MARCO POLO MARINE LTD
Company Registration No. 200610073Z

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE SECOND FINANCIAL QUARTER ("Q2FY2015") AND HALF YEAR FINANCIAL YEAR ENDED 31 MARCH 2015 ("H1FY2015") IN RESPECT OF THE FINANCIAL YEAR ENDING 30 SEPTEMBER 2015 ("FY2015")

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

The balance sheet of the Group as at 31 March 2015, the income statement and cash flow statement of the Group for Q2FY2015 had, with effect from 10 December 2014, taken into account the deconsolidation of the relevant financial result/ position of PT Pelayaran Nasional Bina Buana Raya Tbk ("BBR") when the Group ceased to have a controlling interest in BBR following the renunciation of its rights entitlement in BBR to Nam Cheong Ltd (or its nominees) pursuant to the rights issue carried out by BBR on 13 November 2014 (the "Right Issue") as announced by the Company on 29 September 2014 (the "Deemed Disposal").

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			The Group		
	Q2FY2015 S$'000	Q2FY2014 S$'000	% Change	**H1FY2015 S$'000**	H1FY2014 S$'000	% Change
Revenue	**29,723**	32,489	(9)	**56,332**	62,630	(10)
Cost of sales	**(22,910)**	(23,690)	(3)	**(43,492)**	(44,677)	(3)
Gross profit	**6,813**	8,799	(23)	**12,840**	17,953	(28)
Other operating income	**2,368**	307	671	**5,187**	455	1,040
Administrative expenses	**(2,250)**	(2,578)	(13)	**(4,672)**	(4,728)	(2)
Other operating expenses	**(1,005)**	(1,383)	(27)	**(2,425)**	(2,471)	(2)
Profit from operations	**5,926**	5,145	15	**10,930**	11,209	(2)
Finance costs	**(806)**	(1,629)	(51)	**(1,835)**	(3,631)	(49)
Share of results of jointly controlled entities	**(403)**	246	NM	**568**	630	(10)
Gain on deemed disposal of a subsidiary	**-**	-	NM	**2,917**	-	NM
Profit before taxation	**4,717**	3,762	25	**12,580**	8,208	53
Income tax	**(916)**	(701)	31	**(1,974)**	(1,623)	22
Profit after taxation	**3,801**	3,061	24	**10,606**	6,585	61
Profit attributable to:-						
Owners of the parent	**3,801**	3,022	26	**11,211**	6,275	79
Non-controlling interests	**-**	39	NM	**(605)**	310	NM
	3,801	3,061		**10,606**	6,585	

"Q2FY2015" denotes the second financial quarter of the financial year ended 30 September 2015 ("FY2015").

"H1FY2015" denotes the first half financial year of FY2015.

"Q2FY2014" denotes the second financial quarter of the financial year ended 30 September 2014 ("FY2014").

"H1FY2014" denotes the first half financial year of FY2014.

"% 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			The Group		
	Q2FY2015 S$'000	Q2FY2014 S$'000	% Change	**H1FY2015 S$'000**	H1FY2014 S$'000	% Change
Profit for the period	**3,801**	3,061	24	**10,606**	6,585	61
Exchange differences on translating foreign operations	**1,062**	(1,000)	NM	**3,409**	668	410
Other comprehensive income, net of tax	**1,062**	(1,000)	NM	**3,409**	668	410
Total comprehensive income for the period	**4,863**	2,061	136	**14,015**	7,253	93
Total comprehensive income attributable to:-						
Owners of the parent	**4,863**	2,434	100	**11,532**	5,989	93
Non-controlling interest	**-**	(373)	NM	**2,483**	1,264	96
	4,863	2,061	136	**14,015**	7,253	93

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

	The Group			The Group		
	Q2FY2015 S$'000	Q2FY2014 S$'000	% Change	**H1FY2015 S$'000**	H1FY2014 S$'000	% Change
Profit before income tax has been arrived at after charging/(crediting)						
Depreciation and amortization	**2,293**	5,481	(58)	**6,995**	10,847	(36)
Net foreign currency exchange(gain)/loss	**(2,075)**	290	NM	**(4,654)**	379	NM
Allowance for impairment of trade receivable	**-**	-	NM	**305**	-	NM
Gain on disposal of property, plant and equipment	**-**	-	NM	**-**	(7)	NM
Grant of share options to employees	**14**	42	(64)	**29**	84	(65)
Gain on deemed disposal of a subsidiary	**-**	-	NM	**(2,917)***	-	NM
Interest income	**(8)**	(24)	(67)	**(20)**	(55)	(64)
Interest expenses	**806**	1,629	(51)	**1,835**	3,631	(49)
Fair value adjustment of derivative contract	**(139)**	54	NM	**(139)**	107	NM

* Inclusive of: (1) cumulative exchange differences of S$3.0 million, which were recognized in the other comprehensive income to the Deemed Disposal; and (2) impairment in goodwill, recognized previously in January 2013 when the Group increased its equity interest in BBR, by S$1.6 million.

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 March 2015 S$'000	As at 30 September 2014 S$'000	**As at 31 March 2015 S$'000**	As at 30 September 2014 S$'000
Non-current assets				
Property, plant and equipment	**184,624**	343,334	**-**	-
Investment in subsidiaries	**-**	-	**4,320**	4,320
Goodwill	**3,685**	5,250	**-**	-
Investment in jointly controlled entities	**89,392**	34,714	**6,440**	6,450
Finance lease receivables	**-**	718	**-**	-
	277,701	384,016	**10,760**	10,770
Current assets				
Inventories	**18,308**	14,786	**-**	-
Trade receivables	**13,758**	15,467	**-**	-
Due from customers for construction contracts	**34,455**	23,419	**-**	-
Other receivables, deposits & prepayment	**27,942**	19,310	**232**	642
Finance lease receivables	**-**	541	**-**	-
Due from subsidiaries (non-trade)	**-**	-	**96,811**	94,326
Fixed deposits	**744**	1,286	**-**	-
Cash and bank balances	**21,044**	24,486	**2,526**	5,789
	116,251	99,295	**99,569**	100,757
Total assets	**393,952**	483,311	**110,329**	111,527
Current liabilities				
Bank overdraft	**1,210**	786	**-**	-
Trade payables	**16,323**	14,922	**-**	-
Due to customers for construction contracts	**-**	3,718	**-**	-
Other payables and accruals	**14,110**	11,495	**1,698**	1,781
Borrowings – interest bearing	**105,229**	115,735	**-**	-
Derivative financial instruments	**312**	451	**-**	-
Income tax payable	**6,884**	7,359	**3**	15
	144,068	154,466	**1,701**	1,796
Non-current liabilities				
Borrowings – interest bearing	**70,375**	107,388	**50,000**	50,000
Deferred tax liabilities	**1,086**	936	**-**	-
	71,461	108,324	**50,000**	50,000
Total liabilities	**215,529**	262,790	**51,701**	51,796
Net assets	**178,423**	220,521	**58,628**	59,731
Share capital and reserves				
Share capital	**59,239**	59,239	**59,239**	59,239
Capital reserve	**-**	634	**-**	-
Employee share option reserve	**114**	85	**-**	-
Treasury shares	**(1,003)**	(104)	**(1,003)**	-
Foreign currency translation reserve	**1,064**	743	**-**	-
Retained earnings	**119,009**	107,798	**392**	492
	178,423	168,395	**58,628**	59,731
Non-controlling interest	**-**	52,126	**-**	-
Total equity	**178,423**	220,521	**58,628**	59,731

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

	The Group	
	As at 31 March 2015 S$'000	As at 30 September 2014 S$'000
Amount repayable in one year or less or on demand		
Secured*	**106,439**	116,521
Amount repayable after one year		
Secured*	**70,375**	107,388

Details of any collateral

* These are secured by:

- Mortgages over certain property, plant and equipment of subsidiaries.
- Assignment of certain charter income and insurance policies of vessels of a subsidiary.
- Corporate guarantees by the Company.
- Certain property, 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			
	Q2FY2015 S$'000	Q2FY2014 S$'000	**H1FY2015 S$'000**	H1FY2014 S$'000
Cash flow from operating activities				
Profit before income tax	**4,717**	3,762	**12,580**	8,208
Adjustments for:				
Depreciation and amortization	**2,293**	5,481	**6,995**	10,847
Interest expense	**806**	1,629	**1,835**	3,631
Interest income	**(8)**	(24)	**(20)**	(55)
Allowance for impairment of trade receivable	**-**	-	**305**	-
Gain on disposal of property, plant and equipment	**-**	-	**-**	(7)
Loss on deemed disposal of a subsidiary	**-**	-	**123**	-
Fair value adjustment of derivative contracts	**(139)**	54	**(139)**	107
Share of profits/(loss) in jointly-controlled entities	**403**	(246)	**(568)**	(630)
Grant of share options to employees	**15**	42	**29**	84
Currency realignment	**(77)**	(751)	**(517)**	20
Operating profit before working capital changes	**8,010**	9,947	**20,623**	22,205
Working capital changes:				
Inventories	**(4,772)**	6,122	**(4,172)**	5,405
Trade and other receivables	**(11,483)**	(26,736)	**(23,031)**	(33,077)
Due from customers for construction contracts	**(1,179)**	(18,092)	**(14,754)**	(29,998)
Trade and other payables	**3,127**	(3,867)	**11,615**	(3,595)
Cash used in operations	**(6,297)**	(32,626)	**(9,719)**	(39,060)
Interest paid	**(9)**	(2)	**(26)**	(7)
Income tax paid	**(739)**	(20)	**(2,112)**	(444)
Net cash used in operating activities	**(7,045)**	(32,648)	**(11,857)**	(39,511)
Cash flows from investing activities				
Purchase of property, plant and equipment	**(14,458)**	(1,411)	**(27,683)**	(3,132)
Proceeds from disposal of property, plant and equipment	**-**	-	**-**	7
Placement of fixed deposits and cash pledged with licensed bank	**-**	(455)	**-**	(317)
Receipt of minimum lease payment	**-**	-	**718**	-
Net cash outflow on deemed disposal of a subsidiary	**-**	-	**(2,366)**	-
Interest received	**8**	24	**20**	55
Net cash used in investing activities	**(14,450)**	(1,842)	**(29,311)**	(3,387)
Cash flows from financing activities				
Proceeds from loans	**27,365**	94,000	**65,288**	144,000
Repayment of term loans	**(1,428)**	(65,073)	**(24,705)**	(81,473)
Repayment of lease obligations	**(35)**	(11)	**(46)**	(64)
Interest paid on lease obligations	**-**	(7)	**-**	(13)
Interest paid on term loans	**(543)**	(901)	**(1,293)**	(2,173)
Interest paid on medium term note	**(254)**	(719)	**(516)**	(1,438)
Purchase of treasury shares	**-**	-	**(1,003)**	-
Dividend paid	**-**	-	**-**	(4,771)
Net cash from financing activities	**25,105**	27,289	**37,725**	54,068
Net change in cash and cash equivalents	**3,610**	(7,201)	**(3,443)**	11,170
Effect of exchange rate changes on cash and cash equivalents	**96**	(72)	**184**	5
Cash and cash equivalents at beginning of the period	**16,872**	25,798	**23,837**	7,350
Cash and cash equivalents at end of financial year (Note 1)	**20,578**	18,525	**20,578**	18,525

Note 1:

Cash and cash equivalents consist of:

	The Group	
	H1FY2015 S$'000	H1FY2014 S$'000
Cash and bank balances	**21,044**	20,813
Fixed deposits	**744**	-
Bank overdraft	**(1,210)**	(1,326)
Total cash, bank balances and fixed deposit	**20,578**	19,487
Less: fixed deposits and cash pledged	**-**	(962)
Cash and cash equivalents	**20,578**	18,525

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.

	Attributable to equity holders of the Company							
	Share capital	Capital reserve	Employee share option reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 October 2013	59,239	634	28	558	102,423	162,882	50,324	213,206
Profit for the year	-	-	-	-	6,275	6,275	310	6,585
Other comprehensive income, net of tax	-	-	-	(286)	-	(286)	954	668
Total comprehensive income for the year	-	-	-	(286)	6,275	5,989	1,264	7,253
<u>Contributions by and distributions to owners</u>								
Grant of employee share option	-	-	84	-	-	84	-	84
Dividend paid	-	-	-	-	(4,771)	(4,771)	-	(4,771)
Total contributions by and distributions to owners	-	-	84	-	(4,771)	(4,687)	-	(4,687)
Balance as at 31 March 2014	59,239	634	112	272	103,927	164,184	51,588	215,772

	Attributable to equity holders of the Company								
	Share capital	**Treasury shares**	**Capital reserve**	**Employee share option reserve**	**Foreign currency translation reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
	S$'000	**S$'000**	**S$'000**	**S$'000**	**S$'000**	**S$'000**	**S$'000**	**S$'000**	**S$'000**
Balance as at 1 October 2014	59,239	(104)	634	85	743	107,798	168,395	52,126	220,521
Profit for the year	-	-	-	-	-	11,211	11,211	(605)	10,606
Other comprehensive income, net of tax	-	-	-	-	321	-	321	3,088	3,409
Total comprehensive income for the year	-	-	-	-	321	11,211	11,532	2,483	14,015
<u>Contributions by and distributions to owners</u>									
Grant of employee share option	-	-	-	29	-	-	29	-	29
Purchase of treasury shares	-	(1,003)	-	-	-	-	(1,003)	-	(1,003)
Disposal of subsidiary	-	104	(634)	-	-	-	(530)	(54,609)	(55,139)
Total contributions by and distributions to owners	-	(899)	(634)	29	-	-	(1,504)	(54,609)	(56,113)
Balance as at 31 March 2015	59,239	(1,003)	-	114	1,064	119,009	178,423	-	178,423

	The Company		
	Share capital	Retained Earnings	Total
	S$'000	S$'000	S$'000
Balance as at 1 October 2013	59,239	4,353	63,592
Total comprehensive income for the year	-	732	732
Dividend on ordinary shares	-	(4,771)	(4,771)
Balance as at 31 March 2014	59,239	314	59,553

	The Company			
	Share capital	Treasury shares	Retained Earnings	Total
	S$'000	S$'000	S$'000	S$'000
Balance as at 1 October 2014	59,239	-	492	59,731
Total comprehensive income for the year	-	-	(100)	(100)
Purchase of treasury shares	-	(1,003)	-	(1,003)
Balance as at 31 March 2015	59,239	(1,003)	392	58,628

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.

On 9 July 2012, the shareholders of the Company approved the adoption of (a) a restricted share scheme; (b) a performance share scheme; and (c) an employee share option scheme ("ESOS"). On 24 April 2013, 4,910,000 shares options, which are capable of being exercised into the same equivalent number of shares of the Company, were issued by the Company pursuant to the ESOS Scheme.

Save as disclosed, the Company has no outstanding convertibles as at 31 March 2014 and 31 March 2015.

During the half year financial ended 31 March 2015, the Company acquired 3,371,000 of its own shares through on-market purchases on the Singapore Exchange Securities Trading Limited and these shares are held as treasury shares.

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 Mar 2015	As at 30 Sep 2014
Total number of issued ordinary shares (excluding treasury shares)	337,379,000	340,750,000

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.

Treasury Shares Movement:

Date of share buy back	Number of shares
24-Nov-14	1,107,000
25-Nov-14	249,000
26-Nov-14	789,000
28-Nov-14	772,000
01-Dec-14	93,000
04-Dec-14	128,000
05-Dec-14	50,000
08-Dec-14	36,000
10-Dec-14	56,000
11-Dec-14	91,000
Treasury Shares as at 31 March 2015	**3,371,000**

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.

Save as disclosed in paragraph 5 below, the Group and the Company have applied the same accounting policies and methods of computation in the preparing the financial statements for the current financial year as with those used in preparing the audited financial statements as at 30 September 2014.

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 and the Company adopted all the new and revised Singapore Financial Reporting Standards (FRSs) and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after 1 October 2014, where applicable. The adoption of these standards does not have a material impact on the financial statements of the Group and of the Company as at 1 October 2014.

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	
	H1FY2015	H1FY2014
	S$'000	S$'000
Net profit attributable to shareholders	**11,211**	6,275
Earnings per share		
Basic (Singapore cents)	**3.31 cents***	1.84 cents*
Diluted (Singapore cents)	**3.31 cents***	1.84 cents*

* Basic and diluted earnings per share for H1FY2015 is computed based on net profit for the period attributable to ordinary shareholders amounting to about S$11.2 million and the weighted average number of shares of 338,436,016.

** Basic and diluted earnings per share for H1FY2014 is computed based on net profit for the period attributable to ordinary shareholders amounting to about S$6.3 million and the weighted average number of shares of 340,750,000.

There were no potential dilutive shares as at 31 March 2015.

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 March 2015 S$'000	As at 30 September 2014 S$'000	**As at 31 March 2015 S$'000**	As at 30 September 2014 S$'000
Net asset value as at the respective balance sheet dates	**178,423**	168,395	**58,628**	59,731
Net asset value per ordinary share based on issued share capital as at the respective balance sheet dates (Singapore cents)	**52.9 cents**	49.4 cents	**17.4 cents**	17.5 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

The Group, comprising Marco Polo Marine Ltd (the "Company") and its subsidiaries, is a reputable regional integrated marine logistic company which principally engages in shipping and shipyard businesses.

The shipping business of the Group relates to the chartering of Offshore Supply Vessels ("OSVs"), which comprise mainly Anchor Handling Tug Supply (AHTS) vessels for deployment in the regional waters, including the Gulf of Thailand, Malaysia, Indonesia, Vietnam and Australia, as well as the chartering of tugboats and barges to customers, especially those which engaged in the mining, commodities, construction, infrastructure and land reclamation industries. As part of the diversification of its shipping business, the Group is also in the midst of establishing a Rig Division, subsequent to its engagement of PPL Shipyard to build a high-specification Pacific Class 400 rig, which is slated for delivery in November 2015 (as announced by the Company on 26 February 2014 with details contained in its Circular to the shareholders dated 17 March 2014) (the "Rig Under Construction").

The shipyard business of the Group relates to ship building as well as the provision of ship maintenance, repair, outfitting and conversion services which are being carried out through its shipyard located in Batam, Indonesia. Occupying a total land area of approximately 34 hectares with a seafront of approximately 650 meters, the modern shipyard also houses three dry docks which boosted the Group's technical capabilities and service offerings to undertake projects involving mid-sized and sophisticated vessels.

(a) Review of the financial performance of the Group for H1FY2015 (compared to that of H1FY2014) and for Q2FY2015 (compared to that of Q2FY2014)

Revenue

Our Group's revenues for H1FY2015 (*vis-à-vis* H1FY2014) and Q2FY2015 (*vis-à-vis* Q2FY2014) were as follow:

	H1FY2015		H1FY2014		*Change*		Q2FY2015		Q2FY2014		*Change*	
	S$'m	%	S$'m	%	*S$'m*	*%*	S$'m	%	S$'m	%	*S$'m*	*%*
Ship Chartering Operations	18.6	33.0	34.0	54.3	*(15.4)*	*(45.3)*	5.4	18.2	15.7	48.3	*(10.3)*	*(65.6)*
Ship Building & Repair Operations	37.7	67.0	28.6	45.7	*9.1*	*31.8*	24.3	81.8	16.8	51.7	*7.5*	*44.6*
	56.3	100.0	62.6	100.0	*(6.3)*	*(10.1)*	29.7	100.0	32.5	100.0	*(2.8)*	*(8.6)*

The Group's revenue decreased by 10.1% in H1FY2015 (*vis-à-vis* H1FY2014) and by 8.6% in Q2FY2015 (*vis-à-vis* Q2FY2014), due principally to the decrease in revenue registered by its Ship Chartering Operations which more than offset the increase in revenue recorded by its Ship Building & Repair Operations over the same periods under consideration.

The Ship Chartering Operations' revenue decreased by 45.3% to S$18.6 million in H1FY2015 and by 65.6% to S$5.4 million in Q2FY2015 relative to the same periods last year. The decrease was attributed principally to: (1) the deconsolidation of the results of BBR following the Deemed Disposal; (2) the lower utilization of tugboat and barge fleet amidst the continued weakened shipping demand in the regional market for the shipment of coal and other commodities; and (3) the transitional deployment of one of the Group's OSVs to other locations following a change in charterers.

Underpinned by increased demand for ship building, the Ship Building & Repair Operations of the Group reported an increase in revenue by 31.8% relative to H1FY2014 and by 44.6% relative to Q2FY2014.

The decrease in the Group's gross profit both in H1FY2015 and Q2FY2015 (relative to the same periods of FY2014) were attributed mainly to reduced revenue registered. Gross profit margin was reduced from 28.7% to 22.8% in H1FY2015 and from 27.1% to 22.9% in Q2FY2015, chiefly as a result of a lower proportion of the revenue being contributed by the Ship Chartering Operations following the Deconsolidation, whereby the Ship Chartering Operations generally commanded higher gross profit margin relative to the Ship Building & Repair Operations.

The Group's other operating income increased to S$5.2 million in H1FY2015 from S$0.5 million in H1FY2014 and increased to S$2.4 million in Q2FY2015 from S$0.3 million in Q2FY2014, due mainly to net foreign exchange gain as a result of the appreciation of US$ against S$ in respect of the deposit payment made for the Rig Under Construction.

The decrease in administrative expenses and other operating expenses in H1FY2015 and Q2FY2015 relative to the same periods last year were mainly attributed to the deconsolidation of BBR's administrative and other operating expenses after the Deemed Disposal.

The decrease in finance costs by 49.5% in H1FY2015 (*vis-à-vis* H1FY2014) and by 50.5% in Q2FY2015 (*vis-à-vis* Q2FY2014) were attributed mainly to: (1) the deconsolidation of BBR's interest expense attributed to vessel loans after the Deemed Disposal; and (2) capitalization of interest of S$0.8 million in H1FY2015 and S$0.4 million in Q2FY2015 as part of the asset cost of the Rig Under Construction.

The share of results from jointly controlled companies showed a loss of S$0.4 million in Q2FY2015 as well as a decrease of 9.8% in H1FY2015 (*vis-à-vis* H1FY2014), mainly due to BBR's loss in Q2FY2015 which outstripped the contribution from the other jointly controlled entity that principally engages in the chartering of Maintenance Work Vessel (as announced by the Company on 19 August 2014).

The gain on deemed disposal of a subsidiary of S$2.9 million recorded in Q1FY2015 was a gain in connection with a re-measurement of the fair value of BBR from a subsidiary to a jointly controlled company as a result of the Deemed Disposal.

The increased in income tax expense was mainly attributed to the Group's revenue and profit derived from in-house ship building projects which, though eliminated upon consolidation, were taxable.

(b) Review of financial position of the Group as at 31 March 2015 compared to FY2014

The Group's non-current assets decreased by 27.7% to S$277.7 million as at 31 March 2015 from S$384.0 million as at 30 September 2014. The decrease was attributed mainly to the deconsolidation of 76 vessels, worth about S$179.4 million owned by BBR, from the Group's balance sheet following the Deemed Disposal, notwithstanding the recognition of: (1) the Group's equity interest of 34.8% in BBR as a jointly controlled entity; and (2) a newly added AHTS in November 2014 (as announced by the Company on 5 January 2015).

The increase in the inventories, trade payables, other payables and accruals were mainly due to the increased purchase of raw materials and equipment required for the building of vessels towards the end of the quarter. In respect of the increase in the other receivables, deposits and prepayments, these were mainly attributed to the down payment made for the acquisition for the second Maintenance Work Vessel (as announced by the Company on 5 January 2015).

The amounts due from customers for construction contracts increased by 147.1% to S$34.5 million as at 31 March 2015 from S$23.4 million as at 30 September 2014, mainly as a result of work done but yet to be billed in respect of a vessel under construction, which is scheduled for delivery to the customer in H2FY2015.

The finance lease receivable, in relation to the bareboat charter agreement with a third party charterer to charter a set of vessels since July 2013, had been fully collected as at 31 March 2015.

Notwithstanding that the Group's net cash used in operation decreased by 70.0% in H1FY2015 relative to that of H1FY2014, the Group's cash and cash equivalent decreased by S$4.4 million to S$20.6 million as at 31 March 2015 from S$25.0 million as at 30 September 2014, chiefly as a result of the newly added AHTS in November 2014 and the Deemed Disposal.

The Group's total interest-bearing borrowings decreased by S$47.1 million to S$176.8 million as at 31 March 2015 from S$223.9 million as at 30 September 2014, primarily attributed to the deconsolidation of BBR's vessel loans following the Deemed Disposal.

Following from the above:

1. the negative working capital position of the Group improved by S$27.4 million to S$27.8 million as at 31 March 2015 from S$55.2 million as at 30 September 2014;

2. 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) decreased to 86.9% as at 31 March 2015 from 89.9% as at 30 September 2014.

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.

For the financial quarter under review, oil prices seem to have stabilized at perceptibly higher levels compared to the previous quarter, but they are still at levels about 50% lower than what they were in the corresponding period last year. Without a broad based recovery in sight against the backdrop of a tepid global economy, sentiments and demand for vessels are expected to continue to be adversely impacted with the offshore oil and gas exploration activities in the region remain muted.

Amidst signs of weak market environment, the offshore business of the Ship Chartering Operations is still expected to be the main driving force behind the financial performance of the Group for the next 12 months. In its bid to diversify its OSV fleet to comprise maintenance and development vessels to complement its exploration vessels such as AHTSs, the Group's second Maintenance Work Vessel is expected to be delivered and then commences operations in mid-June 2015 against a long-term chartering contract.

The market conditions facing the tugboat and barge division of the Group are expected to continue to remain challenging and are not expected to improve much for the next 12 months. The Group's Ship Building and Repair Operations are also expected to continue to be affected by the global subdued economic outlook and strong competition in the region. Notwithstanding which, the Shipyard Division continues to be firmly and broadly engaged with its new ship-building programme, targeting mainly the mid-sized OSVs and in meeting internal demands as well as those from BBR.

With regard to the Rig Under Construction, the construction of the premium jack-up rig is progressing as planned. Amidst the persistent weakness of oil prices and cut-back on exploration work by operators, market daily charter rates for jack-up rigs are not expected to recover meaningfully from their current subdued levels. The Group nevertheless will continue intently with its efforts to develop expertise, including the lookout for potential partners to complement its resources, for its eventual rig chartering operations.

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 and factors such as general economic and business conditions, including the uncertainties of the pace of recovery of the United States of America economy, continued concerns of the scale of the possible adverse fallouts and their implications on the global scene triggered by the current Euro zone debt crisis, inflationary pressures and currency appreciation which will affect the continued strong growth in Asia, especially East Asia; timing or delay in signing, commencement, implementation and performance of programs, or the delivery of products or services under them; relationships with

customers; competition; and ability to attract personnel. Because actual results could differ materially from our intentions, plans, expectations, assumptions and beliefs about the future and any negative impacts arising from these issues will affect the performance of the Group's businesses, 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/recommended for H1FY2015.

13. Interested Person Transactions

Pursuant to Rule 907 of the SGX-ST Listing Manual and the new IPT General Mandate procured from the shareholders of the Company on 29 January 2015, the following interested person transactions had been entered into during H1FY2015:

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
Sales of newbuild vessels by Marco Polo Shipyard Pte Ltd to PT Pelayaran Nasional Bina Buana Raya Tbk	**-**	**23,759**

14. Negative Assurance on Interim Financial Statement.

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 Q2FY2015 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
Executive Director

04 May 2015