautical International Holdings Ltd, the majority shareholder of the Company which is interested in approximately 56.6% of the share capital of the Company, has undertaken to PPL (i) to vote in favour of the ordinary resolution to approve the Rig Construction Contract; and (ii) not to decrease its current shareholdings until after the EGM.

## **9. MISCELLANEOUS**

None of the directors or substantial shareholders of the Company has any interest, directly or indirectly, in the above mentioned transaction save through their respective shareholding interests (if any) in the Company.

No person is proposed to be appointed as a Director in connection with the Rig Construction Contract. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

Copies of the Rig Construction Contract will be available for inspection by shareholders of the Company during normal business hours at the registered address of the Company at 66 Kallang Pudding Road, #05-01 Hor Kew Business Centre, Singapore 349324, for a period of three months from the date of this announcement.

Further announcements on this matter will be made in due course to provide shareholders with an update on the Proposed Acquisition as and when appropriate.

## **BY ORDER OF THE BOARD**

Sean Lee Yun Feng  
Chief Executive Officer  
26 February 2014